

REPUBLIC OF KENYA



Enhancing Accountability

 THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT	
DATE: 02 DEC 2021	DAY: Thurs PM.
TABLED BY:	LOMP.
CLERK-AT THE-TABLE	OF B. Inzogu.

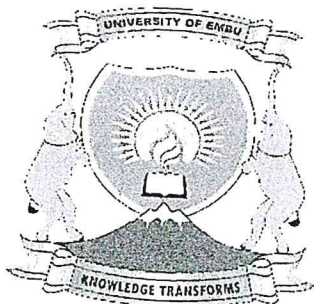
THE AUDITOR-GENERAL

ON

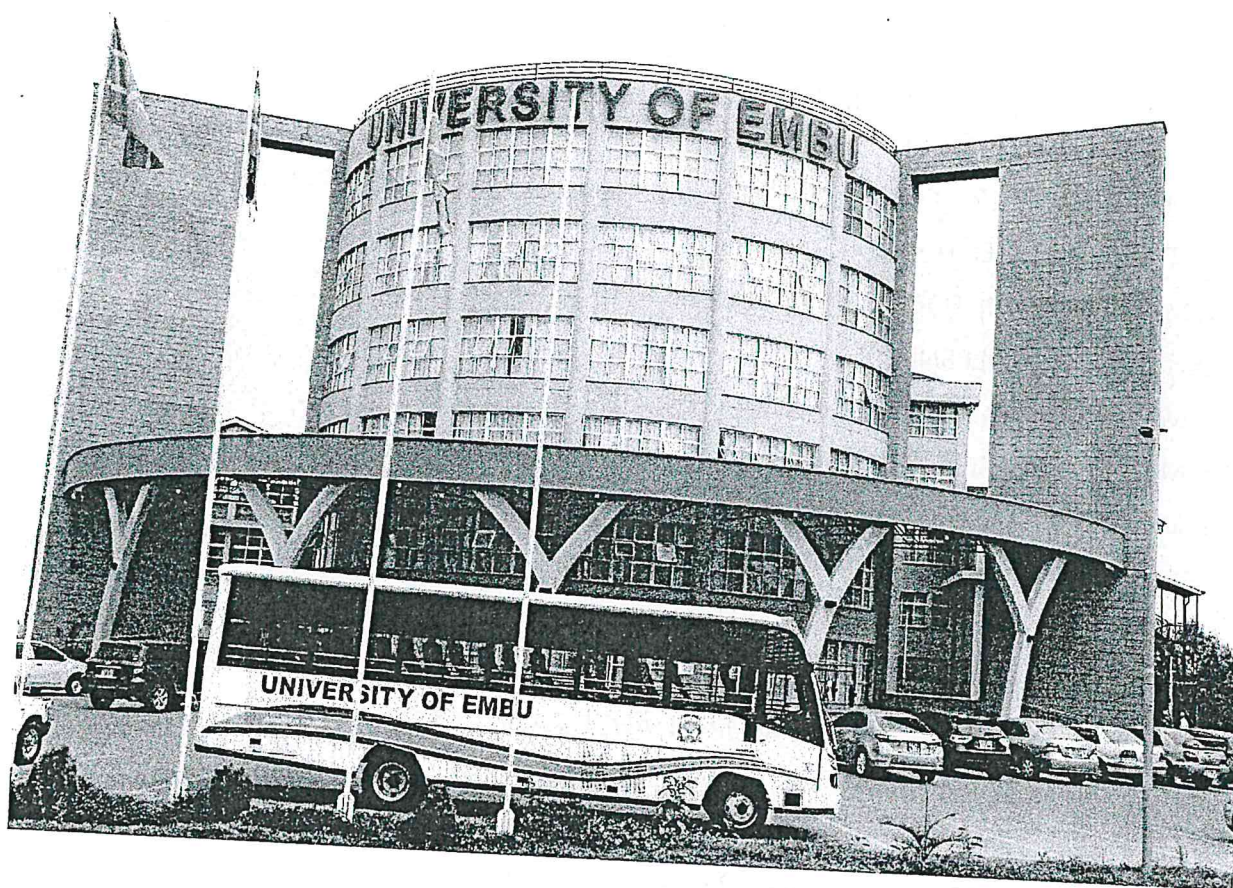
UNIVERSITY OF EMBU

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

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020



UNIVERSITY OF EMBU



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2020

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

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Table of Contents	Page
UNIVERSITY INFORMATION AND MANAGEMENT.....	4 - 6
THE BOARD OF DIRECTORS.....	7 - 8
MANAGEMENT TEAM.....	9 - 11
CHAIRMAN'S STATEMENT.....	11 - 12
REPORT OF THE VICE-CHANCELLOR.....	13 - 15
REVIEW OF PERFORMANCE FOR FY 2019/2020.....	16 - 17
CORPORATE GOVERNANCE STATEMENT.....	18 - 21
MANAGEMENT DISCUSSION AND ANALYSIS.....	22 - 25
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....	26 - 29
REPORT OF THE DIRECTORS.....	30
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	31
REPORT OF THE INDEPENDENT AUDITORS ON UNIVERSITY OF EMBU.....	32
STATEMENT OF FINANCIAL PERFORMANCE.....	33
STATEMENT OF FINANCIAL POSITION.....	34
STATEMENT OF CHANGES IN NET ASSETS	35
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020.....	36 - 37
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	38
NOTES TO THE FINANCIAL STATEMENTS.....	39 - 67
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	68
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY.....	69
APPENDIX III: INTER-ENTITY TRANSFERS.....	70
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	71



University of Embu academic staff in a procession during the University's fourth graduation ceremony, in September, 2019

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

FUNDAMENTAL STATEMENTS

Vision

A dynamic epicentre of excellence in training and research for service to humanity.

Mission

To generate, advance and disseminate knowledge through training, research, and innovation for the development of humanity.

Philosophy

Enhancing human capacity through relevant education, research and training.

Core Values

Integrity,
Innovativeness,
Professionalism,
Teamwork
Customer focus

UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background information

(i) Establishment

The University of Embu (UoEm) was established as Embu University College, a constituent college of the University of Nairobi, vide Legal Notice No. 65 of 17th June, 2011. The College was elevated to its current University status on 7th October, 2016, when it was awarded its Charter by the President of the Republic of Kenya, His Excellency, Uhuru Kenyatta.

(ii) Commencement of operations

The University College did not start operations immediately after establishment, because at that time, budget for the financial year (FY) 2011/2012 had already been approved, and the College had not been factored in that budget. Operations therefore commenced, in the FY 2012/2013.

(iii) Student population

The first group of students was admitted in April, 2013 through Joint Admission Board. The pioneer group had only 120 students. With time, the Student population grew to 7225 in the 2019/2020 financial year. This remarkable growth in numbers is attributed mainly to rigorous marketing of the University, quality student services, and introduction of new academic programmes such as Nursing and Law.

(b) Mandate of University of Embu

The Mandate of University of Embu, as contained in the Legal Notice No. 65 of the year 2011, includes:

- i. To provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and skill to the life, work and welfare of citizens of Kenya,
- ii. To participate in discovery, transmission, and preservation and enhancement of knowledge and to stimulate the intellectual 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 conferment of degrees and award of diplomas and certificates and such other qualifications as 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, study courses and subjects of study.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

c) University Management Board

University of Embu is run on day to day basis by the Management Board, which is headed by the Vice-Chancellor. The Management Board comprises of the Vice-Chancellor, two Deputy Vice-Chancellor, three Registrars and the Finance Officer.

d) Fiduciary Management

The management personnel who held office during the financial year ended 30th June, 2019 are:

Designation	Name
1) Vice-Chancellor	Prof. Daniel Mugendi Njiru
2) Deputy Vice-Chancellor (Planning, Adm. & Finance)	Prof. Eucharika Unoma Kenya
3) Deputy Vice-Chancellor (ARE)	Prof. Kotut Kiplagat
4) Registrar (Vice-Chancellor's Office)	Mrs. Margaret Otolo
5) Registrar (Planning, Adm. & Finance)	Prof. Paul Nthakania
6) Registrar (Academic Research & Extension)	Prof. Jackson Wachira
7) Head of Finance	Mr. Lawrence Kamonjo
8) Head of Human Resources	Ms. Gladys Atambo
9) Head of Procurement	Mrs. Purity Chege

e) Fiduciary oversight arrangements

(i) Parliamentary Public Accounts Committee

The Committee oversees the expenditure of public funds by Ministries, State Departments and Corporations, Commissions and; Independent Offices, to ensure value for money in spending, and adherence to the Government Financial Regulations and Procedures. The Committee executes its mandate on the basis of annual and special audit reports, that are prepared by the Office of the Auditor General. University of Embu being a public entity is overseen, by having its Financial Statements examined and discussed by the Committee to determine whether the affairs of the University are managed with sound financial principles and prudent practices.

(ii) Audit, Risk and Compliance Committee of the University Council

The University has Audit, Risk and Compliance Committee of the University Council. The committee plays an oversight role in the University operations by independently reviewing financial and non-financial operations of the University, and reports to the University Council on quarterly basis. The Committee executes its mandate on the basis of regular audits conducted by the Internal Auditor. On quarterly basis, the Internal Auditor tables a report to the Committee, giving in details the findings for audits conducted, recommendations made, and the actions taken by the Management to address risks that were identified during audits.

(iii) Ethics and Anti-Corruption Commission

The Commission is mandated to spearhead the fight against corruption, and promote sound ethical standards and practices in Kenya. In execution of the mandate, the Commission oversees the University systems to ensure that they are effective in preventing corruption and unethical practices in the University.

f) University Headquarters

University of Embu
Meru-Nairobi Highway
P. O. Box 6-60100
Embu, Kenya

g) University of Embu contacts

P.O. Box 6-60100 Embu, Kenya
Email: vc@embuni.ac.ke/info@embuni.ac.ke
Website: www.embuni.ac.ke
Tel: +254 20 244 4136/+254 727 933 950/ +254 788 199 505

h) Bankers

i. Barclays Bank of Kenya	-	Embu Branch
ii. KCB Bank Kenya Limited	-	Embu Branch
iii. Equity Bank	-	Embu Branch
iv. Cooperative Bank of Kenya	-	Embu Branch
v. National Bank of Kenya	-	Embu Branch

i) Independent Auditors

The University being a public entity is audited by the Auditor General. The office of the Auditor General is an independent office whose roles and responsibilities are defined under the Constitution of Kenya. The postal address and the physical location of the office of the Auditor General is as follows:

The Auditor General
Anniversary Towers, University Way
P.O. Box 30084, GPO 00100
Nairobi, Kenya.

j) Principal Legal Adviser

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

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

UNIVERSITY COUNCIL

During the year under review, the University Council comprised of nine members including the Vice-Chancellor, who is the Chief Executive Officer. Summaries of their profiles are given below:

 Dr. Margaret Gikuhi – Council Chairperson	Date of Birth: 23rd February 1954 Holds a Doctorate Degree in Philosophy of Education. Has a wide experience in academics and administration. Has held various leadership positions with the Teachers Service Commission. She is currently serving as a director in a consultancy firm.
 Mr. Johnstone M. Nyanumba: Representative of the Principal Secretary, Ministry of Ed. - State Department for University Ed. & Research	Date of Birth: 1st January 1961 He holds a Masters of Business Administration in Finance from the University of Nairobi, a Bachelor of Commerce degree from Punjab University and a Post Graduate Diploma in Finance Management from Kenya College of Accountancy. He has undertaken various leadership and management courses during his career. Mr. Nyanumba has vast experience in Administration, spanning over 30 years. He is currently serving as Under Secretary in the State Department for University Education and Research.
 Mr. Samuel Kiiru - Cabinet Secretary Representative, National Treasury	Date of Birth: October 20, 1969 He holds a Master Degree in Economics. He is currently working at the National Treasury as the Head of Budget Policy. Has a wealth of experience in policy review, fiscal analysis, Macro level planning, program and performance budgeting, project appraisal, monitoring and evaluation and is a trainer on programme and performance budgeting.
 1) CPA James Njeru Kaburu – Chairperson Finance, Resource Mobilization and General Purposes Committee	Date of Birth: 2nd May, 1969 He holds a Master in Business Administration, Strategic Management, a Bachelor degree in Business Administration (Accounting), both from the United States International University (USIU), and a Global Diploma in Engagement and Productivity Coaching from CDI-Africa Coaching Group Limited. Has a wealth of experience spanning over 20 years in Financial Management and Strategy in Financial Services sector. In addition, he is a full member of the Institute of Certified Public Accountants of Kenya.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

 Dr. Jane Wanjiru Mugai – Chairperson, Human Resource Development and Academic Affairs Committee	Date of birth: 1953 She holds a Doctorate degree in Special Needs Education from Mt. Kenya University, Masters in Guidance and Psychological Counselling from Kenyatta University, Bachelors' degree in Special Education from Makerere University and a Diploma in Special Needs Education.
 Mr. Abdulhamid Saleh Said – Member	Date of birth: 21st April, 1964 He holds a Masters of Public Health, Health Care Management from Emory University, USA, Masters of Science in Agricultural Economics, Postgraduate Diploma in Agricultural Economics, both from University of Aberdeen in UK and a Diploma in Agriculture Food Marketing from Egerton University.
 Ms. Beatrice Amolo Oluoch – Chairperson Audit, Risk and Compliance Committee	Date of birth: 6th February, 1962 She holds a Masters of Business Administration from Daystar University, Bachelor of Laws from University of Nairobi, Diploma in Legal Education from Kenya School of Law, and a Diploma in Counselling from Amani Counselling Centre and Training. In addition, she is a Certified Public Secretary of Kenya.
 Ms. Karen Basiye Itela – Member	Date of birth: 17th November, 1978 She holds a Joint Master of Environmental Science, Policy and Management degree from Lund University (Sweden), University of Manchester (UK), Central European University (Hungary) and University of the Aegean (Greece) and a Bachelor of Environment Science degree from Kenyatta University. Currently at Safaricom, Karen leads the Sustainability agenda for the company. She is passionate about the interplay between People, Purpose and Profits.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

