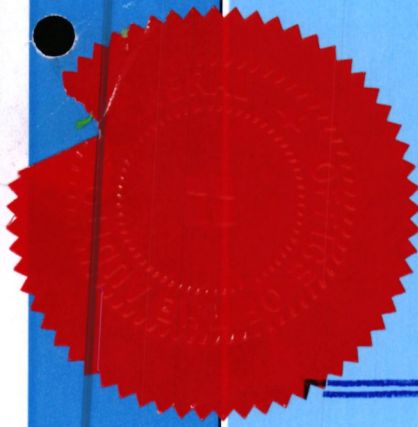



Enhancing Accountability



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REPORT

THE AUDITOR-GENERAL

ON

UNIVERSITY OF KABIANGA

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



UNIVERSITY OF KABIANGA
P.O BOX 2030-20200 KERICHO, KENYA
TEL: 020-2172665

UNIVERSITY OF KABIANGA

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)**

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KEY UNIVERSITY INFORMATION AND MANAGEMENT

BACKGROUND INFORMATION

INTRODUCTION

University of Kabianga was officially decreed by His Excellency the former President of the Republic of Kenya Hon. Mwai Kibaki at Kabianga High School grounds on the 10th of May, 2007 as a campus of Moi University.

The Kabianga Complex which included the Kabianga High School & Primary School and Kabianga Farmers Centre has a long history dating to 1925 and has been a centre of excellence in Farmer's Training, Teacher Education, Secondary, Primary Education and the 300 Acre Kipsigis County Council Tea Farm. Indeed the current Kericho Teachers' Training College was situated at the Kabianga Complex until 1963 when it was moved to the current location in Kericho Town.

The facility was officially handed over to Moi University by the Ministry of Agriculture on 8th November, 2007 and admitted its first group of 150 students on November 26, 2007. The Campus was elevated to a Constituent University of Moi University by a Gazette Notice dated the 29th of May, 2009. The University was subsequently elevated to fully fledged status through an award of Charter vide Universities Act, 2012.

The University of Kabianga is situated in what was formerly Kabianga Farmers Training Centre. The Training Centre facility was established in 1959 and managed by the Ministry of Agriculture to provide short courses, worksh.ops/seminars, and exhibition and extension services to the farming community, in the South Rift Region of Kenya.

University of Kabianga, in fulfilling its mission of community outreach, Research and extension, takes over the mandate of its successor, Kabianga Farmers Training Centre of the Ministry of Agriculture.

The University stands on 100 acres of land and is situated in the famous and lush tea-growing highlands of Kericho County in the Southern end of the Rift

Valley Province of Kenya. It is about 21km from Kericho Town and 6km off the main Kericho - Kisii road on the junction called "Premier Dairies"

Since its inception, the University embarked on the expansion of physical facilities. These include library, modern hostels, laboratories, health unit, lecture theatres, water treatment plant, septic tank elevated water tank and Network Infrastructure. Plans are underway to put up more administrative offices to cater for the surging demand.

The University has 3 accredited campuses namely: Kapkatet campus offering biomedical courses, Sotik and Kericho town campuses.

PRINCIPAL ACTIVITIES OF THE UNIVERSITY

The main activities of the University of Kabianga are as follows:

- (i) To provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of the citizens of Kenya.
- (ii) To participate in the research, transmission and preservation and enhancement of knowledge and to stimulate the intellect participation of students in the economic, social, cultural, scientific and technological development of Kenya.
- (iii) To provide and advance university education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing , contribute to manpower needs;
- (iv) To conduct examinations for such academic awards as may be provided in the statutes pertaining to the University;
- (v) To examine and make proposals for new faculties, schools , institutes , departments, resource and research centres, degree courses and subjects of study;

- (vi) To play a leading role in the development and expansion of the opportunities for higher education and research;
- (vii) To contribute to industrial and technological developments through innovations and technology transfer.
- (viii) To develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, innovation, research, and consultancy services;
- (ix) To participate in commercial ventures and other activities for the benefit of the institution, the community and stakeholders;
- (x) To contribute to agriculture, industrial and technological development of Kenya in collaboration with industrial and other institutions through the transfer of appropriate technology;
- (xi) To provide programmes, products and services in ways that reflect the principles of equity and social justice;
- (xii) To facilitate student mobility between different programmes at different training institutions, universities and industry; and
- (xiii) To foster the general welfare of all staff and students.

VISION, MISSION AND CORE VALUES

VISION:

To be a leading University in scientific innovation for the betterment of humanity.

MISSION:

To create, preserve and transfer knowledge and technology through quality and entrepreneurial education, research, extension, and partnership with government, industry and non-state actors whilst ensuring a sustainable environment.

CORE VALUES:

1. Promoting and defending intellectual and academic freedom, scholarship, innovation and relentless search for truth.

2. Fostering teamwork, collaboration, creativity and innovation,
3. Effective communication, tolerance and a culture of peace.
4. Valuing excellence, quality and service, openness, consultation, efficiency and effectiveness.
5. Recognizing competence, meritocracy, exemplary leadership, equality, integrity and national patriotism.
6. Continually improving services in order to remain competitive and relevant.







KEY MANAGEMENT



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

- i. University Council
- ii. University Management Board
- iii. University Senate

FIDUCIARY MANAGEMENT

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

S/N	Designation		Name
1.	Vice-Chancellor		Prof. Wilson K. Kipngeno , MBS B.Sc M.Sc (UoN), PhD(California, Riverside),
2.	Deputy Vice- Chancellor (Administration and Finance)		Prof. Eric Koech , MBS B.Sc (UoN), M.Sc (Mc Gill), PhD (North Wales, UK)
3.	Deputy Vice- Chancellor (Academic and Student Affairs)		Prof. Elijah I. Omwenga B.Ed Sc. (KU), PGD Comp. Sc (UoN), MSc. Comp. Sc (NUST) Bulawayo, PhD Comp. Sc (UoN)
4.	Ag Deputy Vice- Chancellor (Planning, Research and Development)		Prof. Peter Njagi BSc. (University of Nairobi); PhD. Entomology (University of Queensland, Australia).
5.	Ag. Finance Officer		Mr. Willy K. Koech BBM Accounting(Moi University), CPA (K), MBA (UoK),
6.	Deputy Registrar (Administra- tion)		Mr. Peter K. Kimalel BA(Moi University), EMBA (UoK), PG Dip HRM (Moi Uni- versity)

7.	Deputy Registrar (Academic)		Dr. Cecilia C. Sang BEd. Home Science (KU), M.Ed. (Egerton University), PhD.(Egerton University)
8.	Deputy Registrar (Planning, Research & Development)		Dr. Rev. Edwin Too BTh. (KHEU) M.Ed (University of Manchester) M.Div.(AIU), PhD (Kabarak University),

FIDUCIARY OVERSIGHT ARRANGEMENTS

The Council Committees facilitate decision-making to assist the Council in the execution of its duties, powers and authority, however delegation of authority to the Committees does not in any way mitigate or dissipate the discharge by the Council of its duties and responsibilities. Council Committees have been established with formal written terms of reference and observe the same rules of conduct and procedures as the Council. In the Financial year ended 30th June 2019 the following Committees were in place:

AUDIT COMMITTEE

- | | |
|-----------------------------|-----------------------------------|
| 1. Mr. Nicasio Karani Migwi | Chairman |
| 2. Mr. Dan Shem Omino | Member |
| 3. Mr. William P. Mayaka | Member |
| 4. Mr. Wesley Too | Member Rep - PS National Treasury |
| 5. Internal Auditor | Secretary |

FINANCE, RESOURCE MOBILIZATION AND GENERAL PURPOSE COMMITTEE

- | | |
|--------------------------|----------|
| 1. Mr. William P. Mayaka | Chairman |
|--------------------------|----------|

- | | |
|-----------------------------|--------------------------------------|
| 2. Mr. Dan Shem Omino | Member |
| 3. Mr. Nicasio Karani Migwi | Member |
| 4. Dr. Edward Kibiwott Boor | Member |
| 5. Dr. Mary W. Gaturu | Member Rep- PS Ministry of Education |
| 6. Mr. Wesley Too | Member Rep - PS National Treasury |
| 7. Vice-Chancellor | Secretary |

PLANNING AND INFRASTRUCTURAL DEVELOPMENT COMMITTEE

- | | |
|-----------------------------|--------------------------------------|
| 1. Mr. Dan Shem Omino | Chairman |
| 2. Mr. Nicasio Karani Migwi | Member |
| 3. Dr. Edward Kibiwott Boor | Member |
| 4. Dr. Mary W. Gaturu | Member Rep- PS Ministry of Education |
| 5. Vice-Chancellor | Secretary |
| 6. Representative MOPW | |

ACADEMIC, RESEARCH, HUMAN RESOURCE AND ADMINISTRATION COMMITTEE

- | | |
|--|--------------------------------------|
| 1. Dr. Edward Kibiwott Boor | Chairman |
| 2. Mr. William P. Mayaka | Member |
| 3. Dr. Mary W. Gaturu | Member Rep- PS Ministry of Education |
| 4. Mr. Wesley Too | Member Rep - PS National Treasury |
| 5. Vice-Chancellor | Secretary |
| 6. Representative Ministry of Public Service | |

REGISTERED OFFICE

University Of Kabianga
Off Kericho- Kisii Road
P.O Box 2030 - 20200,
KERICHO.

UNIVERSITY CONTACTS

Telephone: 020-2172665
E-mail: vc@kabianga.ac.ke
Website: www.kabianga.ac.ke

BANKERS OF THE UNIVERSITY

1. Co-operative Bank,
Kericho Branch.
2. Kenya Commercial Bank
Kericho Branch.
3. Standard Chartered Bank
Kericho Branch.
4. Equity Bank
Litein Branch.

INDEPENDENT AUDITORS

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

PRINCIPAL LEGAL ADVISER

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

MEMBERS OF COUNCIL

**Dr. Florence Kiragu Nyamu, OGW
Chairman**

B. Ed. (Science) (UoN),
Ed. M (Harvard), Ed.D (Harvard)



Dr. Florence Nyamu has served as an education specialist with the Forum for African Women Educationalists (FAWE) and as a consultant with the Center for African Family Studies (CAFS). Dr. Nyamu serves on the boards of a number of educational institutions and is the author of numerous papers on girls, education, development and human rights. She was re-appointed the Council Chairman of University of Kabianga on 10th March 2017.

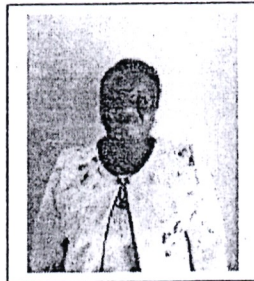
**Prof. Wilson K. Kipngeno, MBS
Secretary**

B.Sc, M.Sc (UoN), Ph.D
(California, Riverside)



Prof. Wilson Kipngeno started his career as a lecturer in University of Nairobi in the field of Applied Statistics. Through his brilliance, he has risen through the ranks to be the Vice-Chancellor of University of Kabianga. His previous work experience includes serving as a DVC (Administration Planning and Finance) in Jomo Kenyatta University of Agriculture and Technology (JKUAT) and Egerton University. Prior to his appointment in May 2013, Prof. Kipngeno was the Ag. Vice-Chancellor after serving as the Principal of Kabianga University College since May 2009.

