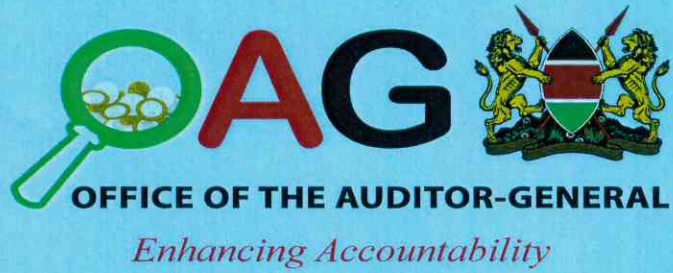


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

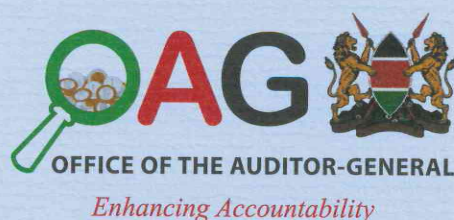
ON

EGERTON UNIVERSITY

FOR THE YEAR ENDED
30 JUNE, 2021

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 EGERTON UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2021

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 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

Adverse Opinion

I have audited the accompanying financial statements of Egerton University set out on pages 43 to 100, which comprise the statement of financial position as at 30 June, 2021 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Egerton University as at 30 June, 2021 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 do not comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracy in Staff Costs

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects staff costs of Kshs.3,189,990,440. This amount includes personnel remuneration for permanent staff amount of Kshs.3,141,047,349 and casual labour amount of Kshs.7,986,747. However, the personnel remuneration amounts vary with the payroll amount of Kshs.3,024,294,604 in respect of permanent staff and casual labor amount of Kshs.13,796,475 resulting to an unreconciled variance of Kshs.116,752,745 and Kshs.5,809,728 respectively.

In the circumstances, the accuracy and completeness of staff costs of Kshs.3,189,990,440 could not confirmed.

2. Unsupported Council Expenses

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects Council expenses totalling Kshs.15,532,485. Included in the Council expenses is an amount of Kshs.2,837,185 in respect of mileage/travel expenditure. However, logbooks for the vehicles and distances covered by the Council Members for paid mileage allowance were not provided for audit verification.

Further, the amount includes payments to various Council Members in respect of sitting, mileage and accommodation allowances totalling to Kshs.1,736,891 paid in advance. No explanation has been provided for paying the allowances before the dates of the meetings. In addition, the expenditure includes an amount of Kshs.116,712 paid to two (2) Non-Council Members for attending Council meetings.

Under the circumstances, the accuracy and validity of Council mileage expenses amounting to Kshs.2,837,185 and Council expenses amounting to Kshs.1,853,603 could not be confirmed.

3. Administration and Central Services Expenses

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects administration and central services expenses totalling Kshs.480,763,690. Review of records revealed unsatisfactory issues as indicated below:

3.1 Unsupported Expenditure on Legal Charges

Included in the amount is an expenditure of Kshs.10,065,462 in respect of legal charges. However, procurement documents for legal services such as tender advertisement, appointment letters to procurement committees, contract agreements, invoices and case status were not provided for audit verification.

In the circumstances, the accuracy and validity of legal charges-main expenditure of Kshs.10,065,462 could not be confirmed.

3.2 Inaccuracy in Overdrafts Interest

Included in the amount is an expenditure of Kshs.13,570,038 in respect of bank charges, interest and commissions. Review of the records revealed a total amount of bank overdraft interest amount of Kshs.12,010,391 which vary with the total overdraft interest amount of Kshs.10,297,120 reflected in the bank statements resulting to an unreconciled variance of Kshs.1,713,271.

In the circumstances, the accuracy of bank charges, interest and commissions amount of Kshs.13,570,038 could not be confirmed.

3.3 Unsupported Expenditure on Travelling and Subsistence

Included in the amount is an expenditure of Kshs.27,748,516 in respect of travelling and subsistence for staff members. Further, the expenditure includes an amount of Kshs.9,544,490 which was not supported by prior approvals from the Accounting Officer of the journeys made and imprest warrants. Expenditure claims were made by drivers on behalf of other officers contrary to regulations on personal claims.

In the circumstances, the accuracy and validity of the travelling and subsistence expenditure of Kshs.9,544,490 for the staff members could not be confirmed.

