


REPUBLIC OF KENYA



Enhancing Accountability



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REPORT

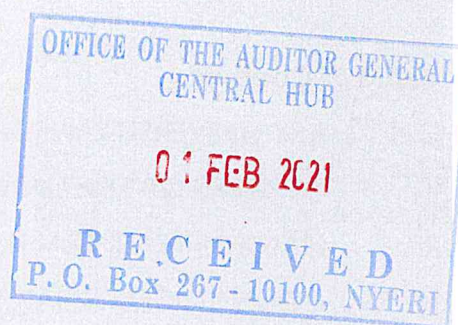
OF

THE AUDITOR-GENERAL

ON

KARATINA UNIVERSITY

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



KARATINA UNIVERSITY

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

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

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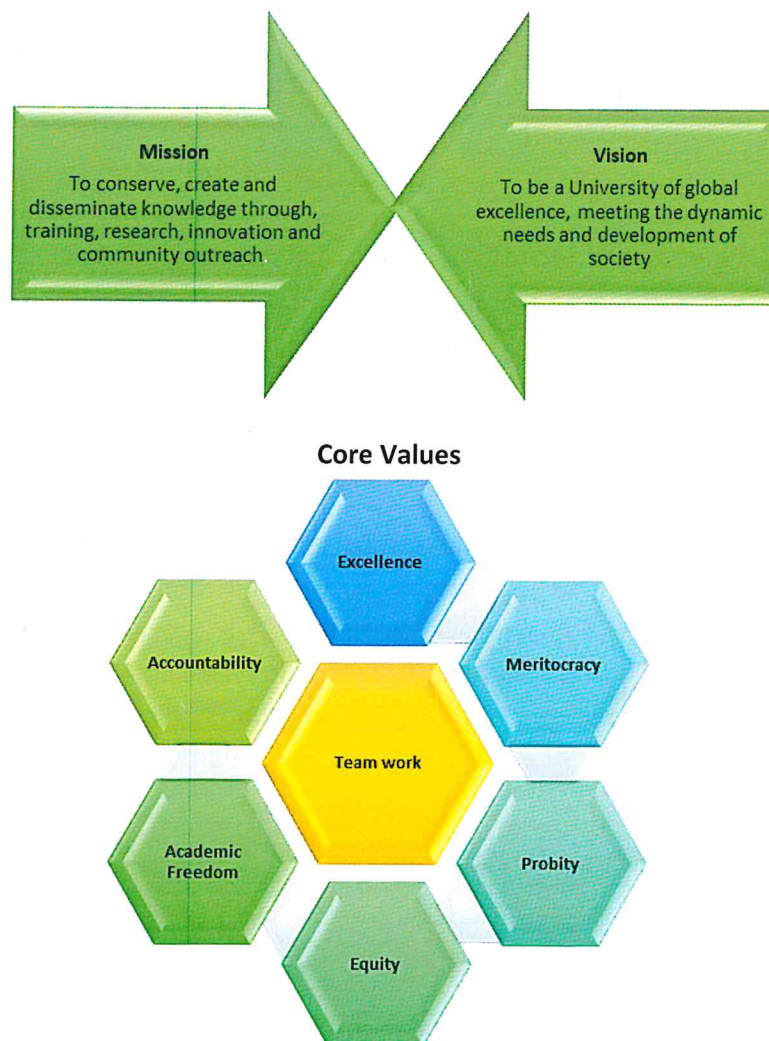
I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

a) Background

Karatina University is a public chartered institution of higher learning as provided for in the Universities Act of 2012, domiciled in Kenya. It is located 140km North of Nairobi (0039'S37014'E) and 15km from Karatina town, off the Nairobi-Nyeri highway, in an area rich in agricultural soils and endowed with vast natural resources. The serene environment makes it very conducive for scholarly and academic work. The University has established six schools namely: School of Agriculture and Bio-technology, School of Business, School of Education and Social Sciences, School of Natural Resources and Environmental Studies, School of Pure and Applied Sciences and School of Nursing and Health Sciences.


b) Principal Activities

The principal activities of the University are stipulated in its vision, mission statements and core values shown below:







II. MEMBERS OF THE UNIVERSITY COUNCIL (Present from 1st July 2019- 9th March 2020)

Title	Name	Qualifications
Council Chairman	 <p>Prof. John Kobia Ataya</p>	<p>Ph.D. - University of Birmingham, UK</p> <p>M.A, Translation Studies - University of Birmingham, UK</p> <p>Bachelor of Divinity - St. Paul's United Theological College, Kenya</p> <p>Certificate of Higher Religious Studies - University of Nairobi</p>
Vice Chancellor / Secretary	 <p>Prof. Mucai Muchiri</p>	<p>Ph.D. - University of Leicester</p> <p>B.Sc. (Hons) - University of Nairobi</p>
Member	 <p>Ms. Mary Reba Chabeda-Ouko</p>	<p>Master of Law (LLM)- University of Cape Town, South Africa</p> <p>Bachelor of Law (LLB) – University of Nairobi, Kenya</p>
Member	 <p>Mr. Dan Nguri Nguchu</p>	<p>Master of Business Administration –USIU</p> <p>PGD. Agriculture Economics -Wales</p> <p>BSc. Agriculture Economics - Addis Ababa</p>

Title	Name	Qualification
Member	 <p>Mr. Felix Owaga Okatch</p>	<p>MBA (Finance and Marketing) - Assam Don Bosco University, India</p> <p>Bachelor of Commerce (Hons) – University of Nairobi</p>
Member	 <p>Dr. Doris N. Mutta</p>	<p>Ph.D. Environmental Studies - University of Strathclyde, Scotland, UK</p> <p>MSc. Botany - University of British Columbia, Canada</p> <p>BSc. Forestry - Moi University, Kenya</p>
Rep. Principal Secretary – State Department of University Education, Ministry of Education	 <p>Mr. Clement Obure Odeka</p>	<p>Exe-MBA (Public Policy and Administration)- Kenyatta University</p> <p>MSc. Information Systems – University of Nairobi</p> <p>BSc. Maths and Physics, major - University of Nairobi</p>
Member	 <p>Mr. John Kanyakiri</p>	<p>MSc. Entrepreneurship –JKUAT</p> <p>BSc. Horticulture – JKUAT</p>
Rep. Cabinet Secretary, The National Treasury	 <p>Dr. Dunstone Ulwodi</p>	<p>PhD Economics – University of Nairobi</p> <p>MA Economics – University of Nairobi</p> <p>MSc. Population Studies – University of Nairobi</p> <p>BE.d Arts – (Economics and Statistics) – University of Nairobi</p>

III. MANAGEMENT TEAM

S No.	Name	Key Professional/ Academic Qualifications	Area of Responsibility
1.	 <p>Prof. Mucai Muchiri</p>	<p>Ph.D. - University of Leicester</p> <p>B.Sc. (Hons) - University of Nairobi</p>	Vice Chancellor
2.	 <p>Prof. Linus Muthuri Gitonga</p>	<p>PhD -JKUAT</p> <p>M.Sc. - Kenyatta University</p> <p>B. Ed (Sc.) (Hons)- Kenyatta University</p>	Deputy Vice Chancellor (Planning, Finance and Administration)
3.	 <p>Prof. Peninah Aloo- Obudho</p>	<p>PhD - Kenyatta University</p> <p>M.Sc. – University of Nairobi</p> <p>B.Ed. (Sc.) – University of Nairobi</p> <p>Cert. Higher Ed. Mgt -Kassel</p>	Deputy Vice Chancellor (Academic, Research and Student Affairs)
4.	 <p>Dr. Wangari Gathuthi</p>	<p>D.Phil. – Moi University</p> <p>M. Ed – University of Nairobi</p> <p>MBA - Moi University</p> <p>B. Ed (Arts)- Moi University</p> <p>MKIM</p>	Registrar (Academic, Research and Student Affairs)

S No.	Name	Key Professional/ Academic Qualification	Area of Responsibility
5.	 <p>Dr. Humphrey R. Omondi</p>	<p>D.Phil. - Moi University</p> <p>M. Phil - Moi University</p> <p>B. Ed (Arts) - Moi University</p>	Registrar (Planning, and Administration)
6.	 <p>Ms. Grace G. Kakiya</p>	<p>Master of Business Administration- Egerton University</p> <p>BBM - Moi University</p> <p>CIFA , CPA (K),</p>	Ag. Finance Officer
7.	 <p>Ms. Anne Mumbi</p>	<p>LLB - University of Nairobi</p> <p>Dip. Law –Kenya School of Law</p> <p>CPS (K)</p>	Legal Officer

IV. COUNCIL CHAIRMAN'S REPORT

I am pleased to present annual report and financial statements for the year that ended on 30th June 2020. This was the eighth year in operation as a fully-fledged University. It also happened to be the year when the duration of service for the Council expired. Council Members performed their duties well, both at the Committee and Council level.

Some of the most outstanding achievements during the year include:

- a) Reasonable growth in University assets and capital base including completion and closure of two construction projects that had been going since 2012. These were the Multipurpose Resource Centre and Students Hostel.
- b) Completion of the construction of the Perimeter fence which started in 2018.
- c) Achieved significant progress in the construction of the University Library. This is a four storey building that is aimed at enhancing teaching and learning facilities. It is hoped that construction will be completed in 2021;
- d) Significant payment of pending bills and an Up-to date remittance of statutory deductions such as NHIF, NSSF and PAYE. This included remitting check-off deductions made by staff members.
- e) Witnessed a significant increase in the number of graduates which grew by 29% when compared to 2018.
- f) The University enhanced its community outreach activities by organizing among others a medical camp, training of fish farmers, mediation training for probation officers working in correctional facilities and assisting basic education institutions establish working environmental clubs.

While we are proud of the above achievements, the University has also faced the following challenges that have impacted on the financial status:

- i. Reduction in appropriation-in-aid (A-I-A) generated by the University. This was occasioned by a reduction in the number of students admitted under the PSSP programme.
- ii. Decline in the number of students enrolled in two key schools with flagship programmes as identified in the strategic plan 2015-2020.

The term of Council came to an end in March 2020. It is recommended that the appointed council will focus more on income generation activities. This may include strengthening the Directorate of Resource Mobilization as well encouraging more staff to write fundable proposals and respond to requests for consultancies.

We are grateful that so far, the Government has supported the University by timely remittance of recurrent and capital grants. We also thank H.E the President of the Republic of Kenya and

the Cabinet Secretary for Education for having given us the opportunity to serve Karatina University and indeed the country at large.

I wish to thank members of Council who have provided useful insights to the University Management for the last three years making it possible to collectively make progress. I also wish to thank the University Management for the efforts they have made to ensure that there is prudent use of resources. This is evidenced by the unqualified reports given by the external auditors. Finally, I wish to thank parents, guardians and students for their continued support and dedication, even as we together strive to achieve greater heights of excellence.

Council will continuously work closely with the University management led by the Vice-Chancellor in order to realize further development.

.....
Chairman, Karatina University Council



V. VICE CHANCELLOR'S REPORT

I hereby present the Annual Report and Financial Statements of Karatina University for the year that ended on 30th June 2020 as required by the Universities Act 2012, Karatina University Charter and the Public Financial Management Act 2012.

Economy and Sector Review

The country's economic performance (GDP) was to expected grow by 5.4%. The growth was spread across all sectors of the economy. The education sector experienced an increase in Technical and Vocational Education and Training (TVET) institutions by 10.3% while the number of Universities remained constant at 63 during the reporting period. However, the number of secondary and primary schools declined by 8.2% and 14.7% respectively. During the period, enrolment to universities declined by 1.9% to 509,473 in 2019/20 mainly as a result of declining number of candidates joining universities through self-sponsored programmes. Karatina University operates under the social sector of Kenya's Economy by providing access to university education.

Performance Review

During the year under review, the University managed to run its principal activities in the usual way for the first three quarters. However, its operations were scaled down in March 2020 due to the global COVID -19 pandemic. To prevent potential spread of the disease, students were asked to vacate the University. The academic activities continued while students were at home using online platforms with an exception of activities such as field trip/ courses, teaching practicals, teaching practice and field attachments. These activities will be undertaken when the normalcy resumes. This has affected expenditures for the period resulting to huge surpluses being reported. On a positive note, the University has managed to complete three capital projects that had delayed in completion due to financial constraints.

The University has continued with its core business of disseminating knowledge through training, research, innovation and community outreach. The University had a student population of 5,578 and 405 members of staff at the end of the financial year. A total of 1,552 students graduated during the 7th graduation ceremony in November 2019 which was a 29% increase when compared to 2018.

Operations and Management Review

The University had several achievements during the year under review. Key achievements include:

- i. Completion and acquisition of additional infrastructure; Resource Centre, 750 bed capacity hostel, Perimeter Fence and a Scania bus for student activities.
- ii. Construction and equipping of the human anatomy laboratory to support the programmes in the School of Nursing and Health Sciences.
- iii. Approval of new curricula by CUE and launching of Bachelor of Science in Health Systems management and Bachelor of Science in Animal Science.

- iv. Increased focus on the greening concept through conservation of energy by installation of solar panels; environmental conservation through tree planting and engaging student on environmental management issues through competitions.
- v. Obtaining ISO 9001:2015. This is expected to enhance customer satisfaction and generally, the services offered at the University.
- vi. Enhanced student mentorship through initiatives such as the 'Meet and Greet HR Managers forum' and the UN sponsored volunteer programme dubbed the V-Connect so as to inculcate leadership and management skills.
- vii. Signing of additional MoUs with industry players as well as other academic institutions so as to achieve the big 4 agenda. Among the MoUs signed, the University Signed an MoU with Agricultural and Food Authority (AFA) and Tea Directorate of Kenya with a focus on tea value chain and promoting tea culture in Kenya.

The challenges experienced by the University include;

- i. Declining enrollments both for GSSP and PSSP students thereby reducing A-in-A. This particularly affected the Schools of Agriculture and the School of Natural Resources.
- ii. Funding of infrastructure and required technologies to support online teaching so as to ensure continuity of learning.
- iii. The costs of compliance with Ministry of Health protocols for ensuring safety of learners and staff before resumption of face to face learning during the COVID-19 pandemic.

Risk Management

The University has put in place a robust risk management strategy. This involves a quarterly review of the risks the University faces and developing mechanisms to mitigate them. In addition, the University has ensured a strict adherence to statutory requirements.

Future Developments

Karatina University is reviewing its programmes to ensure sustainability not only now but in the long run. This is in line with Ministry of Education reforms for enhancing financial sustainability and offering quality education. In addition, the University's Strategic Plan 2015-2020 came to an end in June, 2020 and has commenced the development of its strategic plan for the next five years.

Some of the areas the University will be focusing on include:

- i. Strengthening the School of Nursing and Health Sciences by developing new academic programmes, enhancing the infrastructure and human resources to ensure quality training that meets international standards.
- ii. Emphasis on the Green University Concept so as to incorporate environmental sustainability and efficiency in its operations, curriculum development and implementation, physical developments and university lifestyles. In addition, there will be

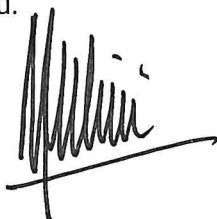
greater effort in building the capacity of its human resource so as to achieve a sustainable future through training, research, innovation and community outreach.

- iii. Enhance Open and Distance Learning (ODEL) with a focus on online teaching and learning. This is necessitated by the dynamic changes in the business environment. Appropriate infrastructure and staff skills will be developed to ensure it's as close as possible to the classroom experience.
- iv. Development and training of multidisciplinary research teams to improve quality and output of funding proposals;
- v. Strengthening income generating activities and initiatives to move the University towards self-sustenance;

On behalf of Karatina University management and staff, I wish to take this opportunity to thank the government, our development partners and all the stakeholders for their continued support.

