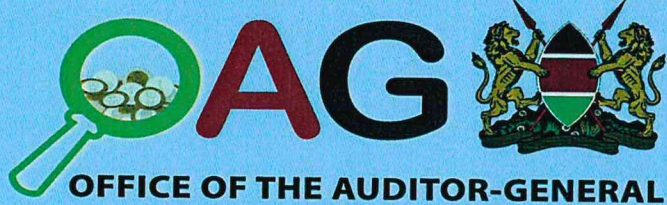


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY

DATE: 15 FEB 2022

176V.  
Tuesday

TABLED BY: LDM

CLERK-AT-THE-TABLE: Gertrude Chebet

**THE AUDITOR-GENERAL**

**ON**

**GARISSA UNIVERSITY**

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





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**GARISSA UNIVERSITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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## KEY UNIVERSITY INFORMATION AND MANAGEMENT

### (a) Background Information

The Garissa University was established as a constituent college of Moi University on 12<sup>th</sup> August, 2011 through Legal Notice No. 116, the Moi University Act (Cap. 210A), and the Garissa University College Order 2011. The University become a fully pledged public University on 23<sup>rd</sup> October, 2017. At cabinet level, Garissa University is represented by the Cabinet Secretary for Ministry of Education (MOE), who is responsible for the general policy and strategic direction of the University.

Garissa University continues to discharge its three core mandates; teaching/training, research and community outreach. The current student population stands at 1,912 majority been self-sponsored students. The students are spread into four major schools which offer Postgraduate and Bachelor degree programs in Pure & Applied Sciences, Business & Economics, Education, Arts & Social Sciences and Dry Land Environment and Natural Resources. The University has limited physical infrastructure and inadequate academic staffing level to train students in these fields but optimistic to grow if funded well by the government and donor funds.

### (b) Principal Activities

The principal activities of Garissa University is teaching, research and community outreach and its mission is to nurture talent through research, innovation, consultancy, community outreach, entrepreneurship, imparting knowledge and skills to meet the needs of the society.

### (c) Key Management

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

1. University Council
2. Vice-Chancellor
3. University Management Board

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

S.No.	Designation	Name
1.	Ag. Vice-Chancellor	Prof. Ahmed Abdikadir Osman
2.	Ag. Deputy Vice Chancellor (Academic & Students' Affairs)	Prof. Hussein Sheikh Adams Golicha
3.	Ag. Deputy Vice-Chancellor (Finance, Administrative & Planning)	Prof. Stephen Irura Ng'ang'a
4.	University Librarian	Dr. Iddi Juma
5.	Registrar (Academic and Student's Affairs)	Dr. Stephen Rotich
6.	Ag. Registrar ( Administration and Planning)	Mr. Abdulrahman Hamo Mohamed
7.	Head of Finance	CPA Teddy Bett
8.	Head of Procurement	Mr. Hussein Noor
9.	Ag. Dean of Students	Ms. Khadija Ahmed Mohamed

## KEY UNIVERSITY INFORMATION AND MANAGEMENT (Continued)

### (e) Fiduciary Oversight Arrangements

The University has a Council which provides the overall oversight responsibility on the management of the University which includes:- recruitment of staff, approval of statutes of the University and cause them to be published in the Kenya gazette, approval of policies, approval of the budget, manage, supervise and administer the University assets; determine the provisions to be made for capital and recurrent expenditure and for reserves; receive any grants, donations or endowments on behalf of the University; enter into association, collaboration, partnership or linkages with other entities. The University governing Council exercises its governing and operational functions through its established standing committees with clear Terms of Reference. These committees are:

- ❖ Audit, Risk and compliance committee (ARCC),
- ❖ Academic, Research and Community Outreach committee (ARCO),
- ❖ Governance, Human Resource and Students Welfare committee (GHRSWC) and
- ❖ Finance, Development and General Purpose committee (FDGPC)

**(f) University Headquarters**

Garissa University  
Main Campus  
P.O. Box 1801 – 70100  
Garissa University Building  
University Way Road, off Kismayu Road  
Garissa, KENYA.

**(g) University Contacts**

Telephone : (+254) 722 583 900  
E-mail: [vc@gau.ac.ke](mailto:vc@gau.ac.ke)  
Website: [www.gau.ac.ke](http://www.gau.ac.ke)

**(h) University Bankers**

1. Kenya Commercial Bank  
Garissa Main Branch  
Way  
P.O Box 560 – 70100  
Garissa, Kenya

**(i) Independent Auditors**

Office of the Auditor General  
Anniversary Towers, University  
  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya



2. Equity Bank



Garissa Branch  
P.O. Box 700 – 70100  
Garissa, Kenya.

**(j) Principal Legal Adviser**




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

**THE UNIVERSITY COUNCIL**

	<p>Dr. Christopher Gatama Gakahu was born on 15th September 1951.</p> <p>He is currently a principal consultant with Oikos Africa Environment Services Ltd. a firm and a centre of excellence dedicated to offering professional services in sustainable development, policy advocacy and programming in areas of energy, environment and natural resources and in climate change mitigation and adaptation.</p>
<p>Dr. Christopher G. Gakahu</p> <p>Chairman of Council</p>	<p>Prior to that, he was the Assistant Country Director in charge of programmes in United Nations Development Programme (UNDP) in Kenya where he doubled as the Energy, Environment and Natural Resources advisor and Team Leader for 15 years. While there, he played lead role in the review and establishment of national policies, laws and institutions including Ecotourism Kenya, the National Environment Management Authority, Kenya National Cleaner Production Centre, and the Kenya Centre for Energy Efficiency and Conservation among others.</p> <p>Before joining, the UNDP Dr. Gakahu worked as researcher and biodiversity advisor at Wildlife Conservation International (WCI) - now African Conservation Centre (ACC) and the International Union for Conservation of Nature (IUCN).</p> <p>Prior to that, he had a ten years academic tenure at University of Nairobi and Moi University in Kenya.</p> <p>He holds a BSc (Hons) and PhD in Zoology - Biology of Conservation from the University of Nairobi. He has also undertaken post-doctoral studies and research at the Aberdeen University in UK, at Griffith University, Brisbane Australia and at San Diego State University - California.</p> <p>He is a GEF and EIA trainer and practitioner, expert and a certified in PRINCE2. He has published widely and also edited several books.</p> <p>He chairs the University Council</p>
	<p>Dr. Bertha Kirigo Kaimenyi was born on 4th April 1961.</p> <p>She has been working for a period of more than 20 years within the education sector in Kenya in different capacities. She is an entrepreneurship expert and prides herself in starting the first Masters programme on entrepreneurship in Jomo Kenyatta University in 1993.</p> <p>She has held several senior Administrative positions in different institutions of learning. She currently serves as a Director at Kenya Tea Development Agency and a Council Member in the Meru County.</p> <p>Dr. Kaimenyi holds a Doctorate of Education, an Education Specialist and a Master of Arts from Andrews University, Berrien</p>

	<p>Springs. She holds a Bachelor of Business Administration (Management) from the University of Eastern Africa, Eldoret, Kenya.</p> <p>She is an independent member of Council and currently chairs the Academic, Research &amp; Community Outreach Committee of Council</p>
	<p>Mr. Jacktone Akelo was born on 17th July 1971.</p> <p>He holds Master of Arts (M.A.) in Organization Leadership, Eastern University-USA; a Master of Science (M. Sc.) in Development Planning and Management, jointly from Kwame Nkrumah University of Science and Technology-Ghana and Technische Universitat Dortmund-Germany and a Bachelor of Science (B. Sc.) in Natural Resources Management – Wildlife Option, Egerton University-Kenya</p>
<p>Mr. Jacktone Akelo Council Member</p>	<p>Mr. Akelo currently serves as Managing Partner for the Pace Setters Enterprises Ltd and Training Consulting Firm. Prior to that, he served as the Kenya Country Director, Living Water International for eight years.</p> <p>He is an independent member of Council and chairs the Governance, Human Resource and Students Welfare Committee of Council</p>
	<p>Eng. Mohamed Ali Farah was born on 7th January 1957.</p>
	<p>A graduate technical engineer by profession, Eng. Farah brings on board vast experience from different backgrounds. He holds a master's Degree in community Health &amp; Development from Great Lakes University of Kisumu.</p> <p>Mr. Farah is a member of the Environmental Institute of Kenya; the International Water Association (Hague, Netherlands); a Lead Expert National Environmental Management Authority(NEMA) and last but not least, a member of the Engineers Registration Board (ERB) Kenya. Mr. Farah has also served as a Council Member in Moi University, The Great Lakes University of Kisumu and the University of Embu.</p>
<p>Eng. Mohamed A. Farah Council Member</p>	<p>He is an independent member of Council and currently chairs the Finance, Development and General Purpose Committee of Council</p>



	<p>Mr. William Ogwagwa Motari was born on 5th March 1973.</p> <p>He holds a Bachelor of Arts degree in Economics and Statistics (Egerton University), a Master of Business Administration (MBA) in Operations Management (University of Nairobi). Has consulted in both public and private sector in Strategic Management &amp; planning, Human Resources Management, Business Plans, Performance Contracting Areas, Feasibility Studies, Specialist (Technical) Management Disciplines, Public Service Management Administration and Reforms, Management of HIV/AIDS &amp; Alcohol, Drug and Substance Abuse Programmes, Research and Development (R &amp; D), Workplace Policies and Baseline Surveys, Environmental and Social Impact Assessments (ESIAs) with an experience of over 10 years.</p>
<p>Mr. William O. Motari Council Member</p>	<p>He is an independent member of Council and currently chairs the Audit, Risk and Compliance Committee of Council</p>
	<p>Mrs Amina Rashid Masoud was born in 1971</p> <p>She holds a Master's degree in Business Administration from University of Nairobi and a Bachelor's degree in Education from Kenyatta University.</p> <p>Ms Amina Masoud has worked in Kenya in different capacities in several sectors for over 20 years.</p> <p>She has served as the first Lamu county executive committee member in charge of lands, urban development, infrastructure, water and natural resources.</p>
<p>Mrs. Amina R. Masoud Council Member</p>	<p>She has also served in the corporate/strategic planning in different capacities at Telkom Kenya Ltd for over 10 years and shortly at the National Museums of Kenya.</p> <p>She is an independent member of Council</p>
	<p>Mr. Bonface Ngigi was born on 13th March 1978.</p> <p>He holds a Master's Degree in Project Planning Management from The University of Nairobi and a Bachelors of Science in Mathematics (Statistics) form The Catholic University of Eastern Africa.</p> <p>He has vast experience in negotiation of Agreements, Investments, Regional Integration, National Budget preparation, Economic Policy formulation and analysis in areas related to Environment and Natural Resource Governance; Low Carbon, Sustainable Development, Climate Financing, as well as Disaster Risk Financing. Over 12 years in Planning and Budgeting</p> <p>He is the Representative of PS- National Treasury.</p>
<p>Mr. Bonface K. Ngigi Rep. PS National Treasury</p>	



Mr. Evans M. Atambo

Mr. Evans Mugoya Atambo was born in 26th October 1973  
He is a PhD candidate (CUEA), holds M.Phil. In Curriculum Development (Moi) and B.Ed. English and Literature (Moi).  
Over 20 years of working experience in Education Management.  
He is the Representative of PS- University Education and Research

Rep. PS University  
Education and  
Research







Prof. Ahmed A. Osman





Prof. Ahmed A. Warfa was born in 20th January 1960  
He is a Professor of Curriculum & Instructions at Moi University.  
He holds PhD (Curriculum and Instruction; Supervision of Instruction, Ohio University; M.Ed. (Secondary Education, Ohio University; MA (International Studies, Ohio University; BA (English & History, Ohio); Dip Ed (English Language & Literature, Siriba Teachers College)  
Has over 30 years of work experience.