3.4 Unsupported Expenditure on Rent and Rates

Included in the amount is an expenditure of Kshs.59,870,889 in respect of rent and rates. Review of records revealed that an amount of Kshs.3,837,090 related to rent payment paid after expiry of the lease agreement. Further, the rent and rates amount of Kshs.7,325,815 was incurred on parking space. However, lease agreement and charges payable were not provided for audit verification.

In the circumstances, the accuracy and validity of rent and rates expenditure of Kshs.59,870,889 could not be confirmed.

4. Repairs and Maintenance

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects repairs and maintenance expenses totalling to Kshs.98,580,124. Review of records revealed unsatisfactory issues as indicated below:

4.1 Unsupported Expenditure on Motor Vehicles - Fuel and Oils

Included in the repairs amount is an expenditure of Kshs.13,462,999 in respect of motor vehicles - fuel and oils invoiced monthly by an oil firm. However, the invoices were not supported with statements of fuel drawn indicating the motor vehicle registration numbers, detail order numbers, amount of fuel drawn and the price. The fuel expenditure also wrongly includes closing stock of Kshs.68,250. Further, the University has introduced the use of fuel cards for the University fleet of forty-eight (48) motor vehicles, tractors and generators. However, a review of fuel records revealed that the fuel cards were at times used to fuel vehicles not designated to the fuel cards without authority.

In the circumstances, the accuracy and validity of expenditure on motor vehicles-fuel and oils amounting to Kshs.13,462,999 could not be confirmed.

4.2 Unsupported Expenditure on Repairs and Maintenance of Buildings

Included in the amount is an expenditure of Kshs.14,968,412 in respect of repairs on buildings. However, an expenditure of Kshs.13,969,412 on repair of buildings was not supported with procurement records such as user requisitions, bills of quantities, tender advertisement, appointment letters to tender committees, tender evaluation minutes, letter of award, bid bonds, tender security, inspection and acceptance reports, interim/completion certificates and payment vouchers.

In the circumstances, the accuracy and validity of repairs and maintenance of buildings expenditure of Kshs.13,969,412 could not be confirmed.

4.3 Inaccurate Expenditure on Maintenance of Stations

Included in the amount is an expenditure of Kshs.13,876,785 in respect of maintenance of stations. Review of the records reveal that the expenditure wrongly includes closing stock of Kshs.1,246,401.

In the circumstances, the accuracy of maintenance of station expenditure of Kshs.13,876,785 could not be confirmed.

5. Research and Extension Expenses

The statement of financial performance and as disclosed in Note 18 to the financial statements reflects research and extension expenses totalling to Kshs.247,355,310. Review of records revealed unsatisfactory issues as indicated below:

5.1 Unsupported TAMOU 01C-RE29 - Expenses

Included in the amount is an expenditure of Kshs.8,737,232 in respect of TAMOU 01C-RE29. This expenditure includes an amount of Kshs.8,328,304 from a Professor which was not supported by annual work plans, monitoring and evaluation reports and quarterly performance reports contrary to Section A.6 of the agreement with a university in the United States of America. Further, the expenditure includes an amount of Kshs.1,450,500 being stipend allowance paid to interns who were engaged for more than six (6) months contrary to the University Human Resource Manual.

In the circumstances, the accuracy and validity of TAMOU 01C-RE29 - expenses of Kshs.8,737,232 could not be confirmed.

5.2 Unsupported Limnology-RE 42 - Expenses

Included in the amount is an expenditure of Kshs.10,503,086 in respect of Limnology - RE42 - expenses. Review of records revealed an expenditure of Kshs.4,397,140 which was paid to participants of various research activities during the year from imprests issued to researchers. However, the expenditure was not supported with work plans, appointment letters, invitation letters, signed attendance registers and the purpose of the research. Further, one (1) imprest holder had expenditures of Kshs.1,101,521 in excess of the imprest issued. No authority for the excess expenditure was provided for audit review.

In the circumstances, the validity, accuracy and propriety of Limnology-RE42 expenses of Kshs.4,397,140 could not be confirmed.

5.3 In accurate COELIB Projects-RE46 - Expenses

Included in the amount is an expenditure of Kshs.5,675,917 in respect of COELIB Projects - RE46 expenses. The expenditure was incurred in US Dollars which were converted to Kenya Shillings at the closure of the financial year contrary to Policy 4(n) on foreign currency transactions of the summary of significant accounting policies which stipulates that transactions in foreign currencies are initially accounted at the ruling rate of exchange on the date of transactions.

In the circumstances, the accuracy and validity of COELIB Projects - RE46 expenses of Kshs.5,675,917 could not be confirmed.