Finally, I would like to express my sincere gratitude to the University Council for providing policy and strategic guidelines; the entire University staff and students fraternity who worked conscientiously to ensure smooth and successful operations of the University.

Thank you.

A handwritten signature in black ink, consisting of a series of vertical strokes followed by a horizontal line and a small flourish.

Prof. Mucai Muchiri, PhD
Vice Chancellor

VI. REVIEW OF KARATINA UNIVERSITY PERFORMANCE FOR FY 2019/2020

Karatina University has four key result areas and six objectives within its Strategic Plan for the FY 2015- 2020. The key result areas and their respective strategic objectives are as shown below:

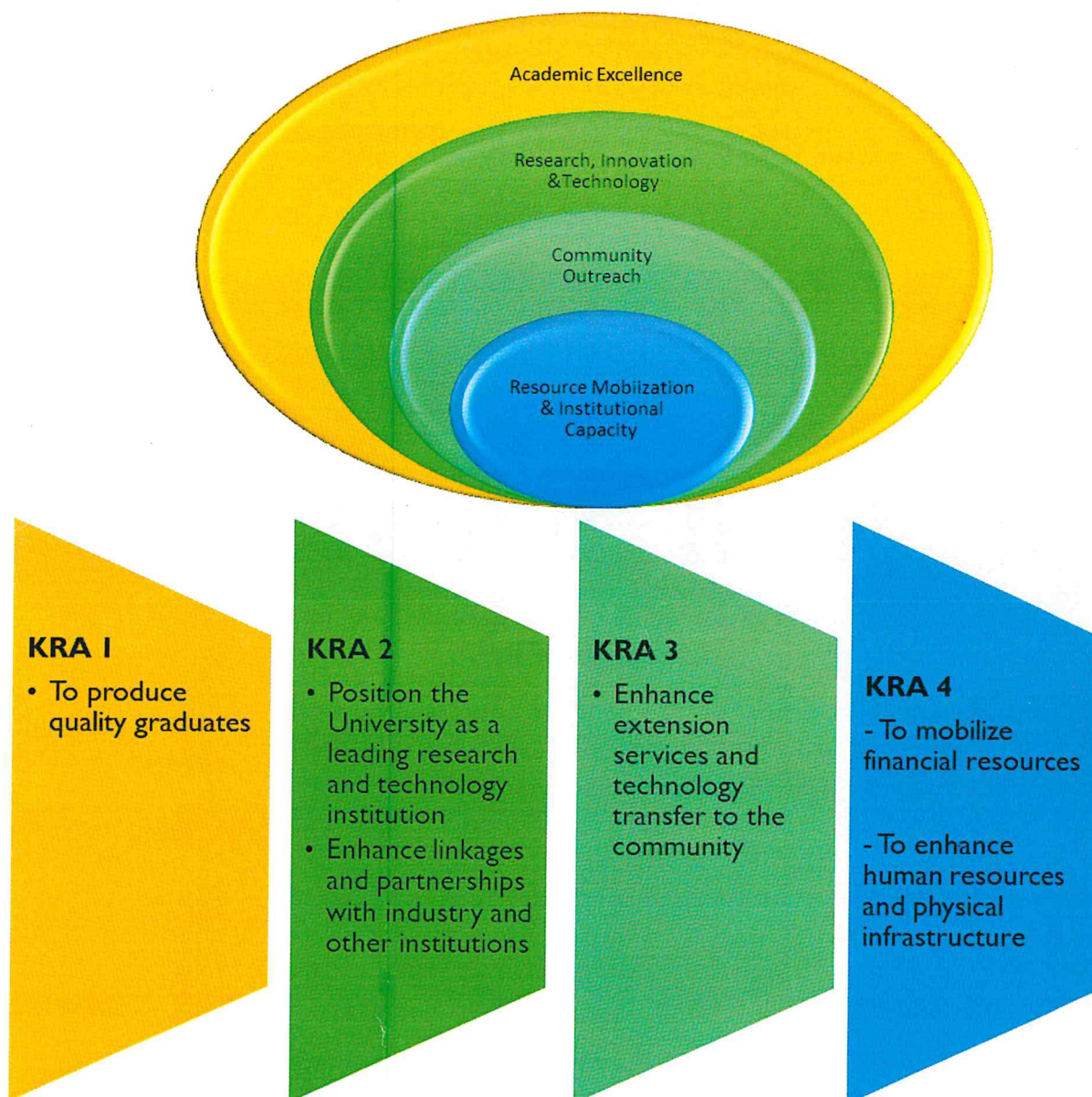


Figure 1: Karatina University Key Result Areas and Strategic objectives

During the year under review, Karatina University pursued strategic intentions within its Medium Term Strategic Plan. The University included its strategic pillars in the Performance Contract for 2019/2020 and developed its annual work plans based. Assessment of the Council's performance against its annual work plan is done on a quarterly basis. The University partly achieved its performance targets set for the FY 2019/2020 period as indicated in the table I

Table 1: Performance Review of Karatina University for 2019/2020FY

KRA	Objective(s)	Key performance indicators	Activities	Achievements
1. Academic Excellence	1. To produce quality graduates	Integrating ICT in Teaching and Learning	Pilot online teaching of Information Literacy	The University has successfully rolled out online teaching for all courses
			Procure additional two LCDs for use in teaching	Two LCDs were procured
			Development of curricula Approval of the Curricula by CUE	Launching of two programmes; Bachelor degree in Health Systems Managements and BSc in Animal Health
2. Research, Innovation and Technology	2. Position the University as a leading research and technology institution	Enhancing the Green Concept Support measures towards agribusiness	Gradually adopt use of solar energy	Installation of solar panels for borehole
			Establish a tea micro processing plant.	A room has been prepared, awaiting supply and installation
			Organize an entrepreneurial mindset change workshop	Training was held at Saarlund University for 15 participants from with membership including partnering Universities
3. Enhance linkages and partnerships with industry and other institutions		To establish an entrepreneurial culture with the aim of becoming an entrepreneurial university in Kenya	-Establish an entrepreneurship club	Entrepreneurship club was established and an inter-University competition held at DeKUT.

KRA	Objective(s)	Key performance indicators	Activities	Achievements
3. Community outreach	4.Enhance extension services and technology transfer to the community	capacity building and Mentorship	Hold a career week	Career week held on 27 th &28 th February 2020
			Hold talks in four secondary schools on selected topics	Held two talks in Secondary Schools
4. Resource mobilization and institutional capacity	5.To mobilize financial resources	Enhanced resources	Establish and train a multidisciplinary research team	The University managed to get Kshs 22.9M under Research and consultancies
	6. To enhance human resources and physical infrastructure	Construct a University Library	Construct to completion the Super structure	Complete

VII. CORPORATE GOVERNANCE STATEMENT

Karatina University's corporate objective is to create long-term value in the Academic and Research sub-sector through the creation, conservation and dissemination of knowledge. This is realized by using innovation, training and community outreach as prescribed by the mission statement and through the discovery, development and conversion of talent and natural resources, and the provision of innovative customer and market- focused academic programmes.

Corporate Governance Principles

In pursuit of the corporate objective, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary academic excellence within clear ethical standards, personal and corporate integrity and respect for others. The University council's governance role, and conduct of business are guided by the Universities Act no. 42 of 2012; the Karatina University Charter, 2013; Mwongozo Code, 2015; Commission for University Education regulations and standards, 2014 and Karatina University Statutes, 2013.

Size and Composition of Council

The council consists of nine (9) members who possess extensive experience in a variety of disciplines all of which are applied in the overall management of the University as shown on pages vi & vii.

The Role and Functions of Council

The role and functions of council have been indicated on page (xxxiv) and is separate from that of management. The collective responsibility of Council has been set out on page (xxxvii).

Appointment, Removal from Office and Succession Plan

Council members are appointed by the Cabinet Secretary - Ministry of Education through a competitive process advertised to the public. The appointment process takes into consideration the following; development of university education, balanced competencies, gender equity, and the inclusion of stakeholders, persons with disabilities, the marginalized and other minority groups.

Appointed council members are required during the first meeting to determine by lot which two of their number shall vacate office after a period of three and four years respectively to ensure continuity in the activities of the Council. Council considered and approved membership for continuity in a special meeting held on 19th September, 2019 and settled on two members who would not seek re-appointment. However, the term of Council lapsed for all members on 9th March, 2020. It is hoped that the current representatives of the Principal Secretary,

Education and Cabinet Secretary, The National Treasury and Planning will remain in office for some time so as to ensure continuity.

Capacity building for Council members

Training and development programs were put in place to equip Council members with necessary skills required in discharging their mandate. During the year ending 30th June 2020, a training workshop for all Council members was organized on 19th and 20th September, 2019. Some of the topics covered included:

- a) Understanding financial statements and finance for non- finance managers.
- b) Enterprise risk management for a University
- c) Transforming the Internal Audit using technology
- d) Strategies for Resource Mobilization
- e) Enhancing Board Performance
- f) Role of Board in formulating strategy

These topics were selected as prioritized by members and were facilitated by experts both from the public and private sector. In the subsequent year, the University intends to conduct one block training while at the same time facilitate members to attend individualized trainings. Further, Council has been sensitized on changes in practices, policies, laws and regulations governing the institution's operation from time to time

Council Remuneration

Council members are remunerated as per guidelines set out in State Corporations Advisory Committee circulars and National Treasury directives in respect to sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), mileage and accommodation allowance are reimbursed where applicable. Also, the Chairman is paid a monthly honorarium.

Council Charter and Meetings

The Council has a board charter which defines the role, functions and responsibility of the board in governance of the institution. The Council has committees whose roles are clearly defined and reviewed annually. Council meets at least once in a quarter i.e. 4 times in a year, unless there are urgent matters that call for a special meeting. These regular meetings are intended to receive reports from the committees of Council that will have considered the matters in detail. Members receive adequate notice and board papers in advance to enable them review and prepare for the meeting. During the year under review, the term of Council lapsed before the end of the 3rd quarter and as such did not hold a meeting during the 4th quarter.

Council Meetings and Attendance

Council conducts its business under four (4) committees as listed below: -

- 1 Academic, Research and Enterprise Development Committee
- 2 Finance, Planning and Human Resource Management Committee (Formerly Finance and Planning Committee)
- 3 Audit and Risk Management Committee
- 4 Governance and Resource Mobilization Committee

Composition of each committee is shown below:

Name of the Committee	Members
1. Governance and Resource Mobilization	i). Ms. Mary Reba Chabeda-Ouko – Chair ii). Vice Chancellor iii). Mr. Dan Nguri Nguchu iv). Mr. Felix Owaga Okatch v). Dr. Dunstone Ulwodi vi). Mr. Clement O. Odeka
2. Academic, Research and Enterprise Development Committee	i). Dr. Doris N. Mutta – Chair ii). Vice Chancellor iii). Mr. John Kanyakiri iv). Ms. Mary Reba Chabeda-Ouko v). Mr. Clement O. Odeka
3. Finance and Planning Committee	i) Mr. Dan Nguri Nguchu – Chair ii) Vice Chancellor iii) Dr. Doris N. Mutta iv) Dr. Dunstone Ulwodi v) Mr. Clement O. Odeka
4. Audit and Risk Management Committee	i) Mr. Felix Owaga Okatch – Chair ii) Mr. John Kanyakiri iii) Ms. Mary Reba Chabeda-Ouko iv) Dr. Dunstone Ulwodi
5. Staff Appeals Committee of Council	i) Dr. John Kobia Ataya – Chair ii) Mr. Dan Nguri Nguchu iii) Ms. Mary Reba Chabeda-Ouko iv) Mr. Clement O. Odeka v) Mr. Felix Owaga Okatch

During the year, Council held a total of six (6) meetings. Individual attendance is tabulated below:

S. No	Name	No of meetings attended
1	Dr. John Kobia Ataya – Chairman	5
2	Prof. Mucai Muchiri – Vice Chancellor/ Secretary	6
3	Mr. Clement O. Odeka - Rep. Principal Secretary, Ministry of Education	5
4	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury and Planning	5
5	Mr. Felix Owaga Okatch	6
6	Mr. Dan Nguri Nguchu	5
7	Ms. Mary Reba Chabeda-Ouko	3
8	Dr. Doris N. Mutta	3
9	Mr. John Kanyakiri	6

Academic, Research and Enterprise Development Committee

The Committee does the following: Receive and consider reports from the Research and Outreach Committee of Senate and to transmit such reports to the Council; Consider and advise on policy and plans for the exploitation of the University's Intellectual Property and other commercial activities flowing from its research; Advise council on budgetary allocation of research funds and their effective administration for the support of research and enterprise activities; To receive, consider and make recommendations to Council on matters relating to implementation of academic programmes; To receive and recommend to Council for approval qualified students to be conferred with degrees and awarded diplomas and certificates of the University that the Senate may refer to the Committee; and to review and recommend to the Council various policies to assist in the overall management of the academic and research function of the University.

The committee held three (3) meetings and individual participation is tabulated below:

S. No	Name	No of meetings attended
1	Dr. Doris N. Mutta – Chair	2
2	Prof. Mucai Muchiri -Vice Chancellor	3
3	Mr. John Kanyakiri	3
4	Ms. Mary Reba Chabeda-Ouko	3
5	Mr. Clement O. Odeka - Rep. Principal Secretary, Ministry of Education	2

Finance, Planning and Human Resource Management Committee

The committee critically scrutinizes the budgets and other financial requirements before they are presented to Council. It oversees the University's financial affairs on behalf of Council; develops strategies to guide the growth of the University and monitors its implementation;

advises the University Council on all human resource matters, including recruitment and staffing levels.

The committee held four (4) meetings and the number each member attended is tabulated below:

S. No	Name	No of meetings attended
1	Mr. Dan Nguri Nguchu – Chair	4
2	Prof. Mucai Muchiri - Vice Chancellor	4
3	Dr. Doris N. Mutta	2
4	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury	4
5	Mr. Clement O. Odeka - Rep. Principal Secretary, Ministry of Education	4

Governance and Resource Mobilization Committee

The Committee was established to undertake the following functions;- Ensure the University effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behavior; Develop and recommend to the Board for approval, governance related policies of Council including a Code of Conduct for Employees and a Code of Conduct for Members of Council; advise Council on matters relating to Performance Contracting and in conjunction with the Chair of the Council, annually conduct and report to the Council the results of a performance appraisal of the Staff of the University; consider and recommend to Council the formation, acquisition, investment or wind up of Income Generating Units (IGUs); Map donors' strategic areas of interest, funds available, grantees, funding windows, requirements and guidelines and interest in funding key result areas and advise Council on matters to do with resource mobilization and Governance.

The committee held three (3) meetings and the individual attendance is tabulated below:

S. No	Name	No of meetings attended
1	Ms. Mary Reba Chabeda-Ouko – Chair	3
2	Prof. Mucai Muchiri -Vice Chancellor	3
3	Mr. Dan Nguri Nguchu	3
4	Mr. Felix Owaga Okatch	2
5	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury	3
6	Mr. Clement O. Odeka - Rep. Principal Secretary, Ministry of Education	2

Audit and Risk Management Committee (ARMC)

Karatina University Council aspires to use the public resources at its disposal in an efficient and accountable manner. In line with the Treasury Circular No. 16/2005, an audit committee was

established to provide independent advice and assurance on the University's strategy, performance and compliance to the different statutes.

The committee is required to:- review and report to the Council on the comprehensiveness, reliability and integrity of internal controls measures; recommend to the Council quality assurance and standards needed to provide effective monitoring of processes; monitor and recommend to Council action in respect of the University's management of risks; consider, review and recommend to the Council policies in respect to management and control systems on internal business processes, including accounting policies, anti-fraud and whistle-blowing; consider and approve annual audit plans including any audit reviews that the Council may request from time to time; consider and advise the University Council on matters relating to the security of the University, staff and students; and Review and advise the Council on all matters relating to the risk management framework and internal audit function of the University. The committee held four (4) meetings.

