REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

TURKANA UNIVERSITY COLLEGE

FOR THE YEAR ENDED
30 JUNE, 2018

TURKANA UNIVERSITY COLLEGE
A CONSTITUENT COLLEGE OF MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING JUNE 30, 2018

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

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2. COLLEGE INFORMATION AND MANAGEMENT

(a) Background information

Turkana University College was incorporated/ established as a constituent College of Masinde Muliro University of Science and Technology under the University Act (No. 42 of 2012 on January 27, 2017. The entity is domiciled in Kenya with no branches.

(b) Principal Activities

The principal activity of Turkana University College is teaching, research, innovation and extension services, consultancy and community service for transformation of lives/for sustainable development.

Vision
A model of excellence in science, technology and innovation

Strategic Objectives
(i) To enhance accessibility of relevant quality education and training
(ii) Experiential learning as one of the strategic objectives, and a relevant strategy to be formulated.
(iii)To enhance services that support students' personal health, safety and welfare
(iv)To foster a culture of innovation and creativity
(v) To create knowledge for efficient learning
(vi)To transfer knowledge and Technology.

(c) Key Management

The Turkana University College day-to-day management is under the following key organs:

Council
The university Council is responsible for policy formulation and direction. It has the oversight role through the Audit & Compliance Committee, Finance & Human Resource Committee and the Academic, Strategy, Planning, Development and Innovation Committee.

University College Management Board
The University College Management Board is responsible for the internal management of the university through execution of various policies and the core mandate.

Ministry of Education State Department of University Education
Provides general oversight and guidance to the university college.

The National Treasury & Planning

Provides guidance on prudential management of resources by ensuring strict adherence to the Public Financial Management Act and its guidelines

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal and Accounting Officer	Prof. Thomas E. Akuja, PhD
2.	Deputy Principal - Academics & Student Affairs (ASA)	Prof. Fredrick N. Kasili
3.	Deputy Principal – Administration Finance & Planning (AFP)	Prof. Stephen O Odebero
4.	Head of Finance	CPA Walter Serem
5.	Head of Procurement	Mr Paul Ekiiru
6.	Ag. Registrar - AFP	
7.	Ag. Registrar - ASA	Mr. Paul Odongo
8.	Ag. Dean of Students	Rev. Jackson Iruko
9.	ICT Officer	Mr. Morris M. Ngugi
10.	Clinical Officer	Mr. Lawi Kiprono
11.	Ag. Librarian	Ms. Irine Maiyo

(e) Fiduciary Oversight Arrangements

Name of the Committee	Members
Audit and Risk Compliance Committee	1. Mr. Nixon Mageka Gecheo -Chair 2. Mrs. Salome Mbeyu Mwendar 3. Mr. Paul Peter Mungai
Human Resource Management Committee	1. Dr. Joseph Eroo Mele - Chair 2. Eng. Justus Gitobu Wambutura 3. Ms. Salome Mbeyu Mwendar
Academic, Planning and Development Committee	1. Eng. Justus Gitobu Wambutura - Chair 2. Dr. Joseph Eroo Mele 3. Ms. Salome Mbeyu Mwendar
Finance, Resource Mobilization and Planning Committee	1. Mrs. Sophy Kirorei - Chair 2. Eng. Justus Wambutura 3. Mr. Paul Peter Mungai

(f) University College Headquarters

P.O. Box 69 - 30500
Lodwar – Kapenguria Highway
Lodwar, KENYA

(g) Entity Contacts

Telephone: (254) 0789399751/0724178505
E-mail: info@tuc.ac.ke
Website: www.tuc.ac.ke

(h) Entity Bankers

1. Kenya Commercial Bank Group Limited
   P.O. Box 150
   Lodwar 00200
   Lodwar, Kenya

2. MPESA PAYBILL NO. 522123

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

3. THE BOARD OF DIRECTORS

NAME OF COUNCIL MEMBER	POSITION	PROFILE
Dr. Mussolini Kithome	Chairman	Dr. Mussolini has (PhD), FAAPM MIoD (K). He was appointed to Turkana University Council on 10th March 2017.
Eng. Justus Wambutura	Member	Eng. Wambutura has M.Sc (Strategic Management), BSC.Hons (Electrical Engineering). He was appointed to Turkana University Council on 10th March 2017
Dr. Mele Eroo Joseph	Member	Dr. Mele has PhD (Diplomacy and International Relations). He was appointed to Turkana University Council on 10th March 2017
Mrs. Sophy Kirorei	Member	Mrs. Kirorei has Master in Management Organization & Development. She was appointed to Turkana University Council on 10th March 2017
Ms. Salome Mbeyu Mwendar	Member	Ms.Mwendar has Master in Armed Conflict and Peace. She was appointed to Turkana University Council on 10th March 2017
Mr. Nixon Mageka Gecheo	Member	Mr. Mageka has Master in Communication Management. He was appointed to Turkana University Council on 10th March 2017
Mr. Paul Peter Mwangi	Rep. PS. National Treasury	Mr. Mwangi has Master in Education and Administration. He was appointed to Turkana University Council on 10th March 2017.
Prof. Thomas E. Akuja, PhD	Ex- Officio and Secretary to the Council	Prof. Thomas Ekamais Akuja is a holder of a B.Sc (Agriculture) and M.Sc (Agronomy) from the University of Nairobi. His PhD was obtained from the prestigious Ben Gurion University of the Negev, Beer Sheva, Israel. He was appointed as Principal to Turkana University College on 17th July 2018

4. MANAGEMENT TEAM

S/NO	NAMES	DESIGNATION
1.	Prof. George N. Chemining'wa	Ag. Principal
2.	Prof. SO Odebero	Ag. Deputy Principal (Administration, Finance and Planning)
3.	Prof. Dr. Fredrick N. Kassilly	Deputy Principal (Academic &Student Affairs)
4.	Ms. Pauline Akiru	Ag. Registrar (Administration, Finance & Planning)
5.	Mr. Paul Odongo	Ag. Registrar (Academics& Student Affairs)
6.	Rev. Jackson Iruko	Ag. Dean of Students
7.	CPA Jared Okello	Ag. Finance Officer
8.	Mr. Morris Mugambi Ngugi	ICT Officer
9.	Mr. Lawi Kiprono	Clinical Officer
10.	Ms. Irine Maiyo	Ag. Librarian
11.	Ms. Florence Sila	Internal Auditor

6. CHAIRMAN'S STATEMENT

I feel honored and duty-bound to present an overview of the University College performance for the year ended 30th June 2018.The University College Council played its rightful role in the University College's operations. The Council has remained steadfast and united in support of efforts by TUC management in transforming the University College into a regional and global leading center of academic and research excellence.
The University Council is focused to position TUC as spring of knowledge in providing quality education, teaching, research and innovation that meet the needs of a dynamic society needs. TUC has been keen on addressing national aspirations by conforming to national policies such as the Big Four agenda, Kenya Vision 2030 and Sustainable Development Goals. During the year ended
30th June 2018, TUC was mainly funded through Government of Kenya capitation and Appropriation in Aid for its recurrent expenditure.

The University College remains committed to playing a vital role in transforming higher education in terms of sustainable, long term growth. The Council will continue to work closely with Management in provision of high quality and all-round education as enshrined in its mission.

I wish to finally thank the Government of Kenya, Council members, Management and staff for their continued support over the year in striving to make TUC a World Class University that impacts on societal needs.