6. Academic Departments Expenses

The statement of financial performance and as disclosed in Note 17 to the financial statements reflects academic departments expenses totalling to Kshs.129,239,943. Review of records revealed unsatisfactory issues as indicated below:

6.1 Unsupported Expenditure on Teaching Claims (Part-Time Lecturers)

Included in the amount is an expenditure of Kshs.72,854,410 in respect of teaching claims (part time lecturers). However, documents in support of the recruitment of part time lecturers such as declaration of vacancies, vacancy advertisement, composition of interview panel, invitation to attend interview, results of the interviews, appointment letters and signed contracts were not provided for audit verification.

In the circumstances, the accuracy of expenditure of Kshs.72,854,410 on teaching claims could not be confirmed.

6.2 Unsupported Expenditure on Teaching Materials

Included in the amount is an expenditure of Kshs.10,726,164 in respect of teaching materials. Review of payment records revealed that an imprest of Kshs.1,134,359 was issued to an officer whose surrender documents revealed the following anomalies:

- i. The goods, works and services were procured contrary to Regulation 92 of the Public Procurement and Asset Disposal Regulations, 2020 which stipulates that the estimated cost of the goods, works or services being procured per item per financial year is as per the threshold matrix in the Second Schedule of Kshs.50,000 and the procedure having been recommended by the head of procurement function after conducting a market survey and approved by the accounting officer or such person delegated in writing by the Accounting Officer.
- ii. Further, the expenditure was not supported by the original Kenya Revenue Authority Electronic Tax Receipt (KRA ETR Receipt) duly signed by the person undertaking the low value procurement of goods, works or services as stipulated in Regulation 93 of the Public Procurement and Asset Disposal Regulations, 2020. The goods procured shall be taken on charge by the officer responsible for the stores after the user department has confirmed the quantity and quality of the goods, works or services, before they are issued to the respective user department.
- iii. In addition, the teaching materials expenditure wrongly include stocks valued at Kshs.2,354,050.

In the circumstances, the accuracy and validity of teaching materials of Kshs.10,726,164 could not be confirmed.

7. Contingent Deposits

The statement of financial position and as disclosed in Note 24(b) to the financial statements reflects a balance of Kshs.53,000,000 in respect of contingent deposits. Review of records revealed unsatisfactory issues as indicated below:

7.1 Unsupported Staff Mortgage Scheme Balance

Included in the balance is a staff mortgage scheme balance of Kshs.50,000,000. A review of the staff mortgage scheme contract between the University and a local bank signed on 08 October, 2013 and other available information revealed that a total of Kshs.50,000,000 was deposited in the scheme's deposit bank account between 11 March, 2014 and 27 November, 2014. However, the amount was transferred from the account on 21 October, 2015 to a new fixed deposit account in the name of the University. Bank statement and the letter authorizing the transfer were not provided for audit review. A review of the deposit bank account revealed that at the time of transfer, an amount of Kshs.24,785,000 had been disbursed in six (6) instalments resulting to an unreconciled variance of Kshs.25,215,000.

Further, there was no progress reports from the bank showing activities of the scheme as provided for in Clause 14 of the Contract Agreement and evidence to confirm that the

loan repayments were deposited in the Scheme's deposit bank account as stipulated in Clause 5 of the Contract Agreement was not provided.

In the circumstances, the accuracy of staff mortgage scheme balance of Kshs.50,000,000 could not be confirmed.

7.2 Unsupported Bank Guarantee Balance

Included in the balance is a bank guarantee balance of Kshs.3,000,000 relating to a deposit pending hearing and determination of a case filed by a supplier of goods for delayed payment by the University under a civil case. However, the court case has not been disclosed in the notes to the financial statements since the case has a contingent financial implication relating to the cost of the suit, and legal fees to the University.

In the circumstances, the accuracy of the bank guarantee balance of Kshs.3,000,000 could not be confirmed.

8. Long outstanding Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 25 to the financial statements reflects a balance of Kshs.987,169,473 in respect of receivables from exchange transactions. Included in the balance is a student debtors balance of Kshs.884,852,954 which further includes a balance of Kshs.349,077,726 due from students who were either discontinued, deceased, expelled or graduated. No effort has been made to recover these debts or write them off contrary to the University's Credit and Debt Management Policy that gives the provision of writing off debts that are older than five (5) years. Failure to write off the long outstanding debtors has resulted in an overstatement of receivables from exchange transactions.

In the circumstances, the accuracy and recoverability of the student debtors amounting to Kshs.884,852,954 could not be confirmed.

