

**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*



THE NATIONAL ASSEMBLY PAPERS LAID DATE: 24 FEB 2021		THE NATIONAL ASSEMBLY PAPERS LAID DATE: 24 FEB 2021	
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ON

UNIVERSITY OF KABIANGA

FOR THE YEAR ENDED  
30 JUNE, 2020



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**UNIVERSITY OF KABIANGA  
OFFICE OF THE VICE-CHANCELLOR**

Tel. 0202172665  
Email: vc@kabianga.ac.ke  
**REF: UOK/VC/4/VOL.2/016**

P.O Box 2030 – 20200  
**KERICHO**

**DATE: 28<sup>th</sup> January, 2021**

**OFFICE OF AUDITOR GENERAL  
KISUMU HUB  
KISUMU**

Dear Sir/Madam,

**REF: SUBMISSION OF AMENDED ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE  
UNIVERSITY OF KABIANGA FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020.**

The above subject matter refers;

Reference is made to the Draft Report of the Auditor General Ref: **KSM/HUB/UOK/2019/20(15)** dated 26<sup>TH</sup> January 2021 and received in the University on 27<sup>th</sup> January 2021.

Forwarded herein please find the Amended Annual Report and Financial Statements for University of Kabianga for the Year ended 30<sup>th</sup> June, 2020 together with the Council minute's extract of 28<sup>th</sup> January, 2021 approving the Annual report by the University Management and responses to the queries raised thereof.

The University of Kabianga appreciates the staff of the Office of the Auditor General for the continued cooperation and advice to the University.

Thank you.

Yours Sincerely,



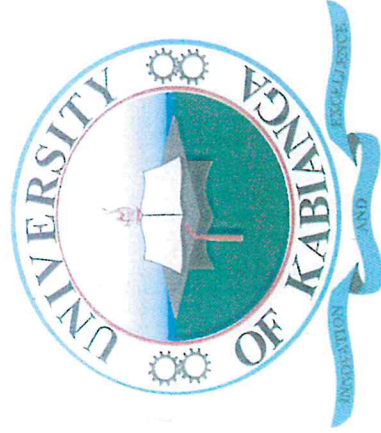
Prof. Wilson K. Kipng'eno  
**VICE-CHANCELLOR**



ISO 9001:2015 CERTIFIED INSTITUTION







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

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**UNIVERSITY OF KABIANGA**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**  
**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)**

*ISO 9001:2015 Certified Institution*

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## KEY UNIVERSITY INFORMATION AND MANAGEMENT

### BACKGROUND INFORMATION

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

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

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

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

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

The University stands on 100 acres of land and is situated in the famous and lush tea-growing highlands of Kericho County in the Southern end of the Rift Valley Province of Kenya. It is about 21km from Kericho Town and 6km off the main Kericho - Kisii road on the junction called "Premier Dairies"

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

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

### **PRINCIPAL ACTIVITIES OF THE UNIVERSITY**

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

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



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

**VISION:**

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

**MISSION:**

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

**CORE VALUES:**

The core values of the University coined as "METIP" reflects the University Culture and is meant to inspire efficient and effective service delivery across the University. These core values take cognizance of the National values and principles of governance as espoused in Articles 10 and 232 of the Constitution. They are:

- M- Meritocracy
- E- Excellence
- T- Teamwork

I- Innovation

P- Professionalism

### **KEY MANAGEMENT**








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

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



## FIDUCIARY MANAGEMENT

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

S/N	Designation	Name
1.	Vice-Chancellor	 <b>Prof. Wilson K. Kipngeno</b> , MBS B.Sc M.Sc (UoN), PhD (University of California, Riverside)
2.	Deputy Vice- Chancellor (Administration and Finance)	 <b>Prof. Eric Koech</b> , MBS B.Sc (UoN), M.Sc (Mc Gill), PhD (North Wales, UK)
3.	Deputy Vice- Chancellor (Academic and Student Affairs)	 <b>Prof. Elijah I. Omwenga</b> B.Ed Sc. (KU), PGD Comp. Sc (UoN), MSc. Comp. Sc (NUST) Bulawayo, PhD Comp. Sc (UoN)
4.	Ag. Deputy Vice- Chancellor (Planning, Research and Development)	 <b>Prof. Maurice O. Oduor</b> B.Ed (Maseno University) M.Sc (Pure Mathematics)- Maseno University PhD (Pure Mathematics)- Maseno University
5.	Finance Officer	 <b>CPA. Willy K. Koech</b> BBM Accounting (Moi Univer- sity), CPA (K), MBA (UoK),
6.	Registrar (Administration)	 <b>Mr. Peter K. Kimalel</b> BA (Moi University), EMBA (UoK), PG Dip HRM (Moi Uni- versity)
7.	Registrar (Academic)	 <b>Dr. Cecilia C. Sang</b> BEd. Home Science (KU), M.Ed. (Egerton University), PhD. (Egerton University)

<p><b>8. Registrar (Planning, Research &amp; Development)</b></p>		<p><b>Rev. Dr. Edwin Too</b> BTh. (KHEU) M.Ed (University of Manchester) M.Div. (AUU), PhD (Kabarak University),</p>
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**FIDUCIARY OVERSIGHT ARRANGEMENTS**

The Council Committees facilitate decision-making to assist the Council in the execution of its duties, powers and authority, however delegation of authority to the committees does not in any way mitigate or dissipate the discharge by the Council of its duties and responsibilities. Council Committees have been established with formal written terms of reference and observe the same rules of conduct and procedures as the Council. In the Financial year ended 30<sup>th</sup> June 2020 the following Committees were in place and the members served up to 9<sup>th</sup> March, 2020 upon expiry of their terms of service:

**AUDIT COMMITTEE**

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

**FINANCE, RESOURCE MOBILIZATION AND GENERAL PURPOSE COMMITTEE**

- |                             |                                      |
|-----------------------------|--------------------------------------|
| 1. Mr. William P. Mayaka    | Chairman                             |
| 2. Mr. Dan Shem Omino       | Member                               |
| 3. Mr. Nicasio Karani Migwi | Member                               |
| 4. Dr. Edward Kibiwoft Boor | Member                               |
| 5. Mr. James O. Onduru      | Member Rep- PS Ministry of Education |
| 6. Mr. Wesley Too           | Member Rep - PS National Treasury    |

7. Vice-Chancellor Secretary

**PLANNING AND INFRASTRUCTURAL DEVELOPMENT COMMITTEE**

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

**ACADEMIC, RESEARCH, HUMAN RESOURCE AND ADMINISTRATION COMMITTEE**

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



**REGISTERED OFFICE**

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

**UNIVERSITY CONTACTS**

Telephone: 020-2172665  
E-mail: [vc@kabianga.ac.ke](mailto:vc@kabianga.ac.ke)  
Website: [www.kabianga.ac.ke](http://www.kabianga.ac.ke)

**BANKERS OF THE UNIVERSITY**

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





**INDEPENDENT AUDITORS**

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

**PRINCIPAL LEGAL ADVISER**

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

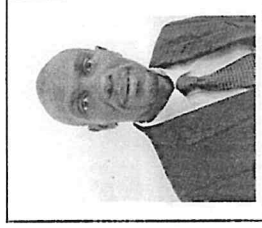
**MEMBERS OF COUNCIL**

<p><b>Dr. Florence Kiragu Nyamu, OGW Chairman</b> B. Ed. (Science) (UoN), Ed. M (Harvard), Ed.D (Harvard)</p> 	<p>Dr. Florence Nyamu has served as an education specialist with the Forum for African Women Educationalists (FAWE) and as a consultant with the Center for African Family Studies (CAFS). Dr. Nyamu serves on the boards of a number of educational institutions and is the author of numerous papers on girls, education, development and human rights, she was born on 24<sup>th</sup> September 1951. She was re-appointed the Council Chairman of University of Kabianga on 10<sup>th</sup> March 2017 and served up to 9<sup>th</sup> March, 2020.</p>
<p><b>Prof. Wilson K. Kipngeno, MBS Secretary</b> Ph.D(California, Riverside), M.Sc (UoN), B.Sc</p> 	<p>Prof. Wilson Kipngeno started his career as a lecturer in University of Nairobi in the field of Applied Statistics. Through his brilliance, he has risen through the ranks to be the Vice-Chancellor of University of Kabianga. His previous work experience includes serving as a DVC (Administration Planning and Finance) in Jomo Kenyatta University of Agriculture and Technology (JKUAT) and Egerton University. He was born in 1952. Prior to his appointment in May 2013, Prof. Kipngeno was the Ag. Vice-Chancellor after serving as the Principal of Kabianga University College since May 2009.</p>
<p><b>Mr. James Oifeno Onduru Rep. Principal Secretary, Ministry of Education</b></p> 	<p>Mr. James O. Onduru represents the Principal Secretary – State Department for University Education and Research, Ministry of Education. He is a Deputy Director of Technical Education, attached to the Office of the Chief Administrative Secretary and Principal Secretary. He was born in 1962. He was appointed as a member of Council of University of Kabianga on 23<sup>rd</sup> July, 2019 and served up to 3<sup>rd</sup> June, 2020.</p>
<p><b>Mr Wesley K. Too Rep. Principal Secretary, National Treasury</b></p> 	<p>Mr. Wesley K. Too represents the Principal Secretary, National Treasury. He is a Senior Assistant Director of Resources Mobilization in the National Treasury; Resources Mobilization Department. He was born on 31<sup>st</sup> December 1969 He was re-appointed as a member of Council of University of Kabianga on 10<sup>th</sup> March 2017 and served up to end of 2<sup>nd</sup> Quarter</p>