 Prof. Daniel Mugendi – the Vice-Chancellor, and Secretary to the Council	Date of Birth: 8th September 1961 Holds a PhD in Agroforestry from University of Florida, Gainesville, Florida, USA; In addition, he has a Master of Science Degree in Crop Science from the University of Nairobi; and Bachelor of Science (BSc) Degree in Forestry from Moi University. Has vast experience spanning over 30 years in Administration, Academic & Research in Universities, and Research Institutions.
--	--

UNIVERSITY MANAGEMENT BOARD

The following are the members who served in the University Management Board during the year under review:

 Prof. Daniel Mugendi	Vice-Chancellor Holds a PhD in Agroforestry from University of Florida, Gainesville, Florida, USA; In addition, he has a Master of Science Degree in Crop Science from the University of Nairobi; and Bachelor of Science (BSc) Degree in Forestry from Moi University.
 Prof. Eucharika U. Kenya	Deputy Vice-Chancellor (Planning Administration & Finance) Holds a PhD in Applied Entomology from River's State University of Science & Technology, Nigeria. In addition she has a Master Degree in Medical Parasitology and a Bachelor of Science in Zoology from University of Nigeria.
 Prof. Kiplagat Kotut	Deputy Vice-Chancellor (Academic Research & Extension) Holds a PhD in Phytoplankton Ecology, a Master of Science Degree in Plant Ecology, and a Bachelor of Education (Science)

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

 Mrs. Margaret Otolo	Registrar, Office of the Vice-chancellor Holds a Master of Business Administration Degree and B.Ed (Arts) Degree from Kenyatta University. Presently pursuing Doctorate studies in Entrepreneurship.
 Prof. Jackson Wachira	Registrar – Academic Research & Extension Holds a PhD in Chemistry, a Master of Science Degree in Chemistry and Bachelor of Education (Science) Degree, all from Kenyatta University.
 Prof. Paul Njiruh Nthakanio	Registrar Planning, Administration and Finance Holds a PhD in Genetics and Plant Breeding from Zhejiang University, China. In addition, he has a Master of Science Degree in Genetics and Plant breeding, and a Bachelor Degree in Agronomy from Zhejiang Agricultural University.
 Mr. Lawrence Kamonjo	Head of Finance Holds a Master Degree in Finance, and a Bachelor of Education (Arts); both from Kenyatta University. In addition, he is a Certified Public Accountant of Kenya.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

UNIVERSITY COUNCIL CHAIRMAN'S REPORT

The University has over the years made remarkable progress in its core business of generating and disseminating knowledge, through quality training, research, and innovation. During the year under review, the University admitted her first group of 53 students in the School of Law. Accreditation to provide legal education for Bachelor of Laws (LL.B) degree was granted by the Council for Legal Education, in the month of April, 2019. Student population at the University has grown progressively since inception, with a 14% growth during the year from with the previous year.

The University strives to build on its success legacy, through good governance, to provide her students a wide range of market oriented academic programs and courses, in a conducive environment that provides favourable learning experiences.

Funding by the Government of Kenya

I am pleased to report that Government funded the University in form of grants to the tune of KES 837,210,667, as follows:

Recurrent KES 668,820,734
Development KES 168,389,933

This was a great support; without which we could not have realized the great milestones achieved.

The year under review was however a challenging period for the University. Various factors affected our operating environment adversely and overshadowed the planned developments in our business. Due to reduced national catchment that mainly depends on performance in the KCSE examinations, the University did not admit any module two students. This affected the projected revenues in a big way, because the University generates more from a module two student, than from a Government sponsored.

In addition, the University and the world at large, faced the Covid-19 pandemic. The Pandemic led to closure of all learning institutions in the Country. The University therefore reviewed its budget to absorb the reduced revenues, as well as to accommodate new expenditure for combating the Pandemic.

Key activities during the financial year under review

The following are the key activities that took place at the UoEm, during the FY 2019/2020:

- i. Admission of 1953 new students in the academic year 2019/2020.
- ii. Held successful 4th Graduation ceremony, in the month of September, 2019.
- iii. Adopting online teaching due to closure of the University as a result of Covid-19 pandemic.
- iv. Held a successful cultural festival and careers day in the month of March, 2020.
- v. Participated in various humanitarian activities, aimed at assisting and encouraging the less fortunate. The University fraternity visited GK prisons and children's homes in Embu at different times, to present gifts and share moment of joy.

Achievements

During the year under review, UoEm made various achievements in its performance, which include the following:

- (i) Provision of requisite facilities to support training and research.
- (ii) 14% growth in student population, from 6444 students to 7,362
- (iii) Graduated **1035** students during the third graduation ceremony of the University.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

- (iv) Implementation of ISO 9001:2015 Quality Management Systems and ISO 27001:2013 Information Security Management Systems
- (v) Attainment of an excellent score ranking in performance contracting.

Key Challenges

The following are the main challenges faced by the University faced during the year under review:

- i. Intense competition from peer institutions, especially the bigger, and more established institutions, with more facilities.
- ii. Changes in financial, social and technological environments which affect the university Education in general, with capital requirements.
- iii. Escalating cost of operation against decreasing Government funding.
- iv. Difficulties in achieving projected student numbers, due to reduced national catchment that mainly depends on performance in the KCSE examinations. In addition, the university faced the challenge of continued low enrolment of self-sponsored students. This resulted to reduced fee revenue.
- v. Disruption of operations and academic calendar due to closure of the University in the month of March, 2020 as a result of the outbreak of COVID-19 pandemic, which eroded some of the gains that we had realized before the outbreak.

As a University, we take cognizance of the need to put in place mechanisms for dealing with the challenges, if we are to maintain and enhance our role as a University that is widely known for quality. Looking ahead, the Council will continue implementing key priorities, and find new ways of dealing with new risks and challenges.

Future outlook

The 2018 – 2028 Strategic Plan, clearly stipulates the aspirations of the University in the realization of Kenya Vision 2030 and the Big Four Agenda. Implementation of the Strategic Plan will see the University achieve: financial stability, long term sustainability, enhanced infrastructure, governance, partnerships and increased collaborations. The University Council is committed to continual execution of its expansion strategy, while efficiently managing its resources for enhancement of quality in service delivery. As a University, we shall continue developing new innovative programmes and activities, that will enhance student experience and satisfaction. This will increase our responsiveness to the demand for market ready graduates, as well as to the emerging challenges and opportunities.

Appreciation

I wish to express my sincere appreciation to the Government of Kenya through the Ministry of Education, and the National Treasury and Planning, for the support accorded to the University during the year under review. My deep gratitude goes to my colleagues who served in the University Council during the year, the University Management and all members of staff, for their dedication, creativity, efficiency and invaluable ideas contributed during the year.



Amb. Simon Nabukwesi
Principal Secretary

State Department for University Education & Research
MINISTRY OF EDUCATION

Date: 27th October, 2020

UNIVERSITY OF EMBU

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

REPORT OF THE VICE-CHANCELLOR

It is my great honor and pleasure to present the Annual Report and Financial Statements of University of Embu (UoEm) for the period ended 30th June, 2020. The report provides performance overview, on both financial and non-financial aspects of the University, for the year.

NON – FINANCIAL INFORMATION

(a) Academic schools and programmes

During the year under review, University of Embu had six academic schools, namely: School of Pure and applied Sciences, School of Agriculture, School of Education and social sciences, School of Business and economics, School of Nursing, School of Law. The University is in the process of establishing the schools of Medicine and Engineering.

(b) Student Enrolment

The national demand for university spaces has increased significantly as a result of population growth. The University has progressively increased enrolment to meet this additional demand. During the year under review, the University recorded a 14% growth in student population, from 6444 students to 7,362. Due to inadequate hostel facilities, only 10% of the population resides at the University. However, the University is in partnership with neighboring community, who have invested in the construction of standard and adequate hostels to accommodate the non-resident students. To ensure that the welfare of the non-resident students is well taken care of, the student council has a position specifically for the non-residents. The incumbent reports to the University Management any issue that needs action. In addition, the Dean of Students makes regular surveillance visits to external residences to ensure that security and health standards of the occupants are well taken care of.

(c) Student welfare

University of Embu is widely recognized for its outstanding teaching, research and general student welfare services. The Management and members of staff strive to provide the best learning experience to our students, in a conducive environment. Students with financial challenges, receive support from the University in form of bursaries. The process of awarding bursaries is normally done competitively by the Student Welfare Committee of the University, using the approved criteria. During the year 2019/2020, bursaries worth KES 3.2 million were disbursed.

The University has a vibrant students Council (University of Embu Students Association) that looks into the welfare of students in general. The Council works closely with the University Management, to ensure that all issues appertaining to student welfare are addressed in a satisfactory manner.

(d) ISO certification

University of Embu is ISO 9001:2015 and ISO 27001:2013 certified. During the year under review, the Management continued conducting the University business with close adherence to the ISO standards, policies and procedures. The Kenya Bureau of Standards had scheduled a surveillance audit in the month of April, 2020 to determine if management systems of the University are still in place, and functioning properly as described in the documented procedures and policies. However, due to the closure of the University following the COVID-19 Pandemic, the audit did not take place. It is expected that a new date for the audit shall be determined when the University re-opens.

(e) Financial sustainability

University of Embu is committed to meeting her vision through realization of academic excellence. Effort towards this noble course is usually hampered by the resources constraint. The last few years presented a serious economic hardship, that emanated from unfavourable national and global macro-economic factors. This adversely affected the University, through general increase in cost of living resulting from escalating commodity prices. For self-sustainability, the University is in the process of establishing alternative funding options, such as Public Private Partnership. During the year, four new streams of internal revenues were rolled out to supplement funding from the Government. The four are: Water bottling, yoghurt processing, cleaning solutions and animal feeds processing. The four ventures will become fully operational after certification by Kenya Bureau of Standards. Certification process was affected by the COVID-19 Pandemic, after containment measures that were instituted by the Government.

In addition to the above, the University has an Endowment Fund which was launched in October, 2018. The main objective of the Fund is to mobilize resources, to support the core business of the University. Key fund raising activities planned during the year were not undertaken due to COVID-19 Pandemic.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

(f) Performance Contracting (PC)

At the commencement of the year under review, the University Council signed Performance Contract for the year 2019/2020 with the Government of Kenya, represented by the Ministry of Education. The signed contract was cascaded to all members of staff by the University Management for implementation. The University Management remained committed during the financial year in ensuring that all targets in the contract were properly executed. The University has over the years recorded very impressive results in performance contracting activities, ranging from “very good” to “excellent” score. Self-evaluation that was conducted internally by the Directorate of Performance Contracting and ISO indicated that performance of the University for the year 2019/2020 is in the excellent category. The actual performance will be determined after final evaluation by the Performance Management and Co-ordination Office.

(g) Supporting the Big Four Agenda

Education is an enabler to the realization of the Government’s Big Four Agenda, a development initiative which focuses on providing resources, and expanding for projects that directly impact on the lives of Kenyans. The University’s role in the Big Four Agenda is to provide quality and relevant education and training, to support manufacturing, healthcare, food security and housing sectors. Successful implementation of the knowledge disseminated by the University will present new prospects for growth of the national economy.

(h) Impact of COVID-19 on operations at the University

The outbreak of the new highly contagious COVID-19, which the World Health Organization declared to constitute a pandemic, resulted in the Government of the Republic of Kenya enacting emergency containment measures to combat spread of the Virus. Among the actions undertaken included the closure of all learning institutions in March, 2020. The pandemic adversely impacted on commercial activities nationally, and contributed to significant increases in the cost of living. Considering that the University heavily relies on fee revenue, the closure had serious effects on revenues, and consequently on the planned operational activities. The extent of the adverse effects on the future financial and operational performance of the University are uncertain, and difficult to assess. However, to mitigate on the situation, the Management adopted the use of digital platforms, to ensure continuity of business, as much as possible.

(i) Funding research

Strong research funding is key to the University’s research and innovation preeminence. During the year under review, the University spent KES 47.3 on research activities and infrastructure, that help the University to develop and retain her top research talent. Funding of research was done through an allocation in the University budget, as well as through grants from a wide range of other public and private sector entities, such as National Research Fund, VLIR-UOS, Kirkhouse Trust, American Society for Microbiology, Mohamed Bin Zayed Species Conservation Fund, Kenya Education Network (KENET and Alexander von Humboldt. The University has a clear link between academic planning and fundraising. This assures the donors that the priorities they are being asked to support are critical to the achievement of the set teaching and research objectives.

The University will continue undertaking research of high quality in various fields, geared towards production of knowledge that is needed to spur growth in various sectors of the national economy.

(j) Strategic Focus of UoEm

University of Embu is currently implementing her 2018 – 2028 Strategic Plan. The Plan provides a clear focus of the University, and defines priorities and specific strategies to achieve them.

The following are the key focus areas that are stipulated in the Strategic Plan:

- i. Development & enhancement of Infrastructure and security, for effective service delivery.
- ii. Enhancement of human capital management through the integration of best practice in the recruitment, management and optimization of the workforce.
- iii. Promotion of effective Governance and leadership practices.
- iv. Expansion of capacity of University operations and services.
- v. Establishment and expansion of linkages, partnerships and collaborations with other institutions.
- vi. Achievement of financial stability and enhancement of long-term sustainability.

The University will adopt innovative approaches to mobilize resources, and ensure full implementation of the Plan.

UNIVERSITY OF EMBU

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

FINANCIAL INFORMATION

Business Performance

During the year recurrent grants from the Government grew by KES 155 million from KES 513 million reported in the previous year to KES 668 million. This growth was mainly due to KES 88.6 million that was released to the University, to cater for 2017/2018 – 2020/2021 CBA. Internally generated revenue decreased by 10% from KES 384 million in the previous year, to KES 345 million. The drop is attributed to reduction in revenues as a result of closure of the University due to the COVID-19 pandemic. Expenditure for the year increased by 15% from KES 842 million to KES 968 million. On overall, the surplus for the year decreased by 20% from KES 71 million to KES 57 million.

Moving forward, revenue from fee is expected to decrease sharply over the next several years, primarily as a result of decreasing number of self-sponsored students, as the last group in the category cleared their studies during the year. Potential for new module two students is primarily tied to the national performance in the KCSE examinations. In the last three years, all the students who qualified for University entry were absorbed as government sponsored. The University gets more revenue from module two students that from the government sponsored.