DR. SOLOMON JOHN MUCHINA MUNYUA, PhD.
CHAIRMAN, TURKANA UNIVERSITY COLLEGE COUNCIL

8. REPORT OF THE PRINCIPAL

I have the pleasure to present the 2nd Annual Report and Accounts for the financial year 2017/18 FY ended 30th June 2018

The Result

The University College recorded a deficit of Kshs 69,135,870/= for the period under review. This was due high operating and maintenance costs which included huge amounts of provisions for depreciation of non-current assets, impairment of goodwill and provisions for bad debts all totaling to Kshs. 100,292,483.00. Although employees' costs have not been wholly included in the income statement as a recurrent expenditure by reason that most of the costs were expended on our behalf by Masinde Muliro University of Science & Technology. Besides, the University College relied majorly on Appropriation in Aid to fund the recurrent operations, funds of which remained insufficient for recurrent operations. With appropriate amount of capitation this financial year, we hope to switch the trend towards surpluses in future.

Capital Projects

Turkana University College undertook three capital projects namely; Proposed Renovation of Students Hostels at a contract sum of **Kshs 4,672,940.00**; Proposed Supply and Installation of Hostel Furniture at a contract sum of **Kshs 4,166,000.00**; and Proposed Erection & Completion of 2No. Students' Hostel at a contract sum of **Kshs. 114,794,238.**00 The first two of the above projects were undertaken and completed 100% in the year under review but the construction of 2No. Students' Hostel which is currently at 20% done has since stopped owing to funding challenges. The net value of Non-Current Assets stood at **Kshs.1,031,896,754.00** in the year under review. The University College requires more laboratories and equipments for the ICT department, Engineering and Science faculties. The University College's need for more of the above infrastructures will avoid sending students to other Universities to attend practical lessons and examinations that levy charges on the University College. The hostels will facilitate absorption of more students in the University College and enhance student enrollment for various programmes. This is because there is lack of enough housing around Lodwar Town in which students could rent, and given the harsh conditions and hardships experienced in the area the University College expects to accommodate all the students. Engineering & Science laboratories, and students' hostels will require **Kshs. 600M.**

Staffing

The University College is facing problem of insufficient human resource for the teaching and technical personnel. The University College needs more funds to acquire human resources and develop strategies for attracting and retaining staff in a bid to achieving its Vision.

Conclusion.

I would like to conclude by congratulating all staff and students for the harmony that maintained throughout the period under review.

Prof. Thomas E. Akuja, PhD
PRINCIPAL

9. CORPORATE GOVERNANCE STATEMENT

1. Ownership

Turkana University College is a body corporate Gazetted on 27th January, 2017 as a Constituent College of Masinde Muliro University of Science and Technology under the University Act (No.42 of 2012) through the Gazette Legal Notice No. 8 of 2017. The University College is wholly owned by Government of Kenya.

2. Responsibility of the University College Council

The University College Council is responsible and accountable to the Government of Kenya through the State Department of University Education and Research for ensuring that the University complies with the Universities Act 2012, the University Statutes (2013) and adheres to the highest standards of corporate governance as prescribed in the State Corporations Act and the code of Governance for state corporation (Mwongozo).

3. Remuneration of the University College Council members.

The University College Council members other than the Principal and the ex-official members do not receive a salary. They are however paid a sitting allowance for every meeting attended.

4. Conflict Of Interest

The Council has complied with Mwongozo provisions paragraph 1.3 that expects each Council member to act honestly at all times and not to place themselves in a situation where their personal interest conflict with those of the organization. In addition, in compliance with paragraph 1.16, Council members disclose all real or perceived conflict of interest registered in a register maintained and updated accordingly.

5. Risk Management

The identification and management of risk is a continuous process linked to the achievement of the University's objectives. The Council is responsible for risk management and has an approved policy framework with development of various risk management procedures such as whistle blowing and audit committee charter which will enhance risk identification and management. The University College has established an Internal Audit department to carry out risk based internal audit on a quarterly basis. The University Council through its Audit and Compliance Committee receives regular reports during the quarter on internal control and risk.

Major risks facing the institution currently are documents of land title not in place, lack of better terms of employment for the University College staff in terms of work remunerations, which does not attract and retain staff competencies, thereby inhibiting staff morale for productivity.

The University College Council and Management have endeavored to address all the above issues conclusively. In connection to this, the University College is planning to transit all the staff to the standard remuneration terms that all other public Universities are currently offering their employees.

Moreover, the University College management conducts legal compliance reviews, which are reported to the council. The University College has hired an in-house legal officer to advice on legal issues.

6. Statement of Compliance

The Council Members confirm that Turkana University College has throughout the Quarter ending 30 June 2018 complied with the entire statutory and regulatory requirements and has been managed in accordance with the principal of Corporate Governance

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The University's operational and financial performance

The University continues to deliver on its key mandate of provision of quality education, training, and research. During the year under review reported Deficit of Kshs. 69,135,870. This is due to huge depreciation expense of property, plant & equipment which amounted to Kshs. 100,292,483.00

Turkana University College remains focused on achieving its strategic goals and managing the challenges of constrained accommodation and teaching facilities by pursuing modes of teaching and learning focusing on both traditional and new ICT based approaches. The University continues to strive to support innovative teaching, learning and research.

SECTION B

University's compliance with statutory requirements

During the quarter under review the University College complied with all its statutory obligations including compliance to public procurement regulations, remittance of PAYE, NHIF, NSSF, Pension and HELB within the stipulated deadlines. The University does not foresee any potential for contingent liabilities arising from non-compliance with statutory obligations.

SECTION C

Major risks facing the University

During the period under review the University College Council has put forward steps towards development risk management policy framework by arranging an audit induction/training of Council Audit committee members and staff facilitated by the National Treasury.

Major risks facing the institution currently are documents of land missing, transition of staff from MKU and lack of internal auditor

SECTION D

Material arrears in statutory/financial obligations

The University College Management has established an oversight mechanism to ensure that the University meets its financial obligations as they fall due. However, the only material arrears outstanding is Kshs .18M in respect of the balance of purchase price for Turkana University College premises from Mount Kenya University.

SECTION E

The University's financial probity and serious governance issues

The Audit Committee of Council regularly reviews the University's internal control systems to ensure accuracy of financial reports, efficiency and effectiveness of operations and compliance to rules and regulations. The oversight bodies have not reported any financial improbity or any serious governance issues in the quarter under review.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Turkana University College affairs.

Principal activities

The principal activities of the entity continue to be teaching, research, innovation and extension services, consultancy and community service for transformation of lives/for sustainable development.

Results

The results of the entity for the year ended June 30, 2018 are set out on page 16

Directors

The members of the Board of Directors who served during the year are shown on page 36. During the year none of the directors retired/ resigned and none was appointed with effect from 30th June 2018 date.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The entity did not make any surplus during the year (FY 2017) and hence no remittance to the Consolidated Fund.