	FY 2019/2020.	
<p><b>Mr. William P. Mayaka, (EBS)</b>                  MPA (Harvard)                  PGC (Princeton)                  BA (Colby)</p> 		<p>Mr. William Mayaka is a retired Permanent Secretary (PS) having served in that capacity in the Ministry of Environment &amp; Natural Resources; Industrialization; and then Tourism. A career civil servant, he served in the Ministry of Finance (then The Treasury) where he rose from an Assistant Secretary to Deputy Secretary (DS). He then served as DS in the Ministries of: Local Government; Agriculture; Environment &amp; Natural Resources; and then Labour &amp; Manpower Development before being honoured with appointment as PS. He has also served as member of Council, Maseno University; Director of the Board of Kenya Reinsurance Corporation; and Chairman of the Board of Directors of Nyayo Tea Zones Development Corporation. He was born on 1<sup>st</sup> November 1944. He was appointed as member of Council of University of Kabanga on the 10<sup>th</sup> March 2017 and served up to 9<sup>th</sup> March, 2020.</p>
<p><b>Mr. Dan Shem Omino, OGW</b>                  MBA (Maastricht)                  BSc. (UON)</p> 		<p>Mr. Dan Omino is a practitioner in consultancy covering areas of Strategy, Governance, Institutions Reforms and Performance. He has served for 10yrs as Government of Kenya Consultant in the introduction and practice of Performance Contracting to the point of being awarded with an OGW by the President. He was co-opted to serve in the State Corporation Advisory Committee. He has served as Vice Chairman of Maseno University for 7 years. Currently he is providing advisory support to a number of State Corporations including the Water, Irrigation and University Education sector. He was born on 24<sup>th</sup> December 1959. He was appointed as a member of Council of University of Kabanga on 10<sup>th</sup> March 2017 and served up to 9<sup>th</sup> March, 2020.</p>
<p><b>Dr. Edward Kibiwoff Boor</b></p>	<p><b>Dr. Edward Kibiwoff Boor</b></p>	



PhD (JKUAT)  
 MA(UoN), BSc. (Egerton) and  
 Diploma (Egerton)

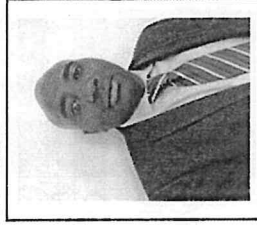


Has over 10 yrs hands on experience in managing agricultural and dairy related projects, enhancing controls to achieve operational objectives and create improvements, efficiencies and overall stakeholder's value and working with executive leadership teams and governance boards. Strategic experience in streamlining budgeting, forecasting, cost controls, risk/compliance management, and reporting processes. Expertise in customer engagement, board level execution, community mobilization, people management, resource mobilization and experience in managing various projects funded by international agencies like Brooke Hospital for animals (UK), USAID. He was born in 1977. He was appointed as a member of Council of University of Kabianga on 10<sup>th</sup> March 2017 and served up to 9<sup>th</sup> March, 2020.

**Mr. Nicasio Karani Migwi**










**Member**




MSc. Copenhagen,Denmark  
 MA-,Sheffield Hallam , UK  
 BA- (Moi )



Mr. Nicasio Karani is an Economist with over ten years of experience as a Banker. He is an expert on Sub-Sahara Africa more so in regards to cross border banking. He is a specialist in Strategic Management. He was born on 10<sup>th</sup> July 1975. He was appointed as a member of Council of University of Kabianga on 10<sup>th</sup> March 2017 and served up to 9<sup>th</sup> March, 2020.

**UNIVERSITY MANAGEMENT TEAM**

S/N	Designation		Name
1.	Vice-Chancellor		<b>Prof. Wilson K. Kipngeno</b> , MBS B.Sc M.Sc (UoN), PhD (University of California, Riverside)
2.	Deputy Vice-Chancellor (Administration and Finance)		<b>Prof. Eric Koech</b> , MBS B.Sc (UoN) M.Sc (Mc Gill PhD (North Wales, UK,))
3.	Deputy Vice-Chancellor (Academic and Student Affairs)		<b>Prof. Elijah I. Omwenga</b> B.Ed Sc. (KU), PGD Comp. Sc (UoN), MSc. Comp. Sc (NUST) Bulawayo, PhD Comp. Sc (UoN)
4.	Ag. Deputy Vice-Chancellor (Planning, Research and Development)		<b>Prof. Maurice O. Oduor</b> B.Ed (Maseno University) M.Sc (Pure Mathematics)- Maseno University PhD (Pure Mathematics)- Maseno University
5.	Finance Officer		<b>CPA. Willy K. Koech</b> BBM Accounting(Moi University), CPA (K), MBA (UoK)
6.	Registrar (Administration)		<b>Mr. Peter K. Kimdele</b> BA(Moi University), PG Dip HRM (Moi University), EMBA (UoK)
7.	Registrar (Academic Affairs)		<b>Dr. Cecilia C. Sang</b> BEd. Home Economics (KU), M.Ed. (Egerton University), Ph.D.(Egerton University)
8.	Registrar (Planning, Research & Development)		<b>Dr. Rev. Edwin Too</b> BTh. (KHEU), M.Div. (AIU), M.Ed (University of Manchester) PhD

		(Kabarak University),
9.	<p><b>ICT Director</b></p> 	<p><b>Mr. Geoffrey K. Sowek</b> M. Sc. (KCA), BSc. Computer Science (Egerton University)</p>
10.	<p><b>Legal Officer</b></p> 	<p><b>Ms. Robai W. Ayuma</b> LLB (Moi University), Dip. in Law (Kenya School of Law)</p>
11.	<p><b>Ag. Deputy University Librarian</b></p> 	<p><b>Ms. Janet Nankui</b> Msc. Library and Information Studies (Moi University) Bsc. Library and Information Sciences (Moi University) Dip. Library and Information Studies (KSPS)</p>



## **CHAIRMAN'S STATEMENT**

It gives me great pleasure to present University of Kabanga's Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2020. University of Kabanga operates within a framework of strong corporate governance. The Council Chairman leads a competent team of Council members in steering the University towards realization of its vision "to be a leading University in scientific innovation for the betterment of humanity".

During the FY 2019/2020, the University received a total capital grant of **Ksh. 150M** as per budget allocation. This enhanced the implementation of the capital development plan of the University. Internally generated funds realized by the University during the year amounted to **Ksh. 333.4M** which is mainly tuition fee and tuition related **Ksh. 314.8M** while other incomes accounts for **Ksh. 18.5M**.

The drastic reduction in tuition and tuition related income was as a result of the effects of COVID-19 pandemic which led to suspension of services in the University in March 2020. The recent reforms in the education sector also had an impact on the University student enrolment which led to significant reduction in tuition revenue collection. To mitigate this, the University has enhanced its marketing strategies for the academic programmes to attract more students and generate sufficient revenues to run its operations.

The University has continued to implement its Master Plan, which informs its infrastructure development. Despite the dwindling funds during the financial year, the University continued to make substantial progress in terms of capital development by undertaking the following projects; Lecture Theatre Phase IV and University Library University. However, the University is likely to face contractual challenges on the Lecture Theatre Phase IV due to non-allocation of capital funds for the financial year. During the same period, the funding level from the Government was notably low and was not able to meet both the recurrent and development expenditure requirements of the University. It is also noted with concern that at end of the FY, the University had a cumulative deficit of **Kshs. 127.9M**.

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The University continues to undertake its core mandate on teaching, research and extension. In 2019 1,900 students graduated in different levels as compared to 1,708 in 2018.

Health Science related courses offered at Kapkatet Campus are regulated and accredited by professional bodies which includes Nursing Council of Kenya, Clinical Officers Council and Public Health Officers & Technicians Council

In terms of research the University has continued to engage in research aimed at contributing towards realization of the Government's National Development Goals. During the financial year, the University also continued to implement a Fruit Juice Processing Plant in its Main Campus to process pineapples and other fruits. The facility addresses the Governments' Big Four Agenda of manufacturing and value addition as well as enhanced food and nutrition security. The juice processing plant plays a pivotal role within the economic pillar of Vision 2030 and the Sustainable Development Goals. The University also engaged the community in extension services geared towards promoting Corporate Social Responsibility.

To be able to contribute effectively to the realization of the government's priority areas such as the Big Four Agenda, Sustainable Development Goals and Vision 2030 and to remain competitive in the industry, the University endeavours to produce the relevant human capital that will drive the country towards knowledge-based economy. In terms of good governance, the University has continued to uphold the tenets of good corporate governance by being innovative, transparent, accountable, socially responsive as well as promoting excellence and exercise fairness in all its dealings.

Finally, I wish to appreciate the support that the Government and the Ministry of Education has offered to the University over the years and look forward to similar support in the coming years. Specifically, I wish to acknowledge the commitment and dedication of the University Management and staffs who have continued to perform their duties with skill, loyalty and team spirit to enable the University achieve its milestone. My sincere appreciation also goes to my colleagues in the

Council for their tireless devotion; team spirit and valued guidance. I look forward to similar and even more enthusiasm and cooperation in the future.

SIGNATURE: .....  
DR. ADELAIDE M. MBITHI (HSC)  
CHAIRMAN OF COUNCIL

DATE: .....  
28/11/2021



## VICE-CHANCELLOR'S STATEMENT

I am pleased to present the 7<sup>th</sup> Annual Report and Financial Statements for the University of Kabianga for the year ended 30<sup>th</sup> June, 2020. The University has undergone significant transformation within the reporting period that will provide a platform to build on in the future.

Since its inception, the University embarked on expansion of physical facilities. The University continues to implement various infrastructure developments in its Master Plan and Reviewed Strategic Plan (2018-2022). The ongoing projects undertaken in 2019/2020 includes University Library and Resource Centre, Lecture Theatre Phase IV, and Students Dining Hall. Completed projects include Health unit (Phase I), University Main gate, Fruit Processing Plant, Council chambers and ICT Network Phase II. Plans are underway to put up more facilities to cater for the surging demand.

Currently, the University has seven (7) schools namely: School of Agriculture and Biotechnology, Business and Economics, Education, Arts and Social Sciences, Science and Technology, Information Sciences and Knowledge Management and Natural Resource and Environmental Management. The university has four (4) directorates namely: Directorate of Quality Assurance, Graduate Studies, Gender and Development and Research, Linkages and Extension to support academic activities of the university. The University has three accredited campuses namely: Kapkaket campus offering biomedical courses, Sofik and Kericho town campuses. The University continues to develop competitive and market oriented academic and professional programmes with a view to nurturing innovation and talents amongst students. The University endeavors to produce the relevant human capital that will drive the country towards knowledge-based economy and realize the achievement of the government "Big 4" Agenda and Vision 2030. During the financial year 2019/2020, the University conducted its Seventh Graduation Ceremony on 8<sup>th</sup> November, 2019 and recorded a significant growth from 1,708 to 1,900 graduands of the various programmes offered.