The committee members and number of meetings held during the year are tabulated below: -

S. No	Name	No of meetings attended
1	Mr. Felix Owaga Okatch – Chair	4
2	Mr. John Kanyakiri	4
3	Ms. Mary Reba Chabeda-Ouko	3
4	Dr. Dunstone Ulwodi – Rep. Cabinet Secretary, The National Treasury	4

Ad hoc Committee

Council established a Staff Appeals Committee that met twice on 11th July and 21st August, 2019 to consider appeals emanating from staff disciplinary processes.

Council evaluation

Council evaluation is essential in assessing performance, efficiency and effectiveness of the board and individual members. The evaluation of council is an annual exercise conducted by the State Corporations Advisory Committee (SCAC). During the financial year, Council conducted an exit self-evaluation with respect to the FY 2019/2020 on 9th March, 2020. The results were presented and discussed the same day. The performance was very good.

Ethics and Conduct

Council has an approved Karatina University Code of Ethics and Conduct which governs the general conduct of Council members, management and staff. The code binds both the Council members and staff as they are required to sign and abide with requirements upon joining the University.

Whistle Blowing Policy

Karatina University has a Whistle Blowing Policy which protects the identity and well-being of employees and stakeholders when they provide information on corruption related matters. The institution has four reporting channels through which anonymous reports in respect to corruption can be made. These channels are; reporting hotlines, corruption reporting boxes, the institution's official website link and email.

Governance and Legal Audit

The Council formed a standing committee on governance to ensure compliance with all statutory requirement during the year. Governance and legal audits are to be performed on an annual basis indicating scope and the person who conducts them. During the year under review, the University was unable to conduct both governance and legal audit.

Risk Management

Risk management is a strategic function monitored under the audit and risk management committee of Council and applied in the day to day functions of the University. The University compiles its risk register on a quarterly basis, in addition to reports on mitigation measures implemented. This is to ensure risks are managed in compliance with the approved policies and principles of good corporate governance. The University conducted its an annual risk assessment with guidance from the internal audit department.

Conflict of Interest

Council members and staff are required make disclosure of any potential or real conflict of interest while conducting matters that pertain to the institution. During meetings, members are expected to declare any conflict of interest in the agenda items under discussion. In case of conflict, the affected member is excluded from discussions and/or decisions on the matter in question.

IT Governance

The University is implementing its approved ICT policy which governs the management of its ICT infrastructure. The ICT Security Framework provides guidance and control over ICT Services, Facilities and Infrastructure and defines the rights and responsibilities of University members in their use of ICT Services and Facilities. This ensures that ICT Security Risks are mitigated and that the Framework remains relevant to the strategic goals of the University.

The process conducted of risk assessment, Audit of ICT controls, and Incident Management and Response provides input into the review of the University's IT governance measures so as to align with the Business Continuity processes.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Karatina University Operational and Financial Performance

The University has reported a surplus of Kshs 145.9M as at 30th June 2020. This is a shift in performance when compared to the deficit of Kshs 8M reported in the previous year. The reason for the huge surplus being reported is as a result of supplementary income recognized in 2019/2020 for national Collective Bargaining Agreements with the three unions; UASU, KUSU and KUDHEIHA which was received in July 2020 and will be implemented in 2020/2021 FY. In addition, the University reported a decline in expenditure in 2019/2020 FY as a result of decline in its activities due to the COVID-19 global pandemic.

The University cash flows for the FY 2020/2021 may be affected by the uncertainties emanating from the COVID -19 pandemic. In addition, the requirement for social distancing is likely going to affect the progression of students to new academic year. Consequently, this may affect the internally generated funds from A.I.A in respect to tuition and its related charges. Also, the costs for mitigating against the pandemic seem to be high which may require additional financial allocations. Further, the University will be implementing the signed collective bargaining agreement for the FY 2017-2021 with the Unions. This may have a negative impact to the financial performance of the institution if supplementary funds are not provided by National Treasury.

Pertaining to trends within the Education Sector, the government has pronounced a delay in reopening of secondary schools. This will affect the number of students who can enrol for University education. Thus, the expected AIA income from tuition fees is likely going to decline. Further, the change in teaching trends (online teaching) may affect the expenditure in respect to the core mandate of the University. To enhance financial sustainability, the University is implementing resource mobilization strategies so as to enhance its A.I.A.

SECTION B

Compliance with Statutory Requirements

During the reporting period the University has complied with all statutory requirements. The institution has no non-compliance that may expose it to potential contingent liabilities.

The University has three ongoing court cases and is exposed to the following charges: -

	Suit No and details	Subject Matter	Implication/ contingency Kshs
1	Nyeri Court of Appeal no. 52 of 2014- Oindi Zaipeline vs Karatina University	The student contested being conferred with Karatina University degree instead of degree by Moi University	479,073/-
2.	Nyeri Employment and Labour Relations Cause no, 33 of 2019 - Dr. David Mutahi vs Karatina University	The Claimant is a former employee who separated from the University after his fixed term contract came to an end. He is claiming for Kshs. 4.5 million. The suit was filed in 2017,	640,000/-

		summon was served upon the University on 2 nd August 2019 and the hearing is scheduled 22 nd July 2020.	
	Nairobi Employment & Labour Relations Court Cause no. 755 of 2018 - Simon Ndicu (Claimant) vs Karatina University	Suit filed by the Claimant for a sum of Kshs. 873,000/- together with costs and interest thereon being unpaid part-time dues for courses taught from September 2014. The Claimant also contests the rate of remunerating the part-time dues.	509,520/=

SECTION C

Key projects and investment decisions the University is planning/implementing

The University had four key projects during 2019/2020 FY. Three projects; 750 bed capacity Student Hostel; Resource Centre and Perimeter Fence are complete and have been transferred to property, plant and equipment under the buildings class. The University has one ongoing project; Library Phase I. The construction of the Library is at 36% completion rate and is expected to be complete in 2021/22 FY. The figures computed for completion rate for is based on the amounts of works certified and not funds disbursed by GOK to finance the projects.

The Resource Centre will provide space for lectures, laboratories, offices, specialized library collection, boardrooms and other learning facilities. This will increase access to University education by providing space and facilities for quality teaching, learning and research which is in line with the Government of Kenya strategic objective of increasing access to University education in support of Vision 2030. Consequently, the University will be able to increase the number of students it admits for programmes such as Nursing, Food Science and Nutrition since the University is an enabler of the “Big four” Agenda in respect to health and food security.

Whereas accommodation of students is not a core function of universities, Karatina University Council and Management Board have deemed it necessary to provide affordable accommodation, especially to first years who come from all over the country and are therefore, not conversant with local surrounding. The 750 bed capacity hostel will provide accommodation facilities to a large number of first year students, thereby according them time to adjust to their new environment. In subsequent years, the students are able to identify accommodation developed by investors within the neighbourhood of the university.

The Construction of the Perimeter Fence is for safeguarding the University’s assets and as a measure of providing of security for its occupants.

Construction of the Library Phase I is an integral component of teaching, learning and research requirements of the growing Karatina University academic community. It is also a requirement by the Commission for University Education that a Library be established to support learning and research for use by students and lecturers, in constructing a library, the University will adequately support the Big Four agenda.

All projects have been financed by the Government of Kenya. The completion of the Library Phase I project is subject to allocation of funds by National Treasury.

SECTION D

Major Risks facing the University

The University's activities are exposed to a variety of financial risks including credit and liquidity risks and changes in market prices. The University's overall risk management framework focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The specific details of each risk component have been discussed on pages 18 to 20 of this report.

SECTION E

Material Arrears in Statutory and Financial Obligations

The University has settled most of its pending bills with an exception of amounts outstanding in respect to part-time lectures payments and loan due to the GoK in respect to acquisition of the Tea Training Institute, the fore runner of Karatina University, by Moi University. Karatina University is awaiting consent from National Treasury in order to take up the obligation for payment of principal amount of Kshs 194M and accrued interest of Kshs 22M computed as at 31st December 2018. At the end of the reporting period, the University had Kshs 68M outstanding in respect to part-time lectures payment. The Management Board has been settling amounts claimed using available funds.

SECTION F

Financial Probity and serious Governance issues

During the reporting period, the University underwent several internal audit reviews and external audit by Office of the Auditor General. There were no cases of financial improbity reported. The University management had a cordial working relationship with Council members and no governance issues were raised. In addition, the tenure of service of Council members indicated on pages vi and vii came to an end on 9th March 2020.

SECTION G

Trend analysis of the University's Financial Performance

From figure 2 below, the performance of the University which has been fluctuating over the years, which is brought about by the varying incomes received vis-à-vis the expenditure incurred during the financial year. The analysis shows yearly performance from July 2012 to June 2020.

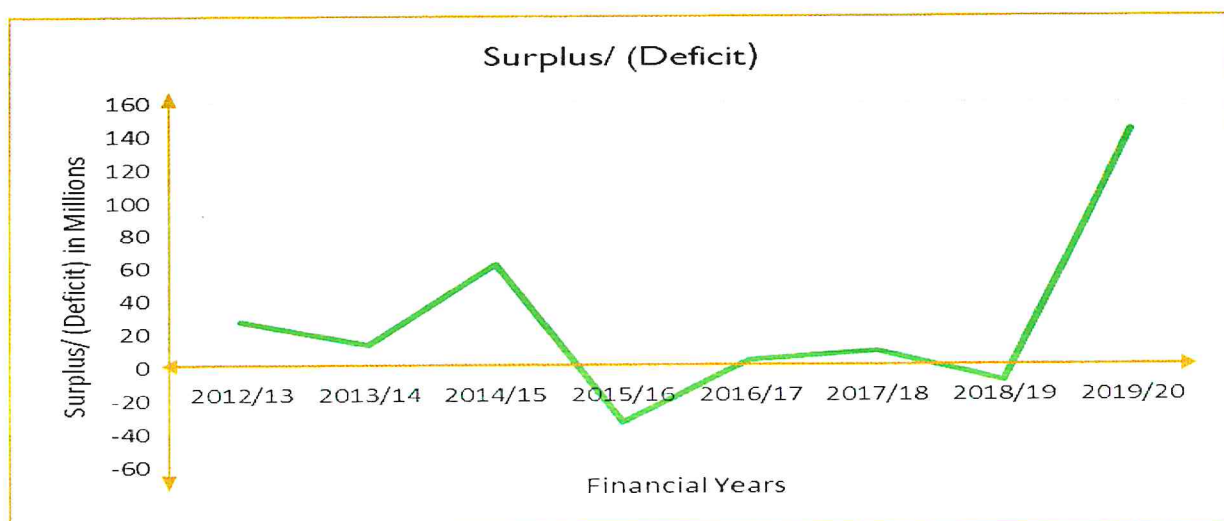


Figure 2: Trend of the University's financial performance

From figure 3 below, from FY 2012-13 to 2019-20 the total income and the recurrent grants have an upward trend as compared to the A-I-A. The A-I-A has a downward trend occasioned by a reduction in the number of students enrolled under the PSSP programme since FY 2015-16.

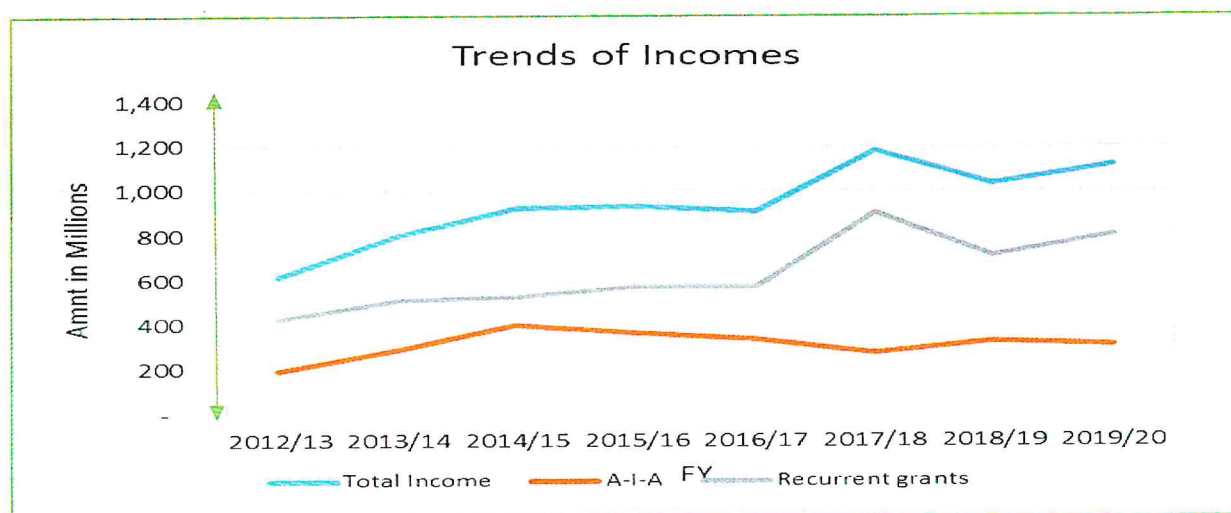


Figure 3: Trend of University's Incomes

Figure 4 below, shows an analysis of individual expenditure categories vis-à-vis total expenditure for the current FY 2019/2020. Significant amount of the expenditure relates to employment expenses, at 70% because the University is more of a service industry in transferring knowledge. Besides, expenditure for the other items were low as a result of closure of the University due to COVID-19 pandemic in the 4th Quarter. Consequently, employment expenses which are fixed costs appear to be higher when compared to the other expenses which are variable costs.

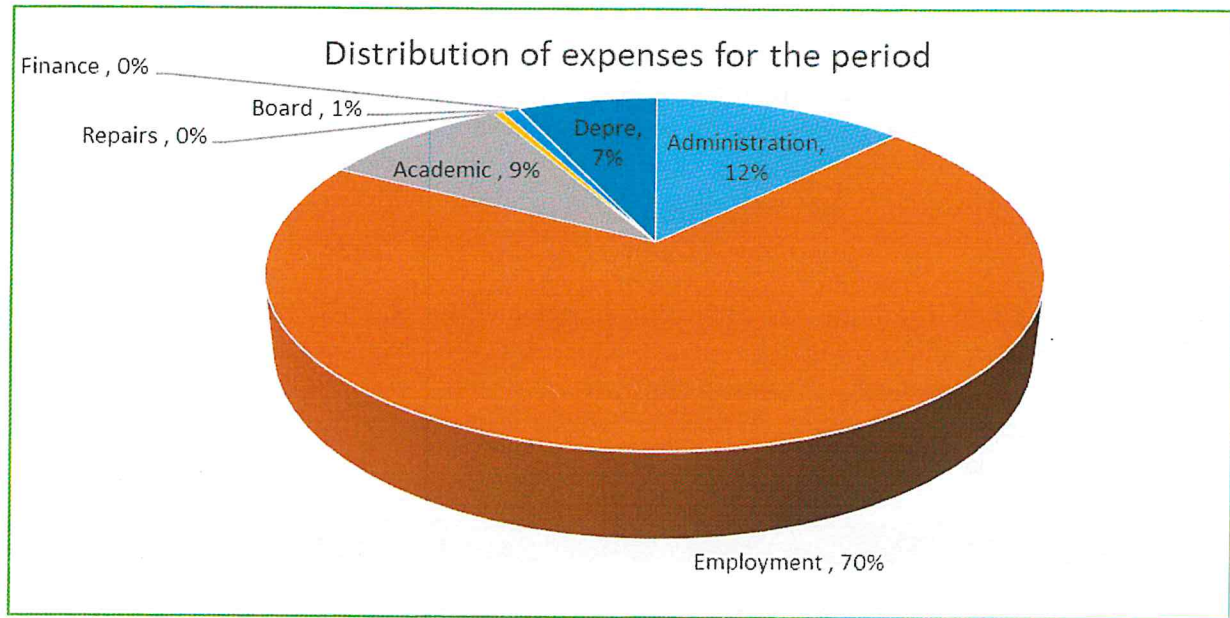


Figure 4: Distribution of recurrent expenses during the FY 2019/2020

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY REPORTING

Economic and Financial Sustainability

Karatina University is largely financed by the Government of Kenya to undertake its core activities. Additional funds are sourced from tuition fees charged to students. Due to the dwindling numbers of PSSP students who enroll for University education, the University has a Directorate of Resource Mobilization whose sole role is to assist in mobilization of funds. Also, the University is rationalizing its operations so as to achieve financial sustainability as guided by the Ministry of Education reforms. Further, the University has made effort to align its activities to the budgetary allocations for given year. This is done with aim of avoiding financial constraints.