9. Non-Current Assets

The statement of financial position and as disclosed in Notes 28 and 29 to the financial statements reflects a balance of Kshs.5,342,670,103 in respect of non-current assets. Review of records revealed unsatisfactory issues as indicated below:

9.1 Lack of Land Ownership Documents

Included in the balance is land valued at Kshs.1,186,094,800 which includes four (4) parcels of land with a combined size of 444 acres valued at Kshs.227,333,300 whose ownership documents/title deeds were not provided for audit review.

In the circumstances, the accuracy, valuation and ownership of the land valued at Kshs.227,333,300 could not be confirmed.

9.2 Stalled Projects

Included in the balance is Work-In-Progress balance of Kshs.904,434,993. This balance includes seven (7) stalled projects valued at Kshs.821,442,553. Further, included in the

Work-In-Progress transferred to assets balance of Kshs.1,004,061,841 is a Science Complex valued at Kshs.897,799,002. However, certificate Number ten (10) of work certified was not provided for audit verification.

In the circumstances, the accuracy and existence of Work-In-Progress of Kshs.904,434,993 could not be confirmed.

9.3 Unauthorized and Unsupported Investments

Included in the balance and as disclosed in Note 29 to the financial statements is an investments balance of Kshs.150,119,859 which include the value of 52,468 Kenya Airways shares of Kshs.200,952 and a loan of Kshs.149,918,907 advanced to Egerton University Investment Company. Review of loan records revealed that the loan was not authorized by the University Council. In addition, the Kenya Airways shares appreciated in value by Kshs.28,857 from Kshs.172,095 as at 30 June, 2020. However, the University did not provide for audit verification the Central Depository and Settlement Corporation (CDSC) statement of account to confirm ownership of the shares and the value of the shares.

In the circumstances, the accuracy and existence of investments valued at Kshs.150,119,859 could not be confirmed.

10. Unsupported Trade and Other Payables Balance

The statement of financial position and as disclosed in Note 30(a) to the financial statements reflects a balance of Kshs.4,062,263,553 in respect of trade and other payables. Included in the balance is an amount of Kshs.2,843,785,950 in respect of payroll payables. The payroll payables relate to salary, statutory deductions and pension contributions which have not been remitted to the respective entities. They include, deferred salary payments of Kshs.339,667,312, gratuity of Kshs.181,835,326, salary arrears of Kshs.10,675,090, pension deductions of Kshs.1,325,879,819 and PAYE deductions of Kshs.579,533,094. The payroll payables were not supported with a listing indicating the names of staff from whom the deductions were made and the amount deducted.

Further, the balance includes trade creditors balance of Kshs.310,085,790 and internal creditors balance of Kshs.21,945,188. A total of Kshs.273,724,687 in respect of trade and internal creditors has remained unpaid for a period of over ninety (90) days. No satisfactory reason has been provided by Management on the failure to settle these long outstanding bills. The University is at risk of paying penalties and litigation on salary, statutory deductions and pension contributions not remitted and face litigations for failure to pay suppliers for the supply of goods, services and works

In the circumstances, the accuracy, completeness and validity of the trade and other payables balance of Kshs.4,062,263,553 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Egerton 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 adverse opinion.

Emphasis of Matter

Uncertainty Relating to Sustainability of Services

The statement of financial performance reflects a deficit of Kshs.1,299,475,557 resulting in an accumulated deficit of Kshs.3,490,582,734. In addition, the statement of financial position reflects total current assets balance of Kshs.1,477,465,132 and total current liabilities balance of Kshs.5,318,196,319 resulting in a negative working capital of Kshs.3,840,731,187.

In the circumstances, the continued survival and ability of The University to continue to sustain its services is dependent on continued Government support.

My opinion is not qualified based on the above matter.

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

Unresolved Prior Year Matters

The audit report for the year ended 30 June, 2020 raised several unsatisfactory issues in regard to balances reflected in the financial statements, lawfulness and effectiveness in use of resources and effectiveness of internal controls, risk management and governance. However, the issues remained unresolved as at 30 June, 2021. Management has indicated that the issues will be resolved during the 2021/2022 financial year. The actual status of all the issues will be confirmed after they are discussed by Parliament. This is contrary to the Public Sector Accounting Standards Board Templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Enforce Collection of Tuition Fees

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects tuition and related income amount of Kshs.583,267,363. Included in this amount is tuition fee of Kshs.349,137,958. A review of tuition fee records revealed that five hundred and eighty-five (585) students were allowed to sit for exams with school fees arrears totalling to Kshs.9,104,271 contrary to section 2(a) of the Credit and Debt Management Policy.