Ag. Vice Chancellor/  
Council Secretary

Currently the acting Vice Chancellor, Garissa University and Secretary to the Council

**UNIVERSITY MANAGEMENT BOARD**

Name	Key Professional/Academic Qualification	Area of Responsibility
 <b>Prof. Ahmed A. Osman</b>	<p>PhD (Curriculum and Instruction; Supervision of Instruction, Ohio University); M.Ed. (Secondary Education, Ohio University); MA (International Studies, Ohio University); BA (English &amp; History, Ohio);</p> <p>School Administration and Supervision of Instruction, Curriculum planning and Development. Over 30 years of experience in Education.</p> <p>Currently the acting Vice Chancellor, Garissa University and Secretary to the Council</p>	<p><b>Ag. Vice-Chancellor</b></p>
 <b>Prof. Hussein Sheikh Adams Golicha</b>	<p>PhD (Physics) - Egerton University (1999); MSc (Polymer Physics) – Kenyatta University (1990); Bed (Science) Physics/Maths – University of Nairobi (1984).</p> <p>Over 30 years of experience in teaching/administration</p>	<p><b>Ag. Deputy Vice Chancellor- Academic and Students' Affairs</b></p>
 <b>Prof. Stephen Irura Ng'ang'a</b>	<p>Doctor of Philosophy in <b>Planning</b> - Maseno University (2011), Master of Philosophy in <b>Entrepreneurship</b> - Moi University (2003), National Diploma in <b>Business Management</b> - The Kenya Institute of Management (1996), Master of Science in <b>Forest Industries Technology</b> - University College North Wales (1993), Graduate Diploma in <b>Timber Technology</b>- Bucks College in United Kingdom (UK) (1990). <b>Diploma in Industrial Education</b>- Kenya Technical Teachers College (1986).</p> <p>Over 30 years' experience in Teaching/Administration</p>	<p><b>Ag. Deputy Vice-Chancellor-Finance, Administration and Planning</b></p>
 <b>Dr. Stephen Rotich,</b>	<p>Dr. Stephen Kipkorir Rotich is the Registrar-Academics and students' Affairs (ASA) Division. He has been a senior Lecturer in Research Methods and Education Management, holder of PhD (Education Administration), Moi University, 2014). He has been teaching in University since 2010 and has been a secondary school teacher, principal, trainer of head teachers under KEMI and trainer of secondary teachers under SMASSE.</p>	<p><b>Registrar (Academic &amp; Students' Affairs)</b></p>

PhD		
	<p>PhD (Candidate), Garissa University, Masters in Education (MKU), B.Ed Science (KU), Dip. In Science Education (Kenya Science Teachers College).</p> <p>An accomplished Maths &amp; Chemistry Teacher with an excess of 18 years in Teaching and directing students</p>	<p><b>Ag. Registrar</b> (Administration and Planning)</p>
<p><b>Mr. Abdulrahman Hamo Mohamed</b></p>		
 <p><b>Dr. Iddi Webukha Juma, PhD</b></p>	<p>D.Phil. in LIS (Moi University), Library and Information Studies. M.Phil. in LIS (Moi), B.Sc. in IS (Moi).</p> <p>Library and Information Studies</p> <p>17 years working experience in Library and Information related sectors both in institutions of higher learning and the civil society.</p> <p>Professional training in Information Science (IT, Media, Publishing and Records Management) with specialization in Library and Information services.</p>	<p><b>The University Librarian</b></p>
	<p>MBA (Finance)- Kenyatta University, BCom-KCA University, CPA (K)</p>	<p><b>Head of Finance</b></p>
<p><b>CPA Teddy Kiplagat Bett</b></p>	<p>Professional Accountant with over 11 years' experience in auditing and assurance, Accounting and Finance in both Public and Private Sector.</p>	
 <p><b>Ms. Khadija Ahmed Mohamed</b></p>	<p>Masters of Arts in Counseling Psychology (MKU) Bachelor of Science in Guiding and Counseling Kampala International University (KIU), Diploma in Community Health (KISWCD).</p> <p>Over 20 years of experience in the field of counseling. Worked as a program Officer in Psychological counsellor in international organization for migration and also a former Senior College Counsellor in NEP College of health.</p>	<p><b>Ag. Head of Student Affairs</b></p>



### **CHAIRMAN'S STATEMENT**

I feel honoured to present to our stakeholders, partners and sponsors Garissa University (GaU) Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2020.

The Annual Report helps us reflect on our performance for the year while at the same time giving us opportunity to celebrate achievements and to identify areas that need improvement. The report comes at a time the Country is facing the worst socio-economic depression alongside COVID-19 pandemic that has indeed paralyzed operations and ways of doing business. All institutions of learning were closed following a presidential directive on curbing the pandemic. As expected this adversely affected the running of and learning at the university.

Close to three years upon award of the Charter, the university has marshalled efforts and resources to ensure the institution grows to its potential in terms of learning, developing physical facilities, increasing student population and ensuring right staff levels. That notwithstanding, the impact of April 2, 2015 terrorist attack continues to negatively affect the number students interested in joining the Garissa University. At the close of the year, the university had a student population of 1912 and 187 staff (36 academic staff & 151 non-teaching staff). In the 2020/2021 academic year, the Kenya Universities and Colleges Placement Services (KUCCPS) has placed 783 students to Garissa University.

The university managed to initiate most of the 2019/2020 FY Performance Contract's activities but they were thwarted in the third quarter of the financial year by COVID-19 due to closure of the institution. However, Council will ensure most Performance Contract targets that are in line with 2018-2023 Garissa University Strategic Plan and the "Big Four" agenda are reignited and achieved in the subsequent financial years.

Because of inherited staff load from college status days, reduction in overall government spending and demands for enhanced efficiency, effectiveness and in order to ensure compliance with the statutory academic to support staff - ratio, and for optimal staffing levels there is an urgent need for an overall review of the university work force. To address the matter and in line with its mandate of policy direction Council has initiated a forensic Staff Audit and Rationalization activity whose results will inform hard decisions and radical changes in the university structure, function and academic programmes in the near future.

The university still require a huge investment on key learning facilities. These include library, tuition block, Institute of Peace and Security Studies and Borehole water Storage & reticulation among others on priorities.

During the year ended 30<sup>th</sup> June 2020, the University complied by meeting GOK mandatory reporting requirements including statutory financial remittances. This is great improvement as compared to the previous financial years. On a positive note, during the 2019/2020 FY, Garissa University was able to clear all arrears in pay as you earn (PAYE) and Staff pensions. Alongside the university met the requirements and guidelines of other state agencies in play i.e. Commission for University Education (CUE), State Corporations Advisory Committee (SCAC), Staff Unions, National Treasury and Ministry of Education (MoE) circulars, Kenya Vision 2030 Blueprint and the government's "BIG 4" agenda our commitments are met by the Council and Management.

During the duration by this report, the university initiated key partnerships with Frontier Counties Development Council (FCDC) in establishment of the Institute of Peace and Security Studies (IPSS) and Huawei Technologies for establishment of Huawei Academy. The formalization of the partnerships is ongoing and expected to be concluded in the 2020/2021 FY.

Despite taking longer than expected due to financial constraints, I am pleased to note that ongoing key capital development projects at the University are nearing their completion. The 750-capacity students' hostel was expected to be completed and handed over on 27<sup>th</sup> March, 2020. However,

Garissa University:  
 Annual Report and Financial Statements  
 For the year ended June 30, 2020

**Table 6: The Council Gross Expenditure:**

S/No.	Name	Position	QT1	QT2	QT3	QT4	GROSS AMOUNT (Kshs.)
1	Dr. Christopher G. Gakahu	Chairman	473,684	490,915	430,685	261,000	1,656,284
2	Mr. Evans M. Atambo	Rep. PS MOE	703,125	91,145	234,690	-	1,028,960
3	Dr. Bertha Kaimenyi	Member	623,154	105,508	163,908	-	892,570
4	Eng. Mohamed A. Farah	Member	693,740	275,166	-	-	968,906
5	Mr. Jacktone Akelo	Member	525,862	106,009	240,590	-	872,461
6	Mr. William O. Motari	Member	485,562	100,275	220,750	-	806,587
7	Mr. Boniface Ngigi	Rep. PS Treasury	528,687	106,951	273,728	-	909,366
8	Mrs. Amina R Masoud	Member	-	-	114,800	-	114,800
	<b>Total</b>		<b>4,033,814</b>	<b>1,275,969</b>	<b>1,679,151</b>	<b>261,000</b>	<b>7,249,934</b>

### **Section A: The University's operational and financial performance**

The University received exchequer grants amounting to Ksh 506,966,000 and out of this Kshs. 80 Million and Kshs. 20 Million is as result of supplementary II which is to finance purchase of furniture and equipment for 750 hostel and to cater for operation and maintenance respectively in the current financial year. In addition GaU collected Kshs. 113,336,000 as internally generated Income (A-I-A) from tuition and other income sources.

Garissa University still faces tough times ahead as the budgetary allocation for all operating vote heads is grossly inadequate with no capital development budgetary allocation, yet as a young University, GaU is at a rapid growth stage with students population increasing, new programs are developed, human capital expected to grow as well as expansion of physical infrastructure starting with lecture halls, staff offices, laboratories, library facilities as well as recreational facilities. All this could not be factored in the 2019/2020 FY Budget due to constraint in financial resources available. It is however noteworthy though, that concerted efforts are being made in resource mobilization to enable GaU meet its mandate. Several collaborative research proposals were submitted during the period under review with two qualifying to move to stage two of evaluation and proposal packaging and it is anticipated that they will be considered positively to boost research funding and meet the quarter expected by the Commission for University Education (CUE). GaU has also made contacts and proposal with potential development partners and are hoping to have joint programs in infrastructure and curriculum development towards the development of an Institute for Peace and Security Studies (IPSS).