The University has also automated its processes to enhance service delivery to its clients. This ensures effective and efficient delivery of services leading to high customer satisfaction. In offering its core mandate during the global pandemic of COVID -19, the University has offered its services of teaching using online platforms that are also being used internationally such as Moodle and google classrooms

Environmental Sustainability

Karatina University Centre for Mountain studies and Climate Change supported the Kenya's Forest Reference Level required submissions to UNFCCC by use of SLEEK and FLINTpro model project in the period October to December 2019. This involved analysis of historical land cover change data, assigning land cover change to Emission Factors, calculating the historical emissions from the forest sector for the period 2002-2018 and writing a report of the findings. One of the products of this assignment is Kenya's Forest Reference Level submitted to the United Nations Framework Convention on Climate Change (UNFCCC) and which is available on <https://redd.unfccc.int/submissions.html?country=ken>. This is a document showing Kenya's historical emissions from the Forest sector (2002-2018) and is a requirement under the UNFCCC for Kenya to participate in results based payments under the REDD programme.



A photo of Mt. Kenya Forest

Further, the University has an Environmental Policy that provide a framework for: Reducing negative environmental impacts such as energy or water consumption, waste production or impacts on natural systems. The University has taken lead in proposition and advocacy of a sustainable and environmentally friendly society. The University is therefore increasingly proactive on green issues taking advantage of its ideal location with natural laboratories as well as endowment with rich agricultural soils being at the foothill of the snow-capped Mount Kenya. Some of the projects and research areas that are driving the University Green forte are flagged within the School of Agriculture and Natural Resources. Some of key activities are establishment of a botanical garden and setting up of a micro tea cottage among others projects. One of the challenges faced is limited funding to undertake the environmental sustainability projects

Staff Welfare

Karatina University staff population was four hundred and three (405) as at 30th June, 2020. This consisted of one hundred and sixty-three (163) academic staff comprising of ninety-two (92) males and seventy-one (71) females and two (2) members on leave of absence making up 40.45% of the staff population. The administrative and support staff were two hundred and forty (240) comprising of one hundred and fifteen (115) males and one hundred and twenty-five (125) females making 59.55% of staff. Lastly there

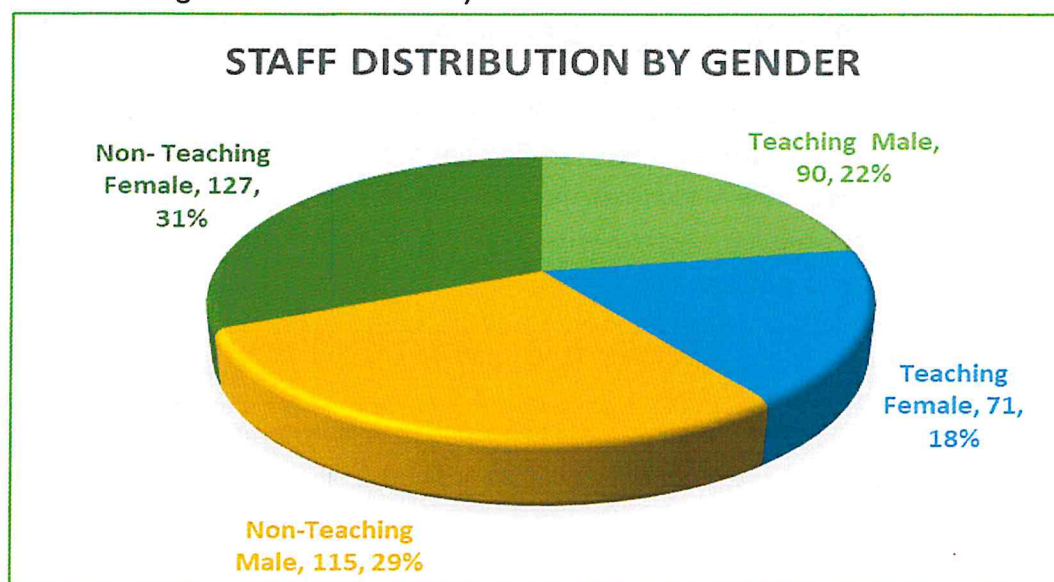


Figure 5: Distribution of Karatina University members of staff

During the reporting period, the University had 12 members of staff are on study leave to pursue PhD (10) and Masters degrees (2) outside the country. Further, the University continues to support seventy-two (72) teaching staff (assistant lecturers and tutorial fellows) who are pursuing PhD programmes within the country. Four members of the teaching staff who graduated with PhDs were appraised and were promoted to the position of Lecturers.

Other members of staff have taken part in-house trainings and seminars sponsored by the University so as to enhance their skills. The University utilized the approved Human Resource Manual in conducting recruitments and appraisals for its members of staff.

In commitment to promote employee well-being at the workplace, the University has a Work Environment, Health and Safety policy which outlines guidelines and standards for the prevention and protection of University staff against accidents and occupational hazards arising at the work place. Further, the University has three Unions: Academic Staff (UASU); Administrative staff (KUSU) and for ancillary staff (KUDHEIHIA) whose roles are to look after the interests of their members. During the reporting period the Unions successfully negotiated the national Collective Bargaining Agreements for 2017-2021 with an aim of improving staff welfare.

Lastly the University has formed a committee to mitigate against the spread of COVID-19 infections. The committee advises management on the measures to be implemented to ensure staff welfare is taken care of during the pandemic.

Market Place Practices

The University has encouraged responsible supply chain and supplier relations by conducting sensitization workshops to Youth, Women and Persons with Disability groups on government procurement procedures; the requirements for accessing government procurement opportunities. In addition, the University has set a target of 40% of its procurements of goods and services to be locally produced. Payments to suppliers are made within 30days of delivery of goods/services and relevant documents. Part-time lecturers are key service providers, their payments are done after submission of final results and within a month after receipt of claims.

Moreover, the University has a service delivery charter in both Kiswahili and English languages which guides its clients on the services and requirements for the services being sought. The service deliver charters are displayed at strategic points for ease of reference by its clients.

Lastly, the University has Marketing Policy for its programmes that guides on the safety of the consumers' rights and interests with an objective of enhancing visibility of the University and its programmes and as well as positioning KarU as a university of choice.

Social sustainability

Corporate Social responsibility (CSR) activities form a critical part of the strategies enshrined in the Karatina Universities Medium Term Strategic plan. The University prioritized its CSR activities as discussed below and implemented them within the approved budgets.

I. Education

The University undertook the following community outreach programmes in education as follows:

a) Mediation Training for Probation and After Care Officers

The University has been capacity building for Probation and aftercare Officers in mediation from different parts of the country including Embu, Kakamega, Isiolo, Kilifi, Mombasa, Garissa, Mandera, Nairobi, Laikipia, Nyeri and Tana River Counties. Probation and after care officers are responsible for providing advisory reports to courts and other agencies for the purpose of determining bail and bond terms and for decision making on sentencing and release of offenders. They also supervise, resettle, reintegrate and rehabilitate offenders serving various non-custodial sentences in the community. In addition, these officers implement government programmes, policies and activities in their areas of jurisdiction. The trainings are intended to help the officers improve their competencies in job performance.



Group photo of Probation and After Care Officers at Karatina University Administration Block

b) St. Joseph Orphans Project - Mweiga

The University has partnered with St. Joseph CBO-Action for Orphans Project for capacity building and Mentorship. The Community Based Organization is situated in Mweiga Township, approximately 12km from Nyeri Town and along Mweiga-Nyahururu Road. The CBO support orphans and vulnerable youth in the society. It mainly targets the vulnerable youth in the society and supports them by facilitating their enrolment to TVET institutions for skills training and economic empowerment.

Karatina University is offering technical support to the CBO youth engaged in business start-ups and related micro-enterprises through the Department of Business and Economics. The youth is engaged in mentorship forums to inculcate in them positive life skills, develop talents, attitude change and character formations. Further, the graduated youths (from the organization) are linked with University network of partners under the Directorate of University-Industry Linkages for further training and skills development.



X. REPORT OF THE COUNCIL MEMBERS

Karatina University Charter provides for the objectives and functions of the Council under section 21 as follows: -

(1) Subject to this Charter, the Council shall be the governing body of the University through which the University as a body corporate shall act and:

(a) shall administer the property and funds of the University in a manner and for the purposes which shall promote the best interest of the University; but the Council shall not charge or dispose of immovable property of the University except in accordance with procedures laid down by the Government of Kenya.

(b) shall receive, on behalf of the University, donations, endowments, gifts, grants or other moneys and make disbursements there from to the University or other bodies or persons.

(c) shall approve the appointment criteria and the terms and conditions of service of staff;

(d) shall provide for the welfare of the staff and students of the University.

(e) may enter into association with other universities or other institutions of learning, whether within Kenya or otherwise, as the council may deem necessary and appropriate; and

(f) shall, after consultation with the Senate, make regulations governing the conduct and discipline of the students of the University.

(2) All documents, other than those required by law to be under seal, made on behalf of the Council, and all decisions of the Council may be signified under the hand of the Chairman, the Vice Chancellor or any other members of the Council generally or specifically authorized by the Council in that behalf.

(3) The Council shall ensure that a proper management structure is in place and make sure that the structure functions to maintain corporate integrity, reputation and responsibility.

(4) The Council shall monitor and evaluate the implementation of strategies, policies, and management criteria and plans of the University.

(5) The Council shall constantly review the viability and financial sustainability of the University and shall do so once every year

(6) The Council shall ensure that the University complies with all the relevant laws, regulations, governance practices accounting and auditing standards

Principal Activities

The principal activities of the University as stated in its mandate, are stipulated in the Karatina University Charter 2013, under section 6 include:

- a) Provide and advance university education and training to appropriately qualified graduates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and Senate shall from time to time determine and in so doing contribute to national development and humanity;
- b) Assemble and provide resources for university level education, training and research, scholarship, and for the establishment of facilities, institutes, divisions, departments, centres and such other units as the University Council may deem necessary;
- c) Determine who may teach, what may be taught, to whom it may be taught and how it may be taught in the University;
- d) Establish colleges, schools, institutes, centres, departments and such other institutions as may be deemed necessary by the University Council;
- e) Conduct both applied and basic research geared towards local, national, regional and global development;
- f) Establish and maintain an Information Resource Centre including the collection of literature, films, information data bases and other materials relating to natural resources, agriculture, engineering, entrepreneurship, management, law, medicine, social and applied science theories and practices;
- g) Enter into collaborations, linkages, and consultancy network in promoting excellence, meeting the dynamic needs and development of society;
- h) Provide balanced programmes and experiences including participation in natural and cultural conservation, commercial ventures and other activities to the benefit of the University, the community and stakeholders;
- i) Facilitate student mobility between programmes of study at different technical training institutions, polytechnics and universities;
- j) Foster the general welfare of all staff and students; and
- k) Carry out any other activity as may be permitted and approved by the University Council to further the vision, mission and philosophy of the University.

Results

The results of the University for the year ending 30th June 2020 are set out on page I

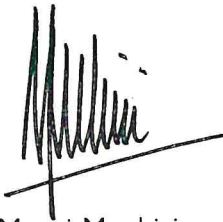
Council Members

The members of Council who served during the period are shown on pages (vi) & (vii) in accordance with Karatina University Statutes and Universities Act 2012.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with Article 229 of the Constitution of Kenya and Public Audit Act (2015). The Auditor General is empowered to nominate other auditors to carry out the audit on his behalf.

Kenya National Audit Office staff were nominated by the Auditor General to carry out the audit of the University for the period ending 30th June, 2020.



Prof. Mucai Muchiri
Council Secretary/ Vice Chancellor

Date:

XI. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81(1) of the Public Finance Management Act, 2012 and sections 14 & 15(1) of the State Corporations Act, require the Council to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial period and the operating results of the University for that period. The Act also requires the Council Members to ensure that the University keeps proper accounting records that disclose with reasonable accuracy, the financial position of the University. They are also responsible for safeguarding the University's assets.

Council is responsible for the preparation and presentation of financial statements, which give a true and fair view of the state of affairs of the University as at the end of the financial period ended on 30th June, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that they are effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy 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 University's assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable.

The Council accepts the responsibility for the Annual Report and Financial Statements, which have been prepared using appropriate accounting policies and supported by prudent judgments and estimates, in conformity with International Public Sector Accounting Standard (IPSAS) and requirements of the PFM Act (2012) and State Corporations Act (2012). The Council is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the University as at 30th June, 2020 and the University's financial position. Council further confirms 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 internal financial control systems.

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

Approval of the financial statements

Karatina University annual financial statements have been prepared in accordance with Section 83 of the PFM Act 2012 and were approved by the Council on __ August, 2020 and signed on its behalf by:

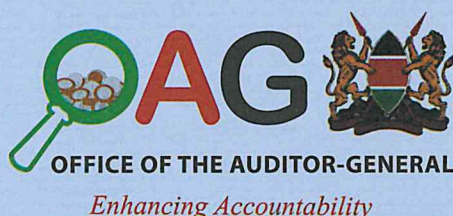


Prof. Mucai Muchiri, PhD
Vice Chancellor

.....
Chairman of Council

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Karatina University set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act. 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 Karatina University as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Receivables from Exchange Transactions

1.1. Recoverability of Students' Debts

The statement of financial position reflects a balance of Kshs.101,719,916 under receivables from exchange transactions which, as disclosed in Note 18 to the financial statements, includes an amount of Kshs.100,353,678 in respect of student balances. The latter balance include an amount of Kshs.7,022,425 in respect of discontinued and students who had dropped out of their studies and a further amount of Kshs.25,749,716 in relation to dormant student account balances. Recoverability of these debts is doubtful. Further, the provision made of Kshs.2,007,074 for all the student debts appears to be inadequate to cover the potential irrecoverable amounts.

1.2. Inaccurate Classification of Students' Debtors

As disclosed in Note 3.3 to the financial statements on financial risk management, the University has classified the credit risks on the student balances into three categories of fully performing, past due and impaired. Out of the total student balance receivables of Kshs.100,353,678, an amount of Kshs.67,517,362 was classified as fully performing, Kshs.32,836,316 as past due of and nil amount as impaired receivables. However, some student fees balance in respect of discontinued students and those who had dropped out of their studies may not be recoverable and are therefore impaired. The classification of student debtors is therefore inaccurate.

1.3. Receivable Amount Due on Breach of Bond Agreement

Available records indicated that an assistant lecturer was sponsored by the University in 2014 to pursue a PhD in Veterinary Medicine at Yangzhou University in China for three (3) years and ten (10) months with effect from 1 September, 2014 to 31 July, 2018. The course and financial support were approved by the University at a cost of Kshs.5,662,798 on condition that the lecturer be bonded to the service of the University for a period equivalent to the duration of the course (3 years, 10 months) on completion of the course in line with the Government policy on sponsored trainings. The bond terms stipulated that he should pay back the total amount incurred on him should he abscond.

Examination of personal file and other records revealed that the lecturer returned from study leave and took up a position at Kilifi County Government, despite being bonded for service at the University after completion of studies.