In the circumstances, Management was in breach of the regulations and the recoverability of the outstanding fees of Kshs.9,104,271 remains doubtful.

2. Irregular Award of Contract on General Insurance – Properties - Main

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects administration and central services expenses of Kshs.480,763,690. Included in this expenditure is an amount of Kshs.43,198,474 in respect of general insurances - property – main. This amount includes an expenditure of Kshs.16,695,852 paid to an insurance company for provision of insurance cover for part of University properties. A review of documents provided for audit verification revealed the following anomalies:

- i) The contract was signed by the contractor on 13 February, 2020 for services that commenced on 01 January, 2020 leading to retrogressive procurement
- ii) The contract signing was done on different dates where the Vice Chancellor, and Deputy Vice Chancellor signed on 29 January, 2020 and 06 February, 2020 respectively, whereas the contractor and their witness signed the same contract on 13 February, 2020
- iii) The notification of award of the contract was not dated and notice to the unsuccessful tenderers were also not dated
- iv) The insurance policy certificates were not provided
- v) The evaluation comments from each committee member were not done
- vi) The tender evaluation report indicated that eleven (11) bidders applied for the tender while only nine (9) were taken through preliminary evaluation. No explanation on how the other two bidders were eliminated
- vii) Only three (3) out of the six (6) members of the evaluation committee signed confidentiality declaration form
- viii) There was no evidence of the award being published and publicized on notice boards and websites within fourteen (14) days after signing the contract.

In the circumstances, the validity of general insurances- properties - main expenditure of Kshs.16,695,852 could not be confirmed.

3. Irregular Payment of Tegemeo Institute Expenses

The statement of financial performance and as disclosed in Note 32 to the financial statements reflects Tegemeo Institute expenses of Kshs.154,923,743. Included in the expenses is an amount of Kshs.1,583,610 incurred as salary for one lecturer for the months of April, May and June 2021. However, the employee had no valid employment contract as the contract had expired on 31 March, 2021 without renewal. Further, the expenditure included an expenditure of Kshs.781,502 incurred on motor vehicle insurance premiums for the period running from 01 January, 2021 to 31 December, 2021 which was not apportioned for the year under review resulting to overstatement of the expenditure by Kshs.390,751.

In addition, the expenses include an amount of Kshs.8,758,000 for the provision of vehicle hire services. However, the contract for the provision of these services was signed by the Vice Chancellor on 10 February, 2021 and the Deputy Vice Chancellor Academic Affairs on 18 February, 2021 and service provider on 19 February, 2021 implying the services were provided without a valid contract. No explanations were provided for receiving services without a valid contract.

In the circumstances, the validity and propriety of Tegemeo Institute expenses of Kshs.10,732,361 could not be confirmed.

4. Overdrawn Cash Books

Note 24 to the financial statements reflects a cash and cash equivalents balance of Kshs.54,226,524. Included in the balance are ten (10) overdrawn cash book balances totalling Kshs.379,554,765 contrary to the provisions of Regulation 82(7) of the Public Finance Management (National Government) Regulations, 2015 which requires that no official Government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit, authorized by The National Treasury in line with section 28(4) of the Act. This overdrawn total amount has however been wrongly disclosed as part of current liabilities.

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report based on

the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and the 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's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the University or to cease operations.

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

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

The University Council is responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 Egerton University policies and procedures may deteriorate.