**Dr. Mary W. Gaturu
Rep. Principal Secretary, Ministry of Education**



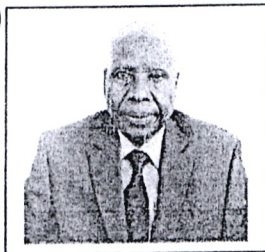
Dr. Mary W. Gaturu represents the Principal Secretary-Ministry of Education, State Department of University Education. She is the Director Quality Assurance and Standards, State Department of Early Learning and Basic Education at the Ministry of Education. She was appointed as a member of Council of University of Kabianga on 4th June 2018.

Mr Wesley K. Too
Dep. Principal Secretary,
National Treasury



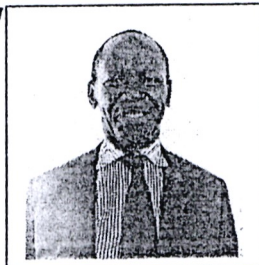
Mr. Wesley K. Too represents the Principal Secretary, National Treasury. He is a Senior Assistant Director of Resources Mobilization in the National Treasury; Resources Mobilization Department. He was re-appointed as a member of Council of University of Kabianga on 10th March 2017.

Mr. William P. Mayaka, (EBS)
MPA (Harvard)
PGC (Princeton)
BA (Colby)



Mr. William Mayaka is a retired Permanent Secretary (PS) having served in that capacity in the Ministry of Environment & Natural Resources; Industrialization; and then Tourism. A career civil servant, he served in the Ministry of Finance (then The Treasury) where he rose from an Assistant Secretary to Deputy Secretary (DS). He then served as DS in the Ministries of: Local Government; Agriculture; Environment & Natural Resources; and then Labour & Manpower Development before being honoured with appointment as PS. He has also served as member of Council, Maseno University; Director of the Board of Kenya Reinsurance Corporation; and Chairman of the Board of Directors of Nyayo Tea Zones Development Corporation. He was appointed as member of Council of University of Kabianga on the 10th March 2017.

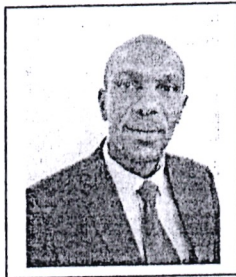
Mr. Dan Shem Omino, OGW
MBA (Maastricht)
BSc. (UON)



Mr. Dan Omino is a practitioner in consultancy covering areas of Strategy, Governance, Institutions Reforms and Performance. He has served for 10yrs as Government of Kenya Consultant in the introduction and practice of Performance Contracting to the point of being awarded with an OGW by the

	<p>President. He was co-opted to serve in the State Corporation Advisory Committee. He has served as Vice Chairman of Maseno University for 7 years. Currently he is providing advisory support to a number of State Corporations including the Water, Irrigation and University Education sector.</p> <p>He was appointed as a member of Council of University of Kabianga on 10th March 2017.</p>
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<p>Dr. Edward Kibiwoff Boor PhD (JKUAT) MA(UoN), BSc. (Egerton) and Diploma (Egerton)</p>	<p>Dr. Edward Kibiwoff Boor Has over 10 yrs hands on experience in managing agricultural and dairy related projects, enhancing controls to achieve operational objectives and create improvements, efficiencies and overall stakeholder's value and working with executive leadership teams and governance boards. Strategic experience in streamlining budgeting, forecasting, cost controls, risk/compliance management, and reporting processes. Expertise in customer engagement, board level execution, community mobilization, people management, resource mobilization and experience in managing various projects funded by international agencies like Brooke Hospital for animals (UK), USAID. He was appointed as a member of Council of University of Kabianga on 10th March 2017.</p>
<p>Mr. Nicasio Karani Migwi Member MSc. Copenhagen, Denmark MA-,Sheffield Hallam , UK BA- (Moi)</p>	<p>Mr. Nicasio Karani is an Economist with over ten years of experience as a Banker. He is an expert on Sub-Sahara Africa more so in regards to cross border banking. He is a specialist in Strategic Management. He was appointed as a member of Council of University of Kabianga on 10th March 2017</p>



Ms Patricia Munayi

Member

MA (University of Sussex UK)

PG. Dip. Mass Communication

(LoN)








BEd. KU







Ms Patricia Munayi is a gender advisor with expertise in gender mainstreaming and integration. She has engaged in policy dialogue and capacity building to strengthen and promote gender equality, women empowerment through various donor agencies including British Council, Royal Netherlands Embassy, Danida and Global Affairs Canada.

She was appointed as a member of Council of University of Kabianga on 10th March 2017.

UNIVERSITY MANAGEMENT TEAM

S/N	Designation		Name
1.	Vice-Chancellor		Prof. Wilson K. Kipngeno, MBS B.Sc M.Sc (UoN), PhD (University of California, Riverside)
2.	Deputy Vice- Chancellor (Administration and Finance)		Prof. Eric Koech, MBS B.Sc (UoN) M.Sc (Mc Gill PhD (North Wales, UK),)
3.	Deputy Vice- Chancellor (Academic and Student Affairs)		Prof. Elijah I. Omwenga B.Ed Sc. (KU), PGD Comp. Sc (UoN), MSc. Comp. Sc (NUST) Bulawayo, PhD Comp. Sc (UoN)
4.	Ag. Deputy Vice- Chancellor (Planning, Research and Development)		Prof. Peter Njagi BSc. (University of Nairobi); PhD. Entomology (University of Queensland, Australia).
5.	Ag. Finance Officer		Mr. Willy K. Koech BBM Accounting(Moi University), CPA (K), MBA (UoK)
6.	Deputy Registrar (Administration)		Mr. Peter K. Kimalel BA(Moi University), PG Dip HRM (Moi University), EMBA (UoK)
7.	Deputy Registrar (Academic Affairs)		Dr. Cecilia C. Sang BEd. Home Economics (KU), M.Ed. (Egerton University), Ph.D.(Egerton University)

8.	Deputy Registrar (Planning, Research & Development)		<p>Dr. Rev. Edwin Too BTh. (KHEU), M.Div.(AIU), M.Ed (University of Manchester) PhD (Kabarak University),</p>
9.	Ag. ICT Director		<p>Mr. Geoffrey K. Sowek M. Sc. (KCA), BSc. Computer Science (Egerton University)</p>
10.	Legal Officer		<p>Ms. Robai W. Ayuma LLB (Moi University), Dip. in Law (Kenya School of Law)</p>
11.	Ag. Deputy University Librarian		<p>Ms. JANET NANKUI Msc. Library and Information Studies (Moi University) Bsc. Library and Information Sciences (Moi University) Dip. Library and Information Studies (KSPS)</p>

CHAIRMAN'S STATEMENT

It gives me great pleasure to present University of Kabianga's Annual Report and Financial Statements for the year ended 30th June 2019. University of Kabianga operates within a framework of strong corporate governance. The Council Chairman leads a competent team of Council members in steering the University towards realization of its vision "to be a leading University in scientific innovation for the betterment of humanity".

During the FY 2018/2019, the University received a total capital grant of Ksh. **224.3M** as per budget allocation. This enhanced the implementation of the capital development plan of the University. Internally generated funds realized by the University during the year amounted to Ksh.439.7M which is mainly tuition fee and tuition related Ksh.412.5M while other incomes accounts for Ksh.27.2M.

Despite the dwindling funds, the University continued to make substantial progress during the financial year in terms of development by undertaking the following projects; Lecture Theatre Phase IV, University Library and University Main Gate. The University Health Centre was completed and has been handed over to the University while Lecture Theatre Phase IV and University Library are expected to be completed by October 2019 and December 2020 respectively.

However, the University is likely to face contractual obligations on the Lecture Theatre Phase IV and University Library certificates not paid due to non-remittance of capital fund that was allocated but not disbursed.

The University also continued to implement a Fruit Juice Processing Plant in its Main Campus to process pineapples and other fruits. The facility addresses the governments' Big Four Agenda of manufacturing and value addition and enhanced food and nutrition security. The juice processing plant plays a pivotal role within the economic pillar of Vision 2030 as well as the Sustainable Development Goals.

During the same period, the funding level from the Government was low and was not able to meet both the recurrent and development expenditure requirements of the University. It is also noted with concern that as at the end of the FY, the University had a cumulative deficit of Ksh. 74M. In response to this shortfall in funding, the University engaged in non-governmental revenue sources to bridge the gap. The University operationalized University of Kabianga Enterprise Services (UKES) Limited to enhance revenue collection base.

The recent reforms in the education sector had an impact on the University student enrolment which led to significant reduction in tuition revenue collection. To mitigate this, the University has enhanced its marketing strategies for its academic programmes to attract more students and generate sufficient revenues to run University operations.

It is worth pointing out that in the said FY, the Government of Kenya remitted the funds for the negotiated CBA less the employee and employer components of pension totaling to approximately Kshs. 29 Million. This may affect the University financial position in future as the liability remains unpaid and the University cannot predict when the government will remit the funds so that it can be recognized in the University's financial statements. We therefore call upon the Government to assist the University clear this pension liability.

To be able to remain competitive in the industry, the University endeavours to produce the relevant human capital that will drive the country towards knowledge-based economy and realize the achievement of the government priority areas such as the Big Four, Sustainable Development Goals and Vision 2030.

Research and Development activities will also form core activities of the University. The University will continue to implement its Master Plan, which informs the infrastructure development and to uphold the tenets of good corporate governance by being innovative, transparent, accountable, socially responsive as well as promoting excellence and exercise fairness in all its dealings.

The University continues to undertake its core mandate on teaching, research and extension. During the financial year 2018/2019 the University developed seven (7) programmes; (six (6) post graduate and one (1) under graduate). In 2018, 1,708 students graduated in different levels as compared to 1,687 in 2017. Health science related courses offered at Kapkatet campus are regulated and accredited by professional bodies which includes Nursing Council of Kenya, Clinical Officers Council and Public Health Officers & Technicians Council

Finally, I wish to appreciate the support that the Government and the Ministry of Education has offered to the University over the years and look forward to similar support in the coming years.

Specifically, I wish to acknowledge the commitment and dedication of the Management and staffs who have continued to perform their duties with skill, loyalty and team spirit to enable the University achieve its milestone. My sincere appreciation also goes to my colleagues in the Council for their tireless devotion; team spirit and valued guidance. I look forward to similar and even more enthusiasm and cooperation in the future.

SIGNATURE: Florence K. Nyamu
DR. FLORENCE K. NYAMU, OGW
CHAIRMAN OF COUNCIL

DATE: 22/1/2020

VICE-CHANCELLOR'S STATEMENT

I am pleased to present the 6th Annual Report and Financial Statements for the University of Kabianga for the year ended 30th June, 2019. The University has undergone significant transformation within the reporting period that will provide a platform to build on in the future.

During the year under review, the University received minimal increased government grants to finance its recurrent budget from Ksh. 762,196,953 to Ksh.777,865,409M in financial year 2017/2018 and 2018/2019 respectively. The development funding was Ksh. 224,430,000 compared to Ksh. 53,607,066 in FY 2017/2018

Received Grant	Expected Grant	Budget Allocation
224,430,000	224,430,000	240,000,000.00

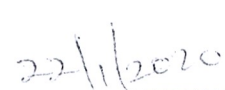
It is worth noting that there was a decline in internally generated funds from Ksh. Ksh. 457.59 Million in financial year 2017/2018 to Kshs. 439.7Million in financial year 2018/2019.