Growth in assets

During the year, assets increased by 9.4% KES 2.9 billion to KES 3.1 billion, mainly as a result of development grants worth KES 168 million that the University received from the Government of Kenya. The funds were utilized in the construction of the new Administration Block, and the on-going Tuition Block. Current assets increased by 61% from KES 106 million to KES 170 million while the non-current assets increased by 7.4% from KES 2.8 billion to KES 3.0 billion. Included in the current assets is a receivable of KES 88.6 million for payment of salary arrears for the 2017-2018 – 2019/2020 CBA. The amount was provided in the 2019/2020 Supplementary estimate number 2, but had not been disbursed by the end of the financial year.

(ii) Financial challenges

A major challenge that University has been facing since its inception is that of insufficient financial resources to cater for her operations, as well as to develop requisite infrastructure. This is mainly attributed to inadequate budgetary allocations, and sometimes unexpected reduction of the budget by the Government. Some of the recent cases of budget cuts are:

- In the FY 2015/2016 the development budget was reduced by KES 116, 860,000, from the initial allocation of KES 313,720,000/= to KES 196,860,000.
- In the FY 2017/2018, development budget was reduced by 75% from the initial allocation of KES 237, 302,214 to 59,325,554.
- In the 2018/2019 financial year, the University received a Recurrent Budgetary allocation that underestimated the student population by 536; i.e. instead of the 3,872 student population, 3,336 students were used to determine our allocation for Recurrent Budget. As a result of this anomaly, the University was underfunded by approximately KES 76 million. Since the error was not corrected, the University remained underfunded during the year, in the recurrent vote. In the same year, the recurrent budget was reduced from KES 480,545,162 to KES 470,934,259 in the Supplementary Estimate number 2.

In addition to the reduction in funding from the Government, there was a reduction in fee revenue by KES 58.8 million, owing to inability to achieve projected student numbers, due to reduced student enrolment catchment that mainly depends on performance in the KCSE examinations. In the few years, all students who scored a minimum of C+ in KCSE were absorbed by the Kenya Universities and Colleges Central Placement Services in various Universities. Consequently, the University did not admit any module two students. Moving forward, the University is likely to face the risk of operating below capacity, if the enrollment challenge is not addressed. However, despite the challenges faced by the University, her financial health remained sound during the year. This is clearly reflected in the financial statement contained in this annual report. The good performance is attributed to prudent utilization of resources, and commitment by members of staff towards achieving the set objectives and priorities.

Appreciation

I wish to express my sincere and deep gratitude to the Ministry of Education, the National Treasury and Planning and the University Council for their continued support and guidance to the University Management, without which the achievement so far made would not have been possible. My special recognition and gratitude goes to the University Management; and members of staff, for their tireless effort and dedicated service, which led to exemplary performance in the academic, administrative and performance contracting fronts.

To our valued students, esteemed customers and other stakeholders, we are grateful for your steadfast support and contribution towards the successes that was realized during the year.



Prof. Daniel Mugendi Njiru, (Ph.D)

VICE-CHANCELLOR

Date: 27th October, 2020

REVIEW OF UNIVERSITY'S PERFORMANCE FOR THE FINANCIAL YEAR 2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting Officer to include in the financial statement, a statement of the National Government entity's performance against predetermined objectives. University of Embu has 6 strategic pillars and objectives within her 2018-2028 Strategic Plan. These strategic pillars are as follows:

Pillar 1: Infrastructure

Pillar 2: Human Capital Management

Pillar 3: Leadership and Governance

Pillar 4: Operations and Services

Pillar 5: Collaborations and Partnerships

Pillar 6: Resources Mobilization and Sustainability

The University develops its annual work plans based on the above pillars. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The Council achieved its performance targets set for the financial year 2019/2020 period for all its strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1	To develop and enhance infrastructure systems for effective service delivery.	1) Completion Certificate 2) Completion certificate 3) Completion Certificate 4) Completion certificate 5) Delivery notes	Construct and furnish Tuition Blocks Construction of Class Room from 0-100% Installation of CCTV facilities and security enhancement gadgets Expand Sports and Games Facilities Construct and equip computer laboratories	Construction of Tuition from 30 to 56% Two floor Classroom Block completed to 100% Completed CCTV installed in the University New sport field planted with grass 120 computers procured
Pillar 2	To enhance Human capital management through the integration of the best practice in the recruitment, management and optimization of the workforce.	Appointment letters Recommendation letters	Recruit qualified Staff Enhance Staff Motivation for improved performance	Recruited at least 20 staff 265 members of staff received commendation letters for exemplary performance for

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

				exemplary performance
Pillar 3	To promote effective Governance and leadership practices.	Approved Policies	Develop and operationalize enabling regulations	Five (5) policies were developed and approved.
Pillar 4	To expand the capacity of the University operations and services.	Approved list of teaching Units uploaded.	Implement integrated E-learning	2361 teaching units uploaded.
Pillar 5	To establish and expand linkages, partnerships and collaborations with other institutions.	Signed MoU with 12 institutions	Establish linkages	Twelve (12) MoUs were signed between the University and other entities.
Pillar 6	To achieve Financial Stability and enhance long term sustainability.	Approved budget	Collected A-I-A and Government capitation	0.3 billion collected and utilized.

The success so far realized in the Performance contract (PC) activities and in the implementation of the Strategic Plan (SP) is product of participatory approach adopted by the Management in the process. The implementation is undertaken as part of the day to day business of the University, where activities are cascaded to the lowest possible level. There is a very close relationship between the SP and Performance contract (PC) as explained below:

- i) Part II of the PC entails the Vision, Mission and Strategic objectives of the University, all of which are drawn from the SP.
- ii) All the targets in the PC are drawn from the SP and seek to contribute towards the achievement of the stipulated objectives. For example, Section A of the PC is on Financial Stewardship & Discipline, which addresses the SP objective on achieving financial stability and enhancing long term sustainability.
- iii) Infrastructural projects in the PC seek to address the SP objective on developing and enhancing infrastructure systems for effective service delivery.
- iv) The objective on establishing and expanding linkages, partnerships and collaborations with other institutions is addressed by targets on the core mandate section of the PC which include establishment of industry linkages, research grants, community empowerment and attracting research grants among others.
- v) Similarly, the objective on enhancement of Human capital management is targeted in section G of the PC, which is on various cross cutting issues touching on staff and students including competence development.

From the above, it is clear that the SP and PC are closely related, in that, the former is implemented through annual performance contracts.

CORPORATE GOVERNANCE STATEMENT

Introduction

University of Embu Council recognizes the importance of applying high standards of corporate governance as a key contributor to its long term success, value and prosperity. This enables effective and efficient decision making and creates a conducive atmosphere for the Council to discharge its duty to promote success, while taking into account the interest of various stakeholders. The University Council has established effective governance through a combination of strong systems, processes and structures, underpinned by the right attitude, values and culture.

Corporate Governance Statement

Good corporate governance entails establishment and enhancement of sustainable value for the stakeholders, through adoption of ethically driven business structures, procedures and processes. The Council and the Management of University of Embu ensures that corporate governance guidelines and best practices are followed in the delivery of the University mandate, and that all corporate affairs are managed in a fair and transparent manner, and in compliance with the applicable Laws of the Republic of Kenya and the Mwongozo Code of Governance which was established by the Government of Kenya to provide guidance on effective leadership, governance and management of public resources.

Corporate Governance at the University of Embu Council

(i) Roles and functions

The University of Embu Council is at the centre of good governance practice, for protection of long-term interests of all the stakeholders of the University. The Council provides leadership, oversight to management, integrity and good judgment in directing university operations in the best interest of the stakeholders for continued viability and sustainability. The University Council is vested with powers and authority by relevant laws of Kenya, to discharge its mandate, and to effectively fulfill its corporate governance responsibility towards stakeholders. The University Council ensures adoption of corporate governance best practices in support of the university vision and to provide world-class services that delight customers, create value for money and meet stakeholders' expectations. Detailed responsibilities of the University Council are provided in the University of Embu Statutes.

(ii) Appointment

The Council served at the University of Embu during the year under review was appointed by the Cabinet Secretary, Ministry of Education and appeared in the Kenya Gazette Notice No.7600 and 7601 dated 7th August, 2017, and inaugurated on 6th September 2017.

Positions in the Council were advertised on 4th May, 2017, and appointment done thereafter. The names of the Council were published in Kenya Gazette Vol. CXIX—No. 112, Gazette Notice number 7600 and 7601 of 7th August, 2017.

(iii) Induction and capacity building for Council members

Members of the Council regularly attend trainings on corporate governance and other relevant fields, to equip them with the knowledge that is required to effectively discharge their responsibilities. Induction for new Council members is conducted to enhance their understanding

UNIVERSITY OF EMBU ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

of the University business and operations. During the year, Council members attended relevant trainings to help enhance their competencies.



University Council and the Management during a training that was held at Aberdares Country Club, in August, 2019.

(iv) Succession planning of the University Council

University of Embu Council has reliable mechanisms for developing skills of the Council members, to ensure seamless continuity of the University business in the event some members leave the University. All members are prepared to assume different roles, to make them effective in various positions. University of Embu runs University business through committees. As part of succession planning, Council members are assigned more than one committees, to expose them to various operations of the University. In addition, induction and other Council trainings are designed to cover a wide range of fields, relevant to the University governance to help the members serve in different capacities within the Council.

(v) Meetings of the University Council

Dates for University Council meetings in the ensuing year are decided in advance and scheduled in an annual work plan. The Council holds its regular meetings on quarterly basis to transact planned business of the University. However, special meetings of the Council may be called when there is significant business to transact. During the FY 2019/2020, the Council held four regular and two special meeting. Members of the Council received adequate notices and detailed documents on issues to be discussed, in good time, to enable them prepare for the meetings. The table that follows gives a summary of the meetings held by the University Council and its committees:

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Committee	Members	Number of meetings held	Number of meetings attended
2) Full Council	1. Dr. Margaret Gikuhi – Chairperson 2. Mr. Samuel Kiiru 3. Mr. Johnstone M. Nyanumba 4. Ms. Karen Basiye Itela 5. Ms. Beatrice Amolo Oluoch 6. Dr. Jane Wanjiru Mugai 7. Mr. Abdulhamid Saleh Said 8. Mr. James Njeru Kaburu 9. Prof. Daniel Mugendi – Secretary	6	6 6 5 3 4 3 6 5 5
3) Finance, Resource Mobilization and General Purposes Committee	1. Mr. James Njeru Kaburu – Chairperson 2. Mr. Samuel Kiiru 3. Mr. Johnstone M. Nyanumba 4. Ms. Karen Basiye Itela 5. Prof. Daniel Mugendi – Secretary	5	4 4 3 4 4
3) Audit, Risk and Compliance Committee	1. Ms. Beatrice Amolo Oluoch– Chairperson 2. Mr. Samuel Kiiru 3. Mr. Johnstone M. Nyanumba 4. Mr. Abdulhamid Saleh Said 5. Mr. Francis Ngure – Secretary	4	4 4 3 4 4
4) Human Resource Development and Academic Affairs Committee	1. Dr. Jane Wanjiru Mugai – Chairperson 2. Mr. Samuel Kiiru 3. Mr. Johnstone M. Nyanumba 4. Ms. Beatrice Amolo Oluoch 5. Prof. Daniel Mugendi – Secretary	4	4 3 4 4 3

(vi) Conflict of interest

As a routine, “Conflict of interest” appears as an item in the agenda of each University Council meeting. The Council has a conflict of interest register for recording any declared conflict of interest. Each Council member indicates by signing, whether they are conflicted in any way. A conflicted member takes leave during deliberations of any issues that may lead to conflict of interest.

(vii) Remuneration of University of Embu Council

Council members are entitled to sitting allowance for every meeting attended. Each member also receives lunch allowance, accommodation allowance and mileage reimbursement where applicable, using the set rates for state corporations. In addition, the Chairman of the University Council is paid a monthly honorarium and telephone allowance, also at the rates approved for state corporations.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

(vi) Ethical standards

University of Embu Council is committed to ensuring that members of the University Management and all employees, conduct themselves with integrity and professionalism in accordance with the approved Staff Code of Conduct, and holds them individually accountable for their conduct.

The University through the office of the Human Resources Manager, and the Integrity Committee, regularly conducts integrity awareness training, corruption risk assessments and enforcements of corruption prevention measures. The University Management has a well-established and reliable mechanism for receiving complaints, and making follow-ups on every allegations and reported cases of unethical conduct. Analysis of reported cases is normally done objectively, and appropriate action instituted to control and discourage unethical behaviour.

University of Embu collaborates with Ethics and Anti-Corruption Commission to entrench a culture of ethics and integrity at the University.



.....
Prof. Daniel Mugendi Njiru, (Ph.D)
VICE-CHANCELLOR

Date: 27th October, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

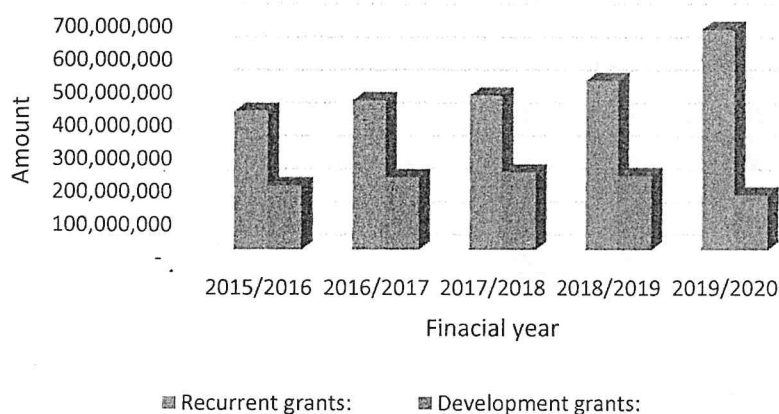
(a) Funding for the Government of Kenya (GoK)

The main source of University revenues is the grants that come from the Government of Kenya, in form of recurrent grants and development grants. To supplement the grants from the GoK, the University also generates revenues internally, from sources such as fees, hire of facilities, farm and catering sales. During the FY 2019/2020, the University received a total of **KES 837,210,666** from the Government of Kenya as follows:

Recurrent grants:	KES 668,820,733
Development grants:	KES 168,389,933
TOTAL	KES 837,210,666

Recurrent grant received during the year included KES 88.6 million to cater for CBA for the period from 2017/2018 to 2020/2021. Movement in the grants received from the GoK over the last five years is presented below.