### **Section B: University's compliance with statutory requirements**

During the period under review, the University complied with its statutory obligations including compliance with Public Procurement Regulations, remittance of PAYE, NHIF, NSSF, NITA and HELB within the stipulated deadlines.

### **Section C: Key projects and investment decisions the University is planning/implementing**

The University has the following on-going projects:

#### **1. Construction of 750 capacity Students' Hostel:**

The project is funded by the Government of Kenya with an initial cost of Kshs. 427,103,221.60. Upon variation, the project costs Kshs. 531,412,385. Currently Kshs. 521,654,051 has been paid and it is about 95% complete

#### **2. Construction of Perimeter wall (Fence):**

The project initial cost was Kshs. 123,265,532. This has since been varied to Kshs. 147,057,712. It is currently over 100% complete and a sum of Kshs. 147,057,712 has been paid to the contractor, out of which 10% has been retained being retention money.

#### **3. Enterprise Resource Planning (ERP) Project:**

The ERP project was awarded at a cost of Kshs. 16,894,603 in 2016/17 financial year. It's currently at its final implementation stage. This project will go a long way into synchronizing University Processes and Operations thereby enhancing efficiency and increasing productivity among members of staff. The University so far has paid a sum of Kshs. 15,205,142.69 towards the project representing 90% of the estimated cost of the project. The outstanding balance is Kshs. 1,689,460.30.



**4. Construction of the borehole:**

This project was funded by the Ministry of Water and Irrigation, through the Northern Water Board, drilled a borehole within the university premises during the financial year 2016/2017 and installed a solar power water pumping system. The water requires desalination in order to provide the desired quantity and quality of water. The project has had siltation challenges that have led to frequent pump failures. Efforts to fix the siltation and desalination problems has proved futile and the project is yet to be officially handed over to the University.

**5. Priority Development Projects**

GaU Identified the following three projects as its main priority projects;

- i) Tuition Block with an Auditorium
- ii) Ultra -Modern Library complex housing the school of Information sciences
- iii) Medical Laboratory

**Section D: Major Risks Facing the University**

The following are some risks that the University faced during the Reporting period:

- i. Covid 19 Pandemic- Coronavirus disease 2019 has posted huge challenge to the world and Garissa University is not exceptional. Covid 19 pose a lot risk and still raging however below there are key risk associated with it:
  - a) Fraud risk. Staff and customers may be facing increased financial hardship leading to increased risk of fraudulent activities
  - b) Business Continuity risk. Critical staff may contract the disease and affect the university operation though in short terms. This is low risk in the university because we have clear succession plan
  - c) Revenue risk .The University is closed indefinitely, this is lead to reduce or no revenue leading to inability to meet organization obligation. This risk has multiplier effect on other risk and can cause a lot of challenge(risk) to university
  - d) Reduced employees' productivity due to stress and absenteeism even if they are considered essential.

While Covid 19 pandemic risk has taken top position but other key risks remain as they are.

- ii. Budgetary Provisions- Following the award of charter, financial need of the university increased however the availability and allocation of resource from the government has moved from bad to worse, hence increasing the liquidity risk exposure, compound by this, is the fact that the university has low stream of internally generated revenue that is, it only relies on tuition and accommodation charges from students.
- iii. Civil action- There are employees in university who have been on casual terms for more than three years and may take action to seek redress.
- iv. Strategic risk –The university face strategic risk because of its fail to attract adequate students whether Government sponsor (GSSP) or Private sponsor (PSSP) this due to several factors among them programs offered, form four performance in 2018 national examination and competition among others.
- v. Security risk- Like any other part of the country, the University faces the risk of terror related attacks. This aggravated by its proximity to the Somali border. However, the university is in the process of completing the construction of perimeter wall with safety and security features. A police post has also been established and located within the compound and is operational and manned by armed administration police officers.

- vi. Technological Risks

The risks associated with provision of ICT services can be grouped in the following categories:

### **1. University ERP**

The university ERP system is fully functional and therefore there is need to for uninterrupted provision of services from the system. Any interruption of the running of the ERP will leave the University operations seriously hampered. There is need to establish a fully tested, and working disaster recovery system to forestall any disruptions that may be caused either intentionally or accidentally. There is need to enhance security in the use and functioning of the ERP to prevent loss or compromise of information.

### **2. Covid-19 Challenges**

The Covid19 pandemic has disrupted all operations across the globe. A most important mitigation measure is the use of technology. Indeed towards the end of last quarter of the year, it is the technology that has enabled the University to run its functions. There is need to expand the technology capacity further to allow an opportunity for distance and open learning.

### **3. Human Resource Capacity in the Directorate**

The directorate is currently working with thin personnel who are required to serve the ever-expanding needs of the university. This can easily hamper effective delivery of services

#### **Section E: Material arrears in statutory/financial obligations**

During the period under review, we had no outstanding statutory/financial obligations. However, as at the reporting period, pending bills to suppliers and service providers amounted to Kshs.126,899,117.

#### **Section F: The University's financial probity and serious governance issues**

In the FY 2019-2020, Garissa University strictly adhered to the code of ethics especially being honest in all financial matters including those relating to research and its funding. Further, there has been no serious governance issue during the period

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

One of the key mandates of GaU is to develop an institution of excellence in community service through provision of sustainable educational, cultural, professional, technical and vocational services to the community and, in particular, the fostering of corporate social responsibility. This is further defined in our current strategic plan through the key result area on Community Collaboration and Corporate Social Responsibility.

Below is a brief highlight of our achievements in each pillar

**1. Sustainability strategy and profile**

GaU recognizes the importance of sustainable development and has established a clear and long term road map it requires to tackle impacts at a local and global level as outlined in its Strategic Plan. The University is focused on infrastructural and key policy and programmes to enable it to keep up with the competition and emerging trends. The University is at the verge of completing three key development projects i.e. the ERP, Perimeter Wall and 750 Hotel projects which will pave way for other development projects. The major challenge has been the lack of funding, especially since there was no allocation of development funds for the FY 2019/2020. Curricula developed during the period under review are cognisant of the local and international best practices as well as emerging trends. The Governance Curriculum in particular was developed to provide training in management of County affairs and devolution, a fairly new concept in Kenya.

**2. Environmental performance**

The University is in the process of implementing a comprehensive proposal to utilize waste water in the creation of nature parks both within the University and Garissa County in support of conservation and waste water management. In addition, the University has developed a framework to ensure 10% forest cover within the University by 2022. The greatest challenge to the University in its conservation efforts has been the lack of adequate water. However, we have proposals to desalinate the borehole water and utilize solar technology to pump water to aid in these efforts. The University also has a long term plan to shift to 100% use of solar power.

**3. Employee welfare**

We have a Recruitment Policy. The policy guides on Recruitment, selection and appointment. In clause 4.0, the policy directs that gender should be taken in to account in the recruitment process.

Under the training and Development policy, there are elaborate mechanisms to improve the skills and attitude of the staff. There is a budget set aside for capacity building of staff members. The organisation strives on retaining its skilled staff by enhancing good and robust working environment. The institution has an annual appraisal system that focuses on individual staff productivity and output. It is out of the appraisal system that the reward decisions are based. Each functional department/sections within the institution signs a performance Contracting (PC) with the Vice Chancellor where performance of staff is evaluated against the items in the PC.

The institution implements the Occupational Safety and Health Act of 2007 (OSHA) strictly. The following are the major highlights.

- ✓ The organization makes arrangements for ensuring safety and the absence of risks to health. This is in connection with the use, handling, storage and transport of articles and substances.

- ✓ Provide information, instruction, training and supervision as is necessary to ensure the safety and health at work of every person employed.
- ✓ Maintain the workplace in a condition that is safe and without risks to health. In addition, provide and maintain necessary means of access to and outlet from it that are safe and without risks to health.
- ✓ Provide and maintain a working environment for every person employed that is safe, without risks to health.
- ✓ Inform all employees of any risks from new technologies and imminent danger.

#### 4. Market place practices-

##### a) Responsible competition practice.

In the FY 2019/2020, GaU developed comprehensive risk assessment and Mitigation plans in ever department in order to identify and curb incidences of corruption. It has also adopted a zero tolerance to corruption policy by ensuring all its engagements are above board and in line with the regulations from the relevant authorities. The University also encourages fair competition and responsible political involvement among the students by encouraging and ensuring strict adherence to the Student Council Constitution and the amended University Act 2015 during students' elections which were held in November 2019

##### b) Responsible Supply chain and supplier relations-

GaU upholds fair procurement practises that are strictly in line with the Public Disposal and Procurement Act. In the FY2019/2020, the University was also able to reduce its pending bills (mostly through payment of suppliers) from 29.7% in FY2018/2019 to 13.8%

##### c) Responsible marketing and advertisement-

All Adverts and marketing messages placed in the university website during the period under review upheld the principle of fairness and equity by including clauses encouraging persons with disabilities Youth and Women to apply for the positions/participate as well as incorporating other directives from relevant authorities from time to time.

##### d) Product stewardship-

Through the directorate of Quality assurance, the University developed the Academic Quality Assurance Policy that content delivery is in line with the regulations by the Commission for University Education and other relevant authorities. Our service charter revised during the period under review is also aimed at safeguarding our clients' rights and interests.

#### 5. Community Engagements;

In the spirit of delivering social corporate responsibility Garissa University had engaged the community in the education sector through the Office of Career Services. This was particularly aimed at promoting career development and leadership skills of youths and young generations in primary and secondary schools. Personnel from Career department visited several schools in Garissa County and informed that GaU was willing to offer motivational talk, career development services and students council leadership trainings. Several schools have expressed interest and requested for the services. In the financial year 2019/2020 social corporate related activities was delivered to one primary school and two secondary schools in Garissa County. These outreach services included intensive career development talk, students` Council leadership trainings and motivation talk for candidates. Specifically, career development programme imparted skills on career exploration, career decision-making, information about world of work and choosing career trajectory. The table below provides details of the functions, dates and themes of the programmes.