In terms of its academic programmes, the University continues to develop competitive and market oriented academic and professional programmes with a view to nurturing innovation and talents amongst students

The University of Kabianga continued to make significant progress during the year in terms of development. The University completed University Health Centre Phase I and handed over by the contractor.

SIGNATURE.....

 PROF. WILSON K. KIPNGENO, MBS
 VICE-CHANCELLOR

DATE:


CORPORATE GOVERNANCE STATEMENT

University of Kabianga is committed to ensuring good corporate governance by conducting its operations in accordance with internationally acceptable principles of good corporate governance and specifically with the requirements of Mwongozo: The Code of Conduct and Ethics for State Corporations.

The University ensures provision of timely and reliable information on its activities, structure, processes, financial situations and performance to all its stakeholders.

The Council

The Council consists of 9 members inclusive of the Vice-Chancellor as the Secretary. The Council members consist of the following:

NO.	NAME	TITLE
1.	Dr. Florence Kiragu Nyamu	Chairman
2.	Mr. William P Mayaka	Member
3.	Mr. Dan Shem Omino	Member
4.	Ms. Patricia Munayi- served up to.8.11.2018	Member
5.	Dr. Edward Kibiwott Boor	Member
6.	Mr. Nicasio Karani Migwi	Member
7.	Prof. Colletta Suda	Ex-Officio
8.	Dr. Kamau Thugge	Ex-Officio
9.	Prof. Wilson K. Kipngeno	Secretary

The biographies of the Council Members are published on page xi-xiv. These Council Members possess a broad range of skills, qualifications and experiences required to direct the affairs of the University.

Roles and Responsibilities of Council

The Council has delegated authority for the operations and administration of the University to the Vice-Chancellor. It provides strategic direction to the University and its role is confined to setting and reviewing policies and is not involved in the operational conduct of University's business activities and delivery of services. Specifically, the functions of Council include:

- a) Reviewing and approving strategic plans to steer the direction of the University
- b) Ensuring that the University is operating within procedures and policies that are sound, prudent and ethical
- c) Providing the much needed expertise particularly in terms of Policy formulation, performance management, financial management, governance and risk management and fundraising.
- d) Reviewing and approving capital and recurrent expenditure
- e) Providing Statutes for the creation of new Schools, Institutes, Departments, Divisions, Centres or other units of learning and research of the University
- f) Managing key stakeholder relationships
- g) Employing of staff as per the University's Charter and Statutes

Council composition

The Council comprises of nine (9) members as follows:

- a) the Chairman of Council ;
- b) the Principal Secretary in the Ministry, for the time being, responsible for the University Education;
- c) the Principal Secretary in the Ministry, for the time being, responsible for Finance;
- d) Five (5) members appointed competitively through a transparent and formal process by the Cabinet Secretary; and
- e) The Vice-Chancellor who shall be the Secretary to the Council and an *ex-officio* member with no voting rights in the Council meetings.

COUNCIL MEETINGS

Meetings are critical for a strong and effective Board. It is through meetings that Council receives progress reports from Management through its various committee for action and guidance where necessary. The Council meets regularly and at least four times in a Financial Year.

Council Committees

For effective running of the affairs of the University, Council has delegated part of its responsibilities to standing committees. The committees operate under clearly defined mandates which spell out their responsibilities, scope of authority and procedures for reporting to the Council. The Council has four standing committees as follows:

1. Audit Committee

The mandate of this committee is to review the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics.

2. Finance, Resource Mobilization and General Purpose Committee

The committee oversees finance matters of the University which include resource mobilization, budgets and procurement.

3. Human Resource Development and Administration Committee

This committee handles staff matters which involves employees' remuneration policy, work environment, training and development among others

4. Academic, Research, Planning and Infrastructural Development Committee

This committee deals with strategic planning, performance contracting, research, academic matters and infrastructural development.

Conflict of Interests

The Secretary to Council maintains and updates a register to record declarations of conflict interest by Council Members and ensures the register is availed at each Council or Committee meetings for this purpose.

Council and members' performance

The Council annually evaluates its own performance as well as performance of individual members, the Chairperson and the Vice Chancellor in accordance with the Evaluation Tool by State Corporations Advisory Committee (SCAC). The results of the evaluation assist in the identification of training and development needs of members and the Council.

Council Charter

The University has a Council Charter in place that defines the Council roles, responsibilities, functions and structures to facilitate the full and free exercise of professional competencies. It also provides for the general conduct of Council meetings.

Code of Conduct and Ethics

The University has a Council Code of Conduct and Ethics that stipulates ethical principles which are considered essential in providing guidance and direction in a manner in which members of the Council are expected to conduct themselves when handling matters relating to the University.

Induction and Training

The Council ensures new members undergo an effective induction programme in order to familiarize them with their responsibilities as Council Members, general principles of Corporate Governance and Council practices.

Governance, ICT and Legal Audit

The University has initiated the process of conducting legal and compliance, ICT Systems and Governance Audit in liaison with State Corporations Advisory Committee.

Council Remuneration

Remuneration of the Council members is as per circulars issued by State Corporations Advisory Committee from time to time.

Appointment of Council Members

Council members are appointed through a competitive process as per the Universities Act, 2012. On appointment all members are issued with appointment letters.

MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year 2017/2018 Recurrent capitation grants allocated was **Ksh.709M** which translates to monthly capitation recurrent grant of **Ksh.59M**. However, during the same financial year (FY 2017/2018) the University also received additional recurrent grant of **Ksh. 90M** for CBA implementation.

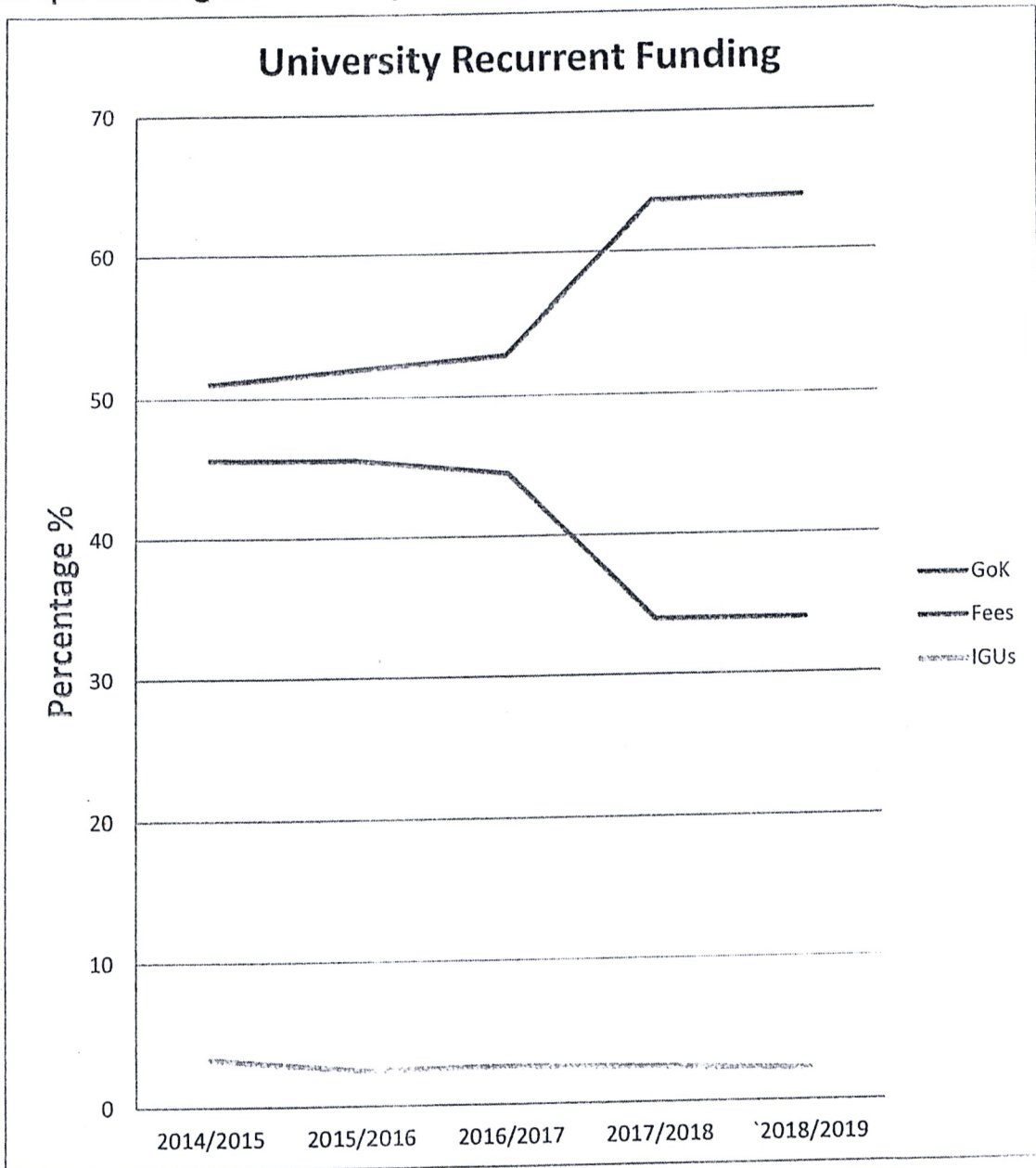
At the beginning of FY 2018/2019, the capitation recurrent grants was reduced to **Ksh.702M** while the CBA implementation part of **Ksh. 90M** was withdrawn and this drastically constrained the University operations. As at the end of the second quarter of FY 2018/2019 the recurrent funding was **Ksh.688.52M**, however as at the end of the third quarter recurrent funding was further reduced to **Ksh. 674.46M** which translates to a monthly recurrent grants of **Ksh. 56,205,628**. In the fourth quarter the government increased the monthly capitation to **Kshs 58.5M** per month. The reduction in monthly exchequer grants is analysed below.

The University Recurrent Expenditure is funded through government support and internally generated funds. The percentage of public funding for FY 2018/2019 comprises 64% whereas student related fees contribution is 34% and IGUs 2%. Capital Development expenditure is wholly funded by the Government as shown below.