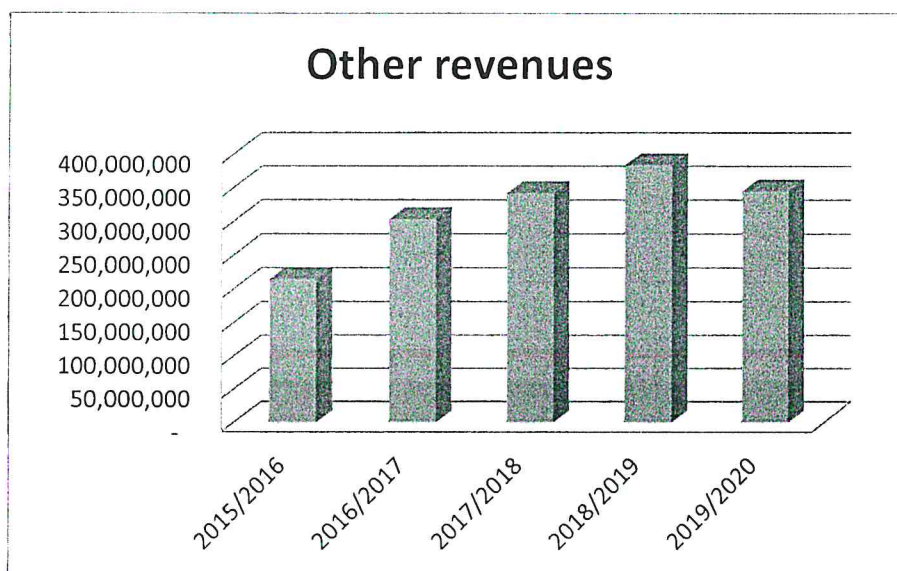
Funding from the Government of Kenya (KES)



(b) Other revenues

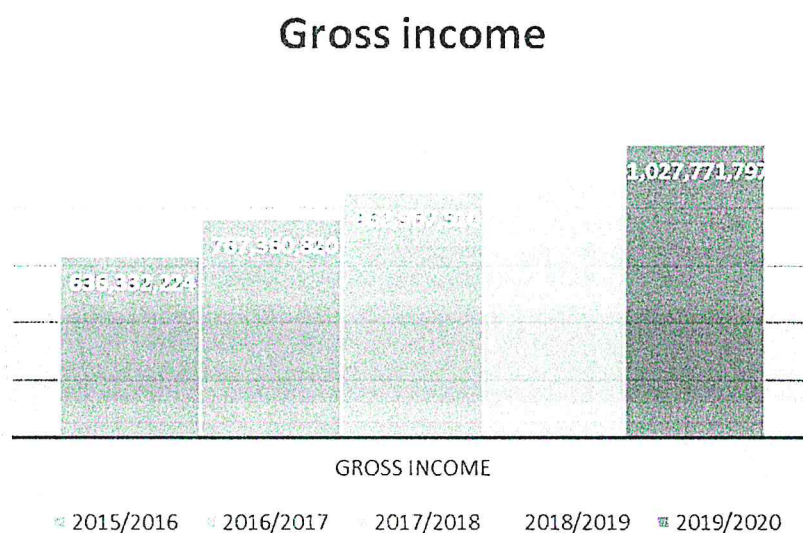
During the year, the University generated from her normal business operations, revenues worth KES 345 million. The revenue was realized from various sources, such as: tuition fees, rental properties, farm, graduation fee, hire of facilities and catering services. As can be seen from the graph, there is a drop in internally generated revenues in the year under review. The drop is attributed primarily to a decreasing in number of self-sponsored students. Necessary interventions are underway, to stop further reduction.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020



Total revenue

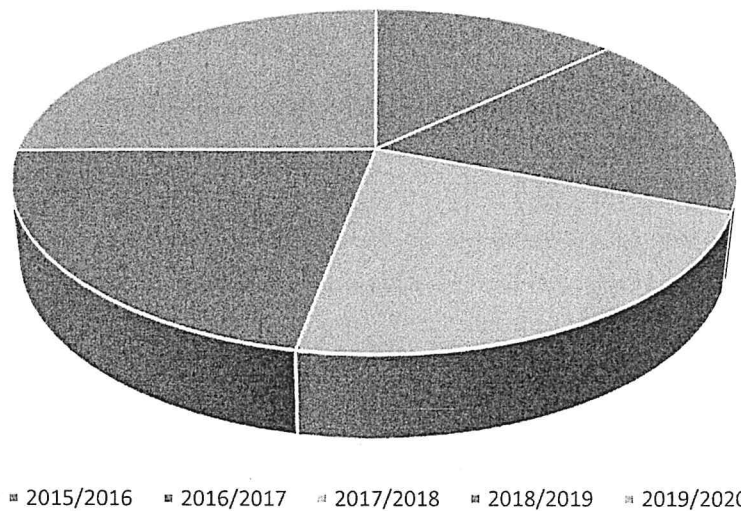
Total revenue for the year increased by 12.6% from 912 million to KES 1.03 billion. The increase is attributed to the disbursement of KES 88.6 million by the Government to cater for 2017/2018 – 2020/2021 CBA. Further, there was an increase in research and farm incomes during the year, by 61% and 38% respectively.



(c) Expenses for the year

Expenditure for the year increased by 14.7%, from KES 842 million to KES 967 million. The increase is attributed to growth in student population, as well as increase in operational expenditure, as a result of adverse changes in prices of commodities.

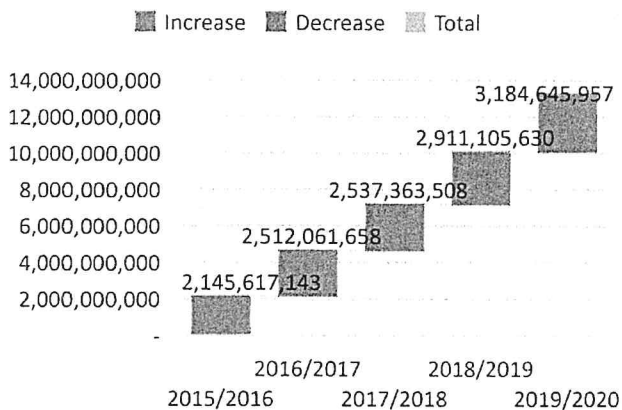
Total expenses



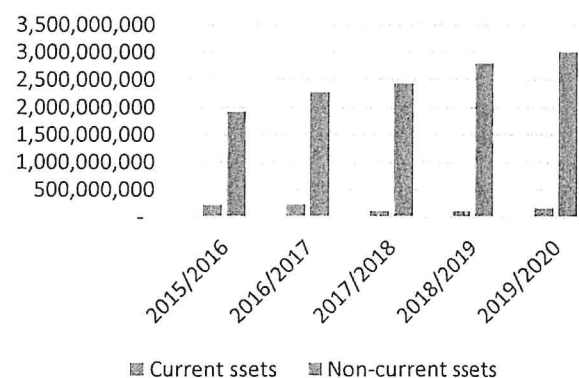
(d) Growth in Assets

During the year, assets increased by 9.4% from KES 2.9 billion to KES 3.1 billion, mainly as a result of increase in assets acquired using development grants worth KES 168 million that the University received from the Government of Kenya.

TOTAL ASSETS



Comparison of current and non-current assets



(e) Performance Contracting

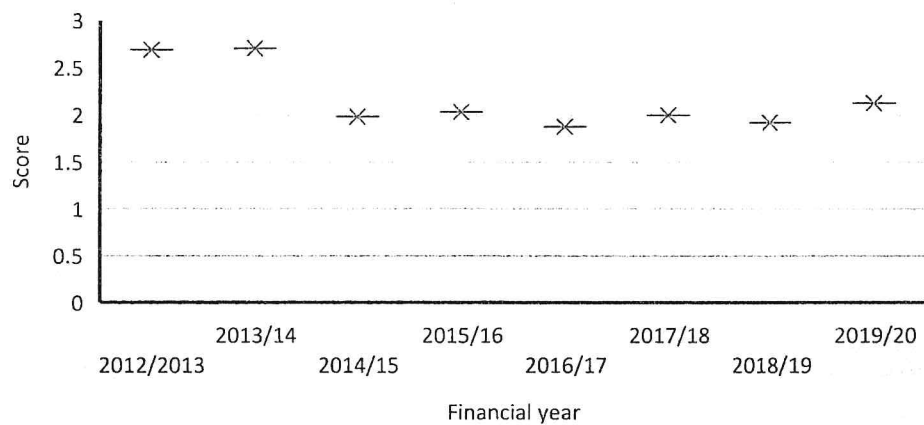
University of Embu has over the years, recorded very impressive results in her performance contracting activities, ranging from “very good” to “excellent” score, as shown below. Evaluation of performance is ordinarily done in the subsequent year. However, a self-evaluation that was conducted internally by the Directorate of Performance Contracting and ISO at the end of the year indicated that the performance of the University for the year 2019/2020 is in the excellent

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

category. The table below shows the performance contracting rating for the University since its inception.

2012/2013	2013/2014	2014/2015	2015/ 2016	2016/2017	2017/2018	2018/2019	2019/2020 Self- assessment
2.6897 (Very good)	2.7063 (Very good)	1.9826 (Excellent)	2.0334 (Excellent)	1.8762 (Excellent)	1.9965 (Excellent)	1.9198 (Excellent)	2.1231 (Excellent)

**Performance rating in performance
contracts**



UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

University of Embu exists to transform lives. This is our purpose; the driving force behind everything we do. The success that the University has realized over time, is attributed to our consistent culture of putting customer first, delivering quality goods and services, and progressively enhancing internal efficiency for operational excellence.

Being a sustainable business is about striking the balance between shareholder expectations and the needs and concerns of our employees, the workers in our supply chain and the environment. The University voluntarily integrates sustainability, social and environmental concerns in her core operations and interactions with stakeholders, for high positive impact on the society. This encourages positive relations, and positive impact on the environment. As a responsible corporate citizen, we are committed to conducting our business ethically, at the same time contributing to the well-being of communities in a bid to maintaining a healthy relation with stakeholders.

FINANCIAL SUSTAINABILITY

Financial sustainability is a key focus for our business, in ensuring that we provide quality education and make relevant investments to meet the growing demand for University Education. The University recognizes that financial sustainability and accountability are critical to achieving her mandate and vision. However, the economic and political conditions faced by the University sector are challenging, and present uncertainties on many fronts. For example, changes in the Government policies sometimes result to unexpected reductions in budgetary allocations, with the consequence that the University's funding declines, leading to sustainability risk. To this end, the Council and the Management remained committed to identifying, tracking, and addressing financial pressures and sustainability issues affecting the University. During the year, the following initiatives were undertaken to enhance financial sustainability:

- a) Expansion and diversification of operations in the University Farm to boost revenues.
- b) Rolling out of four new income generating activities to increase internally generated revenues. The four ventures are: water bottling, production of animal feeds, production of cleaning solutions and yoghurt processing.
- c) Introduction of new academic programs to attract more students.
- d) Adopting prudence, accountability and best practice in management of the available resources, to curb wastage and misuse.

The year 2019/2020 presented various challenges to the University, that generally emanated from the prevailing economic and political environment. Key among the challenges faced, included the following:

- i. General rise in prices of commodities, making goods and services expensive.
- ii. Stiff competition in the higher education sector, as a result of increased number of Universities and tertiary institutions.
- iii. Decreasing revenue from fees primarily as a result of decreasing number of self-sponsored students. Potential for new module two students is primarily tied to the national performance in the KCSE examinations. In the recent years, all the students who qualified for University entry were absorbed as government sponsored. The University gets more revenue from module two students that from the government sponsored.

ENVIRONMENTAL SUSTAINABILITY

University of Embu has continued to make a deliberate effort towards ensuring that the operations of the university are carried out in an environmentally sustainable manner. Environmental conservation remained our priority support area during the year. The University is a leader in research and innovation fields related to climate change and environmental. Further, the University has Environment Health and Safety Committee appointed by the Vice-Chancellor, to identify and championing ways for advancing University's contribution to meeting environmental sustainability. Some of the environmental initiatives that were undertaken by the University in the year include:

- a) Carrying out 2018/2019 UoEm environmental sustainability audit on compliance to Environmental Management and Coordination Act, 1999.
- b) Establishment of a tree nursery in support of environmental conservation. This initiative was done in collaboration with Tana and Athi River Development Authority (TARDA).
- c) Planted over three thousand trees at the University collaboration with in Equity Bank and the wings to fly beneficiaries.
- d) Planted over 10,000 trees in Njukiri forest ii partnership with the Kenya Forest Services guided by the theme "Panda Miti Boresha Maisha".

UNIVERSITY OF EMBU

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Waste Management

Waste management is one of the most daunting challenges facing many nations. Every household, business and organization generates wastes, and how that waste is managed is critical. The massive amount of wastes created, poses a significant health challenge globally. Success in responsible management of wastes requires collaboration between leaders, individuals, households and a vast array of the public and private sector entities. The University Management maintains a clean environment, and exercises care in the management of wastes, to avoid exposing communities to health risks. Working with the County Government of Embu and other specialized service providers in waste management has greatly helped the University to deliver high levels of compliance with the recommended waste management practices. The University has the following mechanisms in place, for management of wastes:

- a) Setting litter bins in strategic locations across the University for collecting wastes.
- b) Partnering with the County Government of Embu in the management of infectious wastes.
- c) Recycling materials that can be reused.
- d) Adopted different ways to reduce the overall waste at the University.
- e) Contracted a waste collector for professional management of wastes.



Members of staff planting tree during the University of Embu 2019 Short Rains Tree planting activity.

EMPLOYEE WELFARE

the university has in place a human resource policies and procedures manual that acts as a guide to ensure that human resource matters are handled in a consistent and equitable manner. the manual sets out policies and administrative procedures that guide the processes of workforce acquisition (hiring), management and optimization.