Auditors

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

By Order of the Board

Turkana University College
Corporate Secretary
Lodwar

Date: 28/10/2020

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of Turkana University College's financial statements, which give a true and fair view of the state of affairs of the Turkana University College for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Turkana University College (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Turkana University College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Universities Act No 42 of 2012. The Directors are of the opinion that Turkana University College's financial statements give a true and fair view of the state of Turkana University College's transactions during the financial year ended June 30, 2018, and of Turkana University College's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Turkana University College, which have been relied upon in the preparation of the Turkana University College financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Turkana University College's financial statements were approved by the Board on 20th August 2020 and signed on its behalf by:

Chairperson of the Board

Accounting officer/MD/CEO

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TURKANA UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE, 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Turkana University College set out on pages 16 to 47, which comprise the statement of financial position as at 30 June, 2018, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Turkana University College as at 30 June, 2018, 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 No.42 of 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies of the Financial Statements

1.1 Equity and Reserves

The statement of financial position reflects total net equity and reserves amount of Kshs.1,073,469,352 as at 30 June, 2018 while the corresponding Note 23 to the financial statements reflects an amount of Kshs.2,236,790,492 resulting in an unreconciled variance of Kshs.1,163,321,140.

1.2 Unexplained Variances

Comparison of the statement of financial performance and the statement of comparison of budget and actual amounts for the year ended 30 June, 2018 revealed various an un-explained variances as detailed below:

Item	Amount as per Statement of Financial Performance (Kshs.)	Amount as per Statement of Comparison of Budget and Actual Amounts (Kshs.)	Variance (Kshs.)
Exchequer Grants	145,658,222	120,800,002	24,858,220
Tuition Related Charges	32,136,482	32,744,952	(608,470)
Other Incomes	3,910,200	3,903,200	7,000
Income Generating Units	2,268,666	4,234,325	(1,965,659)
Audit Fees	200,000	128,246	71,754
Travelling and Accommodation	2,851,596	2,723,350	128,246
MKU Creditors	1,079,223	-	1,079,223
Depreciation and Amortization	100,292,483	-	100,292,483

Under the circumstances, the accuracy of the financial statements for the year ended 30 June, 2018 could not be confirmed.

2.0 Tuition and Related Charges

The statement of financial performance reflects tuition and related charges revenue of Kshs.32,136,482 which, as disclosed in Note 7 to the financial statements, comprised of twenty (20) revenue streams. However, student's records including student fees ledgers, journal vouchers, general ledger accounts, student fees and arrears subsidiary ledgers, and supporting schedules were not provided for audit review.

Consequently, the accuracy and completeness of tuition and related charges amount of Kshs.32,136,482 for the year ended 30 June, 2018 could not be confirmed.

3.0 Provision for Bad Debts

The statement of financial position reflects a balance of Kshs.7,578,270 under receivables from exchange transactions which, as disclosed in Note 19 to the financial statements, is net off impairment allowance of Kshs.842,030. However, the impairment allowance of Kshs.842,030 was not charged in the statement of financial performance for the year ended 30 June, 2018.

Consequently, the receivables from exchange transactions amount of Kshs.7,578,270 as at 30 June, 2018 could not be confirmed as fairly stated.

4.0 Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.14,847,124 under cash and cash equivalents which, as disclosed in Note 18 to the financial statements, was held in five (5) bank accounts. However, the register of bank accounts indicated that the University College operated six (6) bank accounts. Further, cash book and bank reconciliation statement as at 30 June, 2018 in respect of bank account No.1205643036 held at the Kenya Commercial Bank were not provided for audit review.

Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs.14,847,124 as at 30 June, 2018 could not be confirmed.

5.0 Property, Plant and Equipment

The statement of financial position reflects balances of Kshs.845,207,265 and Kshs.186,689,490 in respect of property plant and equipment and intangible assets respectively, all totalling to Kshs.1,031,896,754. As disclosed in Note 21 to the financial statements, the property plant and equipment cost amounted to Kshs.1,181,936,501 and included assets whose cost value was Kshs.883,300,729 as indicated below:

Item	Cost as at 30 June, 2017 (Kshs.)
Land	80,000,000
Buildings	650,000,000
Motor Vehicles	8,280,000
Computers and Accessories	20,969,274
Office Equipment	929,081
Furniture and Fittings	67,423,586
Plant and Equipment	32,337,518
Library Books	23,361,270
Total	**883,300,729**

As previously reported, the assets were acquired from Mount Kenya University, Lodwar Campus by Masinde Muliro University of Science and Technology through a purchase agreement signed on 30 November, 2016 at sum of Kshs.1,150,000,000 to establish the Turkana University College as constituent college.

Available information indicates that the Ministry of Lands and Housing undertook valuation of Mount Kenya University, Lodwar Campus's fixed assets for the purposes of purchase. The valuation report, dated 6 September, 2016, indicated that the land was held by Mount Kenya university under leasehold and the tangible assets were valued at Kshs.850,000,000 as summarized below:

Item	Amount (Kshs.)
Land and Fence	110,000,000
Buildings and Site Works	670,000,000
Other Tangible Assets	70,000,000
Total	**850,000,000**

However, the listing, description and valuation of each individual asset in each asset category were not included in the valuation report.

Consequently, the accuracy and completeness of property plant and equipment amounting to Kshs.1,031,896,754 as at 30 June, 2018 could not be confirmed.

6.0 Unsupported Capital Commitments

As disclosed in Note 28 to the financial statements, the University College had capital commitments amounting to Kshs.158,000,000 as at 30 June, 2018 comprising of

Kshs.5,000,000 and Kshs.153,000,000 in respect of authorized commitments and authorized and contracted commitments respectively. However, contracts agreements and approvals by the University Council for the authorized and contracted projects were not provided for audit review.

Under the circumstances, the accuracy of the total capital commitments of Kshs.158,000,000 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.357,471,440 and Kshs.331,682,480 respectively resulting in under-performance of Kshs.25,788,960. The University College budget of Kshs.357,471,440 comprised of Kshs.187,471,440 and Kshs.170,000,000 for recurrent and development budget respectively. The University College spent the entire amount of Kshs.170,000,000 under development budget but only spent a total of Kshs.161,682,480 under recurrent budget resulting in an under-expenditure of Kshs.25,788,960. However, the University Council minutes approving the 2017/2018 financial year budget and approval by the Cabinet Secretary were not provided for audit 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

1.0 Late Submission of Financial Statements for Audit

The University College financial statements for the year ended 30 June, 2018 were submitted for audit on 20 March, 2020, more than eighteen (18) months after the statutory deadline of 30 September, 2018. This is contrary to Section 68(2)(k) of the Public Finance Management Act, 2012 and Section 47 of the Public Audit Act, 2015 which requires that financial statements be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

The Management was therefore in breach of the law.

2.0 Property, Plant and Equipment

2.1 Acquisition of Mount Kenya University (MKU) - Lodwar Campus

As reported in the previous year, Masinde Muliro University of Science and Technology (MMUST) acquired Mount Kenya University (MKU) - Lodwar Campus to establish Turkana University College as constituent college. Information available indicated that MMUST engaged the services of the Ministry of Lands and Physical planning to undertake valuation of Mount Kenya University (MKU), Lodwar campus's fixed assets for the purposes of purchase. The valuation report indicated that land is held under leasehold by the Mount Kenya university and all other tangible assets valuation amounted to Kshs.850,000,000 as summarized below:

Item	Amount (Kshs.)
Land and Fence	110,000,000
Buildings and Site Works	670,000,000
Other Tangible Assets	70,000,000
Total	**850,000,000**

Further, the valuation report further indicated a value of Kshs.1,200,000,000 as the going concern value of Mount Kenya University - Lodwar campus but the Ministry of Education Science and Technology advised MMUST Council to negotiate with MKU and inform the Ministry of the outcome.