University of Kabanga continues to uphold the tenets of good corporate governance by being innovative, transparent, accountable persons of integrity, socially responsive as well as promoting excellence and exercise fairness in all its dealings. During the 2019/2020 financial year, the University continued implementing ISO 9001:2015 Quality Management Standards after certification by KEBS. This has greatly improved university processes in pursuit of excellence in service delivery in all areas.

The University has anchored Corporate Social Responsibilities activities to its Strategic Plan (2018-2022). Under the key result area of community outreach and extension services, the University is also committed to improve the lives of special groups (youth, women and persons with disability) by making contribution of resources to empower them with knowledge and skills. To appreciate the diversity of arts and cultures of communities and stakeholders, the university organizes annual cultural events that bring together diverse arts and cultural activities. These annual events promote national cohesion and integration among the students, staff and community.

During the year under review, the University received minimal increased government grants to finance its recurrent budget from Ksh. 777,865,409 to Ksh. 857,063,040 in financial year 2018/2019 and 2019/2020 respectively. The development funding for FY 2019/2020 was Ksh. 150,000,000 as compared to FY 2018/2019 was Ksh. 224,430,000 which enabled the University to realize progress in capital development.

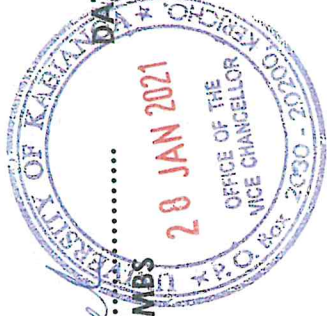
It is worth noting that there was a decline in internally generated funds from **Kshs. 439.7 Million** in financial year 2018/2019 to **Kshs. 333.4M** in FY 2019/2020 this was due to University suspension of face-to-face services to the students in March 2020 as per the Presidential directive.

During the financial year 2019/2020, there was an outbreak of COVID-19 Pandemic in the country which led to a Presidential Directive on suspension of all services

in the Universities which resulted to low payment of tuition and tuition related fees by the student. The University in the view of completing the second semester 2019/2020 syllabus developed course contents which were uploaded in the Moodle/Zoom platform for students to access. This lead to additional cost of migrating University teaching/learning to e-learning platform and carrying out other University business on-line and compliance to COVID-19 protocols.

The University appreciates the support that the Government has offered over the years.

SIGNATURE.....  
PROF. WILSON K. KIPNGENO, MBS  
VICE-CHANCELLOR



DATE: ..... 28/01/2021.....



## **CORPORATE GOVERNANCE STATEMENT**

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

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

### **The Council**

The Council consists of 8 members inclusive of the Vice-Chancellor as the Secretary. The Council members consist of the following:

<b>NO.</b>	<b>NAME</b>	<b>TITLE</b>
1.	Dr. Florence Kiragu Nyamu	Chairman
2.	Mr. William P Mayaka	Member
3.	Mr. Dan Shem Omino	Member
4.	Dr. Edward Kibiwott Boor	Member
5.	Mr. Nicasio Karani Migwi	Member
6.	Amb. Simon Ndbukwesi	Ex-Officio
7.	Dr. Julius Monzi Muja	Ex-Officio
8.	Prof. Wilson K. Kipngeno	Secretary

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

### **Roles and Responsibilities of Council**

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

- a) Reviewing and approving strategic plans to steer the direction of the University

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

### **Council composition**

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

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

### **COUNCIL MEETINGS**

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

### **Council Committees**

For effective running of the affairs of the University, Council has delegated part of its responsibilities to standing committees. The committees operate under clearly



defined mandates which spell out their responsibilities, scope of authority and procedures for reporting to the Council. The Council has four standing committees as follows:

**1. Audit Committee**

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

**2. Finance, Resource Mobilization and General Purposes Committee**

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

**3. Academic, Research, Human Resource and Administration Committee**

This committee deals with academic, research and staff matters which involves employees' remuneration policy, work environment, training and development among others

**4. Planning and Infrastructural Development Committee**

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

**Conflict of Interests**

The Secretary to Council maintains and updates a register to record declarations of conflict of interest by Council Members and ensures the register is availed at each Council or Committee meetings for this purpose. However, in Council meetings throughout the FY 2019/2020, there was no declaration of conflict of interest by members on any of the subject matters that constituted the agenda.

**Council and members' performance**

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

**Council Charter**



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

#### **Code of Conduct and Ethics**

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

#### **Induction and Training**

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

#### **Governance, ICT and Legal Audit**

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

#### **Council Remuneration**

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

#### **Appointment of Council Members**

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

## MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year 2018/2019 Recurrent capitation grants allocated was **Ksh.688M** which translates to monthly capitation recurrent grant of **Ksh.57M**. However, during the same financial year (FY 2018/2019) the University also received additional accrued recurrent grant of **Ksh. 89M** for CBA implementation, thus a totalling to **Ksh. 777.9M**.

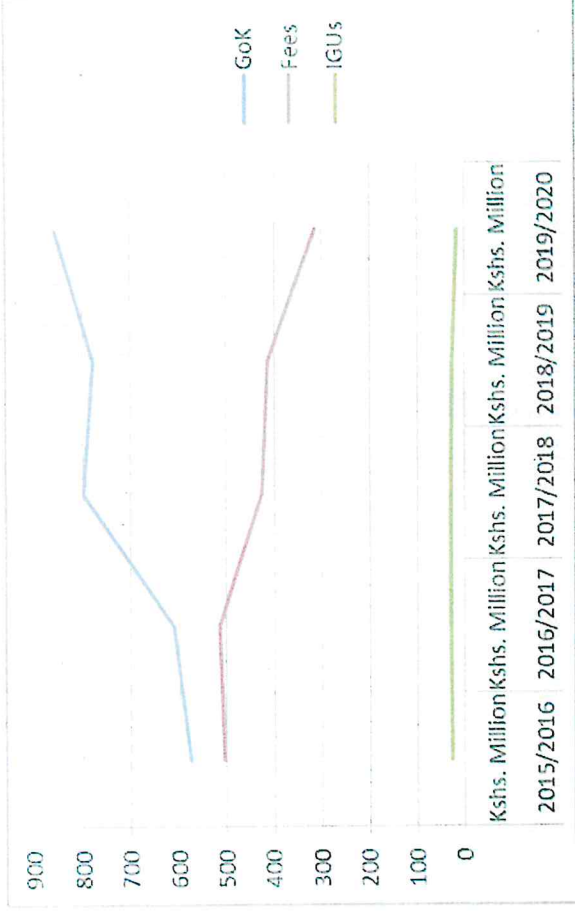
At the beginning of FY 2019/2020, the annual recurrent grant was **Ksh. 756M** which translates to a monthly recurrent grants of **Ksh. 63,042,995**. In the fourth quarter the University also received additional accrued recurrent grant of **Ksh. 100.5M** for 2017-2021 CBA implementation.

The University Recurrent Expenditure is funded through government support and internally generated funds. The percentage of public funding for FY 2019/2020 comprises 72% whereas student related fees contribution is 26% and IGUs 2% as shown in table 1 below. Capital Development expenditure is wholly funded by the Government as shown in table 2 below.

**Table 1: University Funding- Recurrent**

	University Funding level(Amounts &Percentage)				
	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
<b>Gok</b>	575M (52%)	610M (53%)	800M (64%)	778M (64%)	857M (72%)
<b>Fees</b>	504M (46%)	514M (45%)	427M (30%)	412M (34%)	314.8M (26%)
<b>IGUs</b>	27M (2%)	31M (2%)	31M (2%)	27M (2%)	18.5M (2%)

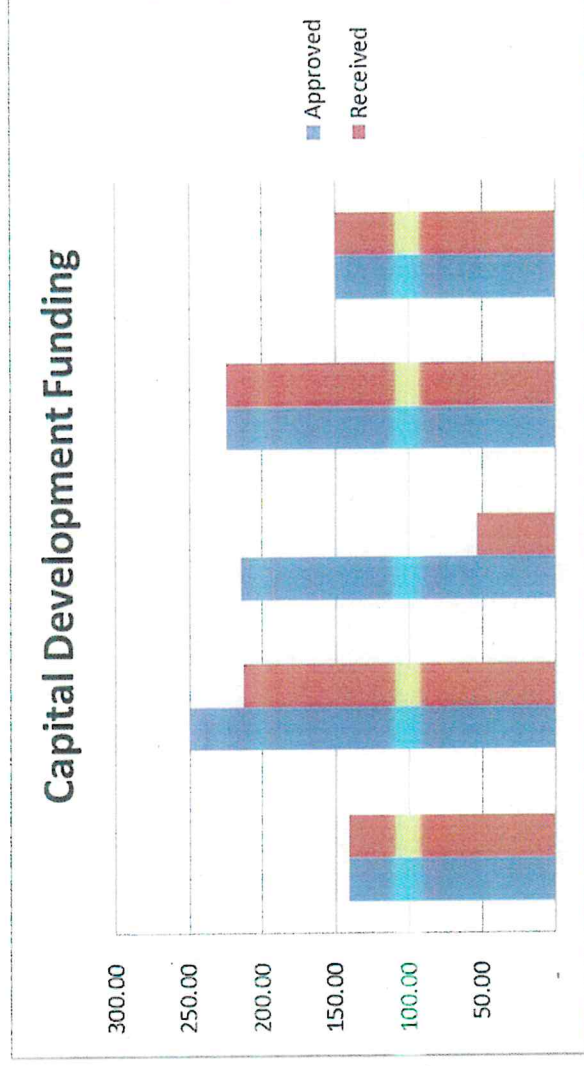
**Figure 1: Graph Showing the University Funding in Percentage**



**Table 2: University Funding- Capital Development**

	University Funding (Kshs. Million)				
	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Approved	140.88	250.00	214.43	224.30	150.00
Received	140.88	213.00	53.60	224.30	150.00
Difference	-	(37.00)	(160.83)	-	-

