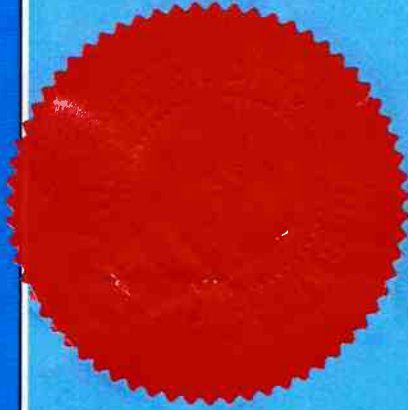


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**FRIENDS UNIVERSITY COLLEGE
KAIMOSI**

**FOR THE YEAR ENDED
30 JUNE, 2021**





KAIMOSI FRIENDS UNIVERSITY COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2021

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

Kaimosi Friends University College
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For the year ended June 30, 2021.

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kaimosi Friends University College hereinafter referred to as KAFUCO is a Statutory Corporation established under the Universities Act, 2012. The University College derives its objectives and functions from Section 3(1) of the Universities Act, 2012 and the Legal Notice No. 87 of the Kenya Gazette Supplement No. 65 of 2015.

KAFUCO, the only University in the tropical rain forest in Kenya is situated off Chavakali - Kapsabet road in Vihiga County. It is the premier and the only University in the County. Its location in the forest provides a serene environment for teaching, learning and research.

The expedition to establish KAFUCO was conceptualized in October, 2006 by the East Africa Yearly Meeting of the Friends Church (Quakers) who submitted a proposal to institute a private University to the Commission for University Education (CUE).

In November, 2008, CUE visited the institution to assess the progress made in development of infrastructure to support the proposed programs and enrolment. A follow-up inspection by CUE was carried out in July, 2011. However, it was observed that the Friends Church had not made any significant progress.

In 2012, the Friends Church having recognized their limitations in establishing a Private University, decided to explore the possibility of transforming Kaimosi Teachers Training College (KTTC) facilities to a Constituent College of a Public University.

On 24th July, 2012 the Masinde Muliro University of Science and Technology (MMUST) Council considered the Friends Church's request and recommended the establishment of KAFUCO as her Constituent College. In this regard, on 30th January, 2014 CUE, in tandem with its guidelines and criteria inspected the KTTC with a view to initiating the accreditation process for a Constituent University College.

A stakeholders meeting held on 25th February, 2014 and chaired by the then Governor of Vihiga County proposed the relocation of KTTC to its new site adjacent to Kaimosi Boys High School. As a result, a transition Committee chaired by the Governor and with the inclusion of representation from the Friends Church, Ministry of Education officials, KTTC, County Government, MMUST and selected members of the public was formed. It was mandated with ensuring the peaceful co-existence between KTTC and the University College and facilitating the transition of KTTC to its new site.

On 10th April, 2014, CUE recommended upgrading of KTTC to a Constituent College of MMUST. The MMUST Steering Committee recommended secondment of a few members of staff from MMUST

**Kaimosi Friends University College
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to KAFUCO to put structures in place in preparation for admission of students. Consequently, MMUST appointed Prof. Ogodo, M. J. Nandi as Director of KAFUCO, approved two programmes and transferred the first batch of 528 students and 46 staff to KAFUCO to enable the University College start operations. On 3rd September, 2014, KAFUCO admitted her first cohort of students on 9th January, 2017.

On 1st February, 2016, MMUST Council appointed Prof. Ogodo, M.J. Nandi as Ag. Principal, the late Prof. Y.K. Ayodo as Ag. Deputy Principal (ASA) and Prof. M. M. Amadalo as Ag. Deputy Principal (AF&P). KAFUCO Council was later appointed on 7th November 2016 by the Ministry of Education and inaugurated on 2nd December 2016 under the Chairmanship of Dr. Bernadette Mungai thus propelling the University College to a semi-autonomous corporate.

On 25th January, 2018, the then Cabinet Secretary of Education in the Ministry of Education, appointed Prof. Ogodo, M. J. Nandi as the founding Principal, the late Prof. Y. K. Ayodo and Prof. M. M. Amadalo as the Deputy Principal (ASA) and Deputy Principal (F&D) respectively.