A purchase agreement was signed on 30 November, 2016 at a sum of Kshs.1,150,000,000 payable in two (2) instalments subject to specified terms and conditions as indicated below:

Installment No.	Conditions for Payments	Amount (Kshs.)
1	The purchaser's advocates shall inspect all the completion documents listed in clause 6 of this agreement and held by the vendor's advocates	700,000,000

Installment No.	Conditions for Payments	Amount (Kshs.)
	The vendor's advocates shall furnish the purchaser's advocate with an undertaking by the Vendor's advocates to the effect that they are holding all completion documents in a form approved by the purchaser's advocate.	
2	Upon successful registration of the transfer in favour of the purchaser or such other date as the parties may agree in writing.	450,000,000
Total		**1,150,000,000**

During the under review, a payment of Kshs.170,000,000 was made to Mount Kenya University which, in addition to the amount of Kshs.962,000,000 paid during the previous year, brought the total payments in respect of the purchase of Mount Kenya University Lodwar Campus to Kshs.1,132,000,000 or approximately 98.4% of contract sum. Additional information indicated that Lodwar Municipal Council allotted 100 acres at Kanamkener, to Mount Kenya University on 14 December, 2011.

However, available records revealed the following anomalies;

i. The total payments of Kshs.1,132,000,000 made to Mount Kenya University as at 30 June, 2018 did not adhere to the payment schedule as stated in the contract resulting to unjustified payment of Kshs.262,000,000. Further, the payments were not supported by: payment vouchers, original certificate of tittle and lease for the grant known as LR No.6477 (LR No.14691/425), transfer or conveyance of the property duly executed by the MKU, rates and rent clearance certificates, consent to transfer the property, certified MKU Senate or Board resolution approving the sale, certified copies of each of the signatories of the MKU and their identify cards, the MKU's PIN certificates and six (6) coloured passport photos of the signatories, evidence of the approval and certification of the campus by the Commission for University Education, consent of the County Government of Turkana to the transfer of the property by the MKU to MMUST, copy of certificate of allotment or allotment in relation to the property in favour of the MKU by the Municipal Council of Lodwar.

ii. The sale agreement provided for audit review showed that Mount Kenya University sold the 100 acres of land to Masinde Muliro University of Science and Technology (MMUST) at price of Kshs.80,000,000. The Management has not explained how donated public land was sold to a public entity at Kshs.80,000,000.

iii. Mount Kenya University applied for land allotment in the year 1992 yet the University was established in 2008 and awarded a charter in the year 2011. No explanation has been provided on the inconsistency.

iv. Further, procurement documents indicating how Mount Kenya University was identified for acquisition were not provided for audit review. This is contrary to

Article 227(1) of the Constitution of Kenya 2010 which states that when a state organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

v. Audit inspection of the project carried out in August 2020 revealed that the 100-acre parcel of land is not delineated on the ground with visible beacons as stated in the contract agreement and the title deed in favour of Masinde Muliro University of Sciences and Technology was not provided for audit review to confirm transfer of ownership of land and buildings.

Consequently, propriety and regularity of payments amounting to Kshs.1,132,000,000 as at 30 June, 2018 could not be confirmed.

2.2 Construction of Students Hostels

Included in property plant and equipment balance of Kshs.1,031,896,754 is an amount of Kshs.22,482,200 in respect of capital work in progress being payment for construction of two student hostels and associated works. The tender for the construction of the two student hostels and associated works was awarded to a construction company at contract sum of Kshs.114,794,238. The contract agreement was signed on 26 September, 2017.

The contractor requested for extension of the contract on 9 February, 2018 citing delay caused by delayed payment, ballast shortage and lack of a septic tank and the extension to 24 August, 2018 was approved.

However, review of procurement records for the works revealed the following anomalies:

(i) The evaluation report indicates that evaluation was done in August, 2017 and a report containing a summary of the evaluation process and comparison of tenders prepared. However, appointment letters of the Adhoc Evaluation Committee members were not provided for audit review.

(ii) According to the evaluation report, due diligence was carried out on three construction firms. However, the signed report was not provided for audit review as required by Section 83 of the Public Procurement and Assets Disposal Act, 2015 which states that an Evaluation Committee may, after tender evaluation, but prior to the award of the tender, conduct due diligence and present the report in writing to confirm and verify the qualifications of the tenderer who submitted the lowest evaluated responsive tender to be awarded the contract in accordance with this Act.

(iii) The notification and acceptance letters, tender documents, performance bond guarantee and tender award were not provided for audit review.

(iv) There was no evidence that the Management notified unsuccessful tenderers in writing as required by Section 87(3) of the Public Procurement and Asset Disposal Act, 2015.

(v) The contract signed on 26 September, 2017 did not have clause indicating the expected start date and the period to complete the works contrary to Section 129(2) of the Public Procurement and Assets Disposal Act, 2015

(vi) Physical verification of the project carried out in August 2020 revealed that, substructure works of the two hostels and basketball court, foundation walling and footing, roofing, ground slab and steel goal posts for basketball court and septic tank's excavation and blinding works are done. Further, furniture fittings, electrical works, superstructure works were on-going. However, the project was behind schedule by twenty-three (23) months. In addition, no evidence was provided to show that the performance bond was renewed.

Consequently, the objectives of the project have not been achieved and the University College may not get value for money from the expenditure of Kshs.22,482,800 incurred on the Project.

3.0 Non-Compliance to One Third Basic Salary Rule

Review of the payroll for the month of June, 2018 revealed instances where the employees of the University College earned net salaries less than a third of their respective basic salaries. This is contrary to Section 19(3) of the Employment Act, 2007 which provides that the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

Consequently, the University College Management was in breach of the law.

4.0 Lack of Audit Committee and Internal Audit Function

During the year under review, the University College had no Audit Committee in place. This is contrary to Section 73(5) of the Public Finance Management Act, 2012, which requires every national government public entity to establish an Audit Committee whose composition and functions shall be as prescribed by the regulations. The University College did not also have an Internal Audit Function contrary to Section 73(1) of the Public Finance Management Act, 2012 which requires every national government entity to ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board (PSASB.
Lack of an Audit Committee and Internal Audit Function may lead to weak internal controls resulting in loss of public funds.

5.0 Lack of Quarterly and End of Year Stock Take

The statement of financial position reflects an inventory balance of Kshs.5,769,811 which, as disclosed in Note 20 to the financial statements, relates to consumable stores. However, quarterly and annual stock take were not conducted contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 which requires the Head of Procurement to, at least quarterly in each calendar year, conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the Accounting Officer.

Consequently, the Management was breach of the law and stock loss is likely to occur due to failure to carry out quarterly and annual stock takes.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0 Incomplete Fixed Assets Register

The statement of financial position reflects a balance of Kshs.845,207,265 under property, plant and equipment which, as disclosed in Note 21 to the financial statements, comprised of land, buildings, motor vehicles, computer and accessories, office equipment, furniture and fittings, plant and equipment and library books, whose total cost amounts to Kshs.883,300,729. However, the assets register maintained lacks critical information such as cost of the assets, serial number and date of acquisition. Further, the assets were not tagged for ease of identification.

Consequently, the university college risks losing its assets due to weak internal controls in management of fixed assets.