The University Management demanded for payment from the former lecturer on 20 August, 2019. The officer committed to pay vide letter dated 8 January, 2020, and made the first instalment on 18 February, 2020, amounting to Kshs.500,000 leaving a balance of Kshs.5,162,798 unpaid. Despite the commitment and first installment paid, the amount has not been recognized and included as part of the receivables but is disclosed as contingent asset in the financial statements understating the receivables balance as at 30 June, 2020.

2. Part Time Lecturers' Outstanding Dues

2.1. Contingent Liability

As disclosed in Note 3.2 to the financial statements on significant judgements and sources of estimation uncertainty, the University has an estimated contingent liability on part time teaching claims of Kshs.42,100,485. Management has indicated that the liability accrued and relate to the financial years 2016/2017 to 2019/2020 as detailed below:

Academic Year	Amount (Kshs.)
2016/2017	8,031,985
2017/2018	8,065,800
2018/2019	3,942,700
2019/2020	22,060,000
Total	42,100,485

However, details of the nature of the contingent liability, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement have not been disclosed.

2.2. Authenticity of the Amount Payable

The statement of financial position reflects a balance of Kshs.88,262,942 under trade and other payables which, as disclosed in Note 25 to the financial statement, includes an amount of Kshs.26,016,800 relating to part time lecturers' dues. The aging analysis provided indicated that out of the total amount of Kshs.26,06,800, an amount of Kshs.25,470,800 (98%) has been outstanding for more than one year and relates to the period between 2013/2014 to 2018/2019 financial year. No justification has been provided for failure to settle the debts as a first charge to the University resources in the subsequent years.

Further, the issuing of part time lecturers' appointment letters, submission and approval of some claims was delayed including four claim forms prepared by one lecturer on 15 January, 2019 for a course taught in February, 2017 which was approved on 31 January, 2020, about three years after the expense accrued. Further, some of the appointment letters attached to the claims were also issued or acknowledged long after the service had been rendered.

Under the circumstances, the accuracy and reliability of the respective amount due to each part-time lecturer and the outstanding balance payable as at 30 June, 2020 could be confirmed.

3. Trade and Other Payables

Excluded from the trade and other payables balance of Kshs.88,262,942 is rent totalling Kshs.1,616,914 payable to the National Social Security Fund (NSSF) in respect of a closed Nairobi Liaison Office at View Park Towers comprising of Kshs.1,212,686 rent for October to December, 2019 and Kshs.404,228 rent for January, 2020. Although University records indicated that the rent accrued on request for extension of tenancy period before closure of the Nairobi Liaison Office, no provision was made to recognize the accrued rent for the year under review.

Consequently, the accuracy and completeness of trade and other payables of Kshs.88,262,942 as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the University Fees Payment Policy

The student receivables balance of Kshs.100,353,678 as at 30 June, 2020 comprised of Kshs.76,653,474 (76%) fees balance owed by the Privately Self Sponsored Students and Kshs.23,700,204 (24%) owed by the government sponsored students. However, the following anomalies were noted:

- i. Section 5.2 (iii) of the Fees Payment Policy requires students to pay at least 60% and above of fees upon admission and registration and the balance of 40% by 40 day after the beginning of the semester. However, some students were allowed to continue with studies before paying any amount or after paying very little amounts upon registration and admission compared to amounts invoiced resulting in huge fees balance.
- ii. Delays in invoicing students evidenced by multiple billing done same day for several semesters and years of study ranging from 2 to 4 semesters not invoiced and existence of students in class without admission numbers.
- iii. Out of the total outstanding student receivables of Kshs.100,353,678 as at 30 June, 2020, Privately Self Sponsored Students (PSSP) constituted 76% of the student fees receivables an indication of over reliance on government capitations yet the programmes should be self-sustaining.

The Management was in breach of the Fees Payment Policy.

2. Non-Compliance with Ethnic Diversity

During the financial year ended 30 June, 2020, the University had a total staff of 405 out of which 261 (or 64%) were from one dominant ethnic community. This is contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

3. Unrecovered Rent Deposit

The statement of financial position reflects a balance of Kshs.5,526,141 under prepayments which, as disclosed in Note 17 to the financial statements, includes an amount of Kshs.2,902,774 in respect of rent deposit for Nairobi Liaison Office at View Park Towers. The tenancy with the premise owner was terminated and the University

vacated the premises on 31 January, 2020. However, the rent deposit had not been paid back to the University as at 30 June, 2020.

4. Delay in Inspection and Receipt of Reader Machine

During the year under review, the University procured an Elisa reader machine at a cost of Kshs.1,380,000. The machine was delivered on 10 June, 2019 while the inspection and acceptance report for the machine was prepared on 7 October, 2019. This is contrary to Section 48 (3) of the Public Procurement and Asset Disposal Act, 2015 requires that the Inspection and Acceptance Committee to inspect and where necessary test the goods and accept or reject immediately after the delivery of the goods, works or services.

Further, the request by the University to the supplier to calibrate, train and commission the machine was made on 14 June, 2019, four (4) days after delivery. The requirement to calibrate and commission should have been documented in the Local Purchase Order, quotations and other procurement records as one of the terms and conditions for supply to avoid delays. Failure to adhere to the procurement procedures may lead to receipt of substandard goods and loss of public funds.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Delay in Appointment of the University Council

I draw your attention to the unsigned Council Chairman's report on page x of the financial statements which indicate that the University Council tenure lapsed in March, 2020. According to the Gazette Notice No.2336 dated 14 March, 2017, the former Council Members were appointed for a period of 3 years with effect 10 March, 2017 to 9 March, 2020. However, and although Section 36(1) of University Act, No.42 of 2012 requires the Cabinet Secretary to appoint the University Council, the Cabinet Secretary delayed in appointing the Council Members who were later appointed on 4 November, 2020 about 8 months after the lapse of the former University Council term. As a result of the delay, the statement of financial position as at 30 June, 2020 and the Council Chairman's report,

statement of council member's responsibilities, statement of financial performance for the year under review were not signed by Council Chairman.

Further, in the absence of University Council, its functions such as; managing the assets of the University, general oversight, finance, determining the provisions to be made for capital and recurrent expenditure and for reserves of the University, receive any grants, donations or endowments on behalf of the University and establishing and reviewing the University's strategies and goals or approving collaboration or linkages with other bodies or organizations within or outside Kenya among others may have been adversely affected.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern 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 resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


03 December, 2021

XII. STATEMENT OF FINANCIAL PERFORMANCE

KARATINA UNIVERSITY			
STATEMENT OF FINANCIAL PERFORMANCE			
FOR THE PERIOD ENDING 30TH JUNE 2020			
INCOME	Notes	2019/2020	2018/2019
		Kshs.	Kshs.
Revenue from Non Exchange Transaction			
Government Grants	4	805,879,439	705,924,892
Amortization of Granted Assets	5	7,999,595	8,195,237
Donations	6	733,555	697,800
		814,612,589	714,817,929
Revenue from Exchange Transaction			
Tuition and Related Charges	7	272,384,640	300,354,156
I.G.A and Other Incomes	8	39,931,865	25,146,261
		312,316,505	325,500,417
Total Income		1,126,929,094	1,040,318,346
EXPENDITURE			
Administration Expenses	9	120,054,601	151,901,104
Employment Expenses	10	687,731,316	708,469,791
Academic Expenses	11	91,868,318	129,462,693
Repairs and maintenance	12	4,638,780	7,659,346
Board Expenses	13	8,286,035	9,944,073
Finance Expenses	14	519,974	619,270
Depreciation and amortization expense	15	67,888,197	40,303,097
Total Expenditure		980,987,220	1,048,359,375
Surplus /(Deficit)		145,941,874	(8,041,029)

The statement of financial performance is to be read in conjunction with notes to and forming part of financial statements set out on pages 21 to 31.

CPA Grace Kakiya (M/No. 7315)
Ag. Finance Officer



Prof. Mucai Muchiri, PhD
Vice Chancellor

.....
Chairman of Council

XIII. STATEMENT OF FINANCIAL POSITION

KARATINA UNIVERSITY				
STATEMENT OF FINANCIAL POSITION				
AS AT 30TH JUNE 2020				
	Notes	2019/2020	2018/2019	
		Kshs.	Kshs.	
Current Assets				
Cash & Bank Balances	16	180,779,986	159,083,970	
Prepayments- restated	17	5,526,141	5,827,563	
Receivable from exchange transaction	18	101,719,916	91,219,211	
Receivable from non-exchange transaction	19	84,216,479	68,038,421	
Inventories-restated	20	13,316,215	11,129,715	
Total Current Assets		385,558,737	335,298,880	
Non-Current Asset				
Biological Assets	21	4,569,244	4,432,884	
Property, Plant & Equipment	22	1,909,456,484	932,080,724	
Intangible Assets- Computer software	23	2,705,213	2,570,964	
Capital Work in Progress	24	175,032,515	1,134,463,003	
Total Non-Current Assets		2,091,763,457	2,073,547,575	
Total Assets		2,477,322,194	2,408,846,455	
Current Liabilities				
Trade & Other Payables - restated	25	88,262,942	277,384,823	
Current Deferred Income	5b	7,999,595	8,195,237	
Provisions	26	19,895,417	16,167,521	
Total Current Liabilities		116,157,954	301,747,581	
Non-Current Liabilities				
Deferred Income – Grant	5b	122,891,787	129,863,369	
Total Non-Current Liabilities		122,891,787	129,863,369	
Capital Funds				
Accumulated Capital Fund	27	1,557,900,556	1,445,224,082	
Revenue Reserve	28	132,975,661	(29,805,501)	
Revaluation Reserve	29	547,396,236	561,816,923	
Total Capital Fund		2,238,272,453	1,977,235,505	
Total Funds & Liabilities		2,477,322,194	2,408,846,455	

The financial statements set out on this page were signed on behalf of Council by:



Prof. Mucai Muchiri, PhD
Vice Chancellor

.....
Chairman of Council

The statement of financial position is to be read in conjunction with notes to and forming part of financial statements set out on pages 21 to 31.

XIV. STATEMENT OF CHANGES IN NET ASSETS

KARATINA UNIVERSITY					
STATEMENT OF CHANGES IN NET ASSET					
AS AT 30TH JUNE 2020					
		Accumulated Capital Fund	Revenue Reserve	Revaluation Reserve	Total
		Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 30/06/18		1,177,786,095	(22,526,466)	577,277,404	1,732,537,033
Surplus/Deficit for the period		-	(8,041,029)	-	(8,041,029)
Transfer of amortized revalued PPE		-	15,460,481	(15,460,481)	-
Prior year adjustment of student balances		-	(12,019,988)	-	(12,019,988)
Prior year adjustment on telephone allowance		-	(602,742)	-	(602,742)
Valuation of Biological Assets		-	161,280	-	161,280
Prior year adjustment on inventory (games & sports)			405,725		405,725
Prior year adjustment Medical expenditure	b		(2,614,894)		(2,614,894)
Prior year adjustment on staff prepayment	b		(27,868)		(27,868)
Capital Grants		267,437,987	-	-	267,437,987
Balance as at 30.06.19		1,445,224,082	(29,805,501)	561,816,923	1,977,235,505
Surplus/Deficit for the period		-	145,941,874	-	145,941,874
Transfer of amortized revalued PPE		-	14,420,688	(14,420,688)	-
Valuation of Biological Assets		-	136,360	-	136,360
Prior year adjustment of student balances			(233,350)		(233,350)
Unrealized Tea farm bonuses	a	-	(488,074)	-	(488,074)
Decrease in Leave Provisions		-	2,372,294	-	2,372,294
Prior year adjustment on Catering Income	b		631,370		631,370
Capital Grants		112,676,474	-	-	112,676,474
Balance as at 30.06.20		1,557,900,556	132,975,661	547,396,236	2,238,272,452

- a) The excepted bonuses for Tea income recognized in the year 2018/2019 were reduced from Kshs 40 to Kshs 26 per Kg harvested and delivered to the tea processing plant. As a result, the University has recognized the reduction in Tea bonuses.
- b) These are prior year adjustments entries that result from recognition of expenditure/income in the FY 2019/2020 instead of 2018/2019FY.

XV. STATEMENT OF CASH FLOWS

KARATINA UNIVERSITY			
STATEMENT OF CASHFLOWS			
AS AT 30TH JUNE 2020			
	Notes	2019/2020	2018/2019
		Kshs.	Kshs.
Cash flow from Operating activities			
Surplus		145,941,874	(8,041,029)
Adjustment For			
Depreciation & Amortization	14	67,888,197	40,303,097
Loss of Biological Asset	8	-	505,552
Amortization of Granted Assets	4	(7,999,595)	(8,195,237)
Prior year adjustment of creditors		631,370	-
Decrease in Provision for Leave		2,372,294	
Overstated student Income		(233,350)	(12,019,988)
Prior year adjustment on telephone allowance		-	(602,742)
Prior year adjustment Medical expenditure			(2,614,894)
Prior year adjustment on inventory (games & sports)			405,725
Prior year adjustment on staff prepayment			(27,868)
Unrealized Tea farm bonuses		(488,074)	
		208,112,716	9,712,616
Operating Activities			
Change in:-			
Inventories	20	(2,186,500)	(1,786,594)
Receivable from exchange transaction	18	(10,500,704)	(1,814,023)
Receivable from non-exchange transaction	19	(16,178,058)	(68,038,421)
Prepayments	17	301,422	(791,433)
Accounts Payable	25	(189,121,880)	69,967,545
Provisions	26	3,727,896	11,926,908
Cash From Operating Activities		(213,957,826)	9,463,981
Net Cash from Operating Activities		(5,845,110)	19,176,597
Investing Activities			
Property, Plant & Equipment	22	(1,043,532,788)	(34,005,039)
Capital Work-in-Progress	24	959,430,488	(170,719,337)
Intangible Assets- Computer software	23	(1,865,424)	(572,850)
Granted asset- Library Books	22	832,370	16,065,039
Net cash from investing activities		(85,135,353)	(189,232,186)
Financing Activities			
Capital Reserve		112,676,474	267,437,987
Net cash flow from financing activities		112,676,474	267,437,987
Net increase/(Decrease) In Cash & Cash Equivalents		21,696,016	97,382,398
Cash & Cash Equivalent at Start of Year	16	159,083,970	61,701,572
Cash & Cash Equivalent at End of the Period	16	180,779,986	159,083,970
Analysis of Cash & Cash Equivalents			
Cash & Bank Balances		180,779,986	159,083,970

The statement of financial position is to be read in conjunction with notes to and forming part of financial statements set out on pages 21 to 31.