(i) Workforce acquisition:

The University has a robust recruitment policy to ensure that the University hires the best suited applicants to fill vacant positions. The policy provides a structured approach in management of the hiring process. The recruitment process while taking into account the most cost effective process sourcing method and the job requirements, strives to reach and attract as many applicants as possible. This is an effort to ensure compliance with the 1/3 rule on gender and ethnicity.

(ii) Employee development:

To ensure development staff, the University has a Staff Training and Development Policy that guides the process. A staff training committee that handles staff development matters is also fully constituted. Through the performance management process, training needs/skills gaps are identified. This informs the recommendation on the training areas to be included in the training calendar. The university has also invested in employees' professional development by paying the annual subscription fees and for continuous professional development for staff whose job requires professional membership.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

(iii) Employee retention:

The University has in place a Scheme of Service that provides clear paths for growth and career advancement in their careers through promotion. Further, the University has in place promotion criteria that guides the promotion process. Reward and Sanctions Framework is in place, where members of staff are rewarded and sanctioned accordingly after the annual performance appraisal process. The University is committed to ensuring a safe and healthy work environment. Towards this end, there is a policy on employee safety and welfare which complies with the provisions of the Occupational Safety and Health Act 2007. These policies are monitored and reviewed regularly and as need arises to reflect changes in University policy, the law and other relevant regulations.

(iv) Market place practices

Competition in the higher education has recently become increasingly fierce, mainly because of increase in the number of universities and other institutions of higher learning. Decreasing number of KCSE graduates attaining the University entry grade has also contributed to the intensity of competition in the sector. University of Embu views competition positively, as a force that drives her innovation to enhance the quality of service given to her customers. The University being a provider education advertises her academic schools and programmes, the main objective being to attract new students, with a greater focus on the self-sponsored category. The University engages in ethical marketing activities, and evaluates their decisions from both business, as well as moral perspectives. This ensures fairness and respect to competitors.

RESPONSIBLE SUPPLY CHAIN AND SUPPLIER RELATIONS

The University encourages fair competition through open advertisement of tender and inviting competitive requests for quotation. Further, to ensure transparency in the procurements process, all tenders are opened in the presence of bidders. Evaluation of all tenders is done objectively by strictly adhering to the evaluation criteria outlined in the bid documents. All awarded contracts in a month are normally placed on the University website for information to the stakeholders. The University adheres to all clauses in each contract, and where amendments are necessary, the supplier is engaged in a meeting for mutual agreement. To ensure that the University gets value for money, all goods delivered and works done are normally inspected to ensure adherence to the user specifications. All Suppliers and contractors are normally paid within 30 days after the acceptance of goods/works. The University has tight budgetary controls that require confirmation of availability of funds before entering to a financial commitment.

COMMUNITY ENGAGEMENT

The University believes in making a difference in her surroundings, and continues implementing a corporate social investment program, with a view to improving welfare, and empowering communities to improve their living standards. Key areas of focus are education, economic empowerment, sanitation and environment, talent, peace, and cultural preservation. During the year under review, the University successfully undertook the following activities in the fulfilment of her corporate social responsibility objectives:

- i) Visited Jomo Kenyatta Children Home for the physically handicapped
- ii) Visited Embu GK Prisons and presented Christmas gifts to staff and prisoners.
- iii) Visited St. Angela Embu Children Home
- iv) Participated in the Agricultural Society of Kenya's Harvest Festival, in aid of 7 Children Homes in Embu town.
- v) Donated foodstuff and hand sanitizers, to St. Angela Embu Children Home, St. Stephen Children Home and Toto Love Children Home.

Other CSR initiatives

- a) Offered research grants and 40% fee waivers to employees of the UoEm studying at the University of Embu.
- b) Held a career day in 6th March, 2020 that was organized to guide secondary school students on career choices. The event was attended by 1100 students from over twenty schools from Embu and surrounding counties. The students were addressed by University staff and other invited professionals from diverse specializations.
- c) Held a farmers' training where farmers from the neighboring communities were trained on modern farming technics.
- d) Participated in various activities such as prize giving and education forums for schools within Embu County.
- e) Gave financial aid to support education of the needy students at the UoEm, in form of bursaries.
- f) Hosted various schools, both secondary and primary, on educational visits and trained them on various aspects in sciences and Agriculture.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020



University fraternity during a visit to Jomo Kenyatta Children's Home - Embu.

Promoting peaceful co-existence in communities

The University supports sporting activities, as a way of promoting peaceful co-existence between different groups and communities. During the year 2019/2020, the University also held her fourth annual Cultural Festival, which provided an opportunity for students and invited artists to showcase their diverse talents. The event created an opportunity for students to present and celebrate diverse cultures.



University of Embu students performing a traditional dance during the fourth annual Cultural festival

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

REPORT OF THE COUNCIL MEMBERS

University of Embu Council submits its report together with the financial statements for the period ended 30th June, 2020 which show the state of affairs of the University.

PRINCIPAL ACTIVITIES

The principal activity of the University of Embu is to generate, advance and disseminate knowledge through training, research and innovation and offer extension services to communities within Embu County, other parts of Kenya, and across the world.

RESULTS

The results of the University of Embu for the period ended 30th June, 2020 are set out on pages 33 to 71

UNIVERSITY OF EMBU COUNCIL MEMBERS

The members of the Council who served during the year are shown on pages 7 to 8

AUDITORS

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

By Order of the University of Embu Council



Prof. Daniel Mugendi Njiru
SECRETARY, UNIVERSITY COUNCIL

Date: 27th October, 2020

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 47 of the Universities Act No. 42, of 2012, require the University of Embu Council to prepare financial statements in respect of University of Embu, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for that year/period. The University Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

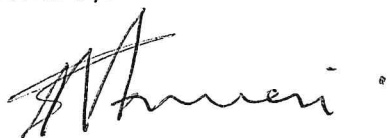
The University Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on 30th June, 2020. This responsibility includes: (i) maintaining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

The Council accepts 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, 2012 and the Universities Act No. 42, of 2012. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended 30th June, 2020, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements, as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The University's financial statements were approved on 27th October, 2020, and signed on behalf of the Council by:



.....
Amb. Simon Nabukwesi
The Principal Secretary
State Department for University Education & Research
MINISTRY OF EDUCATION



.....
Prof. Daniel Mugendi Njiru
SECRETARY

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 EMBU FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of University of Embu set out on pages 33 to 68, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of University of Embu as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Opinion

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

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 budgeted revenue of Kshs.1,202,153,904 and actual revenue of Kshs.1,192,970,067 resulting to a net revenue

shortfall of Kshs.9,183,837. Similarly, the statement reflects a budgeted expenditure of Kshs.1,202,153,904 and actual expenditure of Kshs.1,189,206,667 resulting to an under-expenditure of Kshs.12,947,237. The budget deficit and under-expenditure may have affected the planned activities of the University.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Overdrawn Bank Account

The statement of financial position reflects an overdrawn bank account balance of Kshs.18,543,164 under current liabilities. This is contrary to Section 28(4) of the Public Finance Management Act, 2012 which provides that an Accounting Officer for a national government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by The National Treasury or a Board of a national government entity. Although Management has explained, in Note 28 to the financial statements, that the overdrawn bank account was as a result of delayed transfers to the account and Exchequer releases not received at the close of the financial year, authority to overdraw the account was not provided for audit.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those charged with Governance

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion 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.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue as a going concern.
- 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

09 November, 2021

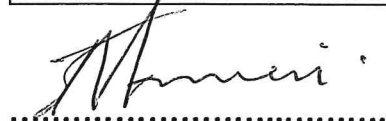
UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE, 2020			
	Note	2019/2020	2018/2019
		(Ksh)	(Ksh)
Revenue from non-exchange transactions			
Recurrent grants	6	668,820,733	513,747,314
Amortization of grants	42	13,601,950	14,826,795
		682,422,683	528,574,109
Revenue from exchange transactions			
Rendering of services	7	272,550,708	334,674,284
Rental revenue	8	7,059,297	6,752,680
Farm income	9	9,067,497	6,566,089
Finance Income	10	2,249,505	1,091,088
Other incomes	11	54,422,106	34,952,876
		345,349,114	384,037,017
Total revenue		1,027,771,797	912,611,125
Expenses			
Employee costs	12	664,398,305	536,505,898
Remuneration of University Council	13	10,593,354	14,120,966
Depreciation and amortization expense	26	55,603,702	52,759,246
Repairs and maintenance	14	13,818,786	12,137,383
Research expenses	15	47,359,552	29,522,936
Contracted Services	16	-	1,000,000
General expenses	17	175,392,142	196,444,643
Total expenses		967,165,841	842,491,073
Surplus/(Deficit) from operations		60,605,956	70,120,053
Other gains/(losses)	18	(2,957,015)	1,599,960
Surplus/(Deficit) for the period		57,648,941	71,720,013

The notes set out on pages 39 to 67 form an integral part of these Financial Statements.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

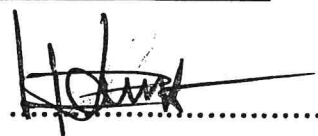
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2020			
	Note	2019/2020	2018/2019
		(Ksh)	Ksh
ASSETS			
Current assets			
Cash and cash equivalents	19	36,310,821	8,623,379
Receivables from exchange transactions	20	23,310,173	27,269,404
Receivables from non-exchange transactions	21	100,972,330	60,788,684
Inventories	22	10,326,581	9,371,637
Total Current Assets		170,919,905	106,053,104
Non-current assets			
Property, plant and equipment	27	2,989,213,916	2,787,937,837
Biological assets	23	7,170,175	9,929,690
Intangible Assets	25	17,341,960	7,185,000
Total Non - current assets		3,013,726,051	2,805,052,527
Total assets		3,184,645,957	2,911,105,630
LIABILITIES			
Current liabilities			
Overdrawn bank account	28	18,543,164	52,166,353
Trade and other payables from exchange transactions	29	89,004,421	2,753,784
Payables from non-exchange transactions	30	44,467,974	32,495,959
Refundable deposits	31	946,814	850,314
Provision for audit fee	32	1,044,000	522,000
Payment received in advance	33	6,002,606	8,202,000
Bursaries Fund	34	3,636,547	1,492,516
Total current liabilities		163,645,526	98,482,926
Non-current liabilities			
Caution money	35	15,764,000	13,942,000
Retention money	36	35,439,168	41,320,365
CBA refund	37	81,560,000	81,560,000
Deferred income	41	1,274,984,672	1,120,196,688
Total non-current liabilities		1,407,747,840	1,257,019,053
Total liabilities		1,571,393,366	1,355,501,979
Net Assets		1,613,252,591	1,555,603,651
Revaluation reserves	43	1,327,024,973	1,327,024,973
Revenue reserve	44	286,227,619	228,578,678
Total Reserves		1,613,252,592	1,555,603,651
Total net assets and liabilities		3,184,645,957	2,911,105,630



Amb. Simon Nabukwesi
Principal Secretary
State Dept. for University Ed. & Research



Prof. Daniel Mugendi Njiru
SECRETARY



Mr. Lawrence Kamonjo
HEAD OF FINANCE
ICPAK NUMBER: 7080

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

STATEMENT OF CHANGE IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020			
	Revaluation reserve	Revenue reserves	Total
	(Ksh)	(Ksh)	(Ksh)
Balance as at 1st July 2018	1,289,348,660	156,233,665	1,445,582,325
Prior year adjustment	-	625,000	625,000
Deficit/Surplus for the period	-	71,720,013	71,720,013
Revaluation adjustment	37,676,313	-	37,676,313
Balance as at 30th June, 2019	1,327,024,973	228,578,678	1,555,603,651
Balance as at 1st July 2019	1,327,024,973	228,578,678	1,555,603,651
Prior year adjustment	-		-
Deficit/Surplus for the period	-	57,648,941	57,648,941
Balance as at 30th June, 2020	1,327,024,973	286,227,619	1,613,252,592

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE, 2020			
		2019/2020 (KES)	2018/2019 (KES)
Cash and cash equivalents at the beginning		8,623,379	74,793,328
Cash flows from operating activities	Note		
Receipts			
Government recurrent grants	6 & (i)	622,998,712	470,934,259
Rendering of services	7 (ii)	289,731,302	337,564,587
Rental income	8 & (iii)	7,155,797	6,852,044
Farm income	9 & (iv)	9,034,906	6,566,089
Finance income	10	2,249,505	1,091,088
Other income	11 & (v)	53,425,604	25,338,361
		984,595,827	848,346,428
Payments			
Employees Costs	12 & (vi)	574,414,348	532,897,615
University Council expenses	13	10,593,354	14,120,966
Repairs & maintenance	14	13,818,786	12,137,383
Research expenses	15	47,359,552	29,522,936
Contracted services	16	-	1,000,000
General expenses	17 (vii)	201,809,900	172,039,432
Trade creditors paid	29	2,384,438	615,249
Audit fee paid		-	522,000
		850,380,378	762,855,582
Net cash flows from operating activities		134,215,449	85,490,847
Cash flows from investing activities			
Property, plant, equipt and intangible assets	27 (viii)	274,917,939	378,020,797
Net cash flows used in investing activities		274,917,939	378,020,797
Cash flows from financing activities			
Government development grants	41	168,389,933	226,360,000
Net cash flows from financing activities		168,389,933	226,360,000
Net increase/(decrease) in cash & cash equivalents		27,687,442	(66,169,950)
Cash and cash equivalent as at 30th June, 2020		36,310,821	8,623,379
Balance as per Financial Statements		36,310,821	8,623,379