Sno.	Programme	School	Date
1	Student Council leadership training	NEP Girls High school	14/03/2020
2	Student Council leadership training	Mnara High school	04/02/2020

*Garissa University:  
Annual Report and Financial Statements  
For the year ended June 30, 2020*

3	Career development session	Mnara High school	18/09/2019
4	Motivational talk	ST Mary's Primary School	26/10/2019
5	Young science mentorship	Inter-school	07/03/2020

**REPORT OF THE UNIVERSITY COUNCIL**

The University Council submits their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Garissa University's affairs.

**Principal activities**

The principal activity of the Garissa University is to nurture talent through research, innovation, consultancy, community outreach, entrepreneurship, imparting knowledge and skills to meet the needs of the society.

**Results**

The results of the Financial Performance of the University for the Year ended June 30, 2020 are set-out on page 1

**Council Members**

The members of the University Council who served during the year are shown on pages iv, v, vi and vii.

**Dividends/Surplus remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Garissa University is not a regulatory entity and did not make any surplus during the year (FY 2019 Nil) and hence no remittance to the Consolidated Fund.

**Auditors**

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

By Order of the University Council

  
Prof. Ahmed A. Osman, PhD  
**AG. VICE CHANCELLOR**

Date: 9/11/2020

## STATEMENT OF UNIVERSITY COUNCIL'S RESPONSIBILITIES

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

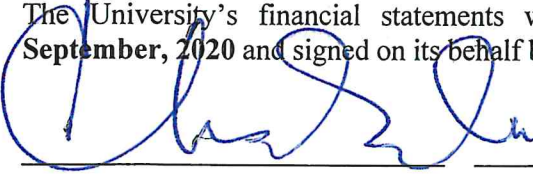
The University Council are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year period ended on June 30, 2020. This responsibility includes: (i) 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 University Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and University's Act Section 47 (1) to (3). The University Council are of the opinion that the University's financial statements give a true and fair view of the state of the University's transactions during the financial year ended June 30, 2020, and of the University's financial position as at that date. The University 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 Members to indicate that Garissa University will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The University's financial statements were approved by the University Council on 23rd September, 2020 and signed on its behalf by:

  
\_\_\_\_\_  
**Dr. Christopher G. Gakahu, PhD**

**Chairman of Council**

  
\_\_\_\_\_  
**Eng. Mohamed Ali Farah**

**Chair, FDG Committee**

  
\_\_\_\_\_  
**Prof. Ahmed A. Osman,**

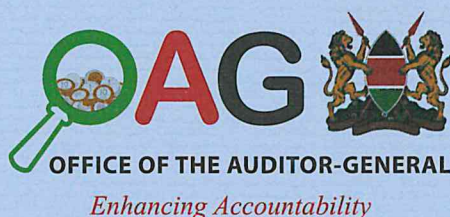
**Ag. Vice-Chancellor**





# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON GARISSA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

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

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

#### **Basis for Qualified Opinion**

##### **1. Use of Goods and Services**

As disclosed in Note 14 to the financial statements, the statement of financial performance reflects expenditure amounting to Kshs.115,966,000 in respect of use of goods and services. However, examination of records revealed the following unsatisfactory matters: -

##### **1.1. Unsupported Lecturers' Payments**

The balance includes an amount of Kshs.3,134,000 in respect of expenditure on industrial attachment. However, examination of payment records and supporting documents revealed that expenditure amounting to Kshs.1,638,800 was irregularly paid to lecturers as subsistence and travelling allowances while within their work stations as most of the

students were undertaking their attachment in Garissa Township. Further, the balance includes a balance of Kshs.34,892,000 relating to part time lecturers out of which Management paid full salaries amounting to Kshs.14,482,800. However, review of the appointment letters revealed that some lecturers signed their appointment contracts with the University mid-semester while others signed their appointment letters at the end of the semester.

## **1.2. Irregular Payment of Subsistence and Travelling Costs**

Further, payments amounting to Kshs.2,439,884 was made to some officers who were submitting reports and attending consultative meeting, but the following anomalies were noted: -

- (i) The officers were submitting reports and attending consultative meeting within Garissa Township. The officers were therefore within their duty station hence did not qualify for the allowances.
- (ii) Invitation letters for the alleged consultative meeting were not attached to the payment vouchers or provided for audit review.
- (iii) Travelling documents supporting the payments had inconsistency in date and names of the officers who travelled for official duty.
- (iv) Some of the payment schedules supporting the expenditure did not indicate the designation and job group of the officers. It was therefore not clear whether the applicable rate approved by Salary Remuneration Commission were used to pay the officers.
- (v) The evaluation committee for the medical cover was paid Kshs.535,500 as subsistence allowance for due diligence. However, the payment schedule provided for audit review was not signed by the officers.
- (vi) It was noted that initially, only five (5) days were requested for nine (9) officers vide a letter which had no reference dated 21 March, 2020 by the procurement officer. However, the accounting officer approved three (3) days only, it was therefore not clear how the officers were paid two days in excess totalling Kshs.203,700 without approval.

In the circumstances, the accuracy, completeness and validity of the expenditure amounting to Kshs.18,561,484 included under use of goods and services for the year ended 30 June, 2020 could not be confirmed.

## **2. Unauthorised Expenditure**

During the year under review, Management expended an amount of Kshs.7,206,000 under subsistence and travelling costs whose approved budgetary allocation was Kshs.3,958,115 resulting to over expenditure of Kshs.3,247,885. Further, an amount of Kshs.2,112,286 was expended on medical expenses against an allocation of

Kshs.1,067,272 hence spending an amount of Kshs.1,045,014 over and above its budgetary allocations for the item.

In the circumstances, the regularity of expenditure amounting to Kshs.4,292,899 could not be ascertained.

### **3. Unsupported Refundable deposits**

As disclosed in Note 19 to the financial statements, the statement of financial position reflects a balance of Kshs.17,464,000 in respect of refundable deposits from customers. The balance includes an amount of Kshs.12,427,000 on retention funds and caution monies. However, Management did not maintain a separate bank account and cashbook for the retention and caution monies owed. As a result, the retention money was banked in the University's collection account held at a commercial bank which had a cash balance of Kshs.1,873,000 as at 30 June, 2020. The same account was used for collection of other monies such as hire of facilities.

Under the circumstances, existence of the retention and caution monies owed by the University amounting to Kshs.12,427,000 as at 30 June, 2020 could not be ascertained.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.715,518,000 and Kshs.621,582,000 respectively resulting to an under-funding of Kshs.93,936,000 or 13% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.819,693,000 and Kshs.642,582,000 respectively resulting to an under-expenditure of Kshs.177,111,000 or 21% of the budget. Management has attributed the dismal performance to late receipt of the Exchequer.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

## **2. Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

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### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Irregular Expenditure**

As disclosed in Note 19 to the financial statements, the statement of financial position reflects trade and other payables from exchange transaction balance of Kshs.126,899,000. The balance includes other creditors (retention monies) amounting to Kshs.52,650,000 in respect of amount spent on other operational expenses. The funds were re-allocated without authority contrary to Section 48(a) and 64 of the Public Finance Management Regulations, 2015.

Further, review of the budget process of the University revealed that the revised budget was approved by the University Council on 14 July, 2020 meaning the University spent its revised budget in the month of June, 2020 without the approval of the Council and therefore leading to non-compliance of the budgetary provisions.

Consequently, the Management is in breach of the law.

##### **2. Non-Compliance with the Law on Fiscal Responsibility-Wage Bill**

The statement of financial performance reflects a balance Kshs.361,165,000 in respect of employee costs representing 55% of the total revenue of Kshs.655,591,000. The University exceeded the recommended ratio of 35% stipulated in Regulation 26(1)(a) of the Public Finance Management National Government Regulation, 2015 that sets the limit on employee cost at 35% of the total revenue realized by the institution.

Consequently, Management is in breach of the law.

### **3. Irregular Engagement of Part-Time Lecturers**

Included in the pending bills balance of Kshs.126,899,116 are personal claims for part time lecturers amounting to Kshs.25,176,000. However, review of records revealed that out of the Kshs.25,176,000 an amount of Kshs.5,944,500 relate to accrued expenses on the part time lecturers arising from Management allocating part-time lecturers to teach five (5) to thirteen (13) courses per semester exceeding the allowed maximum of three courses hence contravening the provisions of Garissa University College Policy of November, 2014.

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Consequently, the Management is in breach of the law.

### **4. Non-Compliance with the Public Procurement and Asset Disposal Act, 2015**

During the year under review, Management procured a staff medical cover. However, scrutiny of the project file, payment vouchers, schedules and tender document provided revealed that the evaluation committee conducted due diligence on 23 March, 2020 on all the bidders before the evaluation was done on 27 March, 2020. This means the due diligence was done before the evaluation of the tender was done contrary to Section 83(1) of the Public Procurement and Asset Disposal Act, 2015, that provide that an evaluation committee may, after tender evaluation, but prior to the award of the tender, conduct due diligence and present the report in writing to confirm and verify the qualifications of the tenderer who submitted the lowest evaluated responsive tender to be awarded the contract.

Further, Management had not migrated their procurement activities to e-procurement module as directed in the Executive Order No.2 of 2018 that was issued on 28 June, 2018 which required that with effect from 1 January, 2019, all public procuring entities should undertake all their procurement through government e-procurement module.

Consequently, the Management is in breach of the law.

### **5. Irregular Payment for Group Life Assurance Cover**

During the year under review, Moi University, under which the current University of Garissa University was a constituent College, entered into contract with CIC Insurance Limited for the provision of Group Life Assurance cover on behalf of Garissa University at a contract sum of Kshs.37,135,611. Thereafter, Moi University requested Garissa University to pay the insurance company a premium amounting to Kshs.1,262,259. It was not clear why the University had not procured the services independently yet the institution was given full charter as a Public University on 23 October, 2017. Further, Management did not provide procurement records such as tender advertisements, proposals, tender opening minutes, tender evaluation minutes, letters of award and regret for the winning and losing bidders respectively as well as the contract agreement that was entered between the service provider and the institution hence making it difficult to

confirm whether proper procurement procedures were followed in the procurement of the staff Group Life Assurance cover.

Consequently, the Management is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe internal controls, risk management and overall governance were not effective.

### Basis for Conclusion

#### 1. Lack of Assets' Tagging

The property, plant and equipment under Note 18 to the financial statements reflects a balance of Kshs.1,201,516,028 as at 30 June, 2020 in respect of assets held by the Garissa University. However, it was noted that although the University had an updated asset register, physical verification carried out revealed that the assets were not tagged or serialized as per the requirement of IPSAS 17.

In the circumstances, it was not possible to confirm the existence of proper internal controls to safeguard the University's assets.