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

KARATINA UNIVERSITY									
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 2020 (KSHS)									
S/No	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual	Performance Difference	%	Explanation of material variances	
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.			
	INCOME								
1	Exchequer Grants	721,662,960	84,216,479	805,879,439	805,879,439	-	-		
2	Tuition Fees and Related Charges	269,175,290	-	269,175,290	272,384,640	3,209,350	1		
3	Catering Services	13,000,000	-	13,000,000	7,847,007	(5,152,993)	-40		b
4	Research and Consultancies Income	47,580,710	-	47,580,710	22,944,425	(24,636,285)	-52		c
5	Farm Income	1,800,000	-	1,800,000	2,086,151	286,151	16		d
6	Other Income	5,000,000	-	5,000,000	7,054,282	2,054,282	41		e
7	Donations	-	-	-	733,555	733,555	-		
8	GOK Capital Grants	200,842,256	(88,165,782)	112,676,474	112,676,474	-	-		
		1,259,061,216	(3,949,303)	1,255,111,913	1,231,605,973	(23,505,940)	-33		
	EXPENDITURE								
	Personnel Emoluments								
1	Personnel Emoluments	676,875,546	84,216,479	761,092,025	659,621,600	101,470,425	13		
2	Casual Wages	25,000,000	-	25,000,000	21,685,471	3,314,529	13		
3	Gratuity	6,500,000	-	6,500,000	6,424,245	75,755	1		
	TOTAL P.E	708,375,546	84,216,479	792,592,025	687,731,316	104,860,709	13		f
	Board Expenses								
4	Council expenses	12,000,000	-	12,000,000	8,286,035	3,713,966	31		g
		12,000,000	-	12,000,000	8,286,035	3,713,966			
	Operating/ Administrative Expenses								
5	Stationery	3,730,250	-	3,730,250	2,628,834	1,101,416	30		
6	Vehicle Repairs & Maintenance	6,000,000	(2,500,000)	3,500,000	2,895,092	604,908	17		
7	Generator Fuel & Maintenance	2,000,000	500,000	2,500,000	2,302,814	197,186	8		
8	Fuel – Vehicles	6,000,000	(2,000,000)	4,000,000	3,595,647	404,353	10		
9	Office Expenses and Entertainment	624,000	-	624,000	508,958	115,042	18		
10	Postal Expenses	175,000	-	175,000	126,995	48,005	27		
11	Publishing & Printing	1,797,500	(1,200,000)	597,500	538,105	59,395	10		
12	Computer Expenses & Maintenance	750,000	200,000	950,000	943,294	6,706	1		
13	ISO Training & Implementation	2,300,000	(800,000)	1,500,000	1,247,249	252,751	17		
14	Shows & Exhibition Expenses	1,500,000	-	1,500,000	522,339	977,662	65		
15	Performance Contracting	944,500	-	944,500	706,843	237,657	25		

S/No	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual	Performance Difference	Explanation of material variances
	EXPENDITURE	Kshs.	Kshs.	Kshs.	Kshs.	%	
16	Legal Expenses	1,900,000	(1,000,000)	900,000	127,465	772,535	86
17	Strategic Plan Implementation & Monitoring & Review	1,000,000	(900,000)	100,000	-	100,000	100
18	Subscription to Professional Bodies	1,400,000	-	1,400,000	1,187,160	212,840	15
19	Professional Services	2,500,000	(1,700,000)	800,000	176,813	623,188	78
20	Newspaper & Journals	864,000	-	864,000	629,950	234,050	27
21	Cleaning/Sanitary Materials	1,800,000	-	1,800,000	1,412,931	387,069	22
22	Telephone Expenses	1,596,000	-	1,596,000	1,569,260	26,740	2
23	Insurance Expenses	6,916,012	-	6,916,012	6,323,890	592,122	9
24	Open Day & Cultural Celebration	400,000	-	400,000	202,921	197,080	49
25	Public Celebrations & Funerals	1,000,000	-	1,000,000	730,850	269,150	27
26	Staff Training Expenses	1,000,000	-	1,000,000	525,507	474,493	47
27	Security Services	10,000,000	-	10,000,000	10,226,640	(226,640)	-2
28	Water & Sewerage Expenses	4,500,000	-	4,500,000	3,217,594	1,282,406	28
29	Electricity Expenses	12,000,000	-	12,000,000	11,780,478	219,523	2
30	Rent & Rates	14,862,519	-	14,862,519	11,947,924	2,914,595	20
31	Uniforms	412,500	-	412,500	268,719	143,781	35
32	Medical Expenses	25,000,000	(1,500,000)	23,500,000	18,450,175	5,049,825	21
33	Advertising & Publicity	3,000,000	-	3,000,000	1,637,516	1,362,484	45
34	Internet Services	19,700,000	(2,500,000)	17,200,000	16,874,605	325,395	2
35	Farm Expenses	1,300,000	-	1,300,000	1,252,564	47,436	4
36	Catering Expenses	13,000,000	-	13,000,000	10,193,156	2,806,844	22
37	Audit Fees	700,000	-	700,000	-	700,000	100
38	Travelling & Accommodation	3,966,750	-	3,966,750	3,479,325	487,425	12
39	External Travelling	1,000,000	-	1,000,000	541,792	458,208	46
40	Resource Mobilization	1,000,000	-	1,000,000	807,264	192,736	19
41	Pension Scheme Administration	1,400,000	(1,300,000)	100,000	-	100,000	100
42	COVID-19 Preventive Measures	-	2,000,000	2,000,000	244,900	1,755,100	88
		158,039,031	(12,700,000)	145,339,031	119,825,566	25,513,465	18
	Academic expenses						H
43	Students Activities	2,500,000	2,500,000	5,000,000	4,752,287	247,713	5
44	Curriculum Development/Review	1,000,000	-	1,000,000	844,437	155,563	16
45	External Examiners	2,500,000	-	2,500,000	1,912,925	587,075	23

S/N	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual	Performance Difference	Explanation of material variances
		Kshs.	Kshs.	Kshs.	Kshs.	%	
46	EXPENDITURE						
46	Graduation Expenses	8,000,000	-	8,000,000	4,061,775	3,938,226	49
47	Industrial Attachment/ Teaching Practice	9,000,000	6,600,000	15,600,000	11,330,539	4,269,461	27
48	Games & Sports	2,000,000	-	2,000,000	1,604,358	395,643	20
49	Library Subscription	1,600,000	-	1,600,000	778,451	821,549	51
50	Senate & Deans Committees	500,000	-	500,000	541,640	(41,640)	-8
51	University Committees	2,300,000	-	2,300,000	2,015,367	284,633	12
52	Teaching Materials	3,000,000	-	3,000,000	1,350,951	1,649,049	55
53	Field Trip	8,000,000	1,200,000	9,200,000	7,390,124	1,809,876	20
54	Research Expenses	45,000,000	-	45,000,000	9,002,234	35,997,766	80
55	Botanical Garden	50,000	-	50,000		50,000	100
56	Part-time Teaching Expenses	28,913,750	3,600,000	32,513,750	37,160,911	(4,647,161)	-14
57	Examination Materials	2,500,000	500,000	3,000,000	2,385,638	614,362	20
58	Seminars & Conferences	1,000,000	-	1,000,000	1,073,208	(73,208)	-7
59	Annual International Conference	500,000	-	500,000	50,174	449,826	90
60	Placement Board Charges	2,017,500	2,000,000	4,017,500	1,999,500	2,018,000	50
64	Accreditation for Programmes	1,000,000	-	1,000,000	320,000	680,000	68
61	CUE Student Accreditation Fee	1,345,000	1,400,000	2,745,000	1,899,900	845,100	31
62	Nursing Skills Lab	5,920,000	-	5,920,000	709,259	5,210,742	88
66	Tea Institute Expense	1,000,000	-	1,000,000	282,992	717,008	72
63	University Linkages- Entrepreneurial Concept	1,500,000	(1,000,000)	500,000	9,730	490,270	98
65	Counselling Services	200,000	-	200,000	180,520	19,480	10
67	Community Engagement	500,000	-	500,000	211,400	288,600	58
		131,846,250	16,800,000	148,646,250	91,868,318	56,777,932	38
	Repairs and Maintenance						
68	General Refurbishment	3,000,000	1,800,000	4,800,000	3,774,261	1,025,739	21
69	Maintenance of Building	800,000	-	800,000	248,984	551,016	69
70	Maintenance of Plant & Equipment	500,000	400,000	900,000	565,435	334,565	37
71	Maintenance of Play Grounds	500,000	200,000	700,000	-	700,000	100
72	Maintenance of Catering equipment	137,500	-	137,500	18,600	118,900	86
73	Maintenance of Hostel equipment	137,500	-	137,500	-	137,500	100
74	Water Supply Equipment	65,000	-	65,000	31,500	33,500	52
		5,140,000	2,400,000	7,540,000	4,638,780	2,901,220	38

Total		1,015,400,827	90,716,479	1,106,117,306	912,350,015	193,767,291	
S/No	DESCRIPTION	Original Budget	Adjustments	Final Budget	Actual	Performance Difference	Explanation of material variances
	EXPENDITURE	Kshs.	Kshs.	Kshs.	Kshs.	Kshs. %	
	Purchases						
75	Installation of Solar Panels	4,152,000	(1,800,000)	2,352,000		2,352,000 100	
76	Purchase of Computer	3,300,000	(2,500,000)	800,000	215,280	584,720 73	
77	Purchase of Library Books	4,000,000	-	4,000,000	3,710,469	289,531 7	
78	Purchase of Motor Vehicle	13,500,000	-	13,500,000	13,500,000	-	
79	Purchase of Plant & Equipment	2,200,000	-	2,200,000	1,932,780	267,220 12	
80	Purchase of Furniture	3,216,133	(2,000,000)	1,216,133	767,740	448,393 37	
81	Purchase of Medical equipment	450,000	-	450,000		450,000 100	
82	Purchase of Sports Equipment	1,000,000	-	1,000,000		1,000,000 100	
83	Purchase of Lab Equipment	6,000,000	-	6,000,000	3,937,842	2,062,158 34	
84	ICT Infrastructure -Software	5,000,000	(200,000)	4,800,000	1,865,424	2,934,576 61	
		42,818,133	(6,500,000)	36,318,133	25,929,535	10,388,598 29	k
	Development						
85	Loan & Interest Repayment	-	-	-			
86	Work in Progress	200,842,256	(88,165,782)	112,676,474	112,676,474	- 0	
		200,842,256	(88,165,782)	112,676,474	112,676,474	-	
	Total	1,259,061,216	(3,949,303)	1,255,111,913	1,050,956,024	204,155,889	
	Surplus	-	-	-	180,649,950		l

Notes to the Statement of comparison of budget and actual amounts

a) Changes between the original and final budget

There is a change between original and final budget which was occasioned by an increase in appropriation by Kshs 84M to cater for 2017-2021 Collective Bargaining Agreements (CBAs) for the three unions; UASU, KUSU and KUDHEIHA. In addition, there was a reduction of University's development budget by Kshs 88M during the fourth quarter. Lastly, the other votes were realigned to cater for unforeseen expenditure in respect to COVID -19 prevention measures and operations guided by the "new normal" way of working.

b) Catering Services

During the reporting period, incomes from catering services had unfavorable variance of Kshs. 5.1M. This was occasioned by unforeseen closure of the University as a result of the global pandemic of COVID -19. Therefore, the University could not realize the projected catering income because the students were at home.

c) Research and Consultancies Income

The University expected to receive Kshs. 47.5M from research and consultancies activities during the reporting period. However, the realized funds were Kshs. 22.9M resulting to unfavorable variance of Kshs. 24.6M. Members of staff have written proposals for research and consultancies and the same are under consideration by various sponsors.

d) Farm income

Favorable variance was reported under farm income as a result of improved harvest of the tea during the period. In addition, there has been an increase in milk production.

e) Other incomes

Other incomes had favorable variance of Kshs 2M during the reporting period. This was occasioned by hosting academic conferences in the University which generated funds.

f) Personnel emoluments

The University has an overall favourable variance of 13% as result of national CBAs that had been projected to be finalized and funded by June 2020. However, the funds were received in July 2020. Consequently, implementation of the CBAs will occur in 2020/21 FY.

g) Board expenses

The vote for council expenses has a favourable variance of Kshs 3.7M. This is because the term of service of Council members present during the FY expired in March 2020. Therefore, the University did not hold council meetings in the last quarter.

h) Administrative expenses

Some administrative activities that had been targeted for March 2020 and the fourth quarter of 2019/2020 FY were not achieved as a result of closure of the University in the month of March 2020. Consequently, an overall favourable variance of 18% was reported.

i) Academic expenses

The University resulted to online teaching and engagements with students and academic staff as a measure of mitigating against spread of COVID-19. In addition, some academic activities such as laboratory practicals, field trips/ courses, teaching practice and field attachments have been put on hold until the normalcy resumes. Consequently, most of the academic interactions were carried out via online platforms resulting to a favourable variance of 38%.

j) Repairs and maintenance

The University operated with minimal staff during its closure from March 2020 and only essential services were being carried out. This resulted to an overall favourable variance of 38% in repairs and maintenance.

k) Purchase of assets

Purchases that could be complete during the COVID -19 pandemic were suspended. In addition, the partial lockdowns experienced in the Country in the 4th Quarter affected the delivery of some of the supplies that were being expected.

l) Budget Surplus

The overall budget surplus reported in the statement of comparison of budget vs actuals is a result of supplementary allocation in the month of June 2020 for funding CBAs. This is in addition to suspension of some academic activities due to the COVID-19 pandemic.

XVII. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30TH JUNE 2020

1. GENERAL INFORMATION

Karatina University is established by and derives its authority and accountability from Universities Act of 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. It operates within the mandate of the Ministry of Education which provides the general policy and strategic direction on Kenya's higher education.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with the PFM Act 2012, the Universities Act 2012 and International Public Sector Accounting Standards (IPSAS). The preparation of financial statements is in conformity with IPSAS which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements have been disclosed in the respective notes to the financial statements. The financial statements have been prepared on a historical cost basis except for property, plant and equipment measured at re-valued amounts, financial instruments at fair value and impaired assets at their estimated recoverable amounts.

The financial statements are prepared on accrual basis and presented in Kenya shillings, which is the functional and reporting currency of the University and all values are rounded to the nearest whole number. The accounting policies have been consistently applied to all the years presented. The cash flow statement is prepared using the indirect method.

3. ADOPTION OF NEW AND REVISED STANDARDS

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions; in that case they are treated as stipulated in IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

NB/ This standard will not be applicable to the University's operations

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The standard establishes principles for 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. This standard will the University to apply a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and indicate the objective for which the asset is held.

NB/ This standard will be applicable to the University's operations in 2022

Standard	Effective date and impact:
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of information that a reporting entity provides in its financial statements about social benefits. Social benefits are cash transfers paid to specific individual to mitigate the effect of social risk.

NB/ This standard will not be applicable to the University's operations

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2022 <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

NB/ This standard will not be applicable to the University's operations

Standard	Effective date and impact:
Other Improvements to IPSAS	<p>Applicable: 1st January 2021</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks 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 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. 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

NB/ This standard will not be applicable to the University's operations

c) Early adoption of standards

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

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Government grants

Government grants are recognized as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis (IPSAS 23)

Donations

Donations have been recognized as income over the period they have been received to match with the related cost or assets intended to compensate for.

Deferred income

Deferred income recognized in the books is as a result of amortization of granted assets and the asset recognition criteria are met. Grants received for the purchase of fixed assets or

donated assets are recognized as deferred income and transferred to the surplus or deficit over the expected useful lives of the respective assets.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The University has recognized incomes to include student tuition fees and related charges for the period in which it is earned

a) Budget information – IPSAS 24

The original budget for FY 2019/2020 was approved by the University Council in July 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with approvals from Council. The additional appropriations are added to the original budget by the University upon receiving approval of National Treasury in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs 84M for recurrent expenditure and decline in appropriations of Kshs 88M on the 2019/2020 FY for development budget. The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the University. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. The institution will provide an explanation of differences between actual and budgeted amounts under or above 10%.

c) Property, Plant and Equipment - IPSAS 17

Property, plant and equipment are stated at cost and subsequently shown at market value based on valuations by external independent valuer less subsequent depreciation and impairment losses. Increases in the carrying amounts arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve, all other decreases are charged to the statement of comprehensive income. University land is freehold property and not subjected to amortization. Depreciation on other property is charged so as to write off the value of the assets during their estimated useful life, using straight line method. Assets are subjected to a full year's depreciation except those acquired within the last three months of the year. The annual rates are:

Buildings	2.5%
Furniture, Plant and Equipment	12.5%
Library Books	12.5%
Motor Vehicles	25%
Computers and peripheral devices	30%

In the event of disposal of revalued assets, any revaluation surplus will be transferred directly to retained earnings.

b) Leases

Leases are categorized into finance leases and operating leases. The University has operating leases in respect to rented premises. Under operating leases the lessor effectively retains the risks and rewards of ownership. Obligations incurred under operating leases are charged as an operating expense in surplus or deficit on a straight line basis over the lease period.

c) Intangible assets – IPSAS 31

Computer Software has been recognized at cost as intangible assets. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful life of the intangible assets is assessed finite for a period of three years. The assets are subjected to a full year's depreciation except those acquired within the last three months of the year at a rate of 30%.

d) Work in progress

Work in progress represents properties (buildings) under construction. It is carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use on the same basis as other buildings.

e) Inventories –IPSAS 12

Inventories are stated at lower of cost and net realizable value. Costs include direct material and where applicable direct labour and those overheads that have been incurred to bring the inventories to their present location and condition. Costs of issues are calculated using 'First In First Out' (FIFO) method. Net realizable value represents the estimated selling prices less all estimated costs of disposal

f) Biological assets

Biological assets are measured on initial recognition at balance sheet date at its fair value less estimated point of sale costs as per IPSAS (27). A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in surplus or deficit for the period in which it arises. Biological assets for the University comprises of tea bushes and cows refer to note 21 for details.

g) Receivables

Receivables are recognized when commitments are effected at their nominal value.

h) Cash and cash equivalents

Cash and cash equivalent are defined as Cash balances, Bank balances and short term investments (Fixed deposits). Bank balances entails amounts held at various banks at the end of the financial year. For the purposes of cash flow statement, cash and cash equivalent consist of cash and bank balances.

i) Retirement benefits obligations (IPSAS 25)

Karatina University is operating under Moi University Pension Scheme because it was nurtured by Moi University before being chartered to fully fledged University. A majority of its members of staff during inception had transferred their services to Karatina University and they opted to remain in Moi University Pension Scheme. The Scheme is funded by defined contribution scheme based on the basic salary from both employees and employer at a rate of 7.5% and 15 % respectively.