2.0 Under-Staffing of Finance and Accounting Department

The Finance and Accounting Department had only three (3) members of staff inclusive of the Finance Manager. The Department was not adequately staffed to carry out its mandate of budgeting effectively and efficiently, processing of payments, receiving and making payments, updating of cash books, updating of general and subsidiary ledgers, preparation monthly reconciliation statements, preparation of quarterly and annual financial statements and general supervision among others. There was no segregation of duties contrary to Section 165 of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of a National Government entity to develop — (a) risk management strategies, which include fraud prevention mechanism;

and (b) a system of risk management and internal control that builds robust business operations.

3.0 Failure to Review and Update Cash Books

The statement of financial position reflects a balance of Kshs.14,847,124 under cash and cash equivalents as at 30 June, 2018 which, as disclosed in Note 18 to the financial statements, is in respect of five (5) bank accounts. Although the University College maintained cash books for five (5) bank accounts operated during the year, the cash books and bank reconciliation statements were not checked and reviewed by the responsible officer. Lack of adequate internal controls in maintaining and updating of cash books may result in loss of public funds.

4.0 Lack of Inventory Management Policy

As disclosed in Note 20 to the financial statements, the statement of financial position reflects an inventory balance of Kshs.5,769,811 as at 30 June, 2018. However, the University College did not have an Inventory Management Policy to provide formal guidance on the management of inventory. This is contrary to Section 68(2)(e) of the Public Finance and Management Act, 2012 which requires an Accounting Officer to ensure that adequate arrangements are made for the custody, safeguarding and maintenance of goods. The University College risks losing it stock due to lack of an Inventory Management Policy.

5.0 Organizational Structure

The University College has various departments which includes administration, finance and accounting, human resource, and procurement departments. However, during the year under review, the University College did not have an organizational structure contrary to the Universities Standards and Guidelines, 2014 issued by the Commission of Higher Education on governance and management. The guidelines states that a University shall clearly articulate its governance and management structures in line with the Act and shall have clear organizational and administrative charts showing the inter-relationships of the various organs and offices.

Consequently, the University College Management was in breach of the guidelines.

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

Responsibilities of Management and the University Council

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

In preparing the financial statements, Management is responsible for assessing the University College`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 College or cease operations.

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

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

The University Council is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the University College 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 College 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 College`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 College 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 College 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
<u>AUDITOR-GENERAL</u>

Nairobi

06 December, 2021

14. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

		2017/18FY	2016/17FY
	Note	Current year	2016/17FY
ASSETS:		**KShs**	**KShs**
Current Assets:			
Cash and Cash Equivalents	18	14,847,124	13,732,014
Receivables from Exchange transactions	19	7,578,270	12,525,062
Receivables from Non-Exchange transactions		19,052,366	
Inventories	20	5,769,811	164,505
Total current assets		**47,247,571**	**26,421,581**
Non-Current Assets:			
Property, Plant & Equipment	21	845,207,265	860,223,393
Intangible Assets	21	186,689,490	240,029,344
Total non-current Assets		**1,031,896,754**	**1,100,252,737**
TOTAL ASSETS		**1,079,144,326**	**1,126,674,318**
LIABILITIES:			
Current Liabilities:			
Trade and Other Payables from exchange transactions	22	3,765,225	15,188,136
Repayable deposits for other Institutions	22		
Deferred Income(Prepaid)	22	768,019	
Outstanding Audit Fees	22	400,000	200,000
Bank Overdraft			2,100
Employee benefit obligation	22	741,730	
Total current liabilities		**5,674,974**	**15,390,236**
TOTAL NET ASSETS		**1,073,469,352**	**1,111,284,082**
EQUITY AND RESERVES:			
Capital Grants and Reserves	23	1,163,321,140	962,000,000
Accumulated Reserves Surplus	23	(38,715,918)	
Net Surplus/Loss	23	(69,135,870)	(38,715,918)
Capital Debt	23	18,000,000	188,000,000
TOTAL NET CAPITAL RESERVES AND LIABILITIES		**1,073,469,352**	**1,111,284,082**

The Financial Statements set out on pages 16 to 19 were signed on behalf of the Board of Directors by:

Ag. Principal
Name: Prof George N. Chemining'wa
Date 28/10/2020

Head of Finance
Name: CPA Jared Okello
ICPAK Member Number: 4971
Date 28/10/2020

Chairman of the Board
Name:Dr Solomon M. Munyua
Date 28/10/2020

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Revaluation reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2017	**(38,715,918)**		**962,000,000**	**923,284,082**
Revaluation gain	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-
Total comprehensive income	-	**(69,135,870)**	-	-
Capital/Development grants received during the year	-	-	201,321,140	201,321,140
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
At June 30, 2019	**(38,715,918)**	**(69,135,870)**	**1,163,321,140**	**1,055,469,352**

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2017-2018 Kshs	2016-2017 Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies		115,616,719.00	35,000,000.00
Tuition and Related Charges		32,136,482.00	24,045,911.00
Income Generating Units		2,268,666.00	
Other Incomes		3,910,200.00	70,500.00
Other income, rentals and agency fees			
Total Receipts		**153,932,067.00**	**59,116,411.00**
Payments			
Employees (Personnel) Costs		86,325,048.00	27,492,500.00
Administrative Costs		14,971,398.00	3,124,332.00
Operating and Maintenance expenses		18,746,631.00	11,138,194.00
IGU Expenses		3,612,708.00	
Other expenses		11,677,959.00	667,025.00
Remuneration of Council		17,262,913.00	4,271,341.00
Fees Refunds		220,300.00	
Total Payments		**152,816,957.00**	**46,693,392.00**
Net cash flows from operating activities		**1,115,110.00**	**12,423,019.00**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(201,321,140.00)	(713,300,729)
Decrease in non-current receivables			
Increase in investments			
Net cash flows used in investing activities		**(201,321,140)**	**(713,300,729.00)**
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Capital Development Grants		170,000,000.00	700,000,000.00
Grants Capitalized		31,321,140.00	14,609,724.00
Increase in deposits			
Net cash flows used in financing activities		201,321,140.00	714,609,724.00
Net increase/(decrease) in cash and cash equivalents		**1,115,110.00**	**13,732,014**
Cash and cash equivalents at 1 JULY		13,732,014.00	
Cash and cash equivalents at 30 JUNE		**14,847,124.00**	**13,732,014**