#### 2. Student Debtors

As disclosed in Note 16 to the financial statements, the statement of financial position reflects trade and other receivables balance of Kshs.29,748,000 in respect of student receivables (outstanding fees). However, review of the schedule, provided for audit review, revealed that some students did not pay any money while others paid between 0.1 to 2% of the total tuition fees billed to them yet they were allowed to sit for exams casting doubt on the recoverability of the debt.

In the circumstances, I am unable to confirm existence of proper debt control measures to ensure full recoverability of the student debtors.

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 The University Council**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

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



- 20
- 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.

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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.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

26 January, 2022

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

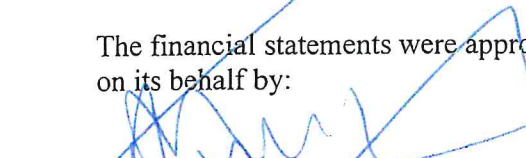
	Notes	2019-2020 Kshs'000'	2018-2019 Kshs'000'
<b>Revenue from non exchange transactions</b>			
Government Grants & Capitation	6(a)	537,460	240,142
Internal Borrowings	6(c)	-	68,702
<b>Sub-Total</b>		<b>537,460</b>	<b>308,844</b>
<b>Revenue from exchange transactions</b>			
Tuition & Related Charges	7	75,751	114,206
Rental Revenue from facilities and equipment	8	31,316	3,050
Sundry Income	9	11,064	6,558
<b>Sub-Total</b>		<b>118,131</b>	<b>123,813</b>
<b>Total revenue</b>		<b>655,591</b>	<b>432,657</b>
<b>Expenses</b>			
Employee costs	10	361,165	298,487
Board Expenses	11	13,523	13,425
Depreciation and Amortization Expense	12	20,540	15,272
Repairs and Maintenance	13	5,139	2,080
Use of goods & Services	14	115,966	100,764
<b>Total expenses</b>		<b>516,334</b>	<b>430,028</b>
Surplus before Tax		139,257	2,629
Taxation		-	-
<b>Surplus for the period</b>		<b>139,257</b>	<b>2,629</b>

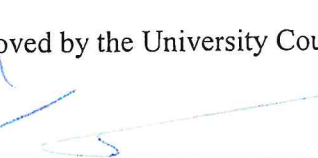
The notes set out on pages 6 to 33 form an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020

	Notes	2019-2020 Kshs'000'	2018-2019 Kshs'000'
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	15	138,083	81,042
Trade & Other Receivables	16	29,748	26,087
Inventories	17	9,959	12,447
<b>Total Current Assets</b>		<b>177,791</b>	<b>119,576</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	18	1,097,781	1,051,681
<b>Total Non-Current Assets</b>		<b>1,097,781</b>	<b>1,051,681</b>
<b>Total Assets</b>		<b>1,275,572</b>	<b>1,171,257</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other Payables from exchange transactions	19	126,899	191,610
Refundable Deposits from customers	20	17,464	3,984
<b>Total Current Liabilities</b>		<b>144,363</b>	<b>195,594</b>
<b>Non-Current Liabilities</b>			
Non-current employee benefit obligation		-	-
Deferred tax liabilities		-	-
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>144,363</b>	<b>195,594</b>
<b>RESERVES</b>			
Revenue Reserve		139,257	2,629
Capital Reserves		703,455	697,034
Revaluation Reserves		288,391	276,000
<b>Total Net Assets</b>		<b>1,131,103</b>	<b>975,663</b>
<b>TOTAL RESERVES &amp; LIABILITIES</b>		<b>1,275,572</b>	<b>1,171,257</b>

The financial statements were approved by the University Council on 23rd, September, 2020 and signed on its behalf by:

  
Prof. Ahmed A. Osman, PhD  
Ag. Vice-Chancellor

  
CPA Teddy K. Bett  
Head of Finance  
ICPAK No. 11072

  
Dr. Christopher G. Gakahu, PhD  
Chairman of University Council

Date... 9/11/2020

Date... 9/11/2020

Date... 11/11/2020

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2020

	Capital Reserves Kshs ' Restated	Revaluation Reserves Kshs ' Restated	Revenue Reserves Kshs ' Restated	Total Reserves Kshs ' Restated
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
<b>As at 1 July 2018</b>	<b>545,887</b>	<b>300,000</b>	<b>(64,755)</b>	<b>781,133</b>
Surplus/(deficit) for the period	-	-	2,629	2,629
Transfers from Revenue Reserves	(64,755)	-	64,755	-
Transfers from Capital Reserves	(64,143)	-	-	(64,143)
Transfer of excess depreciation on revaluation	-	(6,000)	-	(6,000)
Grants received during the year	303,557	-	-	303,557
Prior years adjustments	(23,513)	(18,000)	-	(41,513)
<b>As at 30 June, 2019</b>	<b>697,034</b>	<b>276,000</b>	<b>2,629</b>	<b>975,663</b>
<b>As at 1 July 2019</b>	<b>697,034</b>	<b>276,000</b>	<b>2,629</b>	<b>975,663</b>
Surplus/(deficit) for the period	-	-	139,257	139,257
Transfers from Revenue Reserves	2,629	-	(2,629)	-
Transfers from Capital Reserves	-	-	-	-
Transfer of excess depreciation on revaluation	3,792	(3,792)	-	-
Grants received during the year	-	-	-	-
Revaluation for the year	-	16,183	-	16,183
Prior years adjustments	-	-	-	-
<b>As at 30 June, 2020</b>	<b>703,455</b>	<b>288,391</b>	<b>139,257</b>	<b>1,131,103</b>

**Note:**

**a) Capital reserve**

This represents the net worth of the University for the period ended 30<sup>th</sup> June, 2020 and forms the net assets of the institution.

**b) Revaluation Reserve**

The University carried out valuation of its buildings in the year 2020 and **Kshs. 288,391,000** represents the value of buildings over and above the value before the valuation and hence forms the net asset of the institution.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020

		2019-2020	2018-2019
		Kshs'000'	Kshs'000'
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants and Capitation	21(a)	526,743	220,364
Tuition fees & Related Charges	21(b)	70,956	91,729
Rental revenue from facilities and equipment	8	31,316	3,050
Sundry Income	9	11,064	6,558
Internal Borrowings	6(c)	-	68,702
<b>Total Receipts</b>		<b>640,079</b>	<b>390,403</b>
<b>Payments</b>			
Employees Costs	22(a)	374,085	230,990
Board Expenses	22(b)	14,315	12,692
Repairs and Maintenance	22(c)	5,505	1,714
General Expenses	22(d)	134,909	60,643
<b>Total Payments</b>		<b>528,814</b>	<b>306,039</b>
<b>Net cash flows from operating activities</b>		<b>111,265</b>	<b>84,363</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant, Equipment and Intangible assets	18	(8,819)	-
Increase in Capital-Work in Progress (WIP)	18	(55,739)	(221,565)
(Decrease)/Increase in Refundable Deposits	23	10,333	(44,299)
<b>Net cash flows used in investing activities</b>		<b>(54,224)</b>	<b>(265,864)</b>
<b>Cash flows from financing activities</b>			
Capital Grants	6(b)	-	303,557
Internal Borrowings	6(c)	-	(68,702)
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>234,855</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>57,041</b>	<b>53,354</b>
Cash and cash equivalents at 1st July, 2019	15	81,042	27,688
<b>Cash and cash equivalents at 30th June, 2020</b>	<b>15</b>	<b>138,083</b>	<b>81,042</b>

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

	Original budget	Adjustments	Final Budget	Actual on	Performance	Explanation
	2019-2020	2019-2020	2019-2020	Comparable	Difference	of material
	Kshs '000'	Kshs '000'	Kshs '000'	basis	2019-2020	variances
				2019-2020	Kshs '000'	2019-2020
				Kshs '000'		Kshs '000'
<b>Revenue</b>						
Recurrent Capitation	426,744	130,495	557,238	526,743	(30,495)	(a)
Development Capitation	84,176	-	84,176	84,176	-	
Tuition & related charges	132,207	-	132,207	72,557	(59,650)	(b)
Other Income	13,366	32,707	46,073	42,282	(3,791)	(c)
<b>Total income</b>	<b>656,492</b>	<b>163,202</b>	<b>819,694</b>	<b>725,758</b>	<b>(93,936)</b>	<b>-</b>
<b>Expenses</b>						
Employee Costs	391,447	2,684	394,131	363,817	30,314	(d)
Operational, Academic & Administrative Costs	153,330	160,329	313,659	203,645	110,014	(e)
Repairs & Maintenance Cost	1,025	7,344	8,369	5,900	2,469	(f)
Board Expenses	26,513	(7,155)	19,358	13,481	5,877	(g)
Capital Expenditure	84,176	-	84,176	55,739	28,437	(h)
<b>Total expenditure</b>	<b>656,492</b>	<b>163,202</b>	<b>819,694</b>	<b>642,582</b>	<b>177,112</b>	<b>-</b>
<b>Surplus for the period</b>	<b>0</b>	<b>- 0</b>	<b>(0)</b>	<b>83,176</b>	<b>(271,048)</b>	<b>-</b>

**Explanation of material variance**

- 1) (a) The variance is as a result of delayed disbursement of Ksh. 30.495 million in respect of 2013-217 CBA arrears by the Ministry of Education
- 2) (b) & (c) The Adverse variance is as a result of the University's inability to collect tuition fees & other associated charges due to the Covid-19 pandemic that saw students learn from home since March 2020.
- 3) (d) The variance is due to non-receipt and payment of the 2017-2021 CBA arrears.
- 4) (e), (f) & (g) The variance is due to subdued university activities and operations following the outbreak of the COVID-19 Pandemic in March 2020 that saw both staff and students work from home.
- 5) (h) The variance is as a result of low absorption of development funds by the contractors

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Garissa University is established by and derives its authority and accountability from the Universities Act of 2012. It is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity of Garissa University is to nurture talent through research, innovation, consultancy, community outreach, entrepreneurship, imparting knowledge and skills to meet the needs of the society.

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

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

**3. ADOPTION OF NEW AND REVISED STANDARDS**

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

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>The University adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the University.</i></p>
IPSAS 38: Disclosure of Interests in Other Entities	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires a University to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>The University does not have interests in other entities and therefore the standard does not apply.</i></p>



Standard	Impact
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1st January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
	<i>The University does not have employees in defined pension schemes and therefore the standard does not apply.</i>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1st January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.
	<i>The University does not engage in Exchange transactions and therefore the standard does not apply.</i>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> 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: <ul style="list-style-type: none"> <li>◦ 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;</li> <li>◦ Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>◦ 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.</li> </ul>

Standard	Effective date and impact:
	<i>The University does not have Financial Instruments and therefore the standard does not apply</i>
IPSAS 42: Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p>
	<p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>The University does not have a social benefit schemes and therefore the standard does not apply</i></p>

iii. **Early adoption of standards**

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Revenue recognition**

i) **Revenue from non-exchange transactions**

**Fees, taxes and fines**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Transfers from other government entities**

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

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**ii) Revenue from exchange transactions**

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***Rendering of services***

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

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

***Sale of goods***

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

***Dividends***

Dividends or similar distributions must be recognized when the shareholder's or the University's right to receive payments is established.