University Funding- Recurrent

	University Funding Level(Amounts &Percentage)				
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
GoK	506M (51%)	575M (52%)	610M (53%)	800M (64%)	778M (64%)
Fees	453M (46%)	504M (46%)	514M (45%)	427M (30%)	412M (34%)
IGUs	33M (3%)	27M (2%)	31M (2%)	31M (2%)	27M (2%)

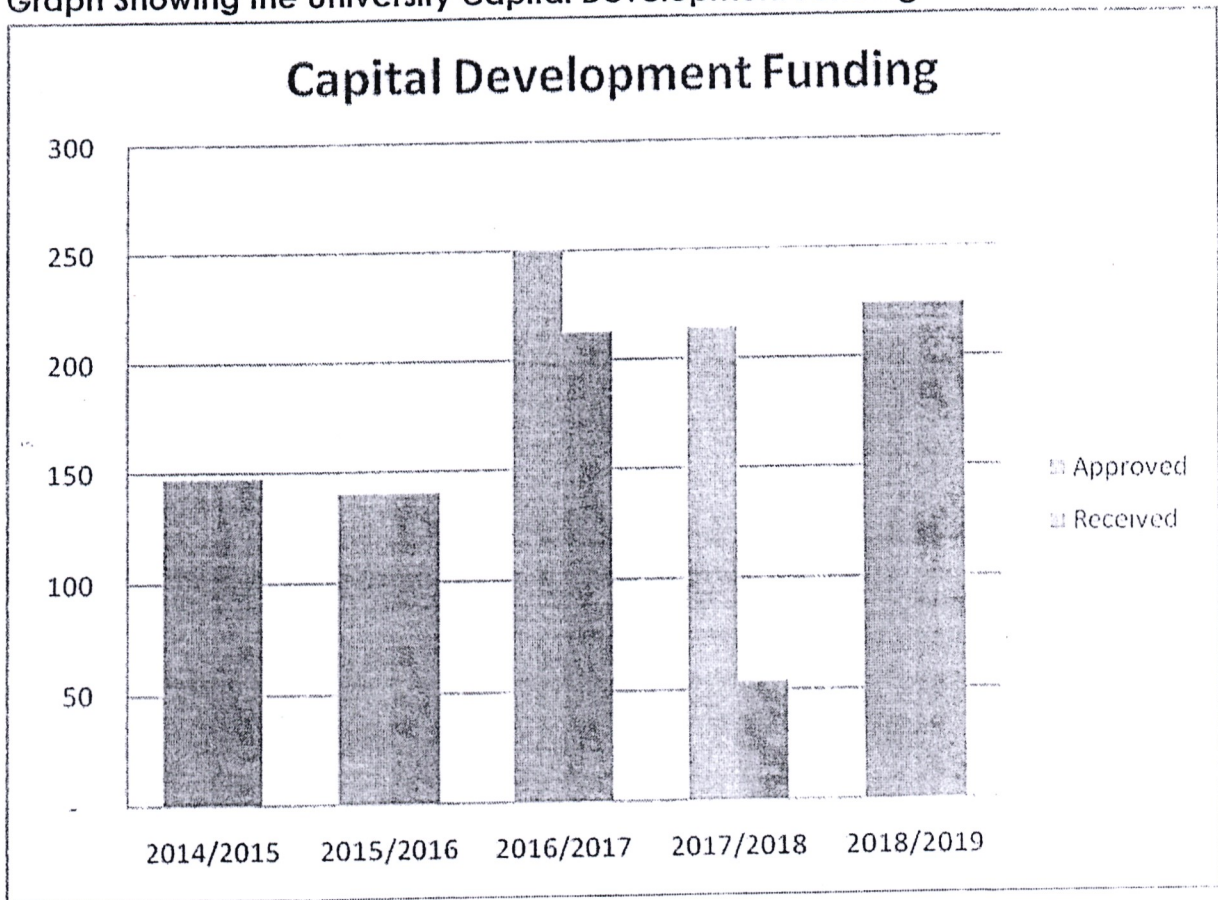
Graph Showing the University Funding in Percentage



University Funding- Capital Development

	University Funding (Kshs. Million)				
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Approved	147.96	140.88	250.00	214.43	224.30
Received	147.96	140.88	213.00	53.60	224.30
Difference	-	-	(37.00)	(160.83)	-

Graph Showing the University Capital Development Funding

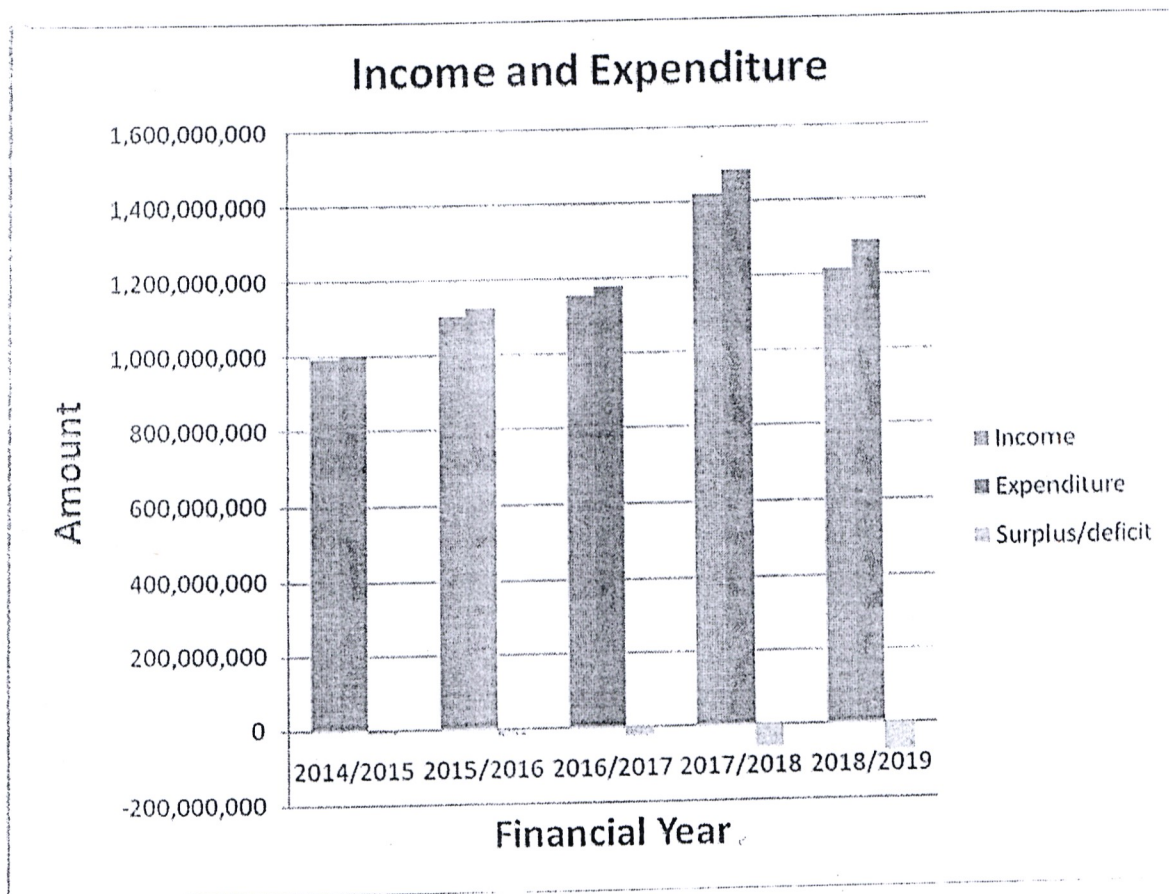


Below is a graphical presentation of the income and expenditure for the last 5 financial years from 2014/2015 to 2018/2019.

Income and Expenditure

Year	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Income	991,946,248	1,106,554,435	1,154,834,826	1,421,942,339	1,217,520,959
Expenditure	1,001,826,478	1,126,549,239	1,179,931,330	1,484,528,194	1,342,493,983
Surplus/deficit	-9,880,230	-19,994,804	-25,096,504	-62,585,855	-124,973,024

Income and Expenditure



CORPORATE SOCIAL RESPONSIBILITY (CSR)/ SUSTAINABILITY REPORTING

UOK EXTENSION WORKSHOP

The University of Kabianga through the Division of Planning, Research and Development held its 4th Extension Workshop on 1st March, 2019. The workshop brought together members of the community from Kericho County. One Hundred and twenty one (121), 54 men and 67 women participants attended the Workshop.

The main objective of the workshop was to train members of the community in prevention and management of non-communicable diseases. Also voluntary test was carried out on the kidney function, blood pressure, blood sugar and BMI.

The following were the thematic areas that were presented:

- i) Introduction of non-communicable diseases – colorectal cancer and chronic kidney diseases
- ii) Colorectal cancer - signs and symptoms, screening and diagnosis
- iii) Kidney diseases - acute kidney diseases and chronic kidney diseases
- iv) Nutritional aspects of colorectal cancer and kidney diseases

UoK ANNUAL CROSS COUNTRY CHAMPIONSHIP/SAVE THE MAU

The University has put in place projects with the objective of conserving the Mau ecosystem. In pursuance of this objective, the University organized an annual cross-country event that was held on 31st March, 2019 at the University Main Campus Pavilion. The main aim of the marathon was to conserve the South West Mau ecosystem, creating awareness of environmental conservation, Maintaining health status, Showcasing talent, and enhancing peaceful co-existence.

The main events were, 1 Km Kids Race, 2 Km Senior Staff Race (Over 55 Yrs) Men and Women 2 Km Corporate Race, 6 Km Under 20 Women, 8 Km Under 20 Men, 10 Km Senior Women, 10 Km Senior Men Mixed Relays, 10 Km University Students Women, 10 Km University Students Men, 4 Km Staff Race (Under 55yrs)

Participants were drawn from University students, Secondary school students, Primary school students, Staff, Alumni, Professional Athletes, Young Athletes, Sponsors, Council Members and Partners/Stakeholder

REPORT OF THE COUNCIL

The Council submits their reports together with the audited financial statements for the year ended 30th June, 2019 which show the state of affairs for University of Kabianga.

Principal activities

The principal activities of the University are to continue offering Higher Education, Research and Extension services.

Results

The results of the University for the Year ended June 30, 2019 are set out on page 1 to 5.

Members of Council

The Members of the Council who served during the financial year 2018/2019 are shown on page xi-xiv.

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. W.K KIPNGENO, MBS
VICE-CHANCELLOR

DATE..... 22/11/2020

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act Cap, 446 require the Council to prepare financial statements in respect of University of Kabianga, 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 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 judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The 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, 2019 and of the *ISO 9001:2015 Certified Institution*

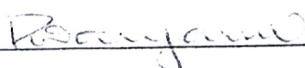
University's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

The statement of financial performance as indicated on page 1 shows a deficit Ksh. 74, 264, 864 this was as a result of depreciation figure Ksh.59, 672,141 which does not involve movement of funds. All the receipt of income generated activities are as indicated in the financial statements.

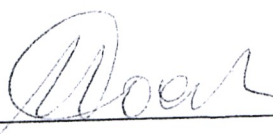
Nothing has come to the attention of the Council Members to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

APPROVAL OF THE FINANCIAL STATEMENTS

The University's financial statements were approved by the Council on 23rd September, 2019 and signed on its behalf by:



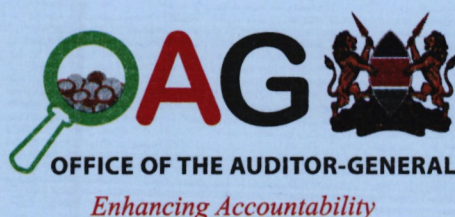
CHAIRMAN OF THE COUNCIL



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 UNIVERSITY OF KABIANGA FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of University of Kabianga set out on pages 1 to 44, which comprise the statement of financial assets and Liabilities as at 30 June, 2019, and the statement of receipts and payments, Statement of cash flow, statement of comparison of budget and actual amounts 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, due to the significance of the matter described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of University of the Kabianga 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 Universities Act, Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Going Concern

During the year under review, the University made a loss of Kshs.124,973,024 compared to loss of Kshs.62,585,856 in the 2017-2018 financial year, resulting in accumulated losses of Kshs.136,713,475 as at 30 June, 2019. Further, the current liabilities balance of Kshs.427,977,515 exceeded the current assets balance of Kshs.285,843,606 as at 30 June, 2019 resulting in a negative working capital balance of Kshs.142,133,909. The financial statements have been prepared on a going-concern basis, on the assumption that the University will continue to receive support from the National Government, donors and creditors, a position that has no documentary support.