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

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

I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

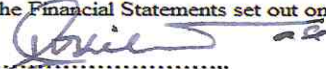
04 August, 2022


14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021


| Particulars | Notes | 2020-2021 Kshs. | 2019-2020 Kshs. |
|---|-------|------------------------|----------------------|
| Revenue from Non-Exchange Transactions | | | |
| GoK Recurrent Capitation Grant | 6 (a) | 2,098,946,927 | 2,080,549,506 |
| Research & Extension Income | 7 | 250,219,370 | 211,674,751 |
| Other Revenue from Non-Exchange Transactions | 8 | - | 502,007,253 |
| CESAAM ACE 2 Income | 9 | 164,207,237 | 166,503,732 |
| MCF TAGDEV Income | 10 | 118,123,413 | 117,949,264 |
| Tegemeo Income for the period | 31 | 124,042,943 | 56,138,363 |
| Total Revenue from Non-Exchange Transactions | | 2,755,539,890 | 3,134,822,870 |
| Revenue from Exchange Transactions | | | |
| Tuition and Related Fees | 11 | 583,267,363 | 986,789,483 |
| Other Services Rendered | 12 | 120,220,038 | 358,298,922 |
| | | 703,487,401 | 1,345,088,406 |
| Total Revenue | | 3,459,027,291 | 4,479,911,275 |
| Expenditure | | | |
| Staff Costs | 13 | 3,189,990,440 | 3,552,269,890 |
| Council Expenses | 14 | 15,532,485 | 12,912,501 |
| Administrative and Central Services | 15 | 480,763,690 | 527,524,264 |
| Repairs and Maintenance Expenses | 16 | 98,580,124 | 38,106,839 |
| Academic Departments Expenses | 17 | 129,239,943 | 147,920,686 |
| Research & Extension Expenses | 18 | 247,355,310 | 185,999,967 |
| Expenses-IGU Inputs | 19 | 47,169,110 | 64,547,871 |
| Depreciation Expenses | 20 | 129,653,282 | 113,312,933 |
| CESAAM ACE 2 Expenses | 21 | 164,207,237 | 166,503,732 |
| MCF TAGDEV Expenses | 22 | 118,123,413 | 117,949,264 |
| Tegemeo Expenses for the period | 32 | 154,923,743 | 71,476,584 |
| | | 4,775,538,777 | 4,998,524,531 |
| Other Gains/(Losses) | | | |
| Gain/(Loss) on Shares | | 28,857 | (35,154) |
| (Decrease)/increase in Provision for bad debts | | (239,296) | (25,627,152) |
| Gain on Foreign Exchange | 23 | 27,754,585 | 11,721,537 |
| Gain/(Loss) on biological Assets | | (10,508,218) | 7,827,718 |
| | | 17,035,929 | (6,113,030) |
| Deficit for the Period | | (1,299,475,557) | (524,726,286) |
| Attributable to: | | | |
| Owners of the controlling entity | | (1,299,475,557) | (524,726,286) |

The notes set out on pages 48 to 92 form an integral part of these Financial Statements.

The Financial Statements set out on pages 43 to 47 were signed on behalf of the Council by:


Prof. Isaac O. Kibwage, PhD, HSC
Vice Chancellor


CPA Moses O. Ouma
Finance Officer
ICPAK Member No. 4924


Dr. John N. Ondari, PhD
Chairman - Finance,
Human Resource &
General Purpose Committee
of the Council

Date:

Date:

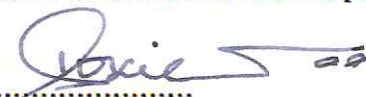
Date:

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| Particulars | Notes | 2020-2021 Kshs. | 2019-2020 Kshs. |
|--|--------------|----------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash in Bank and in Hand | 24 (a) | 380,781,289 | 461,915,491 |
| Contingent Deposit | 24 (b) | 53,000,000 | 50,000,000 |
| Receivables from Exchange Transactions | 25 (a) & (b) | 987,169,473 | 1,463,908,807 |
| Inventories | 26 | 30,399,586 | 34,644,347 |
| Agricultural Assets | 27 | 26,114,785 | 36,623,003 |
| | | 1,477,465,132 | 2,047,091,649 |
| Non Current Assets | | | |
| Property, Plant & Equipment | 28 (a) | 4,288,115,250 | 3,429,672,819 |
| Work in Progress (WIP) | 28 (a) | 904,434,993 | 1,865,102,229 |
| Investments | 29 | 150,119,859 | 150,091,002 |
| | | 5,342,670,103 | 5,444,866,050 |
| Total Assets | | 6,820,135,235 | 7,491,957,699 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Negative Cash Balances | 24 (c) | 379,554,765 | 134,984,140 |
| Trade and Other Payables | 30 (a) | 4,059,403,553 | 3,794,374,632 |
| Provisions and Accruals | 30 (b) | 535,218,641 | 470,284,219 |
| Deferred Income | 30 (c) | 344,019,360 | 329,930,726 |
| | | 5,318,196,319 | 4,729,573,717 |
| Total Liabilities | | 5,318,196,319 | 4,729,573,717 |
| Net Assets | | 1,501,938,916 | 2,762,383,982 |
| General fund | | 4,992,521,651 | 4,953,491,207 |
| Accumulated Surplus(Deficit) | | (3,490,582,734) | (2,191,107,178) |
| Total Capital and Liabilities | | 1,501,938,917 | 2,762,383,982 |

The notes set out on pages 48 to 92 form an integral part of these Financial Statements.