***Rental income***

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

**b) Budget information**

The original budget for FY 2019-2020 was approved by the National Assembly on 11<sup>th</sup> June, 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the

final budget. Accordingly, the entity recorded additional appropriations of Kes. 114 Million on the 2019-2020 budget following the University Council's approval.

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

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

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

#### c) Taxes

##### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the

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extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

***Sales tax***

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position

**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

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

**Fixed Assets Depreciation:** Fixed assets are stated at cost or valuation, less accumulated depreciation. Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. Assets acquired during the year are depreciated from the date of acquisition.

The annual depreciation rates in use are:

Buildings	2%
Furniture, Plant and Equipment	12.5%
Library Books	12.5%
Motor Vehicles	25%
Computers and peripheral devices	33 <sup>1</sup> / <sub>3</sub> %
Computer Software (including ERP)	12.5%
Academic Gowns	5%

Freehold land is not depreciated as it is deemed to have an infinite life. Leasehold land is amortised over the unexpired lease period.

**Work in progress**

Work in progress represents properties (buildings), Perimeter wall construction and Intangible ERP (Enterprise Resource Planning) projects. It is carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use on the same basis as other buildings.

**f) Leases**

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

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

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

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

**g) Intangible assets**

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

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

**h) Research and development costs**

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

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**i) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

#### ***Held-to-maturity***

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

#### ***Impairment of financial assets***

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

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

#### ***Financial liabilities***

##### ***Initial recognition and measurement***

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

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

##### ***Loans and borrowing***

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

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



**j) Inventories**

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour 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.

**k) Provisions**

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

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

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

***Contingent liabilities***

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

***Contingent assets***

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

The University has a capital reserve which represents the government interest in the net assets/equity of the University and is a combination of contributed capital by the government and the aggregate of the University's accumulated surpluses or deficit and reserves that reflect the net assets/equity attributable to the University operations.

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**m) Changes in accounting policies and estimates**

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

**n) Employee benefits**

**Retirement benefit plans**

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

The University made its fixed contribution to Moi University Pension Scheme during the period under review.

**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.

The University did not engage in foreign currency transactions during the year under review.

**p) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

The University did not have any borrowings during the period under review.

**q) Related parties**

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

**r) Service concession arrangements**

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

The University did not have any service concession arrangements during the year under discussion.

**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 Imprests and advances to authorised public officers and/or institutions which were not 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.

**u) 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.

**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 consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the University. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

### Useful lives and residual values

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

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

### Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

## 6. GOVERNMENT GRANTS AND CAPITATION

### a) UNCONDITIONAL GRANTS

Month	Description	2019-2020 Kshs'000'	2018-2019 Kshs'000'
Jul/19	Monthly Capitation	-	18,738
Aug/19	Monthly Capitation	67,828	18,738
Sep/19	Monthly Capitation	33,914	18,738
Oct/19	Monthly Capitation	-	18,733
Nov/19	Monthly Capitation	67,828	17,617
Dec/19	Monthly Capitation	33,914	16,492
Jan/20	Monthly Capitation	-	-
Feb/20	Monthly Capitation	33,914	18,738
Mar/20	Monthly Capitation	33,914	36,353
Apr/20	Monthly Capitation	33,914	18,738
May/20	Monthly Capitation	33,914	18,738
Jun/20	Monthly Capitation	133,914	18,738
Jun/20	Monthly Capitation	33,914	19,778
Jul/20	Supplementary	30,494	
	<b>Total</b>	<b>537,460</b>	<b>240,142</b>

**7. TUITION & RELATED CHARGES**

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000' Re-stated
Tuition Fees & Other charges	75,421	112,047
Application Fees	330	592
Graduation Fees	-	1,566
<b>Total</b>	<b>75,751</b>	<b>114,206</b>

**Note:**

FY 2018/19 tuition income was presented in a detailed format but now restated and summarized under tuition and other charges in order to give a clear picture of tuition income from students.

**8. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT**

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Hire of University facilities	28,863	553
Staff House Rentals	2,453	2,497
<b>Total</b>	<b>31,316</b>	<b>3,050</b>

**9. OTHER INCOME**

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Accommodation	2,866	2,236
Catering	2,666	3,718
Research Grants	44	554
Others (Specify)	30	50
Fines & other charges	5,458	
<b>Total</b>	<b>11,064</b>	<b>6,558</b>

**10. EMPLOYEE COSTS**

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000' Re-stated
Gross Salary	317,391	257,144
Employer Pensions & Provident Contributions	19,612	18,010
Casual Wages	17,734	17,239
Police Allowances	6,428	6,094
<b>Total</b>	<b>361,165</b>	<b>298,487</b>

**Note:**

FY 2018/19 a detailed breakdown of salary components was given but now restated and summarized under gross pay in order to give a clear picture of expenditure relating to salaries.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. BOARD EXPENSES

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Council Expense	11,279	11,181
Council Remuneration	2,244	2,244
<b>Total Council Expenses</b>	<b>13,523</b>	<b>13,425</b>
Senate & Deans' committee Expenses	-	-
<del>Total Committee Expenses</del>	<del>-</del>	<del>-</del>
<b>Total Board Expenses</b>	<b>13,523</b>	<b>13,425</b>

12. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Property, plant and equipment	20,540	15,272
Intangible assets	-	-
<b>Total</b>	<b>20,540</b>	<b>15,272</b>

13. REPAIR AND MAINTENANCE EXPENSE

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Maintenance of Hostel facilities	100	-
University Vehicles	708	1,093
Buildings and Stations	3,001	115
Maintenance of water & Sewerage	163	-
Generator fuel & Maintenance	-	-
General Refurbishment	1,167	872
<b>Total</b>	<b>5,139</b>	<b>2,080</b>

14. USE OF GOODS & SERVICE

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Insurance	-	4,316
Postage & Telegram Expenses	-	40
Office Expenses	58	20
News papers & Periodicals	14	143
Electricity Expenses	3,448	3,109
Water & Concervancy	3,247	4,589
Advertising & Publicity	-	3,494
Legal expenses	38	172
Open Day & Cultural Expenses	-	-
Staff Medical Care	6,219	14,638
Medical Expenses-Drugs purchase	1,769	913
Recruitment Expenses	-	-
Audit fees	-	-
Rent & Rates	-	-
Computer Expenses & software	15	776
Internet services & communication Exps	1,848	1,395
ICT Infrastructure & ERP Expenses	837	1,003
Bank Charges	264	153
Corporate Social Responsibility (CSR)	-	118
Subsistence & Travelling Costs	7,206	10,705
Telecommunication Expenses	-	-
Cleaning Materials & Detergents	1,295	1,167
Security Services, System & Equipment	130	662
Catering Expenses-(Food )	20,861	12,513
Catering Expenses-(Fuel)	1,151	-
Vehicle Fuel and oil	718	771
ISO certification Expenses	85	512
Purchase of Plant & Equipment	10	-
Purchase of furniture & fitting	11	-
Stationeries	1,121	1,797
Computers & Accessories	560	-
Purchase of Catering Equipment	1,219	40
Purchase of Hostel Material	1,527	36
Purchase of Sports Equipment	241	-
Purchahse of water supply equipment	32	-
Graduation Expenses	1,369	4,736

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. USE OF GOODS & SERVICE (Continued)

GUSO Welfare	1,311	2,176
Conferences & Seminars	203	1,287
Research Programme Expenses	545	379
External Examiners	1,089	1,381
Development of academic Programmes	320	9
Subscriptions to Professional bodies	246	85
Performance Contracting	1,728	471
Teaching Materials	-	187
KUCCPS Charges	249	185
Commission for Universty Education expense (CUE)	-	1,326
Library Books & Journals	7,186	310
Library Subscription	1,069	96
Training & capacity building	320	723
Examination Materials & Expenses	629	1,536
Teaching practise	889	1,626
Field courses	-	417
Industrial Attachment	3,134	767
Purchase of lab equipment	1,500	-
Part-Time Lecturers	34,892	18,390
Sports & Recreational Activities	1,199	523
Student fees Refund	253	438
Feasibilty study, Project preparation & Design and Environment Impact Assessment	482	633
Hire of facilities	3,425	-
Maintainace of computers	5	-
<b>Total</b>	<b>115,966</b>	<b>100,764</b>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
<b>(a) Cash and cash equivalents</b>		
Current accounts	138,083	81,042
<b>Total</b>	<b>138,083</b>	<b>81,042</b>

<b>(b) Current account</b>		2019-2020	2018-2019
<b>Financial institution</b>		Kshs	Kshs
<b>Bank Details</b>	<b>Account No.</b>		
KCB-Payment Account-	1136134727	6,262	6,425
KCB- Deposit A/c-	1136134816	110,871	54,599
KCB- Collection Account-	1136134514	1,873	7,519
Equity-GSSP Collection A/c-	0580261358416	6,362	29
Equity-PSSP Collection A/c-	0580261358406	3,603	8,871
Equity- Catering & Acc A/c-	0580261526380	9,112	3,599
<b>Sub- total</b>		<b>138,083</b>	<b>81,042</b>
<b>Grand total</b>		<b>138,083</b>	<b>81,042</b>

16. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Student Receivables-Outstanding Fees	29,748	26,043
Staff Receivables- Imprest Debtors	-	45
Others(Specify)	-	-
<b>Totals</b>	<b>29,748</b>	<b>26,087</b>

17. INVENTORIES

Description	2019-2020	2018-2019
	Kshs	Kshs
Central-stores	1,846	547
Consumable stores	-	1,621
Medical supplies-Clinic store	1,210	3,680
Catering store	3,776	3,754
Labs stores	3,127	2,843
<b>Total</b>	<b>9,959</b>	<b>12,447</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**18. PROPERTY, PLANT AND EQUIPMENT**