The University is therefore technically insolvent.

2.0 Unsupported Adjustments to the Financial Statements

The financial statements for year ended 30 June, 2019 submitted for audit on 30 September, 2019 and the ammended copy submitted for audit on 23 January, 2020 reflects differences in a number of activities as indicated in the table:

Item	Financial Statement Submitted on 30 September, 2019 (Kshs.)	Financial Statement Submitted on 23 January, 2020 (Kshs.)	Difference (Kshs.)
Co-operative Bank - Development	41,263,802	93,303,766	(52,039,964)
Co-operative Bank - Operation	(58,997,331)	(73,116,005)	14,118,674
Depreciation	59,672,141	56,936,652	2,735,489
Bad Debts, Write off	0	53,443,6489	53,443,649
Preparing Mail & Equipment	2,068,275,240	2,091,707,315	23,432,075
Payables	256,774,188	317,705,083	60,930,895
Revaluation Reserve	391,49,670	389,166,652	2,313,018
Accumulated Surplus	(139,448,964)	(136,713,475)	2,735,489

The movement from the initial financial statements to the amended financial statements was not supported by necessary source documents and journal vouchers.

Under the circumstances, the accuracy of the financial statements for the year ended 30 June, 2019 could not be confirmed.

3.0 Cash and Cash Equivalentents

The statement of financial position and as disclosed under Note 19(a) to the financial statements reflects cash and cash equivalentents balance of Kshs.125,792,732 comprised of thirteen (13) bank accounts held in Commercial Banks whose bank reconciliations were not provided for audit verification. Further, disclosed under Note 19(b) to the financial statements is a bank overdraft balance of Kshs.73,116,005 whose bank reconciliation statement was not provided for audit verification.

Under the circumstances, the accuracy, and completeness of the cash and cash equivalent balance of Kshs.125,792,732 and the bank overdraft balance of Kshs.73,116,005 as at 30 June, 2019 could not be confirmed.

4.0 Unsupported Retention Account

The statement of financial position and as disclosed under Note 25 to the financial statements reflects retention money for Work-In-Progress balance of Kshs.37,156,427. However, verification of the retention money balance held in the retention bank account at Kenya Commercial Bank had a balance of Kshs.25,546,861 resulting to an unexplained and unreconciled variance of Kshs.11,609,566.

Consequently, the accuracy and completeness of the retention money for Work-In-Progress balance of Kshs.37,156,427 could not be ascertained.

5.0 Work-In-Progress

The statement of financial position and as disclosed under Note 27 to the financial statements reflects Work-In-Progress balance of Kshs.617,193,102 that is not supported by a work in progress register detailing the cost per project. Consequently, it was not possible to ascertain the status of the University's Project implementation and whether the projects were still within their time and budget limits.

In the circumstance, the accuracy and completeness of the work in progress balance of Kshs.617,193,102 for the financial year ended 30 June, 2019 could not be confirmed.

6.0 Misstatement of Current Liability

The statement of financial position and as disclosed under Note 26 to the financial statement is borrowing from Co-operative Bank with an outstanding balance of Kshs.208,750,000. Although the balance has a component of Kshs.15,000,000 excluding interest that will be repayable within the next twelve months in line with the loan agreement, the entire loan balance has been disclosed as a long-term liability leading to an overstatement by the same amount.

Consequently, the loan balance amount of Kshs.208,750,000 is overstated.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,422,683,229 and Kshs.1,441,950,959 respectively resulting to an under-funding of Kshs.19,267,730. Similarly, the University expended Kshs.1,481,981,054 against an approved budget of Kshs.1,422,683,229 resulting to an over-expenditure of Kshs.59,297,825. Management did not provide for audit review the approval for the additional expenditure.

In addition, the University overspent on general expenses by Kshs.67,360,941 (44%) and marketing expenses by Kshs.2,718,701 (35%). Even though the over expenditure was in excess of 15%, Management did not provide for audit review authority for reallocation.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the 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 money has not been applied lawfully and in an effective way.

Basis for Conclusion

Delayed Completion of Projects

1.0 Construction of Proposed Library

The University initiated the construction of an eight-storied library complex in the year 2016/2017. Verification of the project progress revealed that the project was not complete as at 30 June, 2019. The monthly progress reports from the Head of the Procurement to the Accounting Officer were not provided for audit verification.

2.0 Construction of Lecture Theatre Phase IV

The University's Management contracted for the construction of a three-storey lecture hall Phase IV in the financial year 2016/17. The contract had a duration of seventy-eight (78) weeks commencing on 22 February, 2017 and was expected to end on 08 August, 2018. Review of site meeting minutes of 31 July, 2019 revealed that the Project was seventy-five (75) percent complete. The Project Manager requested the Accounting Officer for contract period extension by twenty (20) weeks from 08 August, 2018 to 28 December, 2018. The request was accepted by the Accounting Officer on 16 January, 2019. However, the recommendation by the evaluation committee and the approved professional opinion were not provided for audit review. Also, the monthly progress reports from the Head of Procurement to the Accounting Officer were not provided for audit review. A further contract extension was sought for a further period of thirty-two (32) weeks from 28 December, 2018 to 08 August, 2019

3.0 Delayed Completion of Students Dining Hall

The University Management awarded the contract for the completion of a student dining hall on 17 May, 2017. Review of the site meeting minutes held on 31 July, 2019 revealed that the contractor had carried out sixty-five (65) percent of the works in a period of seventy-two (72) weeks after the date of completion of the Project.

Under the circumstances, value for money on the project has not been realised.

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 procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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.

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 applicable basis of accounting unless Management is aware of the intention to liquidate the University or cease operations.

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

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

Those charged with governance are responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how the Management monitors

compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to 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 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

14 September, 2021

STATEMENT OF FINANCIAL PERFORMANCE

University of Kabianga
Statement of financial performance
for the Year Ended June 30, 2019


	Note	2018-2019 Ksh	2017-2018 Ksh
Revenue from non-exchange transactions			
Exchequer Grants	6	777,865,409	964,352,185
Revenue from exchange transactions			
Tuition fees	7(a)	298,769,641	313,053,900
Tuition related Income	(b)	113,767,216	113,524,715
Rendering of Services	8	17,023,809	21,287,038
Finance Income- Interest on Deposits	9	392,922	4,575,082
Income from facilities and equipment	10	1,970,500	572,600
Other Income	11	7,731,462	4,576,819
Total Revenue		1,217,520,959	1,421,942,339
Expenses			
Employee Costs	12	944,531,148	1,082,729,764
Remuneration of Council members	13	14,683,130	17,010,371
Depreciation and Armotization Expense	14	56,936,652	72,905,644
Repairs and Maintenance Expense	15	12,860,420	21,607,460
General Expense	16	220,086,404	243,319,345
Marketing Expenses	17	10,496,083	14,911,946
Finance Costs	18(a)	29,456,496	32,043,664
Bad Debts Written Off	18(b)	53,443,649	-
Total Expenditure		1,342,493,983	1,484,528,194
Surplus/ (Deficit)		(124,973,024)	(62,585,856)

The notes set out from pages 9 to 40 form an integral part of these Financial Statements

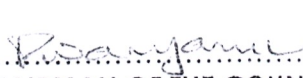
STATEMENT OF FINANCIAL POSITION
University of Kabianga
Statement of Financial Position
 As at June 30, 2019

	Note	2018-2019 Ksh	2017-2018 Ksh
Current Assets			
Cash & Cash equivalents	19(a)	125,792,732	77,004,451
Receivables from exchange transactions	20	148,307,227	131,903,873
Inventories	21	11,743,647	11,771,824
Total Current Assets		285,843,606	220,680,148
Non- current Assets			
Property, Plant & Equipment	27	2,091,707,315	1,960,480,456
Biological Assets	23	43,316,012	43,329,226
Total Non- current Assets		2,135,023,327	2,003,809,682
Total Assets		2,420,866,933	2,224,489,830
Liabilities			
Current Liabilities			
Cash & Cash equivalents	19(b)	73,116,005.00	17,508,289.20
Payables from exchange transactions	24	317,705,083	266,166,503
Retention- WIP	25	37,156,427	23,117,308
Non-Current Liabilities			
Co-operative Bank Loan (20yrs)	26	208,750,000	223,750,000
Total liabilities		636,727,515	530,542,100
Net assets			
Capital Reserves		1,531,686,242	1,307,256,242
Revaluation Reserve		389,166,652	398,431,939
Accumulated Surplus		(136,713,475)	(11,740,452)
Total Net Assets		1,784,139,419	1,693,947,729
Total Net Assets and Liabilities		2,420,866,933	2,224,489,830

The Financial Statements set out on pages 1 to 5 were signed on behalf of the University Council by:


 VICE-CHANCELLOR
 PROF. W.K. KIPNGENO


 HEAD OF FINANCE
 CPA WILLY K KOECH


 CHAIRMAN OF THE COUNCIL
 DR FLORENCE K. NYAMU

Date 22/11/2020

ICPAK NO.9696
 Date 22/11/2020

Date 22/11/2020

STATEMENT OF CHANGES IN NET ASSETS

*University of Kabianga
Statement of Changes in Net Assets*

	Capital Fund	Revaluation Reserves	Accumulated Revenue Reserves	Total
	Ksh	Ksh	Ksh	Ksh
At July 1, 2017	1,253,649,176	399,689,024	50,845,404	1,704,183,604
Surplus/Deficit for the year	-	-	(62,585,856)	(62,585,856)
Biological	-	(1,257,085)	-	(1,257,085)
Capital Grants	53,607,066	-	-	53,607,066
At June 30, 2018	1,307,256,242	398,431,939	(11,740,452)	1,693,947,729
At July 1, 2018	1,307,256,242	398,431,939	(11,740,452)	1,693,947,729
Surplus/Deficit for the year	-	-	(124,973,024)	(124,973,024)
Loss on Revaluation of Motor Vehicle	-	(9,252,073)	-	(9,252,073)
Biological	-	(13,214)	-	(13,214)
Capital Grants	224,430,000	-	-	224,430,000
At June 30, 2019	1,531,686,242	389,166,652	(136,713,475)	1,784,139,419

CASHFLOW STATEMENT
Cash flow Statement
for the Year Ended 30 June, 2019

	Note	2018-2019 Ksh	2017-2018 Ksh
Cash Flow From Operating Activities:			
Deficit for the year		(124,973,024)	(62,585,855)
Adjustments for Depreciation		56,936,652	72,905,644
		(68,036,372)	10,319,789
Surplus Before Working Capital Changes in Working Capital			
(Increase)/ Decrease in Inventories		28,177	(7,149,974)
(Increase)/ Decrease in Receivables from Exchange Transactions		(16,403,354)	(37,575,560)
Increase/(Decrease) in Payables from Exchange Transactions- Retention WIP		14,039,119	9,705,875
Increase/(Decrease) in Payables from Exchange Transactions		51,538,580	131,703,193
		(18,833,850)	107,003,323
Net Cash flows from Operating Activities			
Cash flows from Investing Activities			
(Increase)/ Decrease in Biological Assets		13,214	1,257,085
(Increase)/ Decrease in Property, Plant and Equipment		(188,163,511)	(212,610,860)
		(188,150,297)	(211,353,775)
Net cash flows used in investing activities			
Cash flows from financing activities			
Increase/ (Decrease) in Co-Operative Bank Loan (20 year)		(15,000,000)	(15,000,000)
Increase (Decrease) in Revaluation Reserve		(9,265,287)	(1,257,085)
Capital Reserves		224,429,999	53,607,065
		200,164,712	37,349,980
Net Cash flows from financing activities			
		(6,819,435)	(67,000,472)
Net Increase / (Decrease) In Cash & Cash Equivalents			
Cash & Cash Equivalents at 1 July 2018		59,496,162	126,496,634
Cash & Cash Equivalents at 30 June 2019		52,676,727	59,496,162