**Figure 2: Graph Showing the University Capital Development Funding**



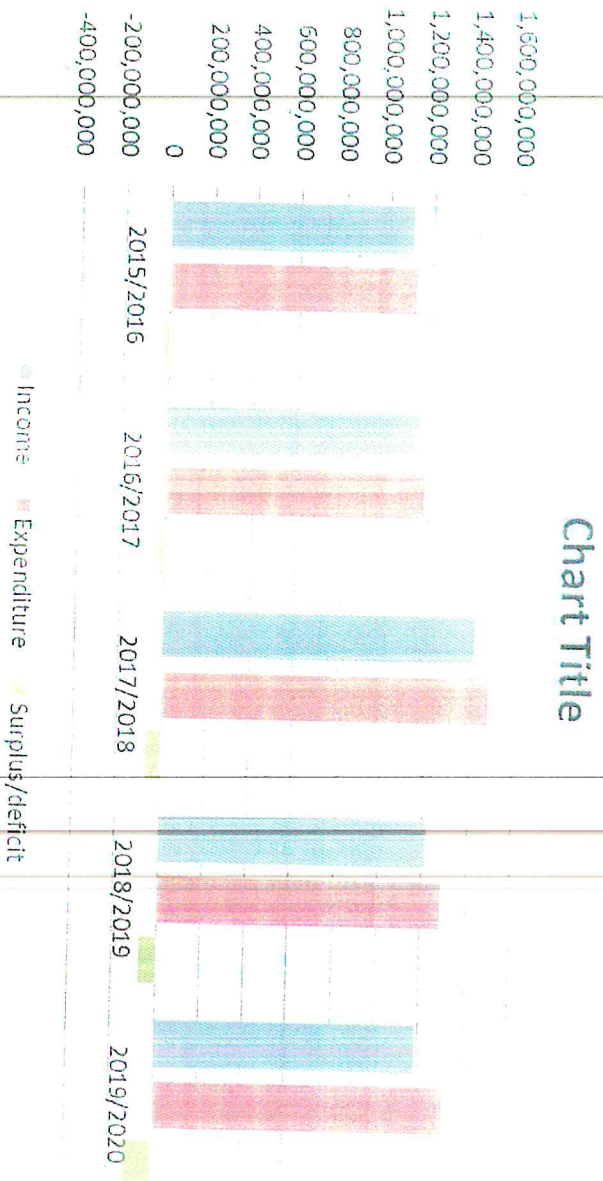
Below is a graphical presentation of the income and expenditure for the last 5 financial years from 2015/2016 to 2019/2020.

**Table 3: University Income and Expenditure**



Income and Expenditure					
	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Income	1,106,554,435	1,154,834,826	1,421,942,339	1,217,520,959	1,190,432,713
Expenditure	1,126,549,239	1,179,931,330	1,484,528,194	1,342,493,983	1,318,825,524
Surplus/deficit	(19,994,804)	(25,096,504)	(62,585,855)	(124,973,024)	(127,949,811)

Figure 3: Income and Expenditure



## **CORPORATE SOCIAL RESPONSIBILITY (CSR)/ SUSTAINABILITY REPORTING**

### **UOK EXTENSION WORKSHOP**

During the FY 2019/2020, the University organized an Extension Workshop that brought together women groups from Kericho County as part of corporate social responsibility (CSR). One Hundred and Four (104) participants attended the Workshop. Participants of the workshop were trained on various thematic areas which included: Low Cost Evaporative Cooler for Enhanced Shelf Life of Vegetables & Fruits, overview of Lifestyle Diseases, Risk Factors and Dietary Diversity, Entrepreneurial Skills for Today's Women, Tree Nursery Model – Seedlings for Income Generation. It is apparent that the extension workshop made a great impact in empowering the members of the community in the following areas: knowledge on plant products for controlling malaria, establishing tree nursery for income generation, skills on using mobile short messaging services to reduce on expenditure, knowledge on how to avoid and control drug abuse and alcoholism, how to use natural farm produce, making and sale of liquid washing soap, the use of bag culture to produce vegetables for household consumption, and methods of pest control.

The University has anchored Corporate Social Responsibilities activities to its Strategic Plan (2018-2022). Under the key result area of community outreach and extension services, the University is also committed to improve the lives of special groups (youth, women and persons with disability) by making contribution of resources to empower them with knowledge and skills.

## REPORT OF THE COUNCIL

The Council submits their reports together with the audited financial statements for the year ended 30<sup>th</sup> June, 2020 which show the state of affairs for University of Kabanga.

### Principal activities

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

### Results

The results of the University for the Year ended June 30, 2020 are set out on pages 1 to 5.

### Members of Council

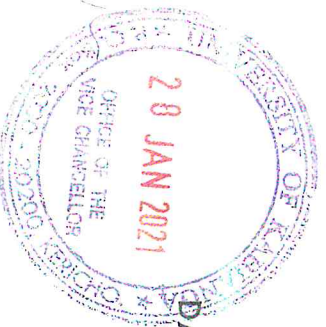
The Members of the Council who served during the Financial Year 2019/2020 are shown on pages xii-xiv.

### Auditors

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

By Order of the Council

**PROF. W.K KIPNGENO, MBS**  
**VICE-CHANCELLOR**



DATE.....28/01/2021.....



## STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act Cap, 446 require the Council to prepare financial statements in respect of University of Kabianga, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The Council Members are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council Members are also responsible for safeguarding the assets of the University.

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

The Council Members accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act, 2012. The Council Members are of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2020 and of the *ISO 9001:2015 Certified Institution*

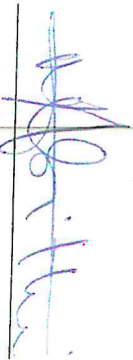
University's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial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

The statement of financial performance as indicated on page 1 shows a deficit Ksh. 127,949,811. All the receipt of income generated activities are as indicated in the financial statements.

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

#### APPROVAL OF THE FINANCIAL STATEMENTS


The University's Financial Statements were approved by Council on 28<sup>th</sup> January, 2021 and signed on its behalf by:



**CHAIRMAN OF THE COUNCIL**



**VICE-CHANCELLOR**







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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of University of Kabianga set out on pages 1 to 42, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flow and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the University of Kabianga as at 30 June, 2020, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act No. 42 of 2012.

#### Basis for Qualified Opinion

##### 1. Unsupported Valuation of Biological Assets

The statement of financial position reflects biological assets of Kshs.45,064,530 and as disclosed in Note 23 to the financial statements. During the year under review, the biological assets increased to Kshs.45,064,530 from Kshs.43,316,012 in the previous year. The increase of Kshs.1,748,518 is attributed to a valuation report dated 30 June, 2020. However, the schedules supporting the increase after valuation were not provided for audit review.

In the circumstances, the accuracy and completeness of the carrying amount of biological assets of Kshs.45,064,530 as at 30 June, 2020 could not be confirmed.



## **2. Material Uncertainty Related to Going Concern**

The statement of financial position reflects current liabilities of Kshs.518,586,903 which exceeded current assets of Kshs.245,314,758 resulting to a negative working capital of Kshs.273,272,145. Further, the University realized a loss of Kshs.127,949,811 (2019: Kshs.124,923,024) in the year under review thereby increasing the accumulated deficit from Kshs.(136,713,475) in 2019 to Kshs.(264,663,286) as at 30 June, 2020. Management has not made any disclosure on this material facts in the Notes to the financial statements and there no mitigating measures put in place by the University to reverse the trend.

Consequently, the University's preparation of the financial statements on a going concern basis is on the assumption that, it will receive financial support from the government and creditors.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,427,450,863 and Kshs.1,340,432,712 respectively resulting to an under-funding of Kshs.87,018,151 or 6% of the budget. Similarly, the University expended Kshs.1,441,570,949 against an approved budget of Kshs.1,427,450,863 resulting to an over-expenditure of Kshs.14,120,086 of the budget. No approval for the over expenditure was provided for audit review. The underfunding affected the planned activities and may have impacted negatively on service delivery to the stakeholders.

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

##### **Conclusion**

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

### **Basis for Conclusion**

#### **Irregular Staff Ethnic Composition**

The University's staff establishment and employment records for the 2019/2020 financial year revealed that it had five hundred and sixty-four (564 employees). An analysis of ethnic composition revealed that three hundred and ninety-three (393) employees, which is 70% are from one ethnic community while only one hundred and seventy-one (171), which is (30%) are from other ethnic communities contrary to provisions of section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

The Management is therefore in breach of the Act.

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

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

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

#### **Basis for Conclusion**

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

#### **Responsibilities of Management and the Council Members**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards-Accrual Basis and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free



from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control.

In preparing the financial statements, Management is responsible for assessing the University's ability to continue to sustain 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 terminate the University or to cease operations.