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

NOTES TO THE STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE, 2020			
		2019/2020	2018/2019
		(KES)	(KES)
(i) Government recurrent grants			
Recurrent grants		668,820,733	513,747,314
Add: Receivable b/f		42,813,055	-
Less: Receivable c/f		(88,635,076)	(42,813,055)
		622,998,712	470,934,259
(ii) Rendering services		272,550,708	334,674,284
Add: Fees receivable b/f		27,247,198	4,540,000
Increase in caution money		1,822,000	1,748,000
Increase in students' union subscription		1,664,200	22,050
Deferred fees c/f		6,002,606	8,202,000
Unclaimed fees c/f		2,883,094	1,391,415
Endowment fund received		10,410,287	16,785,574
Less: Deferred fees b/f		(8,202,000)	(2,554,126)
Unclaimed fees b/f		(1,391,415)	-
Fees receivable c/f		(21,868,526)	(27,247,198)
Catering income receivable c/f		(1,386,850)	-
		289,731,302	337,561,998
(iii) Rental income		7,059,297	6,752,680
Increase/(decrease) in commercial rental deposit		96,500	99,364
		7,155,797	6,852,044
(iv) Farm income		9,067,497	6,566,089
Add: Farm income receivable b/f		22,206	24,795
Less: Farm income receivable c/f		(54,797)	(22,206)
		9,034,906	6,568,678
(v) Other income		54,422,106	34,952,876
Less: Deferred research grants b/f		(10,858,496)	(21,066,011)
Add: Deferred research grants c/f		8,727,494	10,858,496
Increase/(decrease): Alumni association		1,134,500	593,000
		53,425,604	25,338,361
(vi) Employee costs		664,398,305	536,505,898
Less: Voluntary pay cut		(597,649)	(526,416)
Payroll deductions		(537,333)	(328,083)
Imprest recovery		(213,900)	(2,753,784)
Provision for salary arrears		(88,635,075)	-
		574,414,348	532,897,615
(vii) General expenses		175,392,142	196,444,643
Add: Increase in staff imprests		-	4,207,648
Increase in inventory		954,944	-
Less: Provision for audit fee		(522,000)	(522,000)
Provision for bursaries		(2,000,000)	(1,500,000)
Decrease in staff imprests		(5,638,375)	-
Change in overdrawn account		33,623,189	(26,590,859)
		201,809,900	172,039,432
(viii) Property, Plant and equipment		257,077,281	382,302,874
Add: retention monies		7,683,698	(6,467,077)
Increase in intangible assets		10,156,960	2,185,000
		274,917,939	378,020,797

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 TH JUNE, 2020							
	Original budget 2019-2020	Adjustments 2019-2020	Final budget 2019-2020	Actual on comparable basis 2019- 2020	Performance difference 2019-2020	% of utilisation difference to final budget	Explanation of material variances (above 10%)
REVENUE							
Government recurrent grants	580,185,658	88,635,076	668,820,734	668,820,733	(1)	(0)	Variance not above 10%
Government devt grants	168,389,933	-	168,389,933	168,389,933	-	-	Variance not above 10%
Researcher's grants	23,500,000	24,000,000	47,500,000	47,359,552	(140,448)	(0)	Variance not above 10%
Accommodation fee	9,100,000	(282,900)	8,817,100	8,819,000	1,900	0	Variance not above 10%
Tuition fee	309,800,000	(60,000,000)	249,800,000	246,040,967	(3,759,033)	(2)	Variance not above 10%
Catering	15,000,000	2,856,137	17,856,137	17,690,741	(165,396)	(1)	Variance not above 10%
Farm	7,500,000	1,500,000.00	9,000,000	9,067,497	67,497	1	Variance not above 10%
Rent	7,000,000	50,000.00	7,050,000	7,059,297	9,297	0	Variance not above 10%
Other income	19,500,000	(9,130,000.00)	10,370,000	5,156,060	(5,213,940)	(50)	The revenue shortfall was occasioned by the closure of the University in the month of March, 2020 due to the COVID-19 Pandemic.
Graduation fee	4,150,000	-	4,150,000	4,156,000	6,000	0	Variance not above 10%
Annual conference	700,000	(700,000.00)	-	-	-	-	Variance not above 10%
Endowment fund	10,000,000	400,000	10,400,000	10,410,287	10,287	0	Variance not above 10%
Total income	1,154,825,591	47,328,313	1,202,153,904	1,192,970,067	(9,183,837)	(52)	
Expenses							
Employee costs	574,029,658	83,244,398	657,274,056	664,398,305	(7,124,249)	(1)	Variance not above 10%
Remuneration to the Council	14,744,000	(3,942,183)	10,801,817	10,593,354	208,463	2	Variance not above 10%
Repairs and maintenance	21,960,000	(7,239,200)	14,720,800	13,818,786	902,014	6	Variance not above 10%
Research expenses	21,140,000	27,676,000	48,816,000	47,359,552	1,456,448	3	Variance not above 10%
General expenses	218,363,400	-31,522,941	186,840,459	175,392,142	11,448,317	6	Variance not above 10%
Endowment fund	10,000,000	26,000	10,026,000	10,410,287	(384,287)	(4)	Variance not above 10%
Property, Plant & Equipment	68,100,000	8,644,719	76,744,719	77,364,662	(619,943)	(1)	Variance not above 10%
Minor works	18,500,000	(9,500,000)	9,000,000	8,823,857	176,143	2	Variance not above 10%
Development projects	207,988,533	(20,058,480)	187,930,053	181,045,722	6,884,331	4	Variance not above 10%
Total expenditure	1,154,825,591	47,328,313	1,202,153,904	1,189,206,667	12,947,237		
Surplus for the period	-	-	-	3,763,400	3,763,400		

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

University of Embu was established by and derives its authority and accountability from the Embu University College Legal Order of 17th June, 2011, under the University of Nairobi Act (Cap 210), legal notice No. 65 of 17th June 2011. The University is wholly owned by the Government of Kenya, and is domiciled in Kenya. The University's principal activity is to generate, advance and disseminate knowledge through training, research, and innovation for the development of humanity.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and Universities Act No. 42, of 2012. and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. During the year under review, University of Embu did not enter into any arrangement involving combinations. The standard is therefore not applicable to the University.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

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 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. The standard will be relevant to the University of Embu, as it shall help in enhancing the value of information disclosed in the financial statements.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. The standard will be relevant to the University of Embu, as it shall help in enhancing the value of information disclosed in the financial statements.

iii. Early adoption of standards

University of Embu did not early – adopt any new or amended standards in the year 2019/2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

(a) Recurrent grants

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 University and can be measured reliably. Recurrent grants are recognized in the statement of Financial Performance.

(b) Development grants

Development/capital grants are recognized in the Statement of Financial Position and realised in the Statement of Financial Performance over the useful life of the assets that has been acquired using such funds.

University of Embu recognizes development grants received as a deferred income statement of financial position. Upon completion and commissioning of the project funded through the grants, the grants relating to the project are amortized using the applicable depreciation rate, by reducing the carrying amount of the liability and recognizing an equal amount as an income, in the Statement of Financial Performance.

ii) Revenue from exchange transactions

Rendering of services

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

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 rental property is recognized on occupancy of the property and included in revenue.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

b) Budget information

The original budget for the FY 2019-2020 was approved by the National Assembly on 13th June, 2019. Subsequent revisions 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 KES. 88,635,076 on the 2019-2020 budget following the governing body's approval.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in the financial statements.

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

d) Property, plant and equipment

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

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The depreciation is calculated on the reducing balance to write down the cost of each asset to its residual value over its estimated useful life using the following rates:

Land	0%
Buildings	2.5%
Motor Vehicles	25%
Furniture & Fittings	12.5%
Computer & Printers	30%
Plant & Equipment	12.5%
Library books	20%
Bearer plants	10%

e) 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.

f) Research and development costs

University of Embu expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the University 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, it 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.

g) Financial instruments

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: 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 University 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

University of Embu assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets 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:

- a) The debtors or entity of debtors are experiencing significant financial difficulty
- b) Default or delinquency in interest or principal payments
- c) The probability that debtors will enter bankruptcy or other financial reorganization
- d) 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.

h) 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:

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

- 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 University.

i) Provisions

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

j) Contingent liabilities

University of Embu 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.

k) Contingent assets

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

University of Embu maintains the following the following reserves in terms of specific requirements.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

(i) Revenue reserves

The revenue reserve is created out of the surpluses generated by the University from its operating activities, and retained for the purpose of expanding business or to meet contingencies in the future.

(ii) Revaluation reserves

The revaluation reserve arose from revaluation of property plant, and equipment. When revalued property and equipment are sold, the portion of the revaluation reserve that relates to that asset, and is effectively realized, is transferred directly to the Accumulated Surplus.

m) Changes in accounting policies and estimates

University of Embu 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 retirement benefits

The University of Embu provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which University pays fixed contributions into a separate Pension Scheme 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.

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

University of Embu has never taken any loan from a financial institution.

q) Related parties

University of Embu 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 of the Chancellor, Council members, the Vice-Chancellor and senior managers.

r) Service concession arrangements

University of Embu didn't have any concession arrangements with another entity or individual.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

s) 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 petty cash floats given to authorized public officers/offices which had not been surrendered or accounted for at the end of the financial year.

t) Comparative figures

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

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 University based its assumptions and estimates on parameters available when the 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 University of Embu. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

(i) 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 University.
- 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.

(ii) Provisions

Provisions were raised and the Management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Notes 27 and 32

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

- Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. University of Embu made the following three provisions, which have been include in the financial statements for the year:

a) Provision for depreciation

This caters for reduction in the value of an asset with the passage of time, due to wear and tear. University of Embu uses reducing balance method to depreciate its assets. The applicable rates of depreciation are given in note 4(c) of this financial statements.

b) Provision for audit fee

Provision for audit fee is based on the invoice for the last financial year. The actual charge for audit services will be determined after the actual audit by the Auditor General.

c) Provision for bursaries.

This is a transfer to the bursaries kitty based on the amount provided in the budget. Actual expenditure is determined after the actual disbursement of bursaries.

(iii) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS AS AT 30TH JUNE, 2020		
	2019/2020	2018/2019
	(KES)	(KES)
Note 6(a): Transfer from Ministry of Education		
Unconditional (Recurrent) grants	668,820,733	513,747,314
Conditional (Capital) grants	168,389,933	226,360,000
Total	837,210,666	740,107,314
Note 7: Rendering of services		
Tuition fees	246,040,967	307,365,714
Accommodation Fees	8,819,000	8,784,056
	254,859,967	316,149,770
Catering	17,690,741	18,524,514
Total	272,550,708	334,674,284
Note 8: Rental revenue		
Residential and commercial	6,931,082	6,558,480
Guest House	128,215	194,200
Total	7,059,297	6,752,680
Note 9: Farm revenue	9,067,497	6,566,089
Note 10: Finance income		
Interest from call deposits	2,249,505	1,091,088
	2,249,505	1,091,088
Note 11: Other incomes		
Tender application forms	-	76,100
Research income	47,359,552	29,239,037
Administrative fee - research grants	1,062,123	401,225
Hire of Facilities	528,146	527,631
Health Unit fee	-	88,400
Miscellaneous income	769,349	1,749,126
Disposal of obsolete items	50,000	70,300
Graduation fee	4,156,000	2,084,500
Library services	491,336	322,457
Supplementary examination fee	5,600	394,100
Total	54,422,106	34,952,876

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

	2019/2020	2018/2019
Note 12: Employee costs	(KES)	(KES)
Salaries and wages	269,809,039	248,873,841
Responsibility allowance	35,161,466	34,489,975
Commuter allowance	41,539,897	39,145,405
Leave allowance	3,597,182	2,288,145
House allowance	135,031,281	125,526,218
Part time teaching	30,901,510	35,704,443
Pension	47,738,220	39,901,872
NSSF	4,878,360	4,564,080
Interns honoraria	5,573,658	4,837,070
External examiners	1,297,217	932,199
National Ind' Training Authority	235,400	242,650
Provision for salary arrears	88,635,075	-
Total	664,398,305	536,505,898
Note 13: Remuneration of Council		
Chancellor's honoraria	1,200,000	1,200,000
Chairman's honoraria	1,044,000	1,044,000
Council Capacity building	1,577,888	1,774,499
Council Insurance	1,188,529	-
University Council's emoluments	5,582,937	10,102,467
Total	10,593,354	14,120,966
Note 14: Repairs and maintenance		
Maintenance of buildings	8,735,113	7,495,532
Maintenance of equipment	2,964,016	1,767,002
Maintenance of grounds	2,119,657	2,874,849
Total	13,818,786	12,137,383
Note 15: Research expenses		
Research grant expenses	47,359,552	29,522,936
Total	47,359,552	29,522,936
Note 16: Contracted Services		
Asset Valuation	-	1,000,000
	-	1,000,000

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

	2019/2020	2018/2019
Note 17: General expenses	(KES)	(KES)
Academic board and Senate	1,408	1,436,320
Advertisement and publicity	1,451,172	8,522,593
Audit fees	522,000	522,000
Bank charges	644,855	539,336
Celebration & ceremonies	4,643,278	8,865,487
Cleaning & sanitary	7,209,684	8,777,331
Corporate Social responsibility	-	-
Conferences & seminars	281,805	670,713
Cultural Festival	1,448,125	1,430,990
Electricity	9,342,216	7,467,876
Farm activities (Commercial)	6,328,187	6,876,370
Farm activities (research)	54,900	-
Field course	612,300	1,297,057
Food stuff & kitchen supplies	26,383,442	27,923,005
Fuel and oil	965,310	2,122,593
Funeral	15,000	60,000
Games & sports	2,696,284	2,827,467
Hire of security	6,436,191	5,944,234
HIV, AIDS & disability	117,911	229,042
Honors and award	-	23,840
ICT expenses	739,566	841,091
General insurance	3,486,472	3,645,452
Maintenance of Internal road	1,204,200	-
Internet expenses	5,792,742	5,103,865
ISO expenses	824,129	1,667,090
Kitchenware/cutlery	156,620	314,851
Legal expenses	444,487	375,990
Library expenses	994,474	698,150
Exhibitions	324,623	685,371
Management board	565,853	3,202,184
Medical expenses	18,786,183	16,262,282
Membership subscription	164,797	335,580
Non-pharmaceuticals	1,071,207	577,179
Other office expenses	1,115,072	1,778,276
Pharmaceuticals	2,680,670	3,361,312
Postage	81,090	116,108
Printing and publishing	1,196,636	1,673,816
Gowns	4,000,500	-
Professional/consultancy services	1,377,555	1,349,462
Staff uniform	719,821	369,756

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

	2019/2020	2018/2019
	(KES)	(KES)
Stationery expenses	5,694,967	7,832,868
Statutory payment	5,093,418	3,447,825
Provision for bursary	2,000,000	1,500,000
School of Law Expenses	577,775	-
Student welfare & mentorship	2,270,396	2,266,114
Teaching materials	1,586,045	3,062,187
Teaching practice	4,688,014	3,921,666
Telephone	410,899	442,712
Transport operating	8,078,030	7,406,237
Water & conservancy	4,122,058	4,623,840
Programme accreditation	2,502,150	3,216,996
Programme development cost	702,382	697,789
Protective gear	168,731	105,348
Public relations	502,230	651,115
Staff training, devt & scholarships	6,103,848	6,142,622
Travel and subsistence allowance	7,192,703	13,131,221
External travel	1,412,316	3,290,539
Quality assurance	41,296	30,600
Detergent-making materials	224,820	162,205
Direct marketing	1,320,176	1,331,361
Examination stationery	2,993,823	1,139,997
Performance management	2,825,300	2,107,000
Team building	-	2,040,333
Total general expenses	175,392,142	196,444,643
Note 18: Other gain/loss	(2,957,015)	1,599,960
This represents the difference between the value of the biological assets at the beginning and at the end of the financial year.		