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL PERFORMANCE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the Year Ended June 30, 2019

	Note	Original Budget 2018-2019 Ksh	Adjustments	Adjusted Budget 2018-2019 Ksh	Actual 2018-2019 Ksh	Variance 2018-2019 Ksh
Revenue from non-exchange transactions						
Exchequer Grants – Recurrent	1	702,570,349	75,295,060.00	777,865,409	777,865,409	-
Exchequer Grants - Devt.		224,430,000	-	224,430,000	224,430,000	-
Sub-Total		927,000,349	75,295,060.00	1,002,295,409	1,002,295,409	-
Revenue from exchange transactions						
Tuition fees	2(a)	289,108,144	-	289,108,144	298,769,641	-9,661,497
Tuition related Income	(b)	86,771,006	-	86,771,006	113,767,216	-26,996,210
Rendering of Services	3	29,627,556	-	29,627,556	17,023,809	12,603,747
Finance Income- Interest on Deposits	4	1,250,000	-	1,250,000	392,922	857,078
Rental income from facilities and equipment	5	360,000	-	360,000	1,970,500	-1,610,500
Other Income	6	13,271,114	-	13,271,114	7,731,462	5,539,652
Sub-Total		420,387,820	-	420,387,820	439,655,550	-19,267,730
Total Revenue		1,347,388,169	75,295,060.00	1,422,683,229	1,441,950,959	-19,267,730
Expenses						
Employee Costs	7	910,276,022	48,387,176.00	958,663,198	944,531,148	14,132,050
Remuneration of Council members	8	6,027,142	8,668,968.00	14,696,110	14,683,130	12,980
Repairs and Maintenance Expense	10	6,239,148	6,000,000.00	12,239,148	12,860,420	-621,272
General Expense	11	140,486,547	12,238,916.00	152,725,463	220,086,404	-67,360,941
Marketing Expenses	12	7,277,382	500,000.00	7,777,382	10,496,083	-2,718,701
Finance Costs	13	27,544,000	-	27,544,000	29,456,496	-1,912,496
Non-Current Assets	22	25,107,928	-500,000.00	24,607,928	25,437,373	-829,445
Capital Devt. Projects	22	224,430,000	-	224,430,000	224,430,000	-
Total Expenditure		1,347,388,169	75,295,060	1,422,683,229	1,481,981,054	-59,297,825
Surplus/ (Deficit)		-	-	-	40,030,095.00	40,030,095.00

EXPLANATION OF MATERIAL VARIANCE

The following are the explanations on the material variances to the budget versus actual performance.

Exchequer Grants (Recurrent) – Kshs. (777,865,409)

The University's original budget as per the printed estimates of recurrent expenditure {votes R1011-R1162} was Kshs 702,570,349. The estimates were later adjusted downwards by Kshs 14, 051,406.00 to Kshs 688,518,943.00 in November 2018 after the parliament passed the Supplementary I estimate. Further amendments to the recurrent grants was done in June 2019 after being considered in Supplementary II estimates where the government approved an additional Kshs 89,346,466.00 . The university Final budget for the financial year 2018/2019 was **Ksh. 777.8M** after the negative adjustment of Ksh.14M as Supplementary I Estimates and Ksh.89M as Supplementary II Estimates.

Tuition Fees – Kshs 298,769,641

The Tuition fee collection in the year is Kshs 298M up from the budget of Kshs 289M. Giving a positive variance of Kshs 9.6M
The target was achieved as a result of University implementing the students' fees payment policy and also debtors' policy

Tuition-related Income - Ksh. (113,767,216)

This category of income includes registration fees, students ID Charges, Examination fees, Insurance fees, Activity fees, Computer fees and Internet fees. Since they are fee related, the increase in fee collections enhances the collection of Tuition related income.

Rendering of Services - Ksh. (17,023,809)

This class of income includes Accommodation fees, Farm Income, Catering Services and Guesthouse income. The negative variance on this income arose as a result of the drop in the number of students who reside inside the University Hos-

tels, consequently food sales dropped and also as a result of being away it contributed to the sales from Catering Services to reduce.

Employee Costs - Ksh. 14,132,050

There is a favourable variance of Ksh 14,132,050. This is mainly due to the fact that the recruitment of new staff to fill vacant positions had not been completed by the end of the financial year.

Repairs and Maintenance Expense Ksh. (-621,272)

There was an unfavourable variance of Kshs. -621,272 as a result of repairs and maintenance of the old buildings inherited by university to meet regulatory requirements during the year.

Marketing Expenses Ksh. -2,718,701

This unfavourable variance arose due to marketing activities of the University programmes being undertaken including the Save the Mau Cross country event.

Finance Costs - Kshs. -1,912,496

This component includes principal and interest repayment of the bank loan and bank charges. This unfavourable variance is due to reduction in interest charges due to reduced loan principal and also, there was a decline in other bank charges/commissions and charges.

Non-current assets – Kshs -829,445

These are items of capital nature whose procurement process is long. The favourable variance recorded is a result of procurement of capital items which were ordered but had not been supplied by the end of the financial year.

Capital Development projects expenditure - Kshs. 224,430,000

The Zero variance is attributable to payment of certificates for the works on the ongoing development projects currently being undertaken by the university as a

result of the University receiving all its funds allocated by the State Department of University Education.

Explanation of changes between original and final budget

Budget adjustment of **Ksh. 89 M** was amount received by the University as a result of approval of the Supplementary II Estimates for the Payment of salary arrears and creditors within the financial year but had not been factored in the original approved budget.

RECONCILIATION OF THE STATEMENT OF BUDGET AND ACTUAL AMOUNTS WITH THE STATEMENT OF FINANCIAL PERFORMANCE.

- The statement of comparison of budget and actual amounts includes amounts budgeted for non-current assets included in the recurrent budget of **Ksh. 24.6 M** and the capital development budget of **Ksh.224 M**.
- Finance costs in the statement of comparison of budget and actual amounts include the repayment of principal loan of **Ksh.15 M**.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

University of Kabianga is established by and derives its authority and accountability from charter vide University Act 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to offer University education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION IPSAS 1

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 judgement 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.

University of Kabianga financial statements have been prepared in accordance with the PFM Act , the state Corporations Act and the International Public Sector Accounting Standards (IPSAS). The accounting policies 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 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

The above standard is not relevant to the University since the University is operating a defined contribution pension scheme.

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:
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 which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The University did not early – adopt any new or amended standards in year ended 30th June 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The University 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.

ii) Revenue from exchange transactions

Rendering of services

The University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. 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.

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on June 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 University upon receiving the respective approvals in order to conclude the final budget. Accordingly, the University recorded additional appropriations of Ksh. 1,422,683,229 on the 2018-2019 budget following the University Council's approval.

The University'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 ap-

proved 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 the Statement of comparison of budget and actual performance of these financial statements.

c) Taxes

Current income tax

The University is exempted from taxation under the first schedule of the income tax Act Cap 470.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the 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.

Fixed Assets are stated at cost or valuation, less accumulated depreciation. Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. Assets are subjected to a full year's depreciation. The annual rates are:

The annual depreciation rates in use are:

Building	2%
Furniture, plant and equipment	12.5%
Motor Vehicles	25%
Library books	10%
Computers	33.3%

Freehold land is not depreciated as it is deemed to have an infinite life

f) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a fi-

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) Biological assets

Biological assets are revalued yearly as per the policy of the University. Professional valuer is engaged to value the biological assets at the end of the financial year. Market values are taken into consideration by carrying out market survey.

i) Research and development costs

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

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

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 University 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:

- i) The debtors or a entity of debtors are experiencing significant financial difficulty
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization
 - a. 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 University 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.

j) 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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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.

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.

k) Provisions

Provisions are recognized when the University 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. A provision of 5% of the total receivables has been provided to take care of receivables which may not be recovered in full.

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

Contingent assets

The University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the 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.

l) Nature and purpose of reserves

The university creates and maintains reserves in terms of specific requirements as follows: (i) capital reserve - used to record contribution made by government in form of grants / transfers (ii) revaluation reserve - used to indicate the revalued amount on the plant property and equipment.

m) 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.

n) Employee benefits

Retirement benefit plans

The University provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

o) 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.

p) 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.

q) Related parties – IPSAS 20

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

r) Service concession arrangements

The University analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure re-

quirements. 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.

s) Investment policy

Any excess/idle funds should be invested in short-term treasury bills/bonds or commercial banks Fixed deposits (FDR) as per the central bank guidelines.

t) Capital Funds Retention policy

All capital development projects shall attract a retention fee of 10% which shall be deposited to Kenya Commercial bank retention account and shall be paid to the contractor upon completion of the project.

u) 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.

v) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on June 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 University upon receiving the respective approvals in order to conclude the final budget. Accordingly, the University recorded additional appropriations of Ksh. 1,422,683,229 on the 2018-2019 budget following the University Council's approval.

The University'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.

w) Comparative figures

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

x) Subsequent events

There have been one event subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

Valuation for the University Motor Vehicles;

The request to revalue the University vehicles was issued to the ministry of public works in June 2019. The process continued until the final certificates of revaluation were received in the University on 26th August 2019. The values were thus incorporated to the PPE in the financial statements with the new netbook values of Kshs.37, 666,606

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The 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:

- i. The condition of the asset based on the assessment of experts employed by the Entity

- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii. The nature of the processes in which the asset is deployed
- iv. Availability of funding to replace the asset
- v. Changes in the market in relation to the asset

NOTES TO THE FINANCIAL STATEMENTS CONT'

**Note 6: Exchequer Grants-
Recurrent
Description**

	2018-2019 Kshs	2017-2018 Kshs
Unconditional grants		
Ministry of Higher Educ. S&T		
02-Aug-18	58,547,529	78,417,177
		85,807,278
30-Aug-18	58,547,529	59,105,515
01-Oct-18	58,547,529	59,105,515
07-Nov-18	58,547,529	59,105,514
03-Dec-18	55,034,678	59,105,515
27-Dec-18	55,034,678	37,858,980
		59,105,515
01-Feb-19	57,376,579	7,571,796
		59,105,514
07-Mar-19	57,376,579	7,571,796
		59,105,515
28-Mar-19	53,863,725	7,571,796
		59,105,515
02-May-19	58,547,529	7,571,796
		59,105,515
06-Jun-19	58,547,529	7,571,796
		59,105,515
28-Jun-19	58,547,530	7,571,796
Allocated Supplementary II FY 2018/2019 (Accrued)	89,346,466	59,105,515
		7,571,796
		59,105,515
Total Recurrent Received to Date	777,865,409	964,352,185