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

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

The Council Members is responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the



effectiveness of internal controls, risk management and 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 University's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathirou, CBS  
AUDITOR-GENERAL

Nairobi

04 February, 2022

**STATEMENT OF FINANCIAL PERFORMANCE**

*University of Kabiangga*  
**Statement of financial performance**  
**for the Financial Year Ended June 30, 2020**

	Note	2019-2020 Kshs	2018-2019 Ksh
<b>Revenue from non-exchange transactions</b>			
Exchequer Grants	6	857,063,040	777,865,409
<b>Revenue from exchange transactions</b>			
Tuition fees	7(a)	216,502,979	298,769,641
Tuition related Income	(b)	98,346,341	113,767,216
Rendering of Services	8	15,442,492	17,023,809
Finance Income- Interest on Deposits	9	0	392,922
Income from facilities and equipment	10	770,600	1,970,500
Other Income	11	2,307,261	7,731,462
<b>Total Revenue</b>		<b>1,190,432,713</b>	<b>1,217,520,959</b>
<b>Expenses</b>			
Employee Costs	12	1,031,288,610	944,531,148
Remuneration of Council members	13	10,280,745	14,683,130
Depreciation and Armatization Expense	14	59,221,762	56,936,652
Repairs and Maintenance Expense	15	9,717,091	12,860,420
General Expense	16	176,551,635	220,086,404
Marketing Expenses	17	4,575,331	10,496,083
Finance Costs	18	26,747,349	29,456,496
Bad Debts Written Off	18(b)	0	53,443,649
<b>Total Expenditure</b>		<b>1,318,382,524</b>	<b>1,342,493,983</b>
<b>Surplus/ (Deficit)</b>		<b>(127,949,811)</b>	<b>(124,973,024)</b>

The notes set out from pages 9 to 38 form an integral part of these Financial Statements



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**STATEMENT OF FINANCIAL POSITION**  
 University of Kabianga  
 Statement of Financial Position  
 As at June 30, 2020

	Note	2019-2020 Kshs	2018-2019 Prior year Ksh
<b>Current Assets</b>			
Cash & Cash equivalents	19(a)	60,696,657	125,792,732
Receivables from exchange transactions	20	178,486,636	148,307,227
Inventories	21	6,131,465	11,743,647
<b>Total Current Assets</b>		<b>245,314,758</b>	<b>285,843,606</b>
<b>Non-current Assets</b>			
Property, Plant & Equipment	27	2,219,173,906	2,091,707,315
Biological Assets	23	45,064,530	43,316,012
<b>Total Non-current Assets</b>		<b>2,264,238,436</b>	<b>2,135,023,327</b>
<b>Total Assets</b>		<b>2,509,553,194</b>	<b>2,420,866,933</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Cash & Cash equivalents	19(b)	-	73,116,005
Payables from exchange transactions	24	456,730,105	317,705,083
Retention- WIP	25	46,856,798	37,156,427
Co-operative Bank Loan current portion	26	15,000,000	15,000,000
<b>Non-Current Liabilities</b>			
Co-operative Bank Loan (20yrs)	26	178,750,000	193,750,000
<b>Total liabilities</b>		<b>697,336,903</b>	<b>636,727,515</b>
<b>Net assets</b>			
Capital Reserves		1,681,686,241	1,531,686,242
Revaluation Reserve		395,193,337	389,166,652
Accumulated Surplus		(264,663,286)	(136,713,475)
<b>Total Net Assets</b>		<b>1,812,216,291</b>	<b>1,784,139,419</b>
<b>Total net assets and liabilities</b>		<b>2,509,553,194</b>	<b>2,420,866,933</b>

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

  
 VICE-CHANCELLOR  
 PROF. W.K. KIPNGENO

  
 HEAD OF FINANCE  
 CPA WILLY K KOECH  
 ICPAK NO. 9696  
 Date: 28/01/2021

  
 CHAIRMAN OF THE COUNCIL  
 DR. ADELAIDE M. MBITHI  
 Date: 28/01/2021



**STATEMENT OF CHANGES IN NET ASSETS**

University of Kabanga  
Statement of Changes in Net Assets  
For the year ended 30 June 2020

	Capital Fund	Revaluation Reserves	Accumulated Reserves	Total
	Ksh	Ksh	Ksh	Ksh
<b>At July 1, 2018</b>	<b>1,307,256,242</b>	<b>398,431,939</b>	<b>(11,740,452)</b>	<b>1,693,947,729</b>
Surplus/Deficit for the year	-	-	(124,973,024)	(124,973,024)
Loss on Revaluation of motor vehicle	-	(9,252,073)	-	(9,252,073)
Biological	-	(13,214)	-	(13,214)
Capital Grants	224,430,000	-	-	224,430,000
<b>At June 30, 2019</b>	<b>1,531,686,242</b>	<b>389,166,652</b>	<b>(136,713,475)</b>	<b>1,784,139,419</b>
<b>At July 1, 2019</b>	<b>1,531,686,242</b>	<b>389,166,652</b>	<b>(136,713,475)</b>	<b>1,784,139,419</b>
Surplus/Deficit for the year	-	-	(127,949,811)	(127,949,811)
Gain on Revaluation of Computer	-	4,278,167	-	4,278,167
Biological	-	1,748,518	-	1,748,518
Capital Grants	149,999,999.00	-	-	149,999,999
<b>At June 30, 2020</b>	<b>1,681,686,241</b>	<b>395,193,337</b>	<b>(264,663,286)</b>	<b>1,812,216,291</b>



**CASHFLOW STATEMENT**  
**University of Kabianga**  
**Cash flow Statement**  
**for the Financial Year Ended June 30, 2020**

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>Cash Flow From Operating Activities:</b>			
<b>Receipts</b>			
Tuition fees		294,864,662	416,300,702
Exchequer Grants		845,862,406	688,518,943
Rendering of Services		15,442,492	17,023,809
Finance Income- Interest on Deposits		-	392,922
Rental Income from Facilities and Equipment		770,600	1,970,500
Other Income		2,307,261	7,731,462
		<b>1,159,247,421</b>	<b>1,131,938,338</b>
<b>Payments</b>			
Employee Costs		910,283,063	863,202,869
Remuneration of Council Members		10,280,745	14,683,130
Repairs and Maintenance		9,717,091	12,860,420
General Expenses		176,551,635	220,086,404
Marketing Expenses		4,575,331	10,496,083
Finance Costs		26,747,349	29,456,496
		<b>1,138,155,215</b>	<b>1,150,785,402</b>
		<b>21,092,207</b>	<b>(18,847,064)</b>
<b>Net Cash flows from Operating Activities</b>			
<b>Cash flows from Investing Activities</b>			
Purchase of Property, Plant & Equipment		(154,098,961)	(214,624,546)
Decrease in investments		-	26,487,463
		<b>(154,098,961)</b>	<b>(188,137,083)</b>
<b>Net cash flows used in Investing activities</b>			
<b>Cash flows from Financing activities</b>			
Government Grants – Capital Increase (Decrease) in Revaluation Reserve		149,999,999	224,430,000
Repayment of borrowings		6,026,685	-9,265,287
		(15,000,000)	(15,000,000)
		<b>141,026,684</b>	<b>200,164,713</b>
<b>Net Cash flows from Financing activities</b>			
<b>Net Increase / (Decrease ) In Cash &amp; Cash Equivalents</b>			
Cash & Cash Equivalents at beginning of Year	19	52,676,727	59,496,162
Cash & Cash Equivalents at the end of Year	19	<b>60,696,657</b>	<b>52,676,727</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL PERFORMANCE

### UNIVERSITY OF KABIANGA STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2020

	Note	Original Budget Kshs. 2019-2020	Adjustments 2019-2020	Final Budget 2019-2020	Actual Kshs 2019-2020	Variance Kshs. 2019-2020
<b>Revenue from non-exchange transactions</b>						
Exchequer Grants – Recurrent	6	756,515,943	100,547,100	857,063,043	857,063,040	(3)
Exchequer Grants - Capital Dev.		150,000,000	-	150,000,000	149,999,999	(1)
<b>Sub-Total</b>		<b>906,515,943</b>	<b>100,547,100</b>	<b>1,007,063,043</b>	<b>1,007,063,039</b>	<b>(4)</b>
<b>Revenue from exchange transactions</b>						
Tuition fees	7(a)	283,608,144	-	283,608,144	216,502,979	(67,105,165)
Tuition related Income	(b)	86,771,006	-	86,771,006	98,346,341	11,575,335
Rendering of Services	8	29,627,556	-	29,627,556	15,442,492	(14,185,064)
Finance Income- Interest on Deposits	9	-	-	-	-	-
Income from facilities and equipment	10	570,000	-	570,000	770,600	200,600
Research Grants		1,500,000	-	1,500,000	-	(1,500,000)
Short Courses		1,500,000	-	1,500,000	-	(1,500,000)
Endowment Fund		2,500,000	-	2,500,000	-	(2,500,000)
Other Income	11	14,311,114	-	14,311,114	2,307,261	(12,003,853)
<b>Sub-Total</b>		<b>420,387,820</b>	<b>-</b>	<b>420,387,820</b>	<b>333,369,673</b>	<b>(87,018,147)</b>
<b>Total Revenue</b>		<b>1,326,903,763</b>	<b>100,547,100</b>	<b>1,427,450,863</b>	<b>1,340,432,712</b>	<b>(87,018,151)</b>
<b>Expenses</b>						
Employee Costs	12	922,697,375	100,547,100	1,023,244,475	1,031,288,610	(8,044,135)
Remuneration of Council members	13	12,620,400	(2,210,955)	10,409,445	10,280,745	128,700
Repairs and Maintenance Expense	15	10,331,784	683,587	11,015,371	9,717,091	1,298,280
General Expense	16	168,530,274	9,839,568	178,369,842	176,551,635	1,818,207
Marketing Expenses	17	8,069,020	(657,865)	7,411,155	4,575,331	2,835,824
Finance Costs	18	29,546,982	(500,000)	29,046,982	26,747,349	2,299,633
Non-Current assets	27	25,107,928	(7,154,335)	17,953,593	15,814,002	2,139,591
Capital Dev. Projects	27	150,000,000	-	150,000,000	166,596,185	(16,596,185)
<b>Total Expenditure</b>		<b>1,326,903,763</b>	<b>100,547,100</b>	<b>1,427,450,863</b>	<b>1,441,570,949</b>	<b>(14,120,086)</b>
<b>Surplus/ (Deficit)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(101,138,237)</b>	<b>(72,898,065)</b>

## BUDGET NOTES

### EXPLANATION OF MATERIAL VARIANCE

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

#### **Exchequer Grants (Recurrent) – Kshs. 857,063,040**

The university received the total amount allocated of **Ksh. 857M** for the financial year after being granted an additional Ksh.100.5M as Supplementary II Estimates

#### **Tuition Fees – Kshs (67,105,165)**

The Tuition fee collection in the year is Kshs 216.5M down from the budget of Kshs 283.6M. Giving a negative variance of Kshs 67M

The target was not achieved as a result of University suspending its operations due to the spread of COVID-19 Pandemic

#### **Tuition-related Income – Ksh. 11,575,333**

This category of income includes registration fees, students ID Charges, Examination fees, Insurance fees, Activity fees, Computer fees and Internet fees. These charges had a favourable variance since most of these charges are payable at the start of the semesters.