COST/VALUATION	Leasehold	Buildings	Motor vehicles	Furniture, Plant & Equipment	Computers, Copiers & Printers	Capital-Work in Progress (W.I.P)	Total
	Land						
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 1 July 2018	35,000	324,475	25,824	70,261	11,753	458,544	925,857
Disposals/Capitalization	-	-	-	-	-	-	-
Additions	-	-	-	-	-	221,565	221,565
<b>At 30 June 2019</b>	<b>35,000</b>	<b>324,475</b>	<b>25,824</b>	<b>70,261</b>	<b>11,753</b>	<b>680,110</b>	<b>1,147,423</b>
At 1 July 2019	35,000	324,475	-	70,261	11,753	680,110	1,121,599
Disposals/Capitalization	-	-	-	-	-	-	-
Additions	-	-	-	4,069	4,750	54,916	63,734
Revaluation	-	5,070	11,113	-	-	-	16,183
<b>At 30 June 2020</b>	<b>35,000</b>	<b>329,545</b>	<b>11,113</b>	<b>74,329</b>	<b>16,503</b>	<b>735,025</b>	<b>1,201,516</b>
<b>DEPRECIATION/AMORTIZATION</b>							
At 1 July 2018	-	24,842	25,824	17,836	11,753	-	76,260
Disposals	-	-	-	-	-	-	-
Charge for the year	-	6,490	-	8,783	-	-	15,272
Amortization for the year	-	-	-	-	-	-	-
Transfers/Adjustments	-	48	-	167	-	-	215
<b>At 30 June 2019</b>	<b>-</b>	<b>31,379</b>	<b>25,824</b>	<b>26,786</b>	<b>11,753</b>	<b>-</b>	<b>91,747</b>
At 1 July 2019	-	31,379	-	26,786	11,753	-	69,918
Disposals	-	-	-	-	-	-	-
Charge for the year	-	6,515	695	9,205	4,125	-	20,540
Amortization for the year	-	-	-	-	-	-	-
Reversal of depreciation on revaluation	-	(36,246)	-	-	-	-	(36,246)
Transfers/Adjustments	-	-	-	-	-	-	-
<b>At 30 June 2020</b>	<b>-</b>	<b>1,648</b>	<b>695</b>	<b>35,991</b>	<b>15,878</b>	<b>-</b>	<b>54,212</b>
<b>NET BOOK VALUE</b>							
As At 30 June,2020	35,000	327,898	10,418	38,338	625	735,025	1,097,781
As At 30 June 2019	35,000	293,096	-	43,475	-	680,110	1,051,681

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Trade Payables	2,502	46,869
Unpaid Personal Claims	71,747	2,545
Accrued audit fee	-	3,480
Other Creditors	52,650	138,716
<b>Total</b>	<b>126,899</b>	<b>191,610</b>

Note:

1. Trade Payables represent supplier and service providers invoices not paid as at close of the reporting period.
2. Unpaid personal claim represent unpaid Paye for the Month of June 2020, CBA arrears for 2017/21 and others.
3. Other Creditors represent monies borrowed from retention to pay taxes, graduation & other operational expenses.

20. REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Caution Money	3,574	372
Retention fund	12,427	1,096
Prepaid fees	1,463	2,516
<b>Total deposits</b>	<b>17,464</b>	<b>3,984</b>

21. CASHFLOW RECEIPTS NOTES

a) Government grants & Capitation

Month	Description	2019-2020	2018-2019
		Kshs'000'	Kshs'000'
Jul/19	Monthly Capitation	19,778	18,738
Aug/19	Monthly Capitation	67,828	18,738
Sep/19	Monthly Capitation	33,914	18,738
Oct/19	Monthly Capitation	-	18,733
Nov/19	Monthly Capitation	67,828	17,617
Dec/19	Monthly Capitation	33,914	16,492
Jan/20	Monthly Capitation	-	-
Feb/20	Monthly Capitation	33,914	18,738
Mar/20	Monthly Capitation	33,914	36,353
Apr/20	Monthly Capitation	33,914	18,738
May/20	Monthly Capitation	33,914	18,738
Jun/20	Monthly Capitation	133,914	18,738
Jun/20	Supplementary	33,914	-
	<b>Total</b>	<b>526,744</b>	<b>220,364</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**b) Tuitions & Other related charges**

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000' Re-stated
Tuition Fees & Other charges	70,626	90,013
Application Fees	330	471
Graduation Fees	-	1,245
<b>Total</b>	<b>70,956</b>	<b>91,729</b>

**Noted:**

FY 2018/19 tuition income was presented in a detailed format but now restated and summarized under tuition and other charges in order to give a clear picture of tuition income from students.

**22. CASHFLOW PAYMENT NOTES**

**a) Employee cost**

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000' Re-stated
Gross Salary	328,713	195,924
Employer Pensions & Provident Contributions	19,612	13,723
Casual Wages	18,291	16,661
Police Allowances	7,469	4,682
<b>Total</b>	<b>374,085</b>	<b>230,990</b>

**Note:**

FY 2018/19 a detailed breakdown of salary components was given but now restated and summarized under gross pay in order to give a clear picture of expenditure relating to salaries.

**b) Board expense**

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Council Expense	11,627	10,947
Council Remuneration	2,688	1,745
<b>Total Council Expenses</b>	<b>14,315</b>	<b>12,692</b>
Senate & Deans' committee Expenses	-	-
<b>Total Committee Expenses</b>	<b>-</b>	<b>-</b>
<b>Total Board Expenses</b>	<b>14,315</b>	<b>12,692</b>

c) Repairs & Maintenance

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Maintenance of Hostel facilities	100	-
University Vehicles	987	815
Buildings and Stations	3,001	115
Maintenance of water & Sewerage	163	-
Generator fuel & Maintenance	-	-
General Refurbishment	1,254	784
<b>Total</b>	<b>5,505</b>	<b>1,714</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Use of goods & Services

Description	2019-2020	2018-2019
	Kshs '000'	Kshs '000'
Insurance	-	978
Postage & Telegram Expenses	-	40
Office Expenses	58	20
News papers & Periodicals	14	143
Electricity Expenses	3,448	3,109
Water & Concervancy	3,889	3,841
Advertising & Publicity	1,432	2,063
Legal expenses	188	22
Staff Medical Care	18,700	11,145
Medical Expenses-Drugs purchase	2,112	570
Audit fees & expenses	3,480	-
Computer Expenses & software	15	776
Internet services & communication Exps	1,848	1,395
ICT Infrastructure & ERP Expenses	994	846
Bank Charges	264	153
Corporate Social Responsibility (CSR)	-	88
Subsistence & Travelling Costs	7,280	10,631
Cleaning Materials & Detergents	1,686	776
Security Services, System & Equipment	246	546
Catering Expenses-(Food )	25,862	7,512
Catering Expenses-(Fuel)	1,151	-
Vehicle Fuel and oil	718	771
ISO certification Expenses	85	512
Office plant and equipment	10	-
Purchase of furniture & fitting	11	-
Stationeries	1,831	1,088
Computers & Accessories	560	-
Purchase of Catering Equipment	1,219	40

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Purchase of Hostel Material	1,563	-
Purchase of Sports Equipment	241	-
Purchase of water supply equipment	32	
Graduation Expenses	2,415	2,755
GUSO Welfare	1,318	2,169
Conferences & Seminars	402	1,068
Research Programme Expenses	545	379
External Examiners	1,267	958
Development of academic Programmes	120	9
Subscriptions to Professional bodies	246	85
Performance Contracting	1,758	441
Teaching Materials	-	20
KUCCPS Charges	249	185
Commission for Universty Education expense (CUE)	-	1,326
Library Books & Journals	7,172	310
Library Subscription	270	96
Training & capacity building	320	598
Examination Materials & Expenses	1,056	1,109
Teaching practise	889	732
Field courses	-	417
Industrial Attachment	2,917	228
Purchase of lab equipment	1,500	-
Part-Time Lecturers	26,667	-
Sports & Recreational Activities	1,199	282
Student fees Refund	253	413
Feasibility study, Project preparation & Design and Environment Impact Assessment	188	-
Hire of facilities	3,425	
Maintainace of computers	5	-
<b>Total</b>	<b>134,909</b>	<b>60,643</b>

**23. REFUNDABLE DEPOSITS FROM CUSTOMERS**

Description	2019-2020 Kshs '000'	2018-2019 Kshs '000'
Caution Money	428	372
Retention fund	12,427	1,096
Prepaid fees	1,463	2,516
<b>Total deposits</b>	<b>14,317</b>	<b>3,984</b>

## 24. FINANCIAL RISK MANAGEMENT

The University's activities expose it to a variety of financial risks including credit and liquidity risks. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and has in place policies to ensure that these risks are minimised.

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

### i) Credit risk

The University has exposure to credit risk, which is primarily attributable to receivables since some students are unable to pay fees in full when due. Credit risk arises from cash and cash equivalents.

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

	Total amount Kshs.'000'	Fully performing Kshs.'000'	Past due Kshs.'000'	Impaired Kshs.'000'
<b>At 30 June 2020</b>				
Receivables from exchange transactions	118,131	118,131	-	-
Receivables from non-exchange transactio	537,460	537,460	-	-
Bank balances	138,083	138,083	-	-
<b>Total</b>	<b>793,674</b>	<b>793,674</b>	-	-
<b>At 30 June 2019</b>				
Receivables from exchange transactions	123,813	123,813	-	-
Receivables from non-exchange transactio	220,384	220,384	-	-
Bank balances	81,042	81,042	-	-
<b>Total</b>	<b>425,239</b>	<b>733,344</b>	-	-

The credit risk associated with receivables under the fully performing category is minimal and the allowance for uncollectible amounts that the University has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The University Management board have set fees policy to ensure that all students pay their fees and on time as a measure to credit risk management.

### ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the University's council members who have built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The University manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The University prepares annual budgets and expenditures are incurred based on availability of funds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Less than 1 month Kshs'000'	Between 1-5 months Kshs'000'	Over 5 months Kshs'000'	Total Kshs'000'
<b>At 30 June 2020</b>				
Trade payables	-	126,899	-	126,899
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	<b>126,899</b>	-	<b>126,899</b>
<b>At 30 June 2019</b>				
Trade payables	-	191,610	-	191,610
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	<b>191,610</b>	-	<b>191,610</b>

iii) Market risk

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

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

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

The University's 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.

iv) Foreign currency risk

The University does not engage in foreign currency transactions and therefore no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

v) 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. Its interest rate risk arises from bank deposits. This exposes the University to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the University's deposits.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Management of interest rate risk**

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

**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value**

Determination of fair value and fair values hierarchy

---

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the entity's market assumptions. These two types of inputs have created the following fair value hierarchy:

---

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The entity considers relevant and observable market prices in its valuations where possible.