**Note 7 : Tuition and Related
Income
Description**

	2018-2019 Kshs	2017-2018 Kshs
a) Revenue from Tuition Fees	298,769,641	313,053,900
	298,769,641	313,053,900
b) Tuition Related Income		

Registration fees	174,500	226,400
Students' ID charges	1,410,450	1,601,200
Examination fees	8,481,000	9,095,850
Insurance fees	1,861,000	1,890,000
Graduation Fees	7,654,130	5,857,500
Activity fees	7,613,300	7,523,205
Computer fees	7,286,260	7,584,300
Field trips/Teaching Practice	30,000,400	30,364,960
Internet fees	7,000,556	7,325,700
MBA Thesis	2,030,000	1,477,200
Supervision	2,160,000	1,603,000
Medical fees	10,493,100	11,225,800
Amenity fees	6,976,600	7,428,700
Cobes	1,369,700	1,506,100
Research Fees	10,000	61,000
Practical Manual & 3 Log Books	72,000	159,000
Transport Fees	1,294,500	1,174,500
UoKSO	2,025,170	2,289,300
Library Fees	7,133,300	7,454,250
Supplementary Exams	727,600	649,600
Clinical Placement fee	399,000	408,000
Community Diagnosis	934,200	625,500
Exposures	1,898,000	1,546,000
Quality Assurance Fee	1,652,850	2,120,100
Special Rotation - Accommodation	238,000	234,500
Clinical Assessment Fee	2,871,600	2,093,050
Sub-Total	113,767,216	113,524,715
	412,536,857	426,578,615

Note 8: Rendering of Services

Description	2018-2019	2017-2018
	Kshs	Kshs
Accommodation Services	6,795,700	8,952,450
Farm income	2,919,479	3,938,576
Catering Services	2,338,965	2,736,912
Guest House income	4,969,665	5,659,100
	17,023,809	21,287,038

Note 9: Finance Income

Description	2018-2019	2017-2018
	Kshs	Kshs
Interest on Fixed Deposits	392,922	4,575,082
	392,922	4,575,082

Note 10 Income From Facilities

Description	2018-2019	2017-2018
	Kshs	Kshs
Income from Facilities	1,970,500	572,600
	1,970,500	572,600

Note 11: Other Incomes

Description	2018-2019	2017-2018
	Kshs	Kshs
Book Shop Sales	65,089	78,420
Sale of tender documents	26,400	30,600
Photocopying receipts	-	9,554
Application fees	747,275	725,200
Fines and penalties	223,311	134,375
Seedlings	4,770	35,695
Hospitality Restaurant Unit	106,150	156,670
Misc. Income	814,490	179,003
Damages	-	-
Learning chinese Language	-	12,500
Examination Retake	782,400	339,000
UoKSO Nomination Fees	27,700	1,400
Transcript Correction/Replacement	78,600	55,600
Donation from Sponsors	-	110,000
Remarking	15,000	19,000
Water Bill	20,000	500
Kapkatet Morgue Services	53,500	58,000
Bakery Income	195,850	273,360
Donors- Grants	-	721,817
Lost Books	47,126	38,525
Hire of Gowns	46,000	379,500
UOK Annual Cross Country Income	170,300	564,100
UOK Annual Conference	267,000	644,000
Decrease in provision for bad debts	3,839,111	-

Short Courses Training	201,390	10,000
	7,731,462	4,576,819

Note 12: Employee Costs

Description	2018-2019 Kshs	2017-2018 Kshs
Salaries and Wages	524,697,026	674,933,190
Employee related Costs- Con- tribution to pension	75,814,823	51,721,975
Commuter/ car Allow- ance/other Allowances	110,741,300	111,706,996
House Allowance	233,277,999	244,367,603
Employee costs	944,531,148	1,082,729,764

Note 13: Remuneration of Council members

Description	2018-2019 Kshs	2017-2018 Kshs
Chancellor's Honoraria	-	1,200,000
Chairman's Honoraria	1,020,000	1,020,000
Council Allowance	4,344,810	4,360,408
Travelling and Accomodation Allowances	9,318,320	10,429,963
Total Council emoluments	14,683,130	17,010,371

Note 14: Depreciation and Amortization Expense

Description	2018-2019 Kshs	2017-2018 Kshs
Property, Plant and Equip- ment	56,936,652	72,905,644
Total Depreciation and Armo- tization	56,936,652	72,905,644

Note 15: Repairs and Maintenance Expense

Description	2018-2019 Kshs	2017-2018 Kshs
Maintenance of Catering and Hostels	1,508,576	1,492,984
Maintenance of plant and equipment	1,750,885	978,220
Maintenance of Water supply	1,286,462	1,754,318

& Sewerage		
Maint of Buildings	1,653,936	3,158,981
Maintenance of Play Grounds	260,912	353,508
Vehicle running expenses	6,229,437	13,869,448
Maintenance of Computers & Copiers	170,213	-
Total Repairs and Maintenance	12,860,420	21,607,460

Note 16: General Expenses

Description	2018-2019 Kshs	2017-2018 Kshs
Recruitment/Training Expenses	74,580	83,100
Senate Committee meetings	1,719,235	596,410
Cleaning materials	1,980,600	579,957
Conferences and seminars	1,468,990	1,002,150
Electricity, water and conservancy	14,518,475	13,880,156
External examiners expenses	3,152,052	4,156,461
External Travelling Expenses	227,562	2,060,004
Graduation Expenses	9,329,746	7,990,947
Strategic Plan Implementation	60,000	528,100
ISO related Expenses	1,321,432	1,715,560
Morgue Expenses	-	24,800
Insurance Expenses	8,127,224	9,479,710
Internet connectivity expenses	18,621,000	14,314,402
Legal & Other Expenses	2,000,000	3,820,462
Library Journals	1,524,881	1,581,926
Medical Drugs	2,372,262	6,420,940
Meetings & Workshops	624,900	1,624,471
Bsc Nursing Training Files and Indexing Expenses	33,000	-
Minor works on water & sewerage	388,250	110,090
Office Expenses	1,799,925	2,815,051
Official entertainment	19,100	503,100
Open & Cultural Day Expenses	1,221,830	618,740
Payment of Rent & Rates	18,289,701	19,018,958
Purchase of uniforms	179,900	365,208

Teaching materials	1,377,695	1,169,953
Telephones	3,447,000	4,925,900
Travelling and accommodation	10,635,224	23,864,307
University medical scheme	18,677,752	18,296,947
University Research Programme	3,716,724	2,431,303
Valuation/Consultancy	3,139,924	5,404,248
Works Study programme	929,100	827,250
Provision for bad & doubtful debts	-	6,942,309
Farm Expenses	209,500	548,587
Games and sports expenses	10,500	555,355
Guest house expenses	3,084,912	4,318,565
Kitchen Expenses	7,930,769	10,038,284
Bakery Expenses	403,845	156,590
Bookshop Expenses	29,850	9,490
UKES Admin. Expenses	-	62,453
UoKSO Welfare	1,942,610	2,180,807
Lab Chemicals	3,061,131	4,112,817
Postal and telegram	64,645	135,059
Student Activities	4,999,402	5,397,314
Student Field Trips/Courses Expenses	16,239,748	11,093,103
Academic Programmes Development & Accreditation	4,080,875	320,000
Inter-University Games	515,295	175,440
KUCCPS and CUE Accreditation	2,317,500	-
Contract/Outsourced Services	3,536,128	3,342,653
Teaching Practice & Attachment	14,960,430	19,017,575
Performance contract Expenses	717,610	1,232,563
Stationery	5,052,719	8,737,239
HIV/ AIDS Awareness expenses	129,300	213,700
UoK SRBS Pension scheme expense	1,790,918	4,486,867
Audit fee	1,392,000	696,000
Academic Scholarship	-	860,775
Students Penalty Expense	-	3,450
Community Based Education	2,450,307	2,336,694

Service(COBES)		
Dev. Project Consultancy Fees	2,031,500	1,660,820
External Research Grants Expenses	8,677,105	-
Bench fee Expense	300,000	-
Staff Development	3,179,740	4,474,225
Total General Expenses	220,086,404	243,319,345

Note 17: Marketing Expenses

Description	2018-2019 Ksh	2017-2018 Ksh
Publishing and Printing	3,003,737	4,796,333
Advertising & Publicity	5,302,141	8,450,935
Show expenses & Outreach Expenses	1,564,065	766,370
UoK Annual Cross Country Event	626,140	898,308
Total Marketing Expenses	10,496,083	14,911,946

Note 18(a): Finance Costs

Description	2018-2019 Kshs	2017-2018 Kshs
Interest on Loan	28,427,671	31,329,227
Bank Charges	1,028,825	714,436
Total Finance Costs	29,456,496	32,043,664

Note 18(b): Bad Debts Written Off

Adjustments of Wrong Invoices posted to Students Accounts. Approved by Council Minutes number **MIN/COUN/21/2019/224** dated **27th June 2019**

53,443,649

Note 19(a): Cash and Cash Equivalents

Description		2018-2019 Kshs	2017-2018 Kshs
Financial Institution	Account number		
Kenya Commercial Bank (Pssp)	1120671418	1,456,893	11,064,911
Kenya Commercial Bank(Gssp)	1120671299	508,394	7,876,723
Kenya Commercial Bank (Accom.)	1120671450	676,206	677,039
Co-operative Bank of Kenya(Pssp)	1129335586400	685,931	3,137,541

Co-operative Bank of Kenya(Gssp)	1129335586400	214,426	3,713,922
Co-operative Bank of Kenya Capital Dev. A/C	1120335586400	93,303,766	3,416,754
Stanchart (Gssp)	102832991700	1,480,350	625,100
Stanchart (Pssp)	102832991701	1,276,476	2,578,726
Stanchart Research Account	102832991702	76,508	561,119
Equity Bank (Gssp)	530271957342	230,151	1,404,981
Equity Bank (Pssp)	530271957475	336,770	2,777,961
Co-operative Bank-Fixed deposit A/C		-	26,487,463
Kenya Commercial Bank (Retention A/C)	1207008966	25,546,861	12,682,211
		125,792,732	77,004,451

Note 19(b): Cash and Cash Equivalents

Co-operative Bank of Kenya Operations A/C	1129046214700	(73,116,005)	(17,508,289)
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Note 20: Receivables from Exchange Transactions

Description	2018-2019	2017-2018
	Ksh	Ksh
Student fees debtors	62,063,959	138,846,182
Provision for doubtful Debts	(3,103,198)	(6,942,309)
Receivable from Non- Exchange Transaction		
Accrued Allocated Supplementary II	89,346,466	
Total Receivables	148,307,227	131,903,873

Note 21: Inventories

Description	2018-2019	2017-2018
	Ksh	Ksh
Inventories- Consumable stores	11,743,647	11,771,824
Total Inventories	11,743,647	11,771,824

Note 22: Short-Term Investments

Description	2018-2019	2017-2018
	Ksh	Ksh
Fixed Deposit Account Cooperative Bank	-	26,487,463
Total Investment	-	26,487,463

Note 23: Biological Assets

Description	2018-2019	2017-2018

	Ksh	Ksh
Tea	3,242,512	3,447,626
Livestock	3,460,000	3,234,000
Cypress Trees	5,093,200	5,171,600
Pine Trees	420,000	420,000
Eucalyptus Trees	26,380,800	26,402,400
Gravillea Trees	4,508,000	4,513,600
Macademia Nut Trees	49,000	49,000
Bananas	162,500	91,000
Total Biological Assets	43,316,012	43,329,226