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Approved Budget	Actual	Variance	Variance
Exchequer Grants	100,800,000.00	120,800,002.00	20,000,002	20%
KUCCPS Tuition	2,184,000.00	1,664,500.00	(519,500)	-24%
PSSP Undergraduate, Masters & Diploma	63,799,290.00	25,200,482.00	(38,598,808)	-61%
Student administration charges	658,000.00	4,328,070.00	3,670,070	558%
ICT Levy	1,875,000.00	985,400.00	(889,600)	-47%
Library Levy	1,125,000.00	566,500.00	(558,500)	-50%
Hostel Charges		3,903,200.00	3,903,200	
IGU	7,500,000.00	4,234,325.85	(3,265,674)	-44%
Short Courses/Consultancies	9,530,150.00		(9,530,150)	-100%
	187,471,440.00	**161,682,479.85**		
Development grants from GoK	170,000,000	170,000,000		
TOTAL REVENUE:	**357,471,440**	**331,682,480**		
Expenditures:				
Audit fees/Expenses	200,000	128,246	(71,754)	-36%
Bank Charges	300,000	106,153	(193,847)	-65%
Consultancy Services/Strategic Plan	200,000	179,880	(20,120)	-10%
Examination Materials	1,000,000	796,200	(203,800)	-20%
External Examiners	1,000,000	17,000	(983,000)	-98%
External Travel & Accommodation	500,000		(500,000)	-100%
Internet Charges	900,000	995,466	95,466	11%
Library Expenses	1,000,000	942,491	(57,509)	-6%
New programmes/Curriculum	1,300,000	366,830	(933,170)	-72%
Office expenses/Other meetings	500,000	326,432	(173,568)	-35%
Official Entertainment	100,000	81,500	(18,500)	-19%
Postal and Telegrams	150,000	19,220	(130,780)	-87%
Public Celebrations	100,000	20,000	(80,000)	-80%
Publishing & Printing	1,500,000	1,499,087	(913)	0%
Purchase of Stationery	1,500,000	1,548,875	48,875	3%
Purchase of Uniforms & Clothing	160,000	146,400	(13,600)	-9%
Research Programmes	3,000,000		(3,000,000)	-100%
Seminars & Conferences	1,500,000	813,800	(686,200)	-46%
Senate/Deans expenses	800,000	795,320	(4,680)	-1%
SGC Elections & Training	300,000		(300,000)	-100%
Shows & exhibition expenses	1,000,000	437,300	(562,700)	-56%
Teaching materials	1,500,000	1,478,725	(21,275)	-1%

Telephone expense	1,000,000	7,520	(992,480)	-99%
Internship	400,000		(400,000)	-100%
Travelling & Accommodation	2,750,000	2,723,350	(26,650)	-1%
University College Management Board	400,000	357,950	(42,050)	-11%
Attachment Expenses	2,000,000	949,206	(1,050,794)	-53%
Discretionary vote (Principal)	500,000	140,600	(359,400)	-72%
Advert & Publicity/Marketing	1,000,000	1,331,320	331,320	33%
Affiliation fees	200,000	40,460	(159,540)	-80%
Careers week	210,000	150,000	(60,000)	-29%
Cleaning &Sanitation Services	400,000	349,030	(50,970)	-13%
Coaching and Mentorship	100,000		(100,000)	-100%
Customer Surveys	150,000		(150,000)	-100%
Disability Mainstreaming	100,000		(100,000)	-100%
Electricity	600,000	478,122	(121,878)	-20%
Hire of Transport, Plant & Machinery	150,000	10,200	(139,800)	-93%
HIV & AIDS	100,000		(100,000)	-100%
Insurance	3,000,000	2,227,484	(772,516)	-26%
Legal expenses	500,000		(500,000)	-100%
Inter-University games	800,000	799,150	(850)	0%
TUCSO	200,000	79,100	(120,900)	-60%
Maintenance of Building & stations	1,000,000	1,008,131	8,131	1%
Maintenance of Computers	300,000	3,200	(296,800)	-99%
Maintenance of Plant & Equipment	1,000,000	984,070	(15,930)	-2%
Maint. of Water supplies & sewerage	700,000	689,300	(10,700)	-2%
Maintenance of Catering & Hostels	600,000	525,225	(74,775)	-12%
Maintenance of Playgrounds	200,000	177,450	(22,550)	-11%
Maintenance of Motor Vehicles	500,000	2,552,503	2,052,503	411%
Security Services	2,000,000	1,591,986	(408,014)	-20%
Sports Equipments & Sporting Activities	1,000,000	439,010	(560,990)	-56%
Staff Development/Training	1,000,000	999,895	(105)	0%
Student Administrative expenses	500,000	488,620	(11,380)	-2%
Tender Expenses	1,000,000	1,015,175	15,175	2%
Fuel and Lubricants	1,000,000	914,050	(85,950)	-9%
University College choir/drama	500,000	497,020	(2,980)	-1%
Corporate Social Responsibility	200,000	159,820	(40,180)	-20%
Water & Conservancy	1,000,000	966,890	(33,110)	-3%
Medical Expenses	9,068,068	56,020	(9,012,048)	-99%
KUCCPS Processing fees	126,000	213,400	87,400	69%
Council Expenses	9,100,000	17,228,881	8,128,881	89%
IGU Expenses	1,000,000	3,612,708	2,612,708	261%
Performance Contracting	500,000	344,025	(155,975)	-31%
ISO Certification	800,000		(800,000)	-100%

Part time Lecturers expenses	1,400,000	3,444,439	2,044,439	146%
Special Projects	1,000,000	1,265,959	265,959	27%
Library Books		644,726	644,726	
Student Catering Services		5,438,160	5,438,160	
Employees Costs	118,907,372	86,325,048	(32,582,324)	-27%
Total Recurrent Expenditure	**187,471,440**	**151,928,127**		
Payment for Purchase Price MKU Balance	170,000,000	170,000,000		
TOTAL EXPENDITURE	**357,471,440**	**321,928,127**		
SURPLUS/(DEFICIT)		*9,754,353*		

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Turkana University College entity is established by and derives its authority and accountability from the University Act (No.42 of 2012) through the Gazette Legal Notice No. 8 of 2017. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is teaching, research, innovation and extension services, consultancy and community service for transformation of lives/for sustainable development.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

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

Standard	Effective date and impact:
Instruments	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. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	**Applicable: 1st January 2021:** 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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

Rendering of services

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

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

Sale of goods

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

Interest income

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

ii) Revenue from exchange transactions

Rental income

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

b) Budget information

The original budget for FY 2017-2018 was approved by the council on June 15, 2017. There were no subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.
The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

c) Investment property

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

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

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

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

d) Property, plant and equipment

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

e) Leases

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

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

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

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

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

g) Research and development costs

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

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

h) Research and development costs (Continued)

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

h) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

i) Inventories

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

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

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

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

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

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

j) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

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

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

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

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

p) Related parties

The Entity 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) 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, 2018.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions for bad debts

Provisions were raised and management determined an estimate based on the information available and determined at 10% of the outstanding debts.

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.

TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund. Kshs	Total grant income during the year Kshs	2019-2020 Kshs
Ministry/State Department of University Education	126,605,856	19,052,366	201,321,140	327,926,996	327,926,996
Total	126,605,856	19,052,366	201,321,140	327,926,996	327,926,996

(The details of the reconciliation have been included under appendix III)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. RECURRENT GRANTS

RECURRENT GOK GRANTS	2017-2018	2016-2017
	Kshs	Kshs
MMUST-GoK Grants	65,000,000.00	35,000,000.00
MMUST-GoK Grants	60,497,766.00	
MMUST-GoK Grants	1,108,090.00	
GoK Capitation Receivable -MMUST	19,052,366.00	-
TOTAL	**145,658,222.00**	**35,000,000.00**

7. RENDERING OF SERVICES

Description	2017-2018	2016-2017
	Kshs	Kshs
Tuition & Related Charges:		
Tuition (PSSP) Fees	24,628,012.00	23,738,211.00
Tuition (JAB) Fees	1,664,500.00	146,400.00
Application	381,000.00	135,000.00
Registration	550,400.00	
TUSCO	80,250.00	
ID Charges	4,500.00	
Caution	233,500.00	
Examination	667,950.00	500.00
Medical	297,750.00	
Activity	197,900.00	
Amenity	190,500.00	
Computer Levy	985,400.00	
Postgraduate	130,000.00	
Diploma & Certificate	17,900.00	
Library Levy	566,500.00	
KUCCPS	162,500.00	
Attachment Fees	724,950.00	
Graduation Fees	405,070.00	25,800.00
Field Trips	88,000.00	
Practicals	159,900.00	
Totals	**32,136,482.00**	**24,045,911.00**