The key strategic pillar of KAFUCO is teaching, research and innovation. The University College has steadily excelled in infrastructure and academia in many aspects. In the Financial Year 2019/2020, KAFUCO started a number of renovations which have given it a facelift from the former KTTC.

Currently there are four Schools with four (4) Senate approved Ph.D Programmes, fifteen (15) Masters Programmes, sixteen (16) Bachelor Programmes, five (5) Diploma courses and five (5) Certificate courses and endeavors to develop new programmes that suit the University College's philosophy and Academic niche.

Student numbers continue to grow in tandem with the University College plans and the current population stands at 2,822 distributed in the following programmes vis: Certificate, Diploma, Undergraduate and Graduate studies. The first batch of Bachelor of Science, nursing programme students are set to report in September 2021.

In conclusion, KAFUCO with the support of Government, the University College Council, the commitment of its Management; and other stakeholders has actualized her dream of being a University of Excellence in Teaching, Learning, Research, Innovation and Holistic Development, notwithstanding the challenges emanating from the COVID-19 pandemic and inadequate funding.

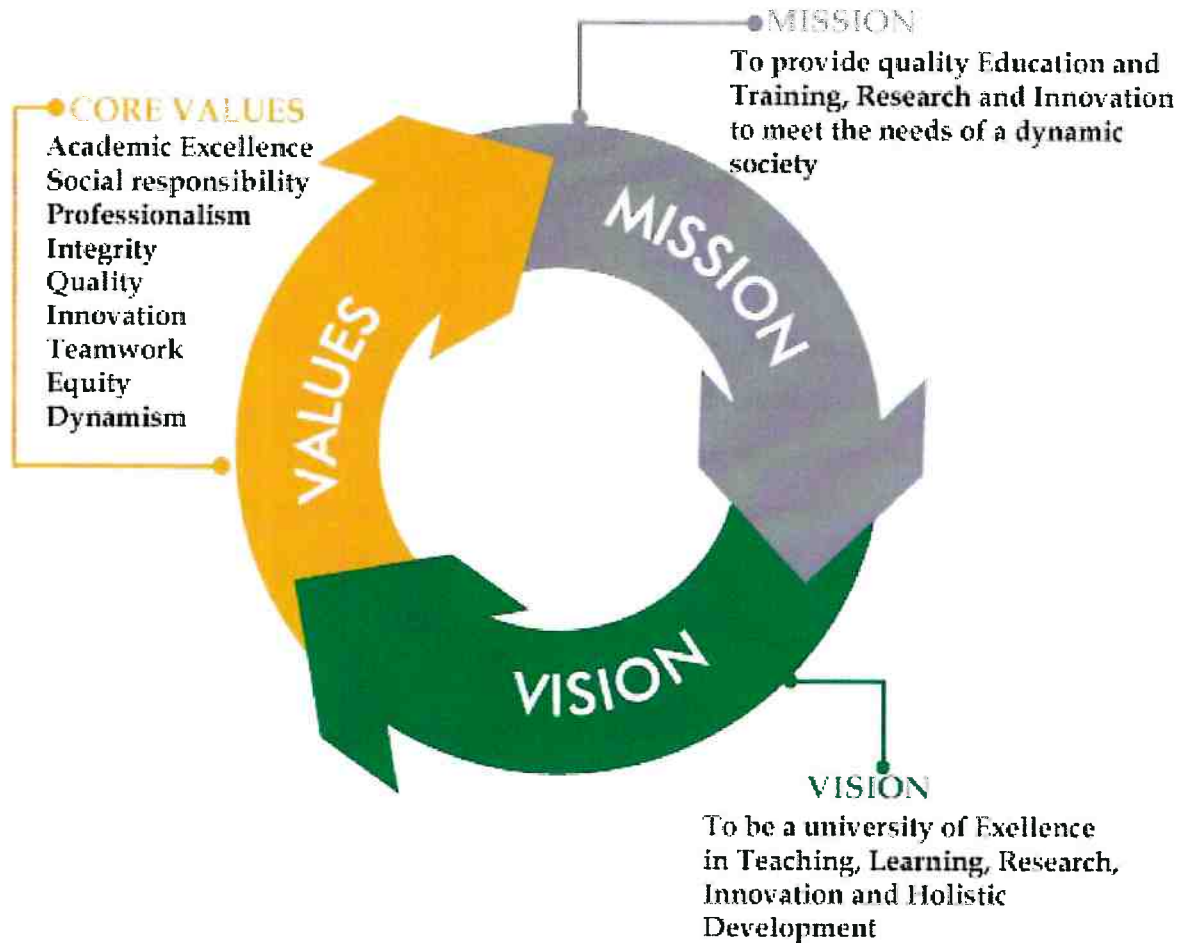
(b) Principal Activities

The principal activities of the University College are derived from the core functions as stipulated in the Universities Act, 2012 and the University College Statutes. The mandate of KAFUCO is to provide quality education and training, research and innovation to meet the needs of a dynamic society.

The University College derives its mandate from University Act 2012 No.42, of 13th December, 2012, which stipulates the objectives as follows.

- Advancement of knowledge through teaching, scholarship research and scientific investigation;
- Promotion of learning in the students' body and society in general;
- Promotion of culture and societal life of society
- Support and contribution to realization of national economic and social development
- Promotion of high standards in and quality of teaching and research;
- Education, training and retraining high level professionals, technical and management personnel;
- Dissemination of outcomes of research conducted by the university to general community.
- Facilitation of life-long learning through provision of adult and continuing education
- Fostering of capacity for independent critical thinking among its students; and