Note 24: Payables from Exchange Transactions

Description	2018-2019 Ksh	2017-2018 Ksh
Recurrent Creditors	32,477,660	69,560,669
Capital Creditors	15,027,698	38,337,595
Salary creditors	43,422,732	-
Caution Money	6,413,400	5,718,900
Provision for audit fees	1,392,000	696,000
Provision for Valuation	2,500,000	2,500,000
Provision for Part time lecturers	130,141,484	66,759,454
KUCCPS fees	9,312,850	8,013,850
Room Deposit	3,471,550	2,888,550
Student field trips and attachment	-	-
Research funds from donors	21,278,106	22,886,505
Prepaid fees	52,267,603	48,804,980
	317,705,083	266,166,503

Note 25: Retention

Description	2018-2019 Ksh	2017-2018 Ksh
Retention- WIP		
Lecture Phase III	550,933	550,933
Lecture Phase II	3,154,791	3,154,791
Hostel Phase II	940,615	661,401
Health Unit 1	454,107	454,107
Library	14,883,759	10,167,395
Lecture Theatre Phase IV	13,075,772	7,508,230
Main Gate	-	447,387
Pineapple juice plant- Changing rooms	124,283	71,346
ICT Infrastructure	2,998,262	-
Dining hall	872,187	-
Staff Toilets	101,718	101,718

37,156,427 **23,117,308**

Note 26: Borrowings
Description

Co-operative Bank Loan (20yrs)

2018-2019 **2017-2018**
Ksh **Ksh**

208,750,000 223,750,000
208,750,000 **223,750,000**

Description

Balance at the beginning of the period

Repayment

July

August

September

October

November

December

January

February

March

April

May

June

Sub-total

Balance at the end of the period

2018-2019 **2017-2018**
Ksh **Ksh**

223,750,000 **238,750,000**

1,250,000 1,250,000

1,250,000 1,250,000

1,250,000 1,250,000

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1,250,000 1,250,000

1,250,000 1,250,000

1,250,000 1,250,000

15,000,000 **15,000,000**

208,750,000 **223,750,000**

Note 27: PPE Schedule

Capital projects remain as work in progress until they are certified complete then they are recognised as assets.

	Land	Buildings	W.I.P	Plant and Equipment	Computers, Printers & Copiers	Furniture & Fittings	Motor Vehicles	Library books	Total
Depreciation Rate	0	2.00%		12.50%	33.33%	12.50%	25%	10%	
COST VALUATION	KShs	KShs.	KShs.	KShs	KShs.	KShs.	KShs	KShs	KShs.
As at 1st July, 2017	110,000,000	1,375,521,808	345,754,663	40,119,934	54,610,360	40,038,914	35,867,663	23,106,115	2,025,019,457
Additions	-	-	163,843,319	3,432,923	4,164,199	230,500	11,051,016	11,686,275	194,408,232
Disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Transfer to Buildings	-	5,947,754	(5,947,754)	-	-	-	-	-	-
As at 30 June, 2018	110,000,000	1,381,469,562	503,650,228	43,552,857	58,774,559	40,269,414	46,918,679	34,792,390	2,219,427,689
Additions	-	-	151,281,627	2,077,522	1,545,725	6,267,972	-	15,546,154	176,718,999
Disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	(9,252,073)	-	(9,252,073)
Transfer to Buildings	-	37,738,753	(37,738,753)	-	-	-	-	-	-
As at 30 June, 2019	110,000,000	1,419,208,315	617,193,102	45,630,379	60,320,284	46,537,386	37,666,606	50,338,544	2,386,894,615
DEPRECIATION									
At 1 July, 2017	-	(104,301,039)	-	(22,505,134)	(26,313,159)	(19,577,561)	(8,966,916)	(4,377,780)	(186,041,589)
Depreciation	-	(27,629,391)	-	(5,444,107)	(19,589,561)	(5,033,677)	(11,729,670)	(3,479,239)	(72,905,645)
At 30 June, 2018	-	(131,930,430)	-	(27,949,241)	(45,902,720)	(24,611,238)	(20,696,586)	(7,857,019)	(258,947,234)
Depreciation	-	(28,384,166)	-	(5,703,797)	(11,997,661)	(5,817,173)	-	(5,033,854)	(56,936,652)
Revaluation	-	-	-	-	-	-	20,696,586	-	20,696,586
At 30 June, 2019	-	(160,314,596)	-	(33,653,038)	(57,900,381)	(30,428,411)	-	(12,890,873)	(295,187,300)
NET BOOK VALUE									
As at 30 June, 2019	110,000,000	1,258,893,718	617,193,102	11,977,341	2,419,903	16,108,975	37,666,606	37,447,670	2,091,707,315
As at 30 June, 2018	110,000,000	1,249,539,132	503,650,229	15,603,616	12,871,839	15,658,176	26,222,093	26,935,371	1,960,480,456

28. Related Party Disclosures

The following transactions were carried out with related parties

	2019	2018
Key management compensation		
(i) Council remuneration		
Allowances paid to Council members	14,683,130	14,076,371
(ii) Grants from related parties		
Grant from GOK	777,865,409	964,352,185

29. Risk management policies

The University's principal financial assets are, trade receivables and cash and short term deposits which arise directly from its operations. The University has financial liabilities comprising trade and other payables.

The University has exposure to the following risks:

- i) Market risks
- ii) Liquidity risk
- iii) Credit risks

The Council has overall responsibility for the establishment and oversight of the University's risk management framework.

The University's risk management policies will be established to identify and analyze the risks faced by the University, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in economic conditions and the University's activities.

Market risk management

Interest rate risk

The University has interest bearing borrowings and is financed by cash generated from its operations. The University will always strive to increase its market share to match the interest of the day.

Liquidity risk

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they fall due. The University's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation. Typically the University ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence. All capital investments are funded by the Government.

Credit risk

Credit risk is the risk of financial loss to the University if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The University receives fees from students which minimizes the credit risk exposure. The University has a student's fees payment policy which defines how and when fees are supposed to be paid hence minimizes credit risk.

Classification of credit risk bearing assets

The table below represents University's maximum exposure to credit risk as at 30 June 2019 and 2018.

	2019	2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	52,676,727	59,496,162
Receivables from Exchange Transactions	148,307,227	131,903,873
	200,983,954	191,400,035

All the University's receivables are fully performing and are expected to be received. Bank balance includes cash in hand and deposits held with banks.

30. Provisions

Provisions are recognized when the University 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 is made of the amount of the obligation.

31. Contingent Assets and Liabilities

The University has a contingent liability in the court case of Prof. Augustine Afullo (School of Science and Technology) Vs University of Kabianga case number 67 of 2018 in the Employment and Labour Relations Court at Kericho.

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The University received its 2017/2018 audited Financial statements with an unqualified opinion. However, the following were the Observations and recommendations;

Ref No	Observations from Auditor	Management Comments	Focal Point Person	Status	Time-frame
1	The statement of financial position as at 30 th June 2018 reflects receivables from exchange transactions of Kshs.131,903,873 which has significantly increased from the figure of Kshs. 94,328,313 as at 30 th June 2017. This amount is primarily student fee debtors. It is not clear how the student debtors arise since clause 5 of the fees payment policy requires a student to pay tuition fees and other related charges to the program at the time of registration.	The University Senate, Management board and Council discussed the Student debtors report and all the individual student case by case was handled. The Council in its regular approved the writing off of debtors to a total of Kshs. 62,411,496.50 as per minute number MIN/COUN/21/2019/224	VC	Resolved	2018/2019
2	Grounded Motor Vehicles Physical verification on 26.11.2018 revealed that the 4 University vehicles were grounded and their condition was dete-	The grounding of the four (4) vehicles owned by the University was done based on the engineers report. The process of disposal of University motor vehicles is ongoing as per the public procurement and Asset dis-	VC	Partially Resolved. The hand-over report is ready and all	2019/2020

	riorating.	posal Act .However there has been a delay in the above process due to the log books being withheld by Moi University. The ownership is still with Moi University and efforts made by the University to transfer the above assets have not yet been honored. This does not affect the financial statements of the University as their values are not captured due to the ownership issue.		contentious issues have been agreed upon. The hand-over to Uok shall be done before 30.6.2020	
3	Senior Managers in Acting Appointments	The University has taken steps to fill those positions by advertising in the daily newspapers of September 2019. The candidates who applied have been short-listed and the process of their appointments shall be completed before 30 th June 2020	VC	The Interviews has been scheduled for 23 rd and 24 th January, 2020	2019/2020

Roanyamu

 CHAIRMAN OF THE COUNCIL

Date *22/1/2020*

David

 VICE-CHANCELLOR

Date *22/1/2020*

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the University funded by the Government of Kenya (GoK).

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget FY 2018/2019	Sources of funds
1	University Library	Kshs. 834,523,967	KSh. 149,400,907	33%	Kshs 224,430,000	GoK
2	Lecture Theatre Phase IV	Kshs 247,942,475	KSh 130,631,535	75%		GoK

APPENDIX III: INTER-ENTITY TRANSFERS

Break down of Transfers from the State Department of University Education

a. Recurrent grants

Date Received	Amount	Financial Year
2-Aug-18	58,547,529	2018/2019
30-Aug-18	58,547,529	2018/2019
1-Oct-18	58,547,529	2018/2019
7-Nov-18	58,547,529	2018/2019
3-Dec-18	55,034,678	2018/2019
27-Dec-18	55,034,677	2018/2019
1-Feb-19	57,376,579	2018/2019
7-Mar-19	57,376,579	2018/2019
28-Mar-19	53,863,725	2018/2019
2-May-19	58,547,529	2018/2019
6-Jun-19	58,547,529	2018/2019
28-Jun-19	58,547,529	2018/2019
Accrued Supplementary II 2019	9 July 89,346,466	2018/2019
TOTAL	777,865,407	

b. Development grant

Date Received	Amount	Financial Year
2-Nov-18	10,589,005	2018/2019
26-Nov-18	102,125,995	2018/2019
13-Feb-19	38,039,964	2018/2019
7-Jun-19	74,175,036	2018/2019
TOTAL	224,930,000	

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

Finance Officer
University of Kabianga

Sign _____

Head of Accounting Unit
State Department of University and Research

Sign _____

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor transferring the funds	Date Received	Nature: Recur-rent/D evel-op-ment	Amount(ksh s)	Statement of financial perform-ance	Capital fund	Total Transfers during the year
	As per Bank statement Date					
Ministry of Education						
Recurrent	2-Aug-18		58,547,529			
	30-Aug-18		58,547,529			
	1-Oct-18		58,547,529			
	7-Nov-18		58,547,529			
	3-Dec-18		55,034,678			
	27-Dec-18		55,034,677			
	1-Feb-19		57,376,579			
	7-Mar-19		57,376,579			
	28-Mar-19		53,863,725			
	2-May-19		58,547,529			
	6-Jun-19		58,547,529			
	28-Jun-19		58,547,529			
Accrued Supplement-ary II	9 July 2019		89,346,466			
TOTAL				777,865,407		
Develop-ment						
	2-Nov-18		10,589,005			
	26-Nov-18		102,125,995			
	13-Feb-19		38,039,964			
	7-Jun-19		74,175,036			
TOTAL					224,930,000	