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

	Level 1 Kshs'000'	Level 2 Kshs'000'	Level 3 Kshs'000'	Total Kshs'000'
<b>At 30 June 2020</b>				
Financial Assets	-	-	-	-
Quoted equity investments	-	-	-	-
Non- financial Assets	-	-	-	-
Investment property	-	-	-	-
Land and buildings	-	362,898	-	362,898
<b>Total</b>	<b>-</b>	<b>362,898</b>	<b>-</b>	<b>362,898</b>
<b>At 30 June 2019</b>				
Financial Assets	-	-	-	-
Quoted equity investments	-	-	-	-
Non- financial Assets	-	-	-	-
Investment property	-	-	-	-
Land and buildings	-	328,096	-	328,096
<b>Total</b>	<b>-</b>	<b>328,096</b>	<b>-</b>	<b>328,096</b>

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

**iv) Capital Risk Management**

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

	Kshs'000'	Kshs'000'
Revaluation reserve	288,391	276,000
Retained earnings	-	-
Capital reserve	703,455	697,034
<b>Total funds</b>	<b>991,846</b>	<b>973,034</b>
Total borrowings	0	0
Less: cash and bank balances	138,083	81,042
Net debt/(excess cash and cash equivalents)	(138,083)	(81,042)
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government;
- ii) Ministry of Education;
- iii) University Council;
- iv) Key Management: The Vice Chancellor, and Deputy Vice Chancellors

RELATED PARTY PAYMENTS

S/No.	Name	Position	QT1	QT2	QT3	QT4	GROSS AMOUNT
1	Prof. Hellen Sambili	Chancellor	300,000	438,079	748,951	440,750	1,927,780
2	Dr. Christopher G. Gakahu	Chairman	473,684	490,915	430,685	261,000	1,656,284
3	Mr. Evans M. Atambo	Rep. PS MOE	703,125	91,145	234,690	-	1,028,960
4	Dr. Bertha Kaimenyi	Member	623,154	105,508	163,908	-	892,570
5	Eng. Mohamed A. Farah	Member	693,740	275,166	-	-	968,906
6	Mr. Jacktone Akelo	Member	525,862	106,009	240,590	-	872,461
7	Mr. William O. Motari	Member	485,562	100,275	220,750	-	806,587
8	Mr. Boniface Ngigi	Rep. PS Treasury	528,687	106,951	273,728	-	909,366
9	Mrs. Amina R. Masoud		-	-	114,800	-	114,800
10	Prof. Ahmed A. Osman	Ag. VC	2,182,974	2,182,974	2,182,974	2,431,406	8,980,328
11	Prof. Stephen I. Ng'ang'a	Ag. DVC (FAP)	2,263,200	2,263,200	2,263,200	2,581,536	9,371,136
12	Prof. Hussein S.A. Golicha	Ag. DVC (ASA)	2,223,870	2,223,870	2,223,870	2,387,289	9,058,899
	<b>Total</b>		<b>11,003,858</b>	<b>8,384,092</b>	<b>9,098,146</b>	<b>8,101,981</b>	<b>36,588,077</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24. SEGMENT INFORMATION**

The University operates within Garissa County and specifically in the proximity of Garissa Township and does not have campuses in other places. Hence IPSAS 18 on segment reporting is not applicable

**25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

At the close of business on June 30<sup>th</sup> 2020, the University did not have any contingent asset or liability.

**26. CAPITAL COMMITMENTS**

~~At the close of business on June 30<sup>th</sup> 2020, the University did not have any capital commitments~~

**27. EVENTS AFTER THE REPORTING PERIOD**

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

**28. ULTIMATE AND HOLDING UNIVERSITY**

The University is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**29. CURRENCY**

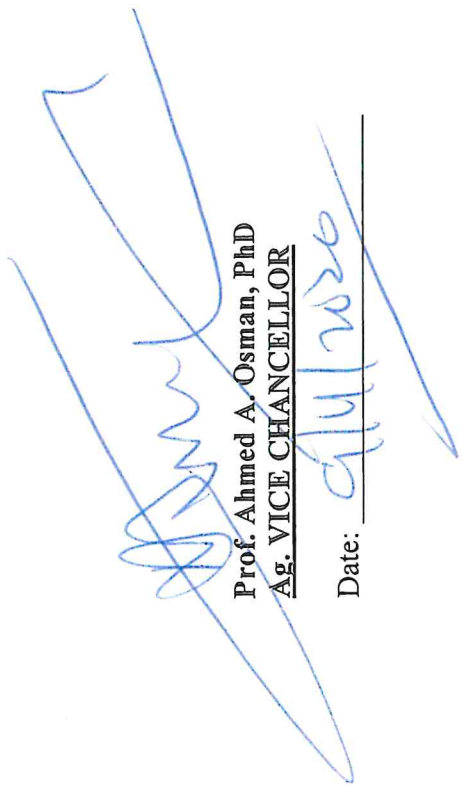
The financial statements are presented in Kenya Shillings (Kshs).

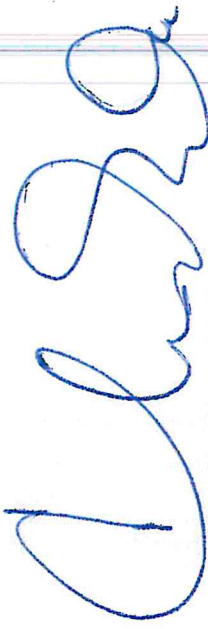
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**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

We are yet to receive the Last FY's Audit Report

  
Prof. Ahmed A. Osman, PhD  
Ag. VICE CHANCELLOR  
Date: 9/4/2020

  
Dr. Christopher Gatama Gakahu PhD  
COUNCIL CHAIRMAN  
Date: 11/11/2020

**APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY**

Projects implemented by the University Funded by development partners

**I) PROJECT DETAILS**

S/No.	Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required (yes/no)	Consolidat ed in these financial statements (yes/no)
1	750 Capacity Students Hostel		GoK	2014-Date	531 Million	No	yes
2	Perimeter wall		GoK	2016-Date	147 Million	No	yes
3	ERP System		GoK	2016-Date	16 Million	No	yes

**II) STATUS OF PROJECTS COMPLETION**

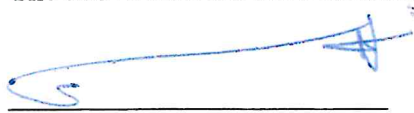
S/No.	Project title	Total project Cost	Total expended to date	Completi on % to date	Budget	Actual	Sources
		Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
1	750 Capacity Students Hostel	531,412	521,654	98%	67,021	38,556	GoK
2	Perimeter wall	147,058	147,058	100%	15,466	11,577	GoK
3	ERP System	16,895	15,205	90%	1,689	-	GoK
	<b>Total</b>	<b>695,365</b>	<b>683,917</b>	<b>-</b>	<b>84,176</b>	<b>50,133</b>	

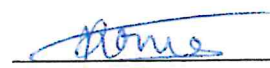
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APPENDIX III: INTER-UNIVERSITY TRANSFERS

Recurrent	Bank statement Date	Amount Kshs. '000 2019-2020				2019-2020	2018-2019
		1st Quarter 30th Sept 2019	2nd Quarter 31st Dec 2019	3rd Quarter 31st March 2020	4th Quarter 30th June 2020		
	Jul-19	-	-	-	-	-	18,738
	Aug-19	67,828	-	-	-	67,828	18,738
	Sep-19	33,914	-	-	-	33,914	18,738
	Oct-19	-	-	-	-	-	18,733
	Nov-19	-	67,828	-	-	67,828	17,617
	Dec-19	-	33,914	-	-	33,914	16,492
	Jan-20	-	-	33,914	-	33,914	-
	Feb-20	-	-	-	-	-	18,738
	Mar-20	-	-	67,828	-	67,828	36,353
	Apr-20	-	-	-	33,914	33,914	18,738
	May-20	-	-	-	33,914	33,914	18,738
	Jun-20	-	-	-	133,914	133,914	18,738
	Jul-20	-	-	-	30,495	30,495	-
	<b>Total</b>	<b>101,741</b>	<b>101,741</b>	<b>101,741</b>	<b>232,236</b>	<b>537,461</b>	<b>220,363</b>
<b>Development</b>	Jul-19	-	-	-	-	-	-
	Aug-19	-	-	-	-	-	-
	Sep-19	-	-	-	-	-	-
	Oct-19	-	-	-	-	-	-
	Nov-19	-	-	-	-	-	136,625
	Dec-19	-	-	-	-	-	-
	Jan-20	-	-	-	-	-	-
	Feb-20	-	-	-	-	-	39,258
	Mar-20	-	-	-	-	-	-
	Apr-20	-	-	-	-	-	-
	May-20	-	-	-	-	-	-
	Jun-20	-	-	-	-	-	127,675
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>303,558</b>
<b>Direct Payments</b>							
<b>Donor Receipts</b>							
	<b>Grand Total</b>	<b>101,741</b>	<b>101,741</b>	<b>101,741</b>	<b>232,236</b>	<b>537,461</b>	<b>523,921</b>

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

  
CPA Teddy Bett  
Head of Finance  
Garissa University

  
CPA Robert S. Asmani  
Head of Accounting Unit  
MOE-State Department of University  
Education & Research

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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				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Education	8 <sup>th</sup> August, 2019	Recurrent	33,913,804	33,913,804	-	-	-	33,913,804
	29 <sup>th</sup> August, 2019	Recurrent	33,913,803	33,913,803				33,913,803
	27 <sup>th</sup> September, 2019	Recurrent	33,913,803	33,913,803	-	-	-	33,913,803
	1 <sup>st</sup> November, 2019	Recurrent	33,913,804	33,913,804				33,913,804
	29 <sup>th</sup> November, 2019	Recurrent	33,913,804	33,913,804	-	-	-	33,913,804
	27 <sup>th</sup> December, 2019	Recurrent	33,913,804	33,913,804	-	-	-	33,913,804
	4 <sup>th</sup> February 2020	Recurrent	33,913,804	33,913,804	-	-	-	33,913,804
	2 <sup>nd</sup> March, 2020	Recurrent	33,913,804	33,913,804	-	-	-	33,913,804
	3 <sup>rd</sup> April, 2020	Recurrent	33,913,803	33,913,803	-	-	-	33,913,803
	8 <sup>th</sup> May, 2020	Recurrent	33,913,804	33,913,804	-	-	-	33,913,804
	8 <sup>th</sup> June, 2020	Recurrent	133,913,804	133,913,804	-	-	-	133,913,804
	26 <sup>th</sup> June, 2020	Recurrent	33,913,804	33,913,804				33,913,804
	6 <sup>th</sup> July, 2020	Recurrent	30,494,550	30,494,550	-	-	-	30,494,550
<b>Total</b>			<b>537,460,195</b>	<b>537,460,195</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>537,460,195</b>