- Promotion of gender balance and equality of opportunity among students and employees.
- Promotion of equalization for persons with disabilities, minorities and other marginalized groups.
- To contribute to agricultural, industrial and technological development of Kenya in collaboration with industrial and institutions through the transfer of appropriate technology;
- To develop and provide education, culture professional, technological and vocational services to the community and in particular, foster corporate social responsibility
- To provide programmers, products and services in ways that reflects the principles of equity and social justice;
- To facilitate student mobility between different programmes and different training institutions, universities and industry
- To foster the general welfare of all staff and students.

VISION, MISSION AND VALUES



PHILOSOPHY

Kaimosi Friends University College endeavours, to be ranked amongst the world class universities based on academic excellence and research that impacts on societal needs.

MOTTO

Spring of Knowledge

STRATEGIC OBJECTIVES

KAFUCO will continue to focus on the following strategic objectives as set out in the strategic plan

- a) To Promote academic excellence and student engagement.
- b) To Strengthen technological advancement and institutional infrastructure.
- c) To Create and sustain a culture that supports research, innovation, outreach and linkages.
- d) To Promote sustainability by enhancing human capital infrastructure, resource mobilization, institutional governance, corporate affairs and environmental sound practices.
- e) To Create and sustain a culture that supports teaching and learning excellence in all academic units.

(c) Key Management

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

- University College Council
- University College Management Board
- University College Academic Board
- Principal

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Prof. Ogodo M.J.Nandi
2.	Ag. Deputy Principal Academic and Student Affairs	Prof. Benson Ojwang'
3.	Deputy Principal Finance and Development	Prof. Maurice Musasia Amadalo
4.	Deputy Finance Officer	CPA Irine Nanzala Lumatete
5.	Assistant Registrar-Academic Affairs	Dr. Samuel Munda
6.	Senior Assistant Registrar-HR and Admin	Dr. Patrick Agesa Mugesani

(e) Fiduciary Oversight Arrangements

The key oversight committees are;

1. Finance and Human Resource Committee

The Committee's functions include:

- i) Ensure compliance with finance and labour related laws, regulations and relevant circulars.
- ii) Recommend for approval, the necessary policies for finance, resource mobilization and Human Resource functions.
- iii) To advise the council on policies and strategies relating to finance and resource mobilization.
- iv) Shall review and recommend to Council the approval of the Budget and the Financial Reports.
- v) Shall recommend for approval the annual procurement plan and ensure it is aligned to the approved Annual Budget and cash flow projections.
- vi) To receive and consider Monitoring and Evaluation reports on performance in the execution of ongoing projects and make suitable recommendations to the Council.
- vii) To oversee the proper utilization and safeguarding of all University assets and funds.
- viii) To consider and make recommendation to Council, any intended application of the University Seal to documents.
- ix) To review and recommend employment structure including job grading/classification.
- x) To review and recommend the appointment, terms of appointment, performance and remuneration of the senior staff.
- xi) To review and recommend terms and conditions of service for employees, grievance mechanism, disciplinary action, staff development and training, and incentives for employees.
- xii) Review, recommend and co-ordinate training needs and appropriate Council evaluation.
- xiii) Review and assess, at least annually, the Committee's Charter for approval by the Council.
- xiv) Co-ordinate Council committees' effectiveness and performance.

Perform any other duties that the Council may assign from time to time related to finance, resource mobilization and Human Resource functions.

2. Audit Government Risk Assurance and Compliance Committee

The Committee's functions include:

- i) Ensure compliance with the law and regulations.
- ii) Approve the necessary policies for Audit, Governance, Risk Management and Compliance functions.
- iii) To oversee the internal and external audit function.
- iv) Examine Internal and External Auditors' findings and recommendations for the improvement of the internal controls.

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- v) Receive Management's response and track implementation status of internal control recommendations.
- vi) Advise Management about any significant deficiencies in the design and operation of internal controls.
- vii) Continuously review the implementation of the risk management framework.
- viii) Review and assess, at least annually, the Audit Committee's Charter for approval by the Council.
- ix) Perform other oversight functions that the Council may assign from time to time related to Audit, Governance, Risk Management and Compliance functions.

3. Academic Strategy Planning Development & Innovation Committee

The Committee's functions include:

- i. Oversee the development and regular updating of all policies relevant to the University College's Strategic Plan, Academic, development and innovation.
- ii. Provide strategic advice to the Council on development and updating of the University College's Strategic Plan, Academic, development and innovation.
- iii. Ensure negotiation, monitoring and evaluation of the University College's Performance Contract (PC).
- iv. Provide oversight to all infrastructure developments.
- v. Oversee the development and evaluation of the University College's academic programmes.
- vi. Recommend to the Council potential areas of research, development and innovation for the University College.
- vii. Ensure monitoring and evaluation of the University College's research as well as dissemination of research outputs through publications and exhibitions.
- viii. Oversee protection of the University College's intellectual property and rights.
- ix. Advise the Council on matters pertaining to international conventions.
- x. Enhance the University College's Corporate Image.
- xi. Ensure the University College's certification by the International Organization for Standardization (ISO).
- xii. Oversee the development and approval of the Council Charter, Almanac and work plan.
- xiii. Review and assess, at least annually, the Committee's Charter for approval by the Council.
- xiv. Perform other oversight functions that the Council may assign from time to time related to Strategic Plan, Academic, development and innovation function.

(f) Entity Headquarters

Kaimosi Friends University College
Off Chavakali-Kapsabet road,
P.o box 385-50309
Kaimosi, Kenya..

(g) Entity Contacts

Telephone: (254) 777373633
E-mail: principal@kafuco.ac.ke
Website: www.kafuco.ac.ke

(h) Entity Bankers

1. Co-operative Bank of Kenya Limited
Mbale Branch
P.O. Box 816-50300
Maragoli
2. Kenya Commercial Bank Limited
Serem Branch
P.O BOX 122-50308
Serem
3. Kenya Commercial Bank Limited
Mbale Branch
P.O BOX 1123-50300
Maragoli
4. Equity Bank Limited Mbale Branch
P.O BOX 545-50300
Maragoli
5. Absa bank plc
Western Group of Branches
Mbale Branch
P.O BOX 285-50300
Maragoli

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(i) Independent Auditors

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

(j) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS/THE UNIVERSITY COUNCIL



Dr. Bernadette Mungai,

Chairperson

YoB: 28.09.1959

PhD(KU), MBA(USIU), BBM(USIU)

Dr. Mungai is a Consultant and an Entrepreneurship Development Expert with twenty seven years experience in the African region. She has been a Team Leader on various donor funded projects – the British Council, DfID and The World Bank funded Private Sector Development Projects. She has also been involved in capacity building, strategic management and business development