#### **Rendering of Services – Ksh. (14,185,064)**

This class of income includes Accommodation fees, Farm Income, Catering Services and Guesthouse income. The negative variance on this income arose as a result of the drop in the number of students who reside inside the University Hostels, consequently food sales dropped and also as a result of being away it contributed to the sales from Catering Services to reduce.

#### **Employee Costs – Ksh. 8,044,134**

There is unfavourable variance of Ksh **8,044,134**. This is mainly due to the fact that new staff were recruited to fill vacant positions and also as a result of the accrued salary arrears for the negotiated 2017/2021 CBA



**Repairs and Maintenance Expense Ksh. 1,298,280**

There was a favourable variance of **Kshs. 1,298,280** as a result of suspension of the operations of the University for a period of four months.

**General Expense Kshs.1,818,207**

This favourable variance is as a result of suspension of operations of the University from March 2020 to the end of the financial year as at 30<sup>th</sup> June 2020

**Marketing Expenses Ksh. 2,835,824**

This favourable variance arose due to suspension of operations of the University and hence marketing activities of the University programmes including the Save the Mau Cross country event were postponed till further notice.

**Finance Costs – Kshs. 2,299,633**

This component includes principal and interest repayment of the bank loan and bank charges. This favourable variance is due to reduction in interest charges due to reduced loan principal and also, there was a decline in other bank charges/commissions and charges as a result of suspension of operations in March 2020

**Non-current assets – Kshs. 2,139,591**

These are items of capital nature whose procurement process is long. The favourable variance recorded is a result of differed procurement of capital items which was because of the closure of the University in mid-March 2020. The spread of the COVID-19 pandemic affected the supplies due to suspension of operations till the end of the financial year

**Capital Development projects expenditure – Kshs. 16,596,185**

The Unfavourable variance is attributable to payment of certificates for the works on the ongoing development projects currently being undertaken by the university as a result of the University receiving all its funds allocated by the State Department of University Education.

**Explanation of changes between original and final budget**

Budget adjustment of **Ksh. 100.547 M** was amount received by the University as a result of approval of the Supplementary II Estimates for the Payment of salary arrears and creditors within the financial year but had not been factored in the original approved budget. This was approved by The National assembly in the last quarter of the financial year. This increased the University budget to **Kshs 1,427,450,863** up from **Kshs.1, 326,903,763**

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

1. The statement of comparison of budget and actual amounts includes amounts budgeted for non-current assets included in the recurrent budget of **Ksh. 17.95 M** and the capital development budget of **Ksh.150 M**.
2. Finance costs in the statement of comparison of budget and actual amounts include the repayment of principal loan of **Ksh.15 M**.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION IPSAS 1

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

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

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



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

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

Standard	Impact
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> 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 are covered purely under Public Sector combinations as amalgamations.

The above standard is not relevant to the University since the university does not have sector combinations.

- i. **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	<p><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:</p> <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</li> </ul>

Standard	Effective date and impact:	
IPSAS 42: Social Benefits	<b>Applicable: 1<sup>st</sup> January 2022</b>	<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> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul> <p>(The above standard is not relevant to the University )</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b>	<ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<b>Applicable: 1<sup>st</sup> January 2021:</b>	<ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international</li> </ul>

Standard	Effective date and impact:
	<p>and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

**ii. Early adoption of standards**

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



### **Transfers from other government entities**

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

### **ii) Revenue from exchange transactions**

#### **Rendering of services**

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

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

#### **Sale of goods**

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

#### **Interest income**

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

### **Rental income**

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

#### **b) Budget information**

The original budget for FY 2019-2020 was approved by the National Assembly on 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 **Kshs. 756,515,943** on the 2019-2020 budget following the University Council approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the *eric* as per the statement of financial performance has been presented under the

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

**c) Taxes**

**Current income tax**

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

**d) Investment property**

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

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

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

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recog-



nizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

The annual depreciation rates in use are:

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

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

#### **f) Leases**

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

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant

rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

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

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

#### **g) Intangible assets**

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

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

#### **h) Biological assets**

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

#### **i) Research and development costs**

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

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

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

#### **i) Financial instruments**

##### **Financial Assets**

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

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

##### **Loans and Receivables**

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

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



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

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

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

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

#### **Financial liabilities**

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

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

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

#### **Loans and borrowing**

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

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

#### **j) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

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

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



### **k) Provisions**

Provisions are recognized when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision of 5% of the total receivables has been provided to take care of receivables which may not be recovered in full.

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

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

### **Contingent liabilities**

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

### **Contingent assets**

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

### **l) Nature and purpose of reserves**



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

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

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

#### **n) Employee benefits Retirement benefit plans**

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

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

#### **o) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial

position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**p) Borrowing costs**

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

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

**q) Related parties – IPSAS 20**

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

**r) Service concession arrangements**

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

tent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**s) Investment policy**

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

**t) Capital Funds Retention policy**

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

**u) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**w) Comparative figures**

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

**x) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.



## 5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

### Estimates and assumptions

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

### Useful lives and residual values

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

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

**NOTES TO THE FINANCIAL STATEMENTS CONT'**

**Note 6: TRANSFERS FROM OTHER GOVERNMENTS**

Description	2019-2020	2018-2019
	Kshs	
<b>Unconditional grants</b>		
Ministry of Education		
08-Aug-19	63,042,995	58,547,529
29-Aug-19	63,042,995	58,547,529
27-Sep-19	63,042,995	58,547,529
04-Nov-19	63,042,995	58,547,529
02-Dec-19	63,042,995	55,034,678
27-Dec-19	63,042,995	55,034,678
28-Jan-20	63,042,995	57,376,579
08-Mar-20	63,042,995	57,376,579
08-Apr-20	63,042,995	53,863,725
08-May-20	63,042,995	58,547,529
08-Jun-20	63,042,995	58,547,529
29-Jun-20	63,042,995	58,547,530
Accured Supplementry II (CBA 2017/2021)	100,547,100	89,346,466
<b>Total Recurrent Received to Date</b>	<b>857,063,040</b>	<b>777,865,409</b>

**Note 7 : Tuition and Related Income**

Description	2019-2020	2018-2019
	Kshs	
<b>a) Revenue from Tuition Fees</b>		
	216,502,979	298,769,641
	<b>216,502,979</b>	<b>298,769,641</b>
<b>b) Tuition Related Income</b>		
Registration fees	167,400	174,500
Students' ID charges	910,250	1,410,450
Examination fees	7,226,750	8,481,000
Insurance fees	1,458,000	1,861,000
Graduation Fees	8,757,600	7,654,130
Activity fees	6,675,000	7,613,300
Computer fees	6,025,150	7,286,260
Field trips/Teaching Practice	22,805,601	30,000,400
Internet fees	7,143,000	7,000,556
MBA Thesis	1,749,300	2,030,000
Supervision	1,826,000	2,160,000
Medical fees	9,028,650	10,493,100
Amenity fees	5,974,700	6,976,600

Cobes	
Research Fees	
Practical Manual & 3 Log Books	
Transport Fees	
UoKSO	
Library Fees	
Supplementary Exams	
Clinical Placement fee	
Community Diagnosis	
Exposures	
Quality Assurance Fee	
Special Rotation - Accommodation	
Clinical Assessment Fee	
<b>Sub-Total</b>	

1,218,500	1,369,700
7,000	10,000
57,000	72,000
1,683,000	1,294,500
1,756,050	2,025,170
6,093,800	7,133,300
686,490	727,600
411,000	399,000
601,400	934,200
1,587,000	1,898,000
1,509,000	1,652,850
203,000	238,000
2,785,700	2,871,600
<b>98,346,341</b>	<b>113,767,216</b>
<b>314,849,320</b>	<b>412,536,857</b>

**Note 8: Rendering of Services Description**

Accommodation Services
Farm income
Catering Services
Guest House income
Fruit Juice

<b>2019-2020</b>	<b>2018-2019</b>
<b>Kshs</b>	<b>Kshs</b>
8,003,100	6,795,700
2,557,819	2,919,479
1,507,645	2,338,965
3,216,802	4,969,665
157,126	
<b>15,442,492</b>	<b>17,023,809</b>

**Note 9: Finance Income Description**

Interest on Fixed Deposits
----------------------------

<b>2019-2020</b>	<b>2018-2019</b>
<b>Kshs</b>	<b>Kshs</b>
-	392,922
-	392,922
<b>-</b>	<b>392,922</b>

**Note 10: Income From Facilities Description**

Income from Facilities
------------------------

<b>2019-2020</b>	<b>2018-2019</b>
<b>Kshs</b>	<b>Kshs</b>
770,600	1,970,500
<b>770,600</b>	<b>1,970,500</b>

**Note 11: Other Incomes Description**

Book Shop Sales
-----------------

<b>2019-2020</b>	<b>2018-2019</b>
<b>Kshs</b>	<b>Kshs</b>
93,569	65,089



Sale of tender documents	26,400	26,400
Application fees	747,275	747,275
Fines and penalties	223,311	223,311
Seedlings	4,770	4,770
Hospitality Restaurant Unit	106,150	106,150
Misc. Income	814,490	814,490
Examination Retake	782,400	782,400
UoKSO Nomination Fees	27,700	27,700
Transcript Correction/Replacement	78,600	78,600
Remarking	15,000	15,000
Water Bill	20,000	20,000
Kapkatet Morgue Services	53,500	53,500
Bakery Income	195,850	195,850
Lost Books	47,126	47,126
Hire of Gowns	46,000	46,000
UOK Annual Cross Country Income	170,300	170,300
UOK Annual Conference	267,000	267,000
Decrease in provision for bad debts	3,839,111	3,839,111
Short Courses Training	201,390	201,390
	<b>2,307,261</b>	<b>7,731,462</b>

#### Note 12: Employee Costs

Description	2019-2020 Kshs	2018-2019 Prior year Kshs
Salaries and Wages	608,639,104	524,697,026
Employee related Costs- Contribution to pension	82,473,387	75,814,823
Commuter/ car Allowance/other Allowances	108,760,268	110,741,300
House Allowance	231,415,851	233,277,999
<b>Employee costs</b>	<b>1,031,288,610</b>	<b>944,531,148</b>

