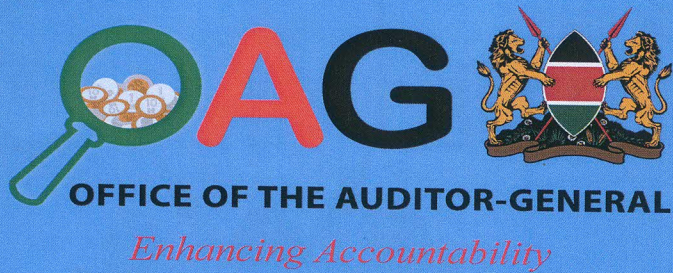


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

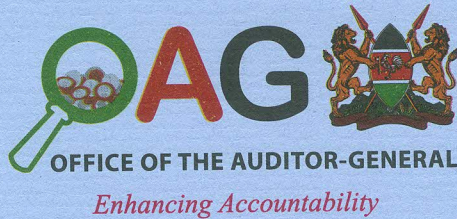
ON

CHUKA UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2022**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON CHUKA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Chuka University set out on pages 1 to 51, which comprise the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then

ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 Chuka University as at 30 June, 2022, 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 Public Finance Management Act, 2012 and the Universities Act, 2016.

Basis for Qualified Opinion

Lack of Land Ownership Documents

The statement of financial position reflects Kshs.7,784,517,185 being the net book value for property, plant and equipment as at 30 June, 2022, which as disclosed at Note 29 to the financial statements, included Kshs.1,097,670,205 with respect to land. However, the value included Kshs.25,000,000 relating to a land parcel in Karingani/Ndagani and measuring 1.0 hectares for which, as previously reported, the University Management had not obtained ownership documents. Although the Management explained that the process of securing the documents was at an advanced stage, no documentary evidence was provided to confirm the ownership status.

In the circumstances, the ownership of the land of Kshs.25,000,000 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted income of Kshs.3,264,359,179 and actual amount realized during the year of Kshs.3,277,087,637 with resulting into budget overperformance of Kshs.12,728,458. Based on the approved estimates, the university's expenditure was well within budget.

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, I confirm that, nothing 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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial

transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chuka University's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 June, 2023

Chuka University
Annual Reports and Financial Statements
For the Year Ended June 30, 2022.

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30TH JUNE 2022

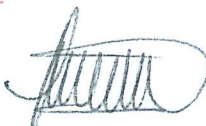
Chuka University
Statement of Financial Performance
For the Year Ended June 30, 2022

	Note	2021-2022 30th June 2022	2020-2021 30th June 2021
Revenue from Non-Exchange Transactions			
Exchequer Recurrent Grants	6	1,331,759,394	1,294,817,208
Other Revenue from Non-Exchange Transactions	7	441,766	463,205
Sub-total		1,332,201,160	1,295,280,413
Revenue from Exchange Transactions			
Tuition and Related Income	8	709,653,889	561,542,607
Income Generating Activities	9	14,867,638	23,979,917
Other Income Miscellaneous Income from Exchange transactions	10	54,265,165	60,832,160
Sub-Total		778,786,692	646,354,684
Total Revenue (A)		2,110,987,852	1,941,635,097
Expenses			
Employment Expenses	11	1,375,897,120	1,341,653,283
Council Expenses	12	11,866,227	7,825,946
Establishment Expenses	13	1,413,880	137,640
Repairs and Maintenance Expenses	14	44,407,744	22,047,800
Academic Expenses	15	186,353,638	121,837,331
Students and Alumni Expenses	16	16,788,858	8,635,140
Staff Welfare and Development Expenses	17	13,076,935	5,125,908
Finance costs	18	2,137,297	2,189,516
Depreciation and Amortization	19	227,063,532	205,354,061
Audit Fees	20	696,000	696,000
General Operating Expenses	21	208,836,919	225,107,128
Increase/Decrease in Provision for Doubtful Debts	22	96,037	24,207
Total Expenditure (B)		2,088,634,187	1,940,633,960
Surplus / Deficit (A-B)		22,353,665	1,001,137

The notes set out on pages 8 to 50 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 7 were signed on behalf of the council by:



Prof. D.K. Isutsa, Ph.D.
 Ag. Vice Chancellor/CEO



CPA. John K. Thurania
 ICPAK Member No.15343
Finance Officer



Dr. Julius Tangu Rotich, Ph.D.
Council Chairman



Chuka University
Annual Reports and Financial Statements
For the Year Ended June 30, 2022.

14. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2022

Chuka University
Statement of Financial Position
As at June 30, 2022

	Note	30th June 2022	30th June 2021
		Ksh	Ksh
ASSETS:			
Current Assets			
Cash and Cash Equivalents	23	272,731,809	1,259,335,574
Receivables from Exchange Transactions	25	65,907,865	56,400,161
Prepayments	27	4,175,759	7,867,078
Inventory	28	17,083,733	11,451,688
Total		359,899,166	1,335,054,501
Non-Current Assets			
Tangible Assets -Property, Plant & Equipment	29	7,784,517,185	6,861,474,533
Intangible Assets - Comp Software	30	936,384	3,745,532
Biological Assets	31	12,109,800	13,206,050
Total		7,797,563,369	6,878,426,115
Total Assets		8,157,462,535	8,213,480,616
Liabilities:			
Current Liabilities:			
Payables from Exchange Transactions	32	87,520,233	238,171,414
Retention Work in Progress	32	216,740,350	184,460,915
Total Liabilities		304,260,583	422,632,329
Equity Funds & Reserves			
Capital Funds		2,313,648,351	2,273,648,351
Accumulated Surplus		4,239,342,013	4,216,988,348
Revaluation Reserve		1,300,211,588	1,300,211,588
Total Equity and Reserves		7,853,201,952	7,790,848,287
Total Equity and Liabilities		8,157,462,535	8,213,480,616

The Financial Statements set out on pages 1 to 7 were signed on behalf of the council by:



Prof. D.K. Isutsa, Ph.D.
 Ag. Vice Chancellor/CEO



CPA. John K. Thurania
 ICPAK Member No.15343
Finance Officer



Dr. Julius Tangus Rotich, Ph.D.
Council Chairman

Chuka University
Annual Reports and Financial Statements
For the Year Ended June 30, 2022.

**15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30th
 JUNE 2022**

Chuka University
Statement of Changes in Net Assets/Equity
For the Year Ended June 30 , 2022

	Note	Capital Fund Ksh	Revaluation Reserves - PPE Ksh	Accumulated Surplus Ksh	Total Ksh
2020-2021					
Balance as at 01/07/2020		2,222,883,129	1,300,211,588	4,224,788,207	7,747,882,925
Adj. of Prior Yr. dep	33			(8,800,996)	(8,800,996)
Adj. Opening Balances		2,222,883,129	1,300,211,588	4,215,987,211	7,739,081,929
Surplus for the Year		-	-	1,001,137	1,001,137
Capital Grants	34	50,765,222	-	-	50,765,222
Balance as at 30/06/2021		2,273,648,351	1,300,211,588	4,216,988,348	7,790,848,288
2021-2022					
Balance as at 01/07/2021		2,273,648,351	1,300,211,588	4,216,988,348	7,790,848,288
Surplus for the Year		-	-	22,353,665	22,353,665
Capital Grants		40,000,000	-	-	40,000,000
Balance as at 30/06/2022		2,313,648,351	1,300,211,588	4,239,342,013	7,853,201,952

Chuka University
Annual Reports and Financial Statements
For the Year Ended June 30, 2022.

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2022

Chuka University
Cash Flow Statement
For the Period Ended June 30, 2022

		2021/2022	2020/2021
	Note	Kshs	Kshs
Surplus / (Deficit) from Operations		22,353,665	1,001,137
Adjustments for Non-Cash Items in the Income Statement			
Depreciation and Amortization Charge for the Year	19	227,063,532	205,354,061
		249,417,197	206,355,198
Working Capital Adjustments			
Increase/Decrease in Receivables -Exchange	25	(9,507,704)	(2,396,405)
Increase/decrease in Receivables - Non Exchange	26	-	110,826,558
Increase/Decrease in prepayments	27	3,691,319	(1,739,650)
Increase/Decrease in Inventory	28	(5,632,045)	13,055,876
Increase/Decrease in Payable from Exchange Transactions	32	(118,371,746)	78,881,085
Net Cash Flows Used in Operating Activities (A)		119,597,021	404,982,662
Cash flows from investing activities			
Acquisition Plant & Equipment	29	(43,189,769)	(50,691,921)
Acquisition of Motor Vehicles	29	-	(14,324,500)
Acquisition of Furniture & Fittings	29	(11,123,865)	(9,870,976)
Acquisition of Computer Hardware	29	(13,940,303)	(6,285,113)
Purchase of Library Books	29	(293,875)	(1,696,857)
Biological Assets	31	1,096,250	(1,591,651)
Work in Progress Paid	35	(1,078,749,224)	(850,158,162)
Net Cash Flows Used in Investing Activities (B)		(1,146,200,786)	(934,619,180)
Cash Flows from Financing Activities			
Capital Fund	34	40,000,000	50,765,222
Net Cash Flows used in Financing Activities (C)		40,000,000	50,765,222
Net Increase/(Decrease) in Cash and Cash Equivalents(A+B+C)		(986,603,765)	(478,871,296)
Cash and Cash Equivalents Bal B/F	23	1,259,335,574	1,738,206,870
Cash and Cash Equivalents C/F	23	272,731,809	1,259,335,574

Chuka University
Annual Reports and Financial Statements
For the Year Ended June 30, 2022.

The Financial Statements set out on pages 1 to 7 were signed on behalf of the council by



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