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

	2019/2020	2018/2019
Note 19: Cash and cash equivalents	(KES)	(KES)
Current accounts	36,169,555	7,491,668
Student Paybill - A/C 418888	40,886	673,674
Cash in hand	21,500	-
Farm Paybill 414444	16,449	12,275
Library buy Goods	20,127	24,242
Endowment Paybill 233320	7,000	421,520
Staff Cafeteria Buy goods	35,305	-
Bottled Water buy goods	-	-
Cleaning Solutions buy goods	-	-
Total	36,310,821	8,623,379
Detailed analysis of cash and cash equivalents		
a) Current accounts		
Financial institution		
KCB Fees - A/C 1140846019	2,303,517	747,989
KCB Dollar - A/C 1146975716	5,732,560	4,695,997
Equity Fees - A/C 0190260737294	147,708	1,322,317
Barclay Fees A/C 2027527410	30,482	78,565
NBK Fees - A/C 01001081259300	167,586	442,524
Co-op Fees - A/C 01129408325000	54,510	16,982
KCB - EURO	2,318,038	187,294
Equity Endowment A/C	25,415,153	-
Sub- total	36,169,555	7,491,668
b) Others		
Student Paybill number 418888	40,886	673,674
Cash in Hand	21,500	-
Farm Paybill number 414444	16,449	12,275
Endowment Fund Paybill number 233320	7,000	421,520
Library Buy Goods number 271941	20,127	24,242
Staff Cafeteria Buy Goods number 245292	35,305	-
Water Bottling Buy Goods number 245358	-	-
Cleaning Solutions Buy Goods number 245299	-	-
Yoghurt Buy Goods number 245294	-	-
Animal Feeds Buy Goods number 245296	-	-
Sub- total	141,267	1,131,711
GRAND TOTAL	36,310,821	8,623,378
Note 20: Receivables from exchange transactions		
Fees receivable	21,868,526	27,247,198
Farm income receivable	54,797	22,206
Catering income receivable	1,386,850	-
	23,310,173	27,269,404

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

	2019/2020	2018/2019
	(KES)	(KES)
Note 21: Receivables from non-exchange transactions		
Government recurrent grant	88,635,076	42,813,055
Staff debtors (temporary imprests)	1,722,847	5,916,180
Staff debtors (Research imprest)	10,614,407	12,059,449
Total receivables from non-exchange transactions	100,972,330	60,788,684
Note 22: Inventories		
Stationery	3,003,604	1,688,777
Hardware	1,663,620	1,702,173
Farm	293,578	499,514
Food store	282,783	540,859
Health Unit	1,604,863	1,041,428
Accommodation	177,238	351,509
Laboratory	2,989,003	3,547,377
Water Bottling	36,871	-
Cleaning solutions	275,021	-
Total	10,326,581	9,371,637
Note 23: Biological assets		
Cows	3,421,000	4,337,000
Chicken	452,500	774,830
Goats	140,000	164,000
Pigs	2,367,500	2,624,000
Bananas	382,200	272,160
Maize	150,000	230,000
Irish Potatoes	-	84,000
Tomatoes	-	353,000
Sweet potatoes	-	-
Kales	37,500	106,000
Cabbages	64,475	296,200
Gorgets	-	55,500
Carrots	-	7,000
cow peas	-	20,000
Black night shade	45,000	30,000
Spinach	-	76,000
Fish	15,000	-
Napier grass	65,000	500,000
Boma Rhodes	30,000	-
Sub-total	7,170,175	9,929,690

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

	2019/2020	2018/2019
(ii) Bearer plants	(KES)	(KES)
Avocados	324,000	405,000
Mangoes	66,000	52,000
Macadamia	50,000	50,000
Coffee stumps	244,000	374,500
Sub-total	684,000	881,500
Bearer plants are living plants used in the supply of agricultural produce and are expected to bear produce for more than one financial year, and has a remote likelihood of being sold as agricultural produce. Bearer plants are accounted for as Property, Plant and Equipment and depreciated at the rate of 10%.		
Note 24: Investments		
As at the end of FY under review, the University did not have any investments in treasury bills/bonds, investments in any bank or any equity investment.		

Note 25: Intangible Assets - ERP System			
	ERP work in progress	Total	2018/2019
Description	(KES)	(KES)	(KES)
Cost			
At beginning of the year	7,185,000	7,185,000	7,185,000
Additions	10,156,960	10,156,960	-
At end of the year	17,341,960	17,341,960	7,185,000
Additions-internal development	-	-	-
At end of the year	17,341,960	17,341,960	7,185,000
Amortization and impairment	33%		
At beginning of the year	-	-	-
Amortization	-	-	-
At end of the year	-	-	-
Impairment loss	-	-	-
At end of the year	-	-	-
Net Book Value	17,341,960	17,341,960	7,185,000

Note 26: Depreciation and Amortization Expense		
Description	2019-2020	2018-2019
	(KES)	(KES)
Property, Plant and Equipment (Note 27)	55,603,702	52,759,246
Intangible assets (Note 25)	-	-
Total Depreciation and amortization	55,603,702	52,759,246

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

Note 27: Property, plant and equipment										
	Land	Building	Motor Vehicle	Furniture & Fittings	Computer & hardware	Library books	Plant and Equipment	Bearer plants	Capital In Progress	TOTAL
Cost	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)	(Ksh)
At 1st July, 2018	1,087,695,000	320,804,803	78,804,386	51,020,514	69,556,928	51,137,125	75,798,149	1,404,000	892,468,648	2,628,689,553
Prior year adjustment for Intangible assets	-	-	-	-	-	-	(5,000,000)	-	-	(5,000,000)
Additions	-	-	13,133,750	11,183,568	6,952,327	7,925,986	17,319,080	-	325,788,163	382,302,874
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers	-	317,120,860	-	-	-	-	-	-	(317,120,860)	-
Revaluation	112,305,000	(112,925,663)	-	-	-	-	-	(522,450)	-	(1,143,113)
At 30th June 2019	1,200,000,000	525,000,000	91,938,136	62,204,082	76,509,255	59,063,111	88,117,229	881,550	901,135,951	3,004,849,314
Disposals	-	-	-	-	-	-	-	-	-	-
Additions	-	-	6,800,000	15,210,974	10,066,619	6,485,526	28,644,583	-	189,869,579	257,077,281
Revaluation	-	-	-	-	-	-	-	(197,500)	-	(197,500)
At 30th June 2020	1,200,000,000	525,000,000	98,738,136	77,415,056	86,575,874	65,548,637	116,761,812	684,050	1,091,005,530	3,261,729,095
Depreciation and Impairment										
Depreciation rate	0%	2.50%	25.00%	12.50%	30.00%	20.00%	12.50%	10.00%	0%	
At 1st July, 2018	-	38,679,026	49,049,821	18,860,732	46,832,267	28,641,361	21,393,050	140,400	-	203,596,657
Prior year adjustment for Intangible assets	-	-	-	-	-	-	(625,000)	-	-	(625,000)
Adjusted balance	-	38,679,026	49,049,821	18,860,732	46,832,267	28,641,361	20,768,050	140,400	-	202,971,657
Revaluation adjustment	-	(38,679,026)	-	-	-	-	-	(140,400)	-	(38,819,426)
Adjusted balance	-	-	49,049,821	18,860,732	46,832,267	28,641,361	20,768,050	-	-	164,152,231
Depreciation charge	-	13,125,000	10,722,079	5,417,919	8,903,096	6,084,350	8,418,647	88,155	-	52,759,246
At 30th June, 2019	-	13,125,000	59,771,900	24,278,651	55,735,363	34,725,711	29,186,697	88,155	-	216,911,477
Depreciation charge	-	12,796,875	9,741,559	6,642,051	9,252,153	6,164,585	10,946,889	59,590	-	55,603,702
At 30th June, 2020	-	25,921,875	69,513,459	30,920,701	64,987,517	40,890,296	40,133,587	147,745	-	272,515,179
Net book values										
At 30th June, 2020	1,200,000,000	499,078,125	29,224,677	46,494,355	21,588,357	24,658,341	76,628,225	536,306	1,091,005,530	2,989,213,916
At 30th June, 2019	1,200,000,000	511,875,000	32,166,236	37,925,431	20,773,892	24,337,400	58,930,532	793,395	901,135,951	2,787,937,837

Note: Capital Work in Progress is the cost of the on-going construction work.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

	2019/2020	2018/2019
	(KES)	(KES)
Note 28: Overdrawn bank account	18,543,164	52,166,353
The University operates various revenue collection bank accounts, and one operations account. Revenue collected through collection accounts is regularly transferred to operations account (KCB number 1141890933) for purposes of making payments. By the end of the year, some transfers had not been done. Further, the University was allocated KES 88,635,076/= in Supplementary Estimate number 2, which had been factored in the budget, but not received by the close of the FY. The two factors led to overdrawing of the account.		
Note 29: Trade and other payables from exchange transactions		
Trade payables	369,346	2,753,784
Provision for salary arrears	88,635,075	-
	89,004,421	2,753,784
Note 30: Payables from non-exchange transactions		
Deferred donor research grants	8,727,494	10,858,496
Vice-Chancellor's Fund	759,690	1,357,339
Student Union subscription - UESA	2,877,275	1,213,075
Students' clubs	19,060	19,060
Unclaimed deposits	2,883,094	1,391,415
Alumni Association	2,005,500	871,000
Endowment Fund	27,195,861	16,785,574
Total	44,467,974	32,495,959
Note 31: Refundable deposits from customers		
Rental deposits	946,814	850,314
Note 32: Provision for audit fee		
Balance b/f	522,000	522,000
Add: Provision for the year	522,000	522,000
Less: Payments during the year	-	(522,000)
	1,044,000	522,000
Note 33: Payment received in advance		
Deferred fee income	6,002,606	8,202,000
Note 34: Bursary fund	3,636,547	1,492,516
This is a fund that was created by the University from which bursaries to the needy students are drawn.		

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

	2019/2020	2018/2019
	(KES)	(KES)
Note 35: Caution Money	15,764,000	13,942,000
These are refundable funds paid by all new students to cushion the University against any loss/damage by the students to property. The amount is refunded after the student clears from the University.		
Note 36: Retention money	35,439,168	41,320,365
This comprises of money deducted from payments to contractors to cater for any defects on the construction work undertaken.		
Note 37: CBA Refund	81,560,000	81,560,000
CBA refund represents the balance of Ksh 106 million received in the FYs 2012/2013 and 2013/2014 for CBA implementation. At that time the University was new and did not have CBA arrears to pay. The amount was reallocated to other University votes, and spent. The Ministry of Ed. later directed that the money be refunded to other Universities. Ksh 24.44 million was refunded, leaving the above balance.		

Note 38: Employee benefit obligations					
	Defined benefit plan	Post-employment medical benefits	Other Provisions	2019/2020	2018/2019
	(KES)	(KES)	(KES)	(KES)	(KES)
Current obligation	Nil	Nil	Nil	Nil	Nil
Non-current benefit obligation	Nil	Nil	Nil	Nil	Nil
Total employees obligations	Nil	Nil	Nil	Nil	Nil

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

	2019/2020	2018/2019
	(KES)	(KES)
Note 39: Borrowings		
The University did not have any borrowing during the financial year.		
Note 40: Cash generated from operations		
Surplus/(deficit) for the year before tax	57,648,941	71,720,013
Less: Provision for salary arrears	(88,635,075)	-
	(30,986,134)	71,720,013
Adjusted for:		
Depreciation	55,603,702	52,759,246
Provision for bursary	2,000,000	1,500,000
Provision for audit fee	522,000	522,000
Audit fee paid	-	(522,000)
Amortized grant	(13,601,950)	(14,826,795)
Provision for salary arrears	88,635,075	-
	133,158,827	39,432,452
Adjusted surplus	102,172,693	111,152,464
Working Capital adjustments:		
(Increase)/decrease in biological assets	2,759,515	(1,599,690)
(Increase)/decrease in inventory	(954,944)	1,442,871
Decrease/(increase) in receivables	(36,224,415)	(69,725,312)
Increase/(decrease) in deferred fee income	(2,199,394)	5,647,874
Increase/(decrease) in bursary fund	2,144,031	165,941
Increase in caution money	1,822,000	1,748,000
Increase in payables	98,222,652	9,968,475
Increase/(decrease) in refundable deposits	96,500	99,364
Increase/(decrease) in overdrawn account	(33,623,189)	26,590,859
	32,042,756	(25,661,618)
Net cash flow from operating activities	134,215,449	85,490,847
	134,215,449	85,490,847

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Notes to the Financial Statements (continued)

Note 41: Deferred Income				
	Development grants from the GoK	Other Grants		Total
	Buildings	Equipment	Library books	
	(KES)	(KES)	(KES)	(KES)
Balance as at 1st July 2019	1,095,252,470	8,048,219	16,896,000	1,120,196,689
Additions	168,389,933	-	-	168,389,933
Amortization for the year	(9,216,723)	(1,006,027)	(3,379,200)	(13,601,950)
Balance as at 30th June 2020	1,254,425,680	7,042,192	13,516,800	1,274,984,672

Note 42: Amortization of deferred grants				
Description	Development grants from the GoK	Other Grants		TOTAL
	Buildings	Equipment	Library books	
	(KES)	(KES)	(KES)	(KES)
Cost				
As at 1st July, 2019	381,290,334	12,013,667	33,000,000	426,304,001
Additions	-	-	-	-
	381,290,334	12,013,667	33,000,000	426,304,001
Amortization rate	2.50%	12.50%	20%	
As at 1st July, 2018	12,621,417	3,965,449	16,104,000	32,690,866
As at 30th June, 2019	12,621,417	3,965,449	16,104,000	32,690,866
Add: amortization for the Year	9,216,723	1,006,027	3,379,200	13,601,950
As at 31st June, 2020	21,838,140	4,971,476	19,483,200	46,292,816
Balance as at 30th June 2020	359,452,194	7,042,191	13,516,800	380,011,185
Balance as at 30th June 2019	368,668,917	8,048,219	16,896,000	393,613,135

	2019/2020	2018/2019
Note 43: Revaluation Reserve	(KES)	(KES)
Balance b/f	1,327,024,973	1,289,348,660
Less: Revaluation loss (PPE)	-	(1,143,113)
Add: Revaluation adjustment for depreciation	-	38,819,426
	1,327,024,973	1,327,024,973
Note 44: Revenue reserves		
Balance b/f	228,578,678	156,233,665
Prior year adjustment	-	625,000
Current surplus	57,648,941	71,720,013
Balance c/f	286,227,619	228,578,678

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Note 45: Contingent Liability

The table below contains cases that were ongoing in Court during the period under review, and which the University may have a contingent liability on. Actual liability for each case will be determined after the case is heard and finally determined.