#### Note 13: Remuneration of Council members

Description	2019-2020 Kshs	2018-2019 Prior year Kshs
Chancellor's Honoraria	-	-
Chairman's Honoraria	765,000	1,020,000
Council Allowance	6,528,900	4,344,810
Travelling and Accommodation Allowances	2,986,845	9,318,320
<b>Total Council emoluments</b>	<b>10,280,745</b>	<b>14,683,130</b>

**Note 14: Depreciation and Amortization Expense Description**

Property, Plant and Equipment  
**Total Depreciation and Amortization**

2019-2020	2018-2019
Kshs	Prior year Kshs
59,221,762	56,936,652
<b>59,221,762</b>	<b>56,936,652</b>

**Note 15: Repairs and Maintenance Expense Description**

Maintenance of Catering and Hostels  
Maintenance of plant and equipment  
Maintenance of Water supply & Sewerage  
Maint of Buildings  
Maintenance of Play Grounds  
Vehicle running expenses  
Maintenance of Computers & Copiers

2019-2020	2018-2019
Kshs	Prior year Kshs
1,916,352	1,508,576
480,773	1,750,885
468,117	1,284,462
1,568,946	1,653,936
216,185	260,912
4,367,576	6,229,437
699,142	170,213
<b>9,717,091</b>	<b>12,860,421</b>

**Note 16: General Expenses (use of Goods and Services) Description**

Recruitment/Training Expenses  
Senate Committee meetings  
Cleaning materials  
Conferences and seminars  
Electricity, water and conservancy  
External examiners expenses  
External Travelling Expenses  
Graduation Expenses  
Strategic Plan Implementation  
ISO related Expenses  
Insurance Expenses  
Internet connectivity expenses  
Legal & Other Expenses  
Library Journals  
Medical Drugs  
Meetings & Workshops  
Bsc Nursing Training Files and Indexing Expenses

2019-2020	2018-2019
Kshs	Prior year Kshs
156,700	74,580
1,261,807	1,719,235
304,875	1,980,600
1,355,150	1,468,990
13,160,141	14,518,475
2,244,868	3,152,052
145,764	227,562
8,080,279	9,329,746
248,000	60,000
578,568	1,321,432
7,660,293	8,127,224
16,222,321	18,621,000
165,000	2,000,000
770,150	1,524,881
2,646,085	2,372,262
624,425	624,900
-	33,000

Minor works on water & sewerage	20,300	388,250
Office Expenses	1,818,379	1,799,925
Official entertainment	10,000	19,100
Open & Cultural Day Expenses	1,251,790	1,221,830
Payment of Rent & Rates	14,150,203	18,289,701
Purchase of uniforms	25,984	179,900
Teaching materials	379,630	1,377,695
Telephones	3,507,400	3,447,000
Travelling and accommodation	10,054,608	10,635,224
University medical scheme	17,129,544	18,677,752
University Research Programme	1,757,518	3,716,724
Valuation/Consultancy	1,097,918	3,139,924
Works Study programme	375,700	929,100
Farm Expenses	274,880	209,500
Games and sports expenses	10,000	10,500
Guest house expenses	3,181,953	3,084,912
Kitchen Expenses	5,615,232	7,930,769
Bakery Expenses	42,440	403,845
Bookshop Expenses	44,560	29,850
Fruit Juice processing plant	265,936	-
UoKSO Welfare	1,676,380	1,942,610
Lab Chemicals	2,031,075	3,061,131
Postal and telegram	40,632	64,645
Student Activities	3,599,301	4,999,402
Student Field Trips/Courses Expenses	7,821,858	16,239,748
Academic Programmes Development & Accreditation	791,700	4,080,875
Inter-University Games	1,694,135	515,295
KUCCPS and CUE Accreditation	1,215,000	2,317,500
Contract/Outsourced Services	4,131,200	3,536,128
Teaching Practice & Attachment	7,307,044	14,960,430
Performance contract Expenses	454,775	717,610
Stationery	2,219,637	5,052,719
HIV/ AIDS Awareness expenses	50,400	129,300
UoK SRBS Pension scheme expense	-	1,790,918
Audit fee	-	1,392,000
Academic Scholarship	98,600	
Community Based Education Service (COBES)	977,730	2,450,307
Dev. Project Consultancy Fees	1,321,600	2,031,500
External Research Grants Expenses	11,812,902	8,677,105
Increase in provision for bad debts	998,883	-



Decrease in inventories  
Students ID charges  
Bench fee Expense  
Staff Development  
**Total General Expenses**

5,612,182  
3,827,000  
31,500  
2,199,700  
**176,551,635**

**220,086,403**

**Note 17: Marketing Expenses Description**

Publishing and Printing  
Advertising & Publicity  
Show expenses & Outreach Expenses  
Uok Annual Cross County Event  
**Total Marketing Expenses**

	2019-2020	2018-2019
	Kshs	Prior Year Ksh
1,212,755	3,003,737	
3,049,101	5,302,141	
313,475	1,564,065	
-	626,140	
<b>4,575,331</b>	<b>10,496,083</b>	

**Note 18: Finance Costs Description**

Interest on Loan  
Bank Charges  
**Total Finance Costs**

	2019-2020	2018-2019
	Kshs	Prior Year Kshs
25,855,888	28,427,671	
891,461	1,028,825	
<b>26,747,349</b>	<b>29,456,496</b>	

**Note 18(b): Bad Debts Written Off**  
Adjustments of Wrong Invoices posted to Students Accounts. Approved by Council Minutes number MIN/COUN/21/2019/224 dated 27th June 2019

53,443,649

**53,443,649**

**Note 19: Cash and Cash Equivalents**

Description	2019-2020	2018-2019
	KShs	KShs
Current account		
On - call deposits	60,696,657	125,792,732
Fixed deposits account	-	-
Staff car loan/ mortgage	-	-
Others(specify)	-	-
<b>Total cash and cash equivalents</b>	<b>60,696,657</b>	<b>125,792,732</b>

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

Description Financial Institution	Account number	Kshs	Prior year Kshs
a) Current account			
Kenya Commercial Bank (Pssp)	1120671418	699,591	1,456,893
Kenya Commercial Bank( Gssp)	1120671299	230,458	508,394
Kenya Commercial Bank ( Accom.)	1120671450	(408)	676,206
Co-operative Bank of Kenya( Pssp)	01129335586400	223,034	685,931
Co-operative Bank of Kenya( Gssp)	01129335586400	(1,016,130)	214,426
Co-operative Bank of Kenya Opera- tions A/C	01129046214700	(25,695,695)	-
Co-operative Bank of Kenya Capital Dev. A/C	01120335586400	42,213,077	93,303,766
Stanchart (Gssp)	0102832991700	32,100	1,480,350
Stanchart (Pssp)	0102832991701	42,526	1,276,476
Stanchart Research Account	0102832991702	1,507,231	76,508
Equity Bank (Gssp)	0530271957342	14,081	230,151
Equity Bank (Pssp)	0530271957475	96,005	336,770
Kenya Commercial Bank (Retention A/C)	1207008966	42,350,787	25,546,861
		<b>60,696,657</b>	<b>125,792,732</b>

**Note 19(b): Cash and Cash Equivalents**

Co-operative Bank of Kenya Opera-  
tions A/C

	-	73,116,005
	-	<b>73,116,005</b>

**Note 20: Receivables from Exchange Transactions**

Description

2019-2020      2018-2019

Description	Kshs	Prior year Ksh
Student fees debtors	82,041,617	62,063,959
Provision for doubtful Debts	(4,102,081)	(3,103,198)

**Receivable from Non- Exchange Transaction**

Accrued Exchequer

**Total Receivables**

	100,547,100	89,346,466
	<b>178,486,636</b>	<b>148,307,227</b>

**Note 21: Inventories**

Description

2019-2020      2018-2019

Description	Kshs	Prior year Ksh
-------------	------	-------------------

Inventories- Consumable stores  
**Total Inventories**

6,131,465	11,743,647
<b>6,131,465</b>	<b>11,743,647</b>

**Note 22: Short-Term Investments**  
**Description**

2019-2020	2018-2019
Kshs	Prior Year Ksh

Fixed Deposit Account Cooperative Bank

-	-
---	---

**Total Investment**

-	-
---	---

**Note 23: Biological Assets**  
**Description**

2019-2020	2018-2019
Kshs	Prior Year Ksh

Tea  
 Livestock  
 Cypress Trees  
 Pine Trees  
 Eucalyptus Trees  
 Gravelled Trees  
 Maccademia Nut Trees  
 Bananas  
**Total Biological Assets**

3,275,430	3,242,512
4,082,000	3,460,000
5,275,100	5,093,200
435,000	420,000
27,113,600	26,380,800
4,669,000	4,508,000
49,000	49,000
165,400	162,500
<b>45,064,530</b>	<b>43,316,012</b>

**Note 24: Payables from Exchange Transactions**  
**Description**

2019-2020	2018-2019
Kshs	Prior Year Ksh

Recurrent Creditors  
 Capital Creditors  
 Salary creditors  
 Accrued salary arrears  
 Caution Money  
 Provision for audit fees  
 Provision for Valuation  
 KUCCPS/ Quality Assurance fees  
 Room Deposit  
 Student field trips and attachment  
 Research funds from donors  
 Prepaid fees  
 Part time lecturers

35,686,174	32,477,660
27,660,331	15,027,698
-	43,422,732
100,547,100	-
6,134,850	6,413,400
1,392,000	1,392,000
2,500,000	2,500,000
10,934,350	9,312,850
4,130,550	3,471,550
15,753,714	-
9,534,120	21,278,106
55,536,832	52,267,603
186,920,083	130,141,484
<b>456,730,105</b>	<b>317,705,083</b>

**Note 25: Retention**

<b>2019-2020</b>	<b>2018-2019</b>
------------------	------------------



Description	Kshs	Prior year Ksh
<b>Refetition- WIP</b>		
Lecture Phase III	550,933	550,933
Lecture Phase II	3,154,791	3,154,791
Hostel Phase II	1,006,071	940,615
Health Unit 1	-	454,107
Library	25,353,290	14,883,759
Lecture Theatre Phase IV	15,438,795	13,075,772
Pineapple juice plant- Changing rooms	124,283	124,283
ICT Infrastructure	-	2,998,262
Dining hall	1,126,917	872,187
Staff Toilets	101,718	101,718
	<b>46,856,798</b>	<b>37,156,427</b>