8. INCOME GENERATING UNITS

INCOME GENERATING UNITS	2017-2018	2016-2017
	Kshs	Kshs
IGU Incomes	**2,268,666.00**	

9. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

OTHER INCOMES	2017-2018	2016-2017
	Kshs	Kshs
Accommodation (Hotel)	3,906,200.00	15,500.00
Sale of Tender Documents	4,000.00	
Rental Income(Shop& Cafeteria)		55,000.00
Total	**3,910,200.00**	**70,500.00**

10. FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2017-2018	2016-2017
	KShs	KShs
Cash investments and fixed deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income – external investments	-	-

11. EMPLOYEE COSTS

Personnel Costs	2017-2018	2016-2017
	KShs	KShs
Employees' costs	86,325,048.00	19,802,931.00
Salaries to Seconded Staff		7,689,569.00
Totals	**86,325,048.00**	**27,492,500.00**

12. USE OF GOODS AND SERVICES

Administrative Costs	2017-2018	2016-2017
	KShs	KShs
A0101- Audit fees/Expenses		
Provision for Audit Fees	200,000.00	200,000.00
A0103 - Consultancy Services	179,880.00	60,000.00
A0104 - Examination Materials	796,200.00	34,290.00
A0105 - External Examiners	17,000.00	
A0106 - External Travel & Accommodation	-	
A0107 - Internet Charges	995,466.00	20,000.00
A0108 -Library Expenses	942,491.00	
A0109 - New programmes/Curriculum	366,830.00	65,000.00
A0110 - Office Expenses	326,432.00	56,615.00

A0111 - Official Entertainment	81,500.00	12,840.00
A0112 - Postal and Telegrams	19,220.00	
A0113 - Public Celebrations	20,000.00	
A0114 - Publishing and Printing	1,499,087.00	33,900.00
A0115 - Purchase of Stationery	1,548,875.00	432,250.00
A0116 - Purchase of Uniforms & Clothing	146,400.00	
A0117 - Research Programmes	-	
A0118 - Seminars & Conferences	813,800.00	605,830.00
A0119 - Senate/Deans expenses	795,320.00	31,180.00
A0120 - SGC Elections & Training	-	31,600.00
A0121 - Shows & exhibition expenses	437,300.00	
A0122 - Teaching materials	1,478,725.00	
A0123 - Telephone expense	7,520.00	
A0124 - Internship	-	
A0125 - Travelling & Accommodation	2,851,596.00	924,969.00
A0126 - University College Management Board	357,950.00	53,000.00
A0127 - Attachment Expenses	949,206.00	527,600.00
A0128 - Discretionary vote (Principal)	140,600.00	35,258.00
TOTAL	**14,971,398.00**	**3,124,332.00**

13. OPERATING AND MAINTENANCE

Operational and Maintenance Expenses	2017 – 2018	2016 – 2017
	Kshs.	Kshs.
M0201 - Advert & Publicity	1,331,320.00	581,740.00
Legal Expense	-	6,000,000.00
Valuation Fee	-	1,507,500.00
M0202 - Affiliation fees	40,460.00	
M0203 - Careers week	150,000.00	
M0204 - Cleaning Services	349,030.00	58,030.00
M0205 - Coaching and Mentorship	-	
M0206 - Customer Surveys	-	
M0207 - Disability Mainstreaming	-	
M0208 - Electricity	478,122.00	91,163.00
M0209 - Hire of Transport Plant & Machinery	10,200.00	15,600.00
M0210 - HIV & AIDS	-	
M0211 - Insurance & Legal expenses	2,227,484.00	
M0212 - Inter-University games	799,150.00	
M0213 - TUCSO	79,100.00	
M0214 - Maintenance of Building & stations	1,008,131.00	399,500.00
M0215 - Maintenance of Computers	3,200.00	2,590.00
M0216 - Maintenance of Plant & Equipment	984,070.00	327,350.00
M0217 - Maint. of Water supplies & sewerage	689,300.00	
M0218 - Maintenance of Catering & Hostels	525,225.00	8,600.00
M0219 - Maintenance of Playgrounds	177,450.00	

M0220 - Maintenance of Motor Vehicles	2,552,503.00	106,221.00
M0221 - Security Services	1,591,986.00	3,300.00
M0222 - Sports Equipment	439,010.00	
M0223 - Staff Development/Training	999,895.00	5,630.00
M0224 - Student Administrative expenses	488,620.00	46,800.00
M0225 - Tender Expenses	1,015,175.00	435,900.00
M0226 - Fuel and Lubricants	914,050.00	222,230.00
M0227 - University College choir/drama	497,020.00	
M0228 - Corporate Social Responsibility	159,820.00	50,000.00
M0229 - Water & Conservancy	966,890.00	1,266,300.00
M0230 - Medical Expenses	56,020.00	9,740.00
M0231 - KUCCPS Processing fees	213,400.00	
TOTAL	**18,746,631.00**	**11,138,194.00**

14. IGU EXPENSES

IGU Expenses	2017 – 2018	2016 – 2017
	Kshs	Kshs
Expenses	3,612,708.00	
Totals	**3,612,708.00**	

15. OTHER EXPENSES

OTHER EXPENSES	2017 – 2018	2016 – 2017
	Kshs	Kshs
MKU Creditors	1,079,223.00	
Bank Charges	106,153.00	23,750.00
Accommodation (Hostel)	5,438,160.00	503,275.00
Special Projects	1,265,959.00	140,000.00
Part time Lecturers Expenses	3,444,439.00	
Performance Contracting (PC)	344,025.00	
Total	**11,677,959.00**	**667,025.00**

16. REMUNERATION OF DIRECTORS

Description	2017-2018	2016-2017
	KShs	KShs
Council Allowances	17,262,913	4,271,341.00
Total director emoluments	**17,262,913**	**4,271,341.00**

17. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	46,952,629.00	23,077,336.00
Intangible assets	53,339,854.00	26,669,927.00

Investment property carried at cost	-	-
Total depreciation and amortization	**100,292,483**	**49,747,263**

18. CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS FOR 2017/18FY	**2017-2018**	**2016-2017**
Bank Account Details	**KShs**	**KShs**
-COLLECTION ACC. (1204387079)	7,957,497.00	10,723,161.00
-PAYMENT ACC. (1206564520)	680,216.00	1,788,852.00
-CAMPUS DEPOSIT ACC. (1205643117)	2,549,890.00	1,106,995.00
-CAMPUS DEV'T. ACC (1222084198)	1,337.00	(2,100.00)
-CAMPUS DEV'T. ACC (1205643117)		
-IGU ACC (1218868899)	1,463,675.00	
-PAYMENT ACC. (1206564520)	2,194,209.00	113,006.00
-IGU ACC (1218868899)	300.00	
Totals	**14,847,124.00**	**13,729,914.00**

19. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2017-2018	**2016-2017**
	KShs	**KShs**
Current receivables		
Other exchange debtors	8,420,300	13,916,740
Less: impairment allowance	(842,030)	(1,391,674)
Total current receivables	**7,578,270**	**12,525,062**