S/No.	Parties	Estimated contingent liability
1.	Embu of University vs. Lillian Wanyaga Njagi	Will be determined after the case is heard and finally determined.
2.	Kelvin Osore Osiko vs. University of Embu	Will be determined after the case is heard and finally determined
3.	Philip Wafula Mayeku vs. University of Embu	Will be determined once the case is heard and finally determined

(i) Mrs. Lilian Njagi sued University of Embu seeking damages for alleged wrongful termination of employment. The matter is in Nyeri Employment and Labour Relations Court.

(ii) Kelvin Osore Osiko sued the University seeking damages for alleged unfair and unlawful termination of employment. The matter is in the Embu Chief Magistrates Court.

(iii) Philip Wafula Mayeku sued the University seeking damaged for alleged unlawful termination of employment. The matter is in the Employment at Labour Relations Court in Nairobi.

Note 46: Financial Risk management

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

In management of risks, University of Embu Management has put in place an internal audit function to assist it in assessing risks faced by the University on an ongoing basis, and also in evaluating and testing the design and effectiveness of existing internal accounting and operational controls. The University's financial risk management objectives and policies are detailed below:

(i) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations when due, resulting to financial loss to the University. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables, and; available for sale financial investments.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

University's credit risk is primarily attributable to its fee revenue receivable. The amount presented in the Statement of Financial Position is gross amount expected from students. No provision has been made for doubtful debts. This is mainly because the Higher Education Loans Board (HELB) has been financing majority of our student through loans, with tuition component of the loans being remitted directly to the University bank account, resulting to no bad debts. The credit risk on liquid funds with financial institutions is low, because UoEm banks its monies with reputable banks.

The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk is made up of the following:

Credit risk management				
	Fully performing (KES)	Past due (KES)	Impaired (KES)	Total amount (KES)
As at 30th June, 2019				
Receivable from exchange transactions	27,269,404	-	-	27,269,404
Receivable from non -exchange transactions	60,788,684	-	-	60,788,684
Bank balances	8,623,379	-	-	8,623,379
Total	96,681,467	-	-	96,681,467
As at 30th June, 2020				
Receivable from exchange transactions	23,310,173	-	-	23,310,173
Receivable from non -exchange transactions	100,972,330	-	-	100,972,330
Bank balances	36,310,821	-	-	36,310,821
Total	160,593,324	-	-	160,593,324

University's fee payment policy requires payment of fees within the first three weeks of a semester. Where the student is not able to pay fee within the first three weeks of the semester, they are required to either call off the semester, or apply for phased fee payment, where fee is paid in three instalments. No student is allowed to sit for examination with a fee balance, unless with a written commitment to pay by a specified date. Consequently, students' receivables are categorized as past due. Past due amounts are those beyond the maximum established credit period and represent slow, but paying students.

(ii) Concentration risk

The reported receivables from fees wholly relate to balances due from the students who are unrelated, thus there is no concentration risk.

(iii) Liquidity risk management

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

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

University of Embu management reviews its cash forecasts regularly and determines the University's cash requirement. However, the University as a government funded institution, faces the risk of inadequate and/or delayed funding by the National Treasury. This implies that sometimes the University operates with insufficient cash to cater for operational costs and obligations, on timely basis.

The table below analyses the University's financial liabilities, into relevant maturity groupings, based on the remaining period at the end of the financial year to the contractual maturity. The reported balances equal their carrying amounts, as the impact of discounting is not significant.

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Note 47: Liquidity risk management				
The table below analyses the University's financial liabilities into relevant maturity groupings, as at 30th June, 2020				
	Less than 1 month	Between 1-3 months	Over 5 months	Total
As at 30th June, 2019				
Overdrawn bank account	52,166,353	-	-	52,166,353
Trade payables	2,753,784	-	-	2,753,784
Deferred Research grants	-	-	10,858,496	10,858,496
Vice-Chancellor's Fund	-	-	1,357,339	1,357,339
UESA Subscription	-	-	1,213,075	1,213,075
Students' clubs	19,060	-	-	19,060
Unclaimed deposit	-	-	1,391,415	1,391,415
Allumni association	-	-	871,000	871,000
Endowment fund	-	-	16,785,574	16,785,574
Rental deposits	-	-	850,314	850,314
Provision for audit fees	-	-	522,000	522,000
Deferred fee income	-	-	8,202,000	8,202,000
Students' bursary fund	-	-	1,492,516	1,492,516
Caution Money	-	-	13,942,000	13,942,000
CBA refund	-	-	81,560,000	81,560,000
Retention on constructions	-	-	41,320,365	41,320,365
Deferred income	-	-	1,120,196,688	1,120,196,688
Total	54,939,197	-	1,300,562,782	1,355,501,979
	Less than 1 month	Between 1-3 months	Over 3 months	Total
As at 30th June 2020				
Trade payables	369,346	-	-	369,346
Provision for salary arrears	88,635,075	-	-	88,635,075
Deferred Research grants	-	-	8,727,494	8,727,494
Vice-Chancellor's Fund	-	-	759,690	759,690
UESA Subscription	-	-	2,877,275	2,877,275
Students' clubs	19,060	-	-	19,060
Unclaimed deposit	-	-	2,883,094	2,883,094
Allumni association	-	-	2,005,500	2,005,500
Endowment fund	-	-	27,195,861	27,195,861
Rental deposits	-	-	946,814	946,814
Provision for audit fees	-	-	1,044,000	1,044,000
Deferred fee income	-	-	6,002,606	6,002,606
Students' bursary fund	-	-	3,636,547	3,636,547
Caution Money	-	-	15,764,000	15,764,000
CBA refund	-	-	81,560,000	81,560,000
Retention on constructions	-	-	35,439,168	35,439,168
Deferred income	-	-	1,274,984,672	1,274,984,672
Total	89,023,481	-	1,463,826,721	1,552,850,202

(iv) Market risk

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

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. Internal Audit Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies. There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

Foreign exchange risk

University of Embu has transactional currency exposures. Such exposures arise through purchase of goods and services that are done in foreign currencies. Invoices denominated in foreign currencies are paid within 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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

		Other currencies		Total
		Dollars (USD)	Euros	(KES)
At 30 June, 2020				
Financial assets (cash)		53,656.55	18,940.87	8,050,598
Net foreign currency asset/ (liability)		Nil		Nil

Price risk

Embu University does not holds quoted shares that would be subjected to price risk.

Interest rate risk

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

Management of interest rate risk

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

Capital risk management

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

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

	2021/2020	2018/2019
	(KES)	(KES)
Revaluation reserve	1,327,024,973	1,327,024,973
Revenue reserves	286,227,619	228,578,678
Total funds	1,613,252,592	1,555,603,651
Total borrowings	Nil	Nil
Less: Cash and bank balances	36,310,821	8,623,379
Net debt/(excess cash and cash equivalents)	36,310,821	8,623,379
Gearing	Nil	Nil

Note 48: Related party disclosures

Entities and other parties related to the UoEm include parties who have ability to exercise control or significant influence over UoEm's operating and financial decisions. The following are the related parties that UoEm dealt with during the year under review:

- 1) Government of Kenya
- 2) University Chancellor
- 3) University Council
- 4) University Management

Related party transactions

(i) Government of Kenya

Transaction with the Government of Kenya

Nature of transaction	Amount in 2019/2020	Amount in 2018/2019
Transfer from the GoK	837,210,669	740,107,314
Transfer to the GoK	Nil	Nil

(ii) University Council.

During the year under review, the University Chancellor and the Council Chairperson, received remuneration on full-time equivalent basis. Details of their remuneration are displayed below:

S/no.	Category	Number of people	Amount
1.	University Chancellor	1	1,200,000
2.	University Council expenses	9	8,349,354
3.	Council member on full time equivalent	1	1,044,000
	TOTAL		10,593,354

(iii) Due from related parties

Nature of transaction	Amount in 2019/2020 (KES)	Amount in 2018/2019 (KES)
Due from the MoEST	88,635,076	42,813,055

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

(iv) Due to related party

Nature of transaction	Amount in 2019/2020 (KES)	Amount in 2018/2019 (KES)
Due to the MoEST	Nil	Nil

Note 49: Segment reporting

University of Embu does not have operations in different geographical regions. All operations are conducted in the registered office.

Note 50: Capital commitments

The University did not have any commitments at the end of the year under review, which were carried forward to the next financial year.

Note 51: Ultimate and Holding entity

UoEm is a Semi-Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

Note 52: Currency

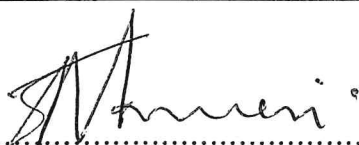
The financial statements are presented in Kenya Shilling (KES).

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

The following issues were raised by the Auditor General in the report for the financial year 2018/2019, and were all addressed:

S/No.	Issues	Action taken	Status
	Issues not known since certificate of audit for the year 2018/2019 had not been received by the time of concluding the audit for the year under review.		



.....
Amb. Simon Nabukwesi
The Principal Secretary
State Department for University Education & Research
MINISTRY OF EDUCATION



.....
Prof. Daniel Mugendi Njiru
SECRETARY

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY OF EMBU

(i) Projects implemented by the University of Embu funded by the development partners
University of Embu does not have any project that is funded by the development partners.
All its projects are funded by the GoK through exchequer.

(ii) Status of projects completion

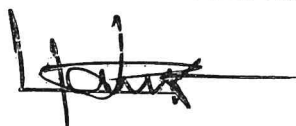
S/No.	Project	Total project Cost (KES)	Total expended to date (KES)	Completion % to date	Budget (KES)	Actual (KES)	Source(s)
1.	Administration block	646,115,287	646,115,287	100%	18,389,933	18,389,933	GoK
2.	Tuition block	899,035,682	410,702,363	62%	152,800,000	152,800,000	GoK

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

Appendix III: Inter-entity transfers

Name of the entity: University of Embu				
Break down of Transfers from the State Department of University Education and Research for the financial year 2019/2020				
a.	Recurrent Grants			
	Bank statement date	Grant	Amount (KES)	Financial year
	08/08/2019	Recurrent	48,348,805	2019/2020
	29/08/2019	Recurrent	48,348,805	2019/2020
	27/09/2019	Recurrent	48,348,805	2019/2020
	01/11/2019	Recurrent	48,348,805	2019/2020
	29/11/2019	Recurrent	48,348,805	2019/2020
	27/12/2019	Recurrent	48,348,805	2019/2020
	04/02/2020	Recurrent	48,348,805	2019/2020
	02/03/2020	Recurrent	48,348,805	2019/2020
	03/04/2020	Recurrent	48,348,805	2019/2020
	08/05/2020	Recurrent	48,348,805	2019/2020
	05/06/2020	Recurrent	48,348,805	2019/2020
	26/06/2020	Recurrent	48,348,805	2019/2020
	06/07/2020	Recurrent	88,635,076	2019/2020
		Total	668,820,736	
b.	Development Grants			
	Bank statement date	Grant	Amount (KES)	Financial year
	21/11/2019	Development	62,384,773	2019/2020
	13/03/2020	Development	106,005,160	2019/2020
		Total	168,389,933	
c.	Direct Payments			
		Bank statement date	Amount (KES)	Financial year
		N/A	N/A	N/A
d.	Donor Receipts			
		Bank statement date	Amount (KES)	Financial year
		N/A	N/A	N/A

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



HEAD OF FINANCE
UNIVERSITY OF EMBU

UNIVERSITY OF EMBU
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized				Receivables	Others - must be specific	Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income				
Ministry of Education	08/08/2019	Recurrent	48,348,805	✓						48,348,805
	29/08/2019	Recurrent	48,348,805	✓						48,348,805
	27/09/2019	Recurrent	48,348,805	✓						48,348,805
	01/11/2019	Recurrent	48,348,805	✓						48,348,805
	21/11/2019	Development	62,384,773			✓				62,384,773
	29/11/2019	Recurrent	48,348,805	✓						48,348,805
	27/12/2019	Recurrent	48,348,805	✓						48,348,805
	04/02/2020	Recurrent	48,348,805	✓						48,348,805
	02/03/2020	Recurrent	48,348,805	✓						48,348,805
	13/03/2020	Development	106,005,160			✓				106,005,160
	03/04/2020	Recurrent	48,348,805	✓						48,348,805
	08/05/2020	Recurrent	48,348,805	✓						48,348,805
	05/06/2020	Recurrent	48,348,805	✓						48,348,805
	26/06/2020	Recurrent	48,348,805	✓						48,348,805
	06/07/2020	Recurrent	88,635,076	✓				✓		88,635,076
Total			837,210,669							837,210,669