**Note 26: Borrowings**  
**Description**

	2019-2020	2018-2019 Prior year Ksh
Co-operative Bank Loan current portion	15,000,000	15,000,000
Co-operative Bank Loan (20yrs)	178,750,000	193,750,000
	<b>193,750,000</b>	<b>208,750,000</b>

**Description**

**Balance at the beginning of the period**

	2019-2020	2018-2019 Prior year Ksh
Repayment		
July	1,250,000	1,250,000
August	1,250,000	1,250,000
September	1,250,000	1,250,000
October	1,250,000	1,250,000
November	1,250,000	1,250,000
December	1,250,000	1,250,000
January	1,250,000	1,250,000
February	1,250,000	1,250,000
March	1,250,000	1,250,000
April	1,250,000	1,250,000
May	1,250,000	1,250,000
June	1,250,000	1,250,000
<b>Sub-total</b>	<b>15,000,000</b>	<b>15,000,000</b>
<b>Balance at the end of the period</b>	<b>193,750,000</b>	<b>208,750,000</b>

**Note 27: PPE Schedule**

	Land	Buildings	W.I.P	Plant and Equipment	Computers, Printers & Copiers	Furniture & Fittings	Motor Vehicles	Library books	Total
<b>Depreciation Rate</b>	0	2.00%		12.50%	33.33%	12.50%	25%	10%	
<b>COST/VALUATION</b>	KShs	KShs.	KShs.	KShs	KShs.	KShs.	KShs	KShs	KShs.
<b>As at 30 June, 2018</b>	110,000,000	1,381,469,562	503,650,228	43,552,857	58,774,559	40,269,414	46,918,679	34,792,390	2,219,427,689
Additions	-	-	151,281,627	2,077,522	1,545,725	6,267,972	-	15,546,154	176,718,999
Disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	(9,252,073)	-	(9,252,073)
Transfer to Buildings	-	37,738,753	(37,738,753)	-	-	-	-	-	-
<b>As at 1 July, 2019</b>	110,000,000	1,419,208,315	617,193,102	45,630,379	60,320,284	46,537,386	37,666,606	50,338,544	2,386,894,615
Additions	-	-	166,596,185	2,764,550	4,101,829	-	-	8,947,623	182,410,187
Disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	(53,622,214)	-	-	-	(53,622,214)
Transfer to Buildings	-	1,309,122	(1,309,122)	-	-	-	-	-	-
<b>As at 30 Jun, 2020</b>	110,000,000	1,420,517,437	782,480,165	48,394,929	10,799,899	46,537,386	37,666,606	59,286,167	2,515,682,588
<b>DEPRECIATION</b>									
<b>At 30 June, 2018</b>	-	(131,930,430)	-	(27,949,241)	(45,902,720)	(24,611,238)	(20,696,586)	(7,857,019)	(258,947,234)
Depreciation	-	(28,384,166)	-	(5,703,797)	(11,997,661)	(5,817,173)	-	(5,033,854)	(56,936,652)
Revaluation	-	-	-	-	-	-	20,696,586	-	20,696,586
<b>At 30 June, 2019</b>	-	(160,314,596)	-	(33,653,038)	(57,900,381)	(30,428,411)	-	(12,890,873)	(295,187,300)
Depreciation	-	(28,410,349)	-	(6,049,366)	(3,599,606)	(5,817,173)	(9,416,652)	(5,928,617)	(59,221,762)
Revaluation	-	-	-	-	57,900,381	-	-	-	57,900,381
<b>At 31 June, 2020</b>	-	(188,724,945)	-	(39,702,405)	(3,599,606)	(36,245,585)	(9,416,652)	(18,819,490)	(296,508,682)
<b>NET BOOK VALUE</b>									
<b>As at 30 Jun, 2020</b>	110,000,000	1,231,792,492	782,480,165	8,692,525	7,200,292	10,291,802	28,249,955	40,466,677	2,219,173,906
<b>As at 1 July, 2019</b>	110,000,000	1,258,893,718	617,193,102	11,977,341	2,419,903	16,108,975	37,666,606	37,447,670	2,091,707,315

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

### 28. Related Party Disclosures

The following transactions were carried out with related parties

	2020	2019
<b>Key management compensation</b>		
<b>(i) Council remuneration</b>		
Allowances paid to Council members	10,280,745	14,683,130
<b>(ii) Grants from related parties</b>		
Grant from GOK	857,063,040	777,865,409

### 29. CASH GENERATED FROM OPERATIONS

*University of Kabianga*  
*Cash flow Statement*  
*for the Financial Year Ended June 30, 2020*

	Note	Cummulative 2019-2020 Kshs	2018-2019 Ksh
<b>Cash Flow From Operating Activities:</b>			
Deficit for the year		(127,949,811)	(71,529,375)
Impairment of Computers		(4,278,166)	(53,443,649)
Adjustments for Depreciation		59,221,762	56,936,652
<b>Surplus Before Working Capital Changes in Working Capital</b>		<b>(67,394,032)</b>	<b>(68,036,372)</b>
(Increase)/ Decrease in Biological assets		(1,748,518)	(13,214)
(Increase)/ Decrease in Inventories		-	28,177
(Increase)/ Decrease in Receivables from Exchange Transactions		(30,179,409)	(16,403,354)
Increase/(Decrease) in Payables from Exchange Transactions- Retention WIP		9,700,371	14,039,119
Increase/(Decrease) in Payables from Exchange Transactions		110,713,795	51,538,580
<b>Net Cash flows from Operating Activities</b>		<b>21,092,207</b>	<b>(18,847,064)</b>

### 30. Risk management policies-

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



The University has exposure to the following risks:

- j) Market risks
- ii) Liquidity risk
- iii) Credit risks
- iv) COVID-19 pandemic

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

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

#### **Market risk management**

##### **Interest rate risk**

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

##### **Liquidity risk**

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

disasters and political violence. All capital investments are funded by the Government.

### **Credit risk**

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

### **Outbreak of COVID-19 Pandemic**

In mid-March 2020 the President of the Republic of Kenya gave a directive that all the Universities should close in order to curb the spread of this disease. This pandemic is an emerging risk in that the University cannot be able to collect fees from the students as well as any other income. Fixed costs e.g salaries, security, provision of medical services to staff, Insurance of University property as well as staff continues to be incurred despite the closure.

### **Classification of credit risk bearing assets**

The table below represents University's maximum exposure to credit risk as at 30 June 2020 and 2019.

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	60,696,657	52,676,727
Receivables from Exchange Transactions	178,486,636	148,307,227
	<b>239,183,293</b>	<b>200,983,954</b>

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

### 31. Provisions

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

### 32. Contingent Assets and Liabilities

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



**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The University have not yet received its 2018/2019 audited Financial statements.

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

**Projects**

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

**Status of Projects completion**

Project	Total project Cost	Total expended to date	Completion % to date	Budget FY 2019/2020	Sources of funds
1 University Library	Kshs. 834,523,967	KSh. 258,016,527	47%	Kshs 150,000,000	GoK
2 Lecture Theatre Phase IV	Kshs 247,942,475	KSh 188,384,791	92%	NONE	GoK
3 Student Dining & Kitchen	Kshs 20,991,670	KSh 11,269,168	72%	NONE	A-in-A

**APPENDIX III: INTER-ENTITY TRANSFERS**

Break down of Transfers from the State Department of University Education

**a. Recurrent grants**

Date Received	Amount	Financial Year
08-Aug-19	63,042,995	2019/2020
29-Aug-19	63,042,995	2019/2020
27-Sep-19	63,042,995	2019/2020
04-Nov-19	63,042,995	2019/2020
02-Dec-19	63,042,995	2019/2020
27-Dec-19	63,042,995	2019/2020
28-Jan-20	63,042,995	2019/2020
08-Mar-20	63,042,995	2019/2020


08-Apr-20	63,042,995	2019/2020
08-May-20	63,042,995	2019/2020
08-Jun-20	63,042,995	2019/2020
29-Jun-20	63,042,995	2019/2020
<b>Accrued Supplementary II(CBA 2017.-2020)</b>		
6 July 2020	100,547,100	2019/2020
<b>TOTAL</b>	<b>857,063,040</b>	

**b. Development grant**

Date Received	Amount
22-Nov-19	55,571,707
16-Mar-20	94,428,292
<b>TOTAL</b>	<b>149,999,999</b>

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

Finance Officer  
University of Kabiranga  
Sign 

Head of Accounting Unit  
State Department of University and Research  
Sign 

**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor transferring the funds	Date Received As per Bank statement Date	Nature: Recurrent/Development	Amount(kshs)	Statement of financial performance	Capital fund	Total Transfers during the year
Ministry of Education Recurrent	08-Aug-19		63,042,995			
	29-Aug-19		63,042,995			
	27-Sep-19		63,042,995			
	04-Nov-19		63,042,995			
	02-Dec-19		63,042,995			
	27-Dec-19		63,042,995			
	28-Jan-20		63,042,995			
	08-Mar-20		63,042,995			
	08-Apr-20		63,042,995			
	08-May-20		63,042,995			
	08-Jun-20		63,042,995			
	29-Jun-20		63,042,995			
Accrued Supplementary II	6 July 2019		100,547,100			
<b>TOTAL</b>				<b>857,063,040</b>		
Development	22-Nov-19		55,571,707			
	16-Mar-20		94,428,292			
<b>TOTAL</b>					<b>149,999,999</b>	

*[Signature]*  
.....

**CHAIRMAN OF THE COUNCIL**

Date: 28-1-2021.....

..... 28/01/2021.....

**VICE-CHANCELLOR**

Date: *[Signature]*  
.....

**28 JAN 2021**

OFFICE OF THE  
VICE CHANCELLOR  
UNIVERSITY OF KABANGA  
P.O. BOX 2000 - 20200