The University also contributes to the statutory National Social Security Fund (N.S.S.F.). This is a defined contribution scheme registered under N.S.S.F. Act. The University's obligations under this scheme are limited to specific contributions legislated from time to time and currently limited to a maximum of Kshs 200.00 per employee per month, while the employer contributes Kshs 200.00 per month. The University's obligation to staff retirement benefit schemes are charged to income statement in the year to which they relate.

k) Changes in accounting policies and estimates – IPSAS 3

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.

l) Related Party Disclosures – IPSAS 20

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. The National Government, Members of Council and Members of Management are regarded as related parties in preparation of these financial statements.

Related party transactions during the year as tabulated below:

Related party transactions		Kshs
Members of Council	Note 13 - Board expenses	8,286,035
Members of Management	Note 10 - incorporated in the employment expenses	50,731,541
National Government	Note 4 - Recurrent grants	805,879,439
	Note 27 – Capital grants	112,676,474
	TOTAL	977,573,488

m) Comparative figures

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



n) Provisions – IPSAS 19

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the managements best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the effect is material. Where the University expects some or all of a provision to be reimbursed, 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 Refer to note 26.

o) Subsequent events

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

3.2 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the University's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the University's accounting policies are dealt with below:

Impairment losses

At each year end, the University reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the University estimates the recoverable amount of the cash generating unit to which the asset belongs.

Property and equipment

Critical estimates are made by the University council in determining depreciation rates for property and equipment.

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the University
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions bad and doubtful debt

The University provided for bad and doubtful debts at a rate of 2% of the debtors from exchange transactions. Where there is no certainty of a receivable, the amounts will be expensed after clear analysis of the account receivable and recorded as expenses. Additional disclosure of these estimates of provisions is included in Note 18. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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. The contingent liabilities for the year are tabulated below: -

Contingent liabilities	2019/2020	2018/2019
Description	Kshs	Kshs
Part-time teaching claims	42,100,485	52,370,708
Court case against the University	1,628,593	497,073
Moi University - GoK Loan	194,129,972	194,129,972
Rent- Nairobi liaison office	1,616,914	
Total	239,475,964	246,997,753

The University has disclosed Kshs 26.02M being amounts owed to part-time lecturers who have claimed for payment. However, there's an additional Kshs 42.1M owing to unclaimed PSSP part-time payments. Also, the University may take up a loan of Kshs 194M that was used to acquire granted assets from Moi University once it gets consent from National Treasury. In addition, the loan had accrued interest of Kshs 22M as at 31st December, 2018 which the University will be required to take up. Besides, the University closed its Nairobi liaison office in Jan 2020 and has rent due for the period October 2019- January 2020. Lastly, the details for the courts have been indicated under Management discussion and analysis on pages xxv and xxvi.

Contingent assets

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

Contingent assets	2019/2020	2018/2019
Description	Kshs	Kshs
Staff Bond	5,162,798	5,662,798
Total	5,162,798	5,662,798

The University has disclosed Kshs 5.16M being bond sum for a member of staff who went for further studies and is yet to resume to the University to offer his services after resumption from study leave.

3.3 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the University. The University's credit risk is primarily attributable to its receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings.

Receivables	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
KTDA Bonus Payment	935,331	935,331	-	-
Student Balances	100,353,678	67,517,362	32,836,316	-
Moi University	2,254,226	2,254,226	-	-
Total	103,543,235	70,706,919	32,836,316	-
At 30 June 2019				
KTDA Bonus Payment	1,368,286	1,368,286	-	-
Student Balances	88,901,927	88,901,927	-	-
Moi University	2,254,226	2,254,226	-	-
Total	92,524,439	92,524,439	-	-

(ii) Liquidity risk management

The University's financial liabilities are categorized as general creditors, part time payments, contractors' fees and retention amounts. The amounts disclosed in the financial position are the contractual undiscounted carrying amounts due within 12 months and the impact of discounting is not significant.

Payables	Less than 1 month	Between 1-3 months	Over 5 months	Total
At 30 June 2020	Kshs	Kshs	Kshs	Kshs
Trade Creditors	657,034	490,990	2,357,634	3,505,658
Part time lecturers	-	-	26,016,800	26,016,800
Contractors balance	4,915,586	-	-	4,915,586
Contractors' Retention	-	-	13,353,790	13,353,790
Total	5,572,620	490,990	41,728,224	47,791,834
At 30 June 2019				
Trade Creditors	8,948,893	5,714,729	23,193,786	37,857,408
Part time lecturers	-	-	123,400,414	123,400,414
Contractors balance	30,002,408	-	-	30,002,408
Contractors' Retention	-	-	31,069,341	31,069,341
Total	38,951,301	5,714,729	177,663,541	222,329,571

(iii) Market risk

Council has put in place an internal audit function to assist in assessing the risks faced by the University on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risks in respect to interest rates and foreign exchange rates will affect the University's income or value held by the financial instruments. The overall responsibility for managing market risk rests with the Audit and Risk Management Committee. There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

Foreign exchange risk

The University is exposed to foreign exchange risk because it has revenues earned and expenses incurred denominated in foreign currency, primarily the US dollar. It also arises from exchange rate differences between when the currency is received from sponsors and when it is recognized in the books of accounts. The University bank accounts are denominated in Kenya Shillings and transaction will be reflected depending on the transaction day spot rate.

Interest rate risk

The University is exposed to interest rate risk arising from bank deposits. This exposes the institution to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on deposits. To manage the interest rate risk, the University management usually negotiates for favourable interest rates with the bank.

Sensitivity analysis

The University conducts its interest rate exposure by conducting a sensitivity analysis. Using the end year figure on fixed deposit in respect to bank guarantee for fuel of Kshs. 1,120,000.00, in case the current floating interest rates increase/ decrease by 1%, interest income reported in the statement of comprehensive income will increase or decrease by Kshs 11,200. The net effect will either increase the surplus to Kshs. 145,953,074 or decrease to Kshs. 145,930,674.

Note 4: Government Grants		2019/2020	2018/2019
		Kshs.	Kshs.
July		60,138,580	54,242,047
August		60,138,580	54,242,047
September		60,138,580	54,242,047
October		60,138,580	54,242,047
November		60,138,580	50,987,524
December		60,138,580	50,987,524
January		60,138,580	53,157,206
February		60,138,580	53,157,206
March		60,138,580	49,902,682
April		60,138,580	54,242,047
May		60,138,580	54,242,047
June		60,138,580	54,242,047
June - Supplementary funds		84,216,479	68,038,421
		805,879,439	705,924,892
Note 5(a): Deferred Income- Granted Assets		Kshs	Kshs
Deferred Income B/Forward		138,058,607	130,188,805
Additional Granted Assets		832,370	16,065,039
Amortization of Granted Assets		(7,999,595)	(8,195,237)
Deferred Income C/Forward		130,891,382	138,058,607
Note 5(b): Deferred liability-Granted Assets		Kshs	Kshs
Current Deferred income		7,999,595	8,195,237
Long-term deferred income		122,891,787	129,863,369
		130,891,382	138,058,607
The deferred income of Kshs 130,891,382 has been divided into two; Current deferred income of Kshs 7,999,595 which relates to the current year's amortization on granted assets and long term deferred income of Kshs 122,891,787 is in respect to capitalization of granted assets.			

		2019/2020	2018/2019
Note 6: Donations		Kshs	Kshs
Needy & Vulnerable Student Fund		733,555	697,800
		733,555	697,800
Note 7: Tuition and Related Charges		Kshs	Kshs
Tuition & Accommodation GSSP		224,048,115	238,204,085
Tuition & Accommodation PSSP		48,222,525	61,958,071
Student Application Fees		114,000	192,000
		272,384,640	300,354,156
Note 8: I.G.A and Other Incomes		Kshs	Kshs
Kitchen Food Sales		7,847,007	12,417,780
Tea Farm		1,569,826	2,862,316
Farm & Milk Sales		516,325	301,771
Laundry		-	715
Photocopier		-	407
Conference Facilities		5,558,415	378,000
Hire of Facilities		451,084	792,911
Fines		911,310	329,757
Interest from deposits		50,117	63,135
Insurance & Deposit refund		62,136	865,650
Research funds		19,480,612	6,876,942
Consultancy & Survey works		3,463,813	150,000
Gain/Disposal of assets		21,220	106,877
		39,931,865	25,146,261
EXPENDITURE		2019/2020	2018/2019
Note 9: Administration expenses		Kshs	Kshs
Stationery		2,628,834	3,297,064
Motor vehicle repairs		2,895,092	3,850,015
Generator fuel		2,302,814	3,909,184
Motor vehicle Fuel		3,595,647	6,243,875
Office expenses		508,958	1,055,519
Postage		126,995	160,480
Printing and Publishing		538,105	1,906,300
Computer & accessories maintenance expenses		943,294	455,853
ISO expenses		1,247,249	687,250
Shows and Exhibitions		522,339	612,668
Performance contracting		706,843	349,928
Legal expenses		127,465	706,350
Annual subscription and membership fee		1,187,160	704,110

EXPENDITURE		2019/2020	2018/2019
Note 9: Administration expenses		Kshs	Kshs
Cont'd			
Professional Services		176,813	1,365,022
Newspapers and Journals		629,950	1,072,155
Cleaning materials		1,412,931	1,828,448
Telephone		1,569,260	2,734,500
Insurance		6,323,890	6,554,738
Open & Cultural Celebrations		202,921	156,735
Public celebrations and funerals		730,850	337,887
Training expenses		525,507	977,064
Security		10,226,640	9,066,300
Water & Sewer		3,217,594	7,137,162
Electricity		11,780,478	10,638,321
Rent & Rates		11,947,924	24,760,575
Staff Uniforms		268,719	191,844
Medical Expenses		18,450,175	15,695,715
Advertising		1,637,516	2,655,129
Internet Charges		16,874,605	19,238,969
Farm Expenses		1,252,564	821,415
Catering Expenses		10,193,156	14,060,436
Audit Fees Expense		-	1,392,000
Loss of Tea bushes		-	413,712
Loss on Disposal of assets-(cows)		-	91,840
Traveling & Accommodation		3,479,325	4,314,152
External Travel & Accommodation		541,792	1,745,418
Provisions for bad and doubtful debts		229,035	47,924
Resource Mobilization		807,264	578,634
Pension administration		-	86,414
COVID -19 Preventive measures		244,900	-
		120,054,601	151,901,104
Note 10: Employment expenses		Kshs	Kshs
Payroll expenses		610,375,551	603,849,891
Pension Employer costs		49,246,049	48,624,795
Gratuity		6,424,245	29,833,439
Staff leave days provisions		-	6,270,938
Contract Staff expenses		21,685,471	19,890,727
		687,731,316	708,469,791
Employment expense relates to short-term employee benefits recognized during the period in which the employee renders the related service. The provisions for employee for annual leave represent the amount which the University has obligation to pay as a result of employees' services provided for at the reporting date. The provision has been calculated at undiscounted amounts based on the current salary rates.			

EXPENDITURE		2019/2020	2018/2019
Note 11: Academic Expenses		Kshs	Kshs
Students activities		4,752,287	1,912,003
Curriculum development/review		844,437	129,674
External Examiners		1,912,925	3,867,765
Graduation		4,061,775	5,812,340
Industrial Attachments/ Teaching Practice		11,330,539	10,334,717
Games & Sports		1,604,358	1,777,534
Subscription to E-library		778,451	1,083,489
Senate & Deans expenses		541,640	201,810
University Committees		2,015,367	3,147,002
Teaching materials		1,350,951	691,439
Field trips		7,390,124	10,350,141
Research Program		9,002,234	9,271,522
Part-time teaching expenses		37,160,911	71,915,586
Examination material		2,385,638	1,189,990
Seminars & Conferences		1,073,208	868,796
Annual International Conference		50,174	1,000,000
Placement Board charges		1,999,500	2,185,350
Accreditation for Programmes		320,000	960,000
CUE accreditation fees		1,346,000	1,252,000
NCK indexing		553,900	-
Nursing Skills Lab expenses		709,259	727,600
Tea Institute Expenses		282,992	466,354
Entrepreneurial Concept		9,730	-
Counseling services		180,520	89,898
Community Outreach		211,400	227,685
		91,868,318	129,462,693
Note 12: Repairs & maintenance costs		Kshs	Kshs
General Refurbishment		3,774,261	4,359,105
Maintenance of buildings		248,984	1,845,145
Maintenance of Catering / Hostel equipment		18,600	72,400
Maintenance of plant & Equipment		565,435	279,494
Maintenance of playground		-	12,165
Water Supply Expenses		31,500	1,091,037
		4,638,780	7,659,346
Note 13: Boards Expenses		Kshs	Kshs
Sitting Allowance		3,454,000	4,483,000
Travelling & Subsistence		1,799,219	2,039,063

Accommodation		2,177,625	2,784,600
Other expenses		855,191	637,410
		8,286,035	9,944,073
Other expenses refer to costs incurred in respect to stationery and meals served in lieu of lunch allowance during board meetings			
		2019/2020	2018/2019
Note 14: Finance Expenses		Kshs	Kshs
Bank Charges		519,974	619,270
		519,974	619,270
Note 15: Depreciation and amortization expense		Kshs	Kshs
Depreciation Buildings		36,534,717	11,048,000
Depreciation Computer & Accessories		4,422,205	4,194,641
Depreciation Library books		7,297,660	6,906,908
Depreciation Motor Vehicle		7,714,683	7,714,683
Depreciation Equipment & Furniture		10,187,758	9,354,346
Amortization of intangible assets- Computer Software		1,731,173	1,084,519
		67,888,197	40,303,097

		2019/2020	2018/2019
Note 16: Cash & Bank Balances		Kshs.	Kshs.
Co-operative Bank of Kenya- Cash at bank		73,724,397	33,447,753
Kenya Commercial Bank - 1138274968		1,140,806	1,145,346
Kenya Commercial Bank-1106185382		60,873,564	87,094,471
Equity Bank- Cash at Bank		43,921,219	36,276,400
Fixed Deposit (Bank Guarantee- Fuel)		1,120,000	1,120,000
Total Cash & Bank Balances		180,779,986	159,083,970

Cash and cash equivalent comprises of cash at bank, cash at hand and fixed deposits in respect to a bank guarantee for fuel being provided by Vivo Energy Ltd. The fixed deposit has a maturity period of one year and it earns interest at 5.25%.