20. INVENTORIES

Description	**2017-2018**	**2016-2017**
	KShs	**KShs**
Consumable stores	5,769,811.00	164,505.00
Medical supplies	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	**5,769,811**	**164,505**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT & EQUIPMENT IN (KSHS)												
	0%	2.5%	25.0%	33.3%	12.5%	12.5%	20.0%	25.0%	0.0%		20.0%	
	Land.	Buildings.	Motor vehicles	Computer & Accessories	Office Equipment	Furniture and Fittings	Plant &Equipment	Library books	Capital Work in Progress	Sub-total	Good will	Total
Cost 30th JUN 2016	-	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-			-	-		-	-	-
Additions	80,000,000	650,000,000	8,280,000	20,969,274	929,081	67,423,586	32,337,518	23,361,270	-	883,300,729	266,699,271	1,150,000,000
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Cost as 30th June 2017	80,000,000	650,000,000	8,280,000	20,969,274	929,081	67,423,586	32,337,518	23,361,270	-	883,300,729	266,699,271	1,150,000,000
Additions	-	4,643,474	-	-	-	4,165,501	-	644,726	22,482,800	31,936,501	-	31,936,501
Adjustment	-	-	-	-	-	-			-	-	-	-
Disposal							-	-		-		-
Cost as at 30th June 2018	80,000,000	654,643,474	8,280,000	20,969,274	929,081	71,589,087	32,337,518	24,005,996	22,482,800	915,237,230	266,699,271	1,181,936,501
Dep. As at 30th June 2016	-	-	-	-	-	-	-	-	-	-	-	-
Disposal							-	-		-		-
Charge for the year 2016/17	-	8,125,000	1,035,000	3,491,384	58,068	4,213,974	3,233,752	2,920,159	-	23,077,336	26,669,927	49,747,263
Dep. As at 30th June 2017	-	8,125,000	1,035,000	3,491,384	58,068	4,213,974	3,233,752	2,920,159	-	23,077,336	26,669,927	49,747,263
Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment		-								-	-	-
Charge/ Impairment for the year 2017/2018	-	16,366,087	2,070,000	6,982,768	116,135	8,948,636	6,467,504	6,001,499	-	46,952,629	53,339,854	100,292,483
Dep. As at 30th June 2018	-	24,491,087	3,105,000	10,474,152	174,203	13,162,610	9,701,255	8,921,658	-	70,029,965	80,009,781	150,039,746
NBV 30th JUNE 2018	80,000,000	630,152,387	5,175,000	10,495,122	754,878	58,426,477	22,636,263	15,084,338	22,482,800	845,207,265	186,689,490	1,031,896,754
NBV 30th JUNE 2017	80,000,000	641,875,000	7,245,000	17,477,890	871,013	63,209,612	29,103,766	20,441,111	-	860,223,393	240,029,344	1,100,252,737

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017-2018	2016-2017
	KShs	KShs
Creditors (Listing 1)	3,765,225.00	3,862,967.00
Prepaid Fees (Listing 2)-Differed Income	768,019.00	6,766,924.00
Part time Lecturers' Payments Due		2,402,984.00
Outstanding taxes on Part time Lecturers' Payments		730,366.00
Outstanding taxes on Council Payments		318,000.00
Outstanding Audit Fee – Office of the Auditor General	400,000.00	200,000.00
Outstanding due to MKU		1,106,895.00
Employee benefit Obligation	741,730.00	
TOTAL	**5,674,974.00**	**15,388,136.00**

23. EQUITY

EQUITY	2017/18FY	2016/17FY
Details	Kshs	Kshs
Balance as at 1st July 2017		
Capital Development Grants	1,132,000,000.00	962,000,000.00
Grants Capitalized	31,321,140.00	
Total Grants	**1,163,321,140.00**	**962,000,000.00**
Accumulated Revenue Reserves as at 1st July 2017	(38,715,918.00)	
Surplus/(Deficit) for the year	(69,135,869.90)	
Capital Debt	18,000,000.00	188,000,000.00
Totals	**2,236,790,492.10**	**2,112,000,000.00**

24. CASH GENERATED FROM OPERATIONS

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies		115,616,719.00	35,000,000.00
Tuition and Related Charges		32,136,482.00	24,045,911.00
Income Generating Units		2,268,666.00	-
Other Incomes		3,910,200.00	70,500.00
Other income, rentals and agency fees			
Total Receipts		**153,932,067.00**	**59,116,411.00**
Payments			
Employees(Personnel) Costs		86,325,048.00	27,492,500.00
Administrative Costs		14,971,398.00	3,124,332.00
Operating and Maintenance expenses		18,746,631.00	11,138,194.00
IGU Expenses		3,612,708.00	-
Other expenses		11,677,959.00	667,025.00

Remuneration of Council		17,262,913.00	4,271,341.00
Fees Refunds		220,300.00	
Total Payments		**152,816,957.00**	**46,693,392.00**
Net cash flows from operating activities		**1,115,110.00**	**12,423,019.00**

25. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

b) Interest rate risk

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

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

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2019: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2019 – KShs xxx)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

	2017-2018 KShs	2016-2017 KShs
Revaluation reserve	(38,715,918.00)	
Retained earnings	(69,135,869.90)	
Capital reserve	1,163,321,140.00	962,000,000.00
Total funds	**1,055.469,352.10**	**962,000,000.00**
Total borrowings	-	-
Less: cash and bank balances	(14,847,124.00)	(13,729,914.00)
Net debt/(excess cash and cash equivalents)		
Gearing	0%	0%

26. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

i) The National Government;
ii) The Parent Ministry;
iii) Key management;
iv) Board of directors;

27. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2017-2018 KShs	2016-2017 KShs
Court case against the entity	400,000.00	-
Bank guarantees in favour of subsidiary	-	-
Total	**400,000.00**	-

The University College faces a court with one member of staff

28. CAPITAL COMMITMENTS

Capital commitments	2017-2018 KShs	2016-2017 KShs
Authorised for	5,000,000.00	150,000,000.00
Authorised and contracted for	153,000,000.00	
Total	**158,000,000.00**	**150,000,000.00**

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

29. EVENTS AFTER THE REPORTING PERIOD

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

30. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

31. Currency

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

19. APPENDICES

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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Principal Turkana University College

Date 28/10/2020

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Consolidated in these financial statements (Yes/No)
1 Construction of 2 students' hostels		GoK	24 months	Yes
2. Supply and installation of furniture for hostels		GoK	6 Month	Yes
3.Renovations of students' hostels		GoK	6 Months	Yes

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1 Construction of 2 students' hostels	115,000,000	22,482,800	10%	115,000,000	22,482,800	GoK
2. Supply and installation of furniture for hostels	4,165,501	4,165,501	100%	4,200,000	4,165,501	GoK
3.Renovations of students' hostels	4,643,474	4,643,474	100%	4,800,000	4,643,474	GoK

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	TURKANA UNIVERSITY COLLEGE		
	Break down of Transfers from the State Department of University Education			
	FY 2017/2018			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		17th October 2017	15,000,000.00	2017 – 2018
		19th October 2017	20,000,000.00	2017 – 2018
		23rd April 2018	20,000,000.00	2017 – 2018
		22nd May 2018	10,000,000.00	2017 - 2018
		Total	**65,000,000.00**	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		MMUST Account	170,000,000.00	2017 - 2018
		Total	**170,000,000.00**	

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

Finance Manager
Turkana University College

Sign ---------------

Head of Accounting Unit
Ministry of Education

Sign------------