The Financial Statements set out on pages 43 to 47 were signed on behalf of the Council by:



Prof. Isaac O. Kibwage, PhD, HSC
Vice Chancellor



CPA Moses O. Ouma
Finance Officer
ICPAK Member No. 4924



Dr. John N. Ondari, PhD
Chairman - Finance,
Human Resource &
General Purpose Committee
of the Council

Date:

Date:

Date:

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021


| Particulars | Note | Capital Reserves | Revenue Reserves | Total |
|-------------------------|-------|----------------------|------------------------|----------------------|
| | | Kshs. | Kshs. | Kshs. |
| At July 1, 2019 | | 4,816,025,273 | (2,042,432,562) | 2,773,592,711 |
| Capital Grants | 6(b) | 137,465,934 | | 137,465,934 |
| Deficit from operations | | | (524,726,286) | (524,726,286) |
| Prior year Adjustments | | | 376,051,671 | 376,051,671 |
| At June 30, 2020 | | 4,953,491,207 | (2,191,107,178) | 2,762,383,982 |
| At July 1, 2020 | | 4,953,491,207 | (2,191,107,178) | 2,762,383,982 |
| Capital Grants | 6 (b) | 39,030,444 | | 39,030,444 |
| Deficit from operations | | | (1,299,475,557) | (1,299,475,557) |
| Prior year Adjustments | | | | - |
| At June 30, 2021 | | 4,992,521,651 | (3,490,582,734) | 1,501,938,869 |


17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

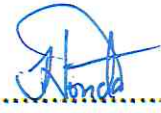
| Particulars | Notes | 2020-2021 Kshs. | 2019-2020 Kshs. |
|--|--------|------------------------|----------------------|
| Operating Activities | | | |
| Deficit for the year | | (1,299,475,557) | (524,726,286) |
| Adjustments for | | | |
| Depreciation | 20 | 129,653,282 | 113,312,933 |
| Adjustments in Reserves for prior years items | | | 376,051,671 |
| Movement in Provisions for the year | 30 (b) | 64,934,422 | (365,879,935) |
| Movement in Deffered Income for the year | 30 (c) | 14,088,634 | 51,090,980 |
| (Gain)/Loss on Revaluation of Shares | 23 | (28,857) | 35,154 |
| | | (1,090,828,077) | (350,115,484) |
| Changes in Working Capital | | | |
| (Increase)/Decrease in Biological Assets | 27 | 10,508,218 | (7,827,718) |
| (Increase)/Decrease in Receivables | 25 (a) | 476,739,334 | (100,827,764) |
| (Increase)/Decrease in Inventories | 26 | 4,244,761 | (1,271,453) |
| Increase/(Decrease) in Payables | 30 (a) | 265,028,922 | 609,953,319 |
| | | 756,521,235 | 500,026,384 |
| Cash Generated from Operations | | (334,306,842) | 149,910,900 |
| Investing Activities | | | |
| Purchase of Property, Plant and Equipment | 28(a) | (27,428,477) | (4,186,310) |
| Net Cash from Investing Activities | | (27,428,477) | (4,186,310) |
| Financing Activities | | | |
| GoK Capital Grants | 6 (b) | 39,030,444 | 137,465,934 |
| Net Cash from Financing Activities | | 39,030,444 | 137,465,934 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | (322,704,875) | 283,190,524 |
| Cash and Cash Equivalents at the start of the period | | 376,931,351 | 93,740,876 |
| Cash and Cash Equivalents at the Close of the period | 24 | 54,226,524 | 376,931,351 |

The notes set out on pages 48 to 92 form an integral part of these Financial Statements.

The Financial Statements set out on pages 43 to 47 were signed on behalf of the Council by:


 Prof. Isaac O. Kibwage, PhD, HSC
 Vice Chancellor


 CPA Moses O. Ouma
 Finance Officer
 ICPAK Member No. 4924


 Dr. John N. Ondari, PhD
 Chairman - Finance,
 Human Resource &
 General Purpose Committee
 of the Council

Date:

Date:

Date:

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2021

| Particulars | Note | Original Budget 2020/2021 Kshs. | Adjustments 2020/2021 Kshs. | Final Budget 2020/2021 Kshs. | Actual on Comparable basis 2020/2021 Kshs. | Performance Difference 2020/2021 Kshs. | % of Utilization |
|---|-------|---------------------------------------|-----------------------------------|------------------------------------|---|---|---------------------|
| Revenue from Non-Exchange Transactions | | | | | | | |
| GoK Recurrent Capitation Grant | 6(a) | 2,098,946,927 | - | 2,098,946,927 | 2,098,946,927 | - | 100% |
| Research & Extension Income | 7 | 227,087,874 | - | 227,087,874 | 250,219,370 | (23,131,496) | 110% |
| CESAAM ACE 2 | 9 | 175,000,000 | - | 175,000,000 | 164,207,237 | 10,792,763 | 94% |
| MCF TAGDEV | 10 | 80,557,346 | - | 80,557,346 | 118,123,413 | (37,566,067) | 147% |
| Tegemeo Income | 31 | 234,728,217 | - | 234,728,217 | 124,042,943 | 110,685,274 | 53% |
| Total Revenue from Non-Exchange Transactions | | 2,816,320,364 | - | 2,816,320,364 | 2,755,539,890 | 60,780,474 | 2% |
| Revenue from Exchange Transactions | | | | | | | |
| Tuition and Related Fees | 11 | 745,217,413 | - | 745,217,413 | 583,267,363 | 161,950,050 | 78% |
| Other Services Rendered | 12 | 269,499,118 | - | 269,499,118 | 120,220,038 | 149,279,080 | 45% |
| | | 1,014,716,531 | - | 1,014,716,531 | 703,487,401 | 311,229,130 | 31% |
| Total Revenue | | 3,831,036,895 | - | 3,831,036,895 | 3,459,027,291 | 372,009,604 | 10% |
| Expenditure | | | | | | | |
| Staff Costs | 13 | 1,896,291,949 | 8,480,442 | 1,904,772,391 | 3,189,990,440 | (1,285,218,049) | 167% |
| Council Expenses | 14 | 34,320,000 | - | 34,320,000 | 15,532,485 | 18,787,515 | 45% |
| Administrative and Central Services | 15 | 518,589,622 | 8,154,558 | 526,744,180 | 480,763,690 | 45,980,490 | 91% |
| Repairs and Maintenance Expenses | 16 | 162,483,494 | 5,300,000 | 167,783,494 | 98,580,124 | 69,203,370 | 59% |
| Academic Departments Expenses | 17 | 231,495,454 | (21,935,000) | 209,560,454 | 129,239,943 | 80,320,511 | 62% |
| Research & Extension Expenses | 18 | 74,182,260 | - | 74,182,260 | 247,355,310 | (10,224,176) | 104% |
| Expenses-IGU Inputs | 19 | 68,012,738 | - | 68,012,738 | 47,169,110 | 20,843,628 | 69% |
| Depreciation Expenses | 20 | 2,000,000 | - | 2,000,000 | 129,653,282 | (127,653,282) | 6483% |
| CESAAM ACE 2 Expenses | 21 | 175,000,000 | - | 175,000,000 | 164,207,237 | 10,792,763 | 94% |
| MCF TAGDEV Expenses | 22 | 80,557,346 | - | 80,557,346 | 118,123,413 | (37,566,067) | 147% |
| Tegemeo Expenses | 31 | 230,728,217 | - | 230,728,217 | 154,923,743 | 75,804,474 | 67% |
| Total Expenditure | | 3,473,661,080 | - | 3,636,609,953 | 4,775,538,777 | (1,138,928,824) | -31% |
| Other gains/(Losses) | | | | | | | |
| Gain on Revaluation Investment-Shares | 23 | - | - | - | 28,857 | 28,857 | |
| (Decrease)/increase in Provision for bad debts | | - | - | - | (239,296) | (239,296) | |
| Gain on Foreign Exchange | | - | - | - | 27,754,585 | 27,754,585 | |
| Gain/(Loss) on biological Assets | | - | - | - | (10,508,218) | (10,508,218) | |
| Gain/(Loss) on Disposal of Assets | | - | - | - | - | - | |
| Surplus/ (Deficit) from Recurrent Budget | | 357,375,815 | - | 194,426,942 | (1,299,475,557) | 1,527,974,356 | |
| Bank Loan | 96 | - | - | - | - | - | |
| GoK Development Grant | 6(b) | 78,060,889 | - | 78,060,889 | 39,030,444 | (39,030,445) | 50% |
| Capital Expenditure | 28(a) | 278,691,091 | - | 278,691,091 | 47,323,398 | (231,367,692) | 17% |
| Deficit for the Period | | 156,745,613 | - | (6,203,260) | (1,307,768,511) | 1,720,311,604 | |

Reasons for material variances refer to note 38 on page 92.