			.
Note 17: Prepayments		Kshs.	Kshs.
Deposits :Fuel (Kenol Kobil)		0	1,026,750
Deposits : Rent (Nairobi Liaison Office)		2,902,774	2,992,367
Prepayment : Insurance		1,486,432	1,071,688
Staff prepayments and debtors		1,136,935	736,758
Total Prepayments		5,526,141	5,827,563

The University has two active lease arrangements for providing teaching facilities i.e. Telkom Building at Karatina town - hosting School of Business & Ragati Tea Factory premises at Itiati hosting School of Education and Social Sciences. The Liaison office at View Park Towers in Nairobi was closed in the month January 2020. The lease payments terms require the University to pay a one off three months' deposit at the beginning of the lease and a standard amount of rent quarterly in advance.

Additional information on the leases are as indicated below:

Contract	Lease Period	Escalation Clause	Renewable Clause	Future lease Aggregate Amount
Telkom Kenya Ltd	1/10/2018-30/09/2024	5% Per Annum	Renewable	32,850,057.60
Ragati Tea Factory	1/10/2017-30/09/2023	5% Biannual	Renewable	9,841,150.00

NSSF-View Park Towers	1/10/2014-30/09/2020	20% Biannual	Closed	-
Total minimum Future aggregate payment				42,691,207.60
The annual leases payments were accounted as expenses under rent and rates in the administration expenses while the deposits are accounted as current assets.				
Staff prepayments relate to funds paid in advance to members of staff due to salaries, gratuities and in lieu of exit notices.				
		.		
			2019/2020	2018/2019
Note 18: Receivables from exchange transactions			Kshs.	Kshs.
KTDA Tea Bonus for 2019/20 FY & sales for the month of June 2020			935,331	1,368,286
Student Balances			100,353,678	88,901,927
Moi University			2,254,226	2,254,226
Imprest Debtors			183,754	472,811
			103,726,989	92,997,250
Provisions for bad and doubtful debts			2,007,074	1,778,039
			101,719,916	91,219,211
.				
Note 18 (b) Receivables from exchange transactions			Kshs.	Kshs.
Student Balances			100,353,678	88,901,927
Provisions for bad and doubtful debts			2,007,074	(1,778,039)
Net Student Balances			98,346,604	87,123,888
			.	
Note 19: Receivables from non-exchange transactions			Kshs.	Kshs.
MoE - Capitation June			84,216,479	68,038,421
			84,216,479	68,038,421
Note 20: Inventories			Kshs.	Kshs.
Central stores			3,829,338	3,605,319
Medical			3,352,976	1,841,762
Laboratory reagents			5,028,411	4,878,243
Catering			477,181	398,667
Games & Sports			628,310	405,725
			13,316,215	11,129,715
Note 21: Biological Assets			Kshs.	Kshs.
Tea Bushes			3,888,144	3,888,144
Cows			681,100	544,740
			4,569,244	4,432,884
The University has bearer biological assets in respect to cows and tea bushes. The tea bushes plantation is for agricultural produce on 9 acres of land and their value is determined by the number of bushes. In addition, the University has 6cows for milk production, 3 heifers, 1 bull and 3 bull calves.				

KARATINA UNIVERSITY									
FIXED ASSET SCHEDULE AS AT 30 TH JUNE 2020									
Note (22a)		LAND	BUILDINGS	COMPUTER & ACCESSORIES	LIBRARY BOOKS	MOTOR VEHICLES	EQUIP & FURNITURE	TOTAL	
COST		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
BAL AS AT 30.6.2018		359,000,000	478,547,647	78,578,887	47,129,699	79,943,646	124,136,310	1,167,336,189	
ADDITIONS		-	-	2,498,293	7,826,670	-	7,615,039	17,940,002	
GRANTED ASSETS		-	-	-	16,065,039	-	-	16,065,039	
BAL AS AT 30.6.2019		359,000,000	478,547,647	81,077,180	71,021,408	79,943,646	131,751,349	1,201,341,230	
ADDITIONS			1,019,468,674	215,280	2,878,099	13,500,000	6,638,362	1,042,700,415	
GRANTED ASSETS		-	-	-	832,370	-	-	832,370	
BAL AS AT 30.6.2020		359,000,000	1,498,016,321	81,292,460	74,731,877	93,443,646	138,389,711	2,244,874,015	
DEPRECIATION									
ACCUMULATED DEPRECIATION 30.6.2018		-	39,389,646	67,398,271	16,064,754	51,013,583	56,175,675	230,041,929	
AMORTISATION FOR THE YEAR			3,788,912	-	4,107,577	-	298,748	8,195,237	
DEPRECIATION FOR THE YEAR			2,069,627	3,431,087	2,799,206	1,597,049	5,665,889	15,562,859	
AMORTIZATION OF REVALUED AMOUNTS			5,189,461	763,553	125	6,117,634	3,389,708	15,460,482	
TOTAL DEPRECIATION 30.06.2019		-	11,048,000	4,194,641	6,906,908	7,714,683	9,354,346	39,218,578	
ACCUMULATED DEPRECIATION 30.6.2019		-	50,437,646	71,592,911	22,971,662	58,728,266	65,530,021	269,260,507	
AMORTISATION FOR THE YEAR			3,788,913		4,210,682			7,999,595	
DEPRECIATION FOR THE YEAR			28,669,336	3,585,453	3,086,853	1,597,049	6,798,050	43,736,791	
AMORTIZATION OF REVALUED AMOUNTS			4,076,468	836,752	125	6,117,634	3,389,708	14,420,688	
TOTAL DEPRECIATION 30.6.2020		-	36,534,717	4,422,205	7,297,660	7,714,683	10,187,758	66,157,024	
ACCUMULATED DEPRECIATION 30.6.2020		-	86,972,363	76,015,117	30,269,322	66,442,949	75,717,779	335,417,531	
Net Book Value 30.6.2020		359,000,000	1,411,043,958	5,277,343	44,462,555	27,000,696	62,671,932	1,909,456,484	
Net Book Value 30.6.2019		359,000,000	428,110,001	9,484,268	48,049,746	21,215,379	66,221,328	932,080,724	

The figure for depreciation charge for the year reflected in note 15 includes amortization of intangible assets of Kshs. 1,731,173 which is reflected in note 23.

KARATINA UNIVERSITY							
SUMMARY OF GRANTED ASSETS AS AT 30 TH JUNE 2020							
Note (22b)	LAND	BUILDINGS	COMPUTER & ACCESSORIES	LIBRARY BOOKS	MOTOR VEHICLE	EQUIP & FURNITURE	TOTAL
BALANCE AS AT 30.6.2018	10,796,000	151,556,510	-	21,394,397	16,417,705	4,251,053	204,415,665
ADDITIONS				16,065,039		-	16,065,039
BALANCE AS AT 30.6.2019	10,796,000	151,556,510	-	37,459,436	16,417,705	4,251,052	220,480,703
ADDITIONS				832,370		-	832,370
BALANCE AS AT 31.06.2020	10,796,000	151,556,510	-	38,291,806	16,417,705	4,251,052	221,313,073
DEPRECIATION							-
ACCUM AMORTIZATION 30.6.2018	-	49,061,616.3	-	4,795,236.1	16,417,705.0	3,952,302.1	74,226,859.5
AMORTIZATION FOR THE YEAR		3,788,912	-	4,107,577		298,749	8,195,238
ACCUM AMORTIZATION 30.6.2019	-	52,850,528	-	8,902,813	16,417,705	4,251,052	82,422,097
AMORTIZATION FOR THE YEAR	-	3,788,913	-	4,210,682	-	-	7,999,595
ACCUM AMORTIZATION 30.06.2020	-	56,639,441	-	13,113,495	16,417,705	4,251,052	90,421,692
NBV AS AT 30.06.2020	10,796,000	94,917,069	-	25,178,311	-	-	130,891,380
NBV AS AT 30.6.2019	10,796,000	98,705,982	-	28,556,623	-	-	138,058,605

Note 23 :Intangible Assets- Computer Software		
COST		Kshs.
BAL AS AT 30.6.2018		17,450,315
ADDITIONS		572,850
BAL AS AT 30.6.2019		18,023,165
ADDITIONS		1,865,424
BAL AS AT 30.6.2020		19,888,589
ACCUMULATED AMORTIZATION 30.6.2018		14,367,682
AMORTIZATION FOR THE PERIOD		1,084,521
ACCUMULATED AMORTIZATION 30.6.2019		15,452,203
AMORTIZATION FOR THE PERIOD		1,731,173
ACCUMULATED AMORTIZATION 30.6.2020		17,183,376
Net Book Value 30.06.2020		2,705,213
Net Book Value 30.06.2019		2,570,962
Intangible assets refer to computer software purchased by the University to facilitate running of its operations.		

	2019/2020	2018/2019
Note 24: Capital Work-In-Progress	Kshs.	Kshs.
Resource Center	-	617,823,563
Student Hostel 750 bed capacity	-	362,260,338
Construction of Perimeter wall	-	28,897,585
Library Phase I	175,032,515	125,481,518
	175,032,515	1,134,463,003
Capital work in progress relates to amounts incurred and paid for construction of the Library. The values for Resource Centre, 750 Bed capacity student hostel and Perimeter wall has been capitalized under note 22 on PPE upon completion.		
Note 25: Trade & Other Payables	Kshs.	Kshs.
Trade Creditors	3,505,658	37,857,408
Part time Lecturers	26,016,800	123,400,414
Unexpended NRF research funds	8,290,415	8,809,107
Contractors' Balance	4,915,586	30,002,408
Contractors' Retention Fees	13,353,790	31,069,341
Student prepayments	31,957,694	46,006,144
Unutilized HELB	223,000	240,000
	88,262,942	277,384,823
Note 26: Provision	Kshs.	Kshs.
Provisions for Staff leave days	7,119,203	9,815,552
Provision for Audit Fees	696,000	696,000
Provisions for Gratuity	12,080,214	5,655,969
	19,895,417	16,167,521
Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate or reversed if it no longer probable that an outflow of resources embodying economic benefit will be required to settle the		

obligation. Employees entitlement to annual leave is recognized when it accrues.

		Kshs.	Kshs.
Note 27: Accumulated Capital Fund			
Balance B/F		1,445,224,082	1,177,786,095
Capital Grants for the year		112,676,474	267,437,987
Balance as at 30.6.20		1,557,900,556	1,445,224,082

Accumulated Capital Fund comprise of Capital grants released by the Government for the financial years 2011/12- 2017/18 and granted Assets relating to current asset and liabilities with an exception of Biological assets which is non-current asset from the period the institutions existed under Moi University.

Capital Grants for FY 2011/2012	157,120,452
Granted Assets from Moi University*	86,322,861
Capital Grants for FY 2012/2013	239,703,675
Prior year Adjustment- tea bushes	2,053,896
Capital Grants for FY 2013/2014	201,583,999
Capital Grants for FY 2014/2015	218,226,667
Capital Grants for FY 2015/2016	143,337,425
Capital Grants for FY 2016/2017	100,475,662
Capital Grants for FY 2017/2018	28,961,458
Capital Grants for FY 2018/2019	267,437,987
Balance as at 30.6.19	1,445,224,082

Note: These Granted Assets relate to opening balances B/f from operations carried out at Moi University as indicated below:

*Granted Assets from Moi University	
Cash & Bank balances	36,484,155
Biological Assets	9,364,000
Library Books	4,196,039
Tea Farm sales and bonuses for the month of June 2011	2,683,012
Student Balances	19,119,863
Moi University	19,116,170
	90,963,239
Trade Creditors	(4,640,378)
Total Granted Assets	86,322,861

	2019/2020	2018/2019
Note 28: Revenue reserve	Kshs.	Kshs.
Surplus/Deficit B/F	(29,805,501)	(23,129,208)
Surplus/Deficit for the period	145,941,874	(8,041,029)
Transfer of amortized revalued PPE	14,420,688	15,460,481
Valuation of Biological Assets	136,360	161,280
Unrealized Tea farm bonuses	(488,074)	-
Prior year adj of student balances	(233,350)	(12,019,988)
Decrease in Leave Provisions	2,372,294	-
Prior year Adj Medical expenditure		(2,614,894)
Prior year Adj on Catering Income	631,370	-
Prior year Adj on inventory (games & sports)		405,725
Prior year Adj on staff prepayment		(27,868)
	132,975,661	(29,805,501)
Note 29: Revaluation reserve	Kshs.	Kshs.
Balance B/F	561,816,923	577,277,404
Transfer of amortized revalued PPE	(14,420,688)	(15,460,481)
Balance as at 30.6.2020	547,396,236	561,816,923

Revaluation reserve represents the increase in the value of property, plant and equipment arising from revaluation of the University assets. The valuation was carried out in May 2018 by Amazon Valuer Ltd.

Appendix 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
1.	Irregular expenditure on telephone allowance	Telephone allowance irregularly paid was recovered.	Vice Chancellor	Resolved	
2.	Non-compliance with ethnic diversity	When advertising for new positions persons from marginalized communities are encouraged to apply.	"	Not Resolved	
3.	Loss due to breach of bond	Written communications have been made to the Officer and his guarantor seeking payment of the bond. However, the officer is yet to settle the amount	"	Partly Resolved	



Prof. Mucai Muchiri, PhD
Vice Chancellor

.....
Chairman of Council



Appendix II: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Project Title	Donor	Period/ Duration	Donor Comm tment	Separate Donor reporting required as per donor agreement	Consolidated in these financial statements
Resource Center	GoK	7 years	Yes	No	Yes
Student Hostel 750 bed capacity	GoK	7 years	Yes	No	Yes
Perimeter Fence	GoK	2 year	Yes	No	Yes
Library Phase I	GoK	3 years	Yes	No	Yes

STATUS OF PROJECTS COMPLETION						
Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual for the year	Sources
Resource Center	624,339,452	624,339,452	100%	-	-	GOK
Student Hostel 750 bed capacity	364,447,924	364,447,924	100%	-	-	GOK
Perimeter Fence	30,681,297	30,681,297	100%	-	-	GOK
Library Phase I	491,331,404	175,032,515	36%	112,676,474	112,676,474	GOK
	1,510,800,077	1,194,501,188		112,676,474	112,676,474	

Appendix III: INTER-ENTITY TRANSFERS

a) Transfers from Ministry of Education

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year 2019/2020	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Education	805,879,439	-	112,676,474	918,555,913	973,362,879
Total	805,879,439	-	112,676,474	918,555,913	973,362,879


APPENDIX III

KARATINA UNIVERSITY			
Break down of Transfers from the State Department of University Education and Research			
FY 2019/2020			
a.	Recurrent Grants	Bank Statement Date	Amount (Kshs) FY
		8.8.2019	60,138,580 2019/2020
		29.8.2019	60,138,580 2019/2020
		27.9.2019	60,138,580 2019/2020
		1.11.2019	60,138,580 2019/2020
		29.11.2019	60,138,580 2019/2020
		27.12.2019	60,138,580 2019/2020
		4.1.2020	60,138,580 2019/2020
		2.3.2020	60,138,580 2019/2020
		3.4.2020	60,138,580 2019/2020
		8.5.2020	60,138,580 2019/2020
		5.6.2020	60,138,580 2019/2020
		26.6.2020	60,138,580 2019/2020
		6.7.2020	84,216,479 2019/2020
		Total	805,879,439
b.	Development Grants	Bank Statement Date	Amount (Kshs) FY
		22.11.2019	74,407,647 2019/2020
		10.3.2020	38,268,827 2019/2020
		Total	112,676,474

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

CPA Grace Kakiya
Ag. Finance Officer
Karatina University

Mr. Robert Asumani
Head of Accounting Unit
Ministry of Education

Sign 
7/7/2020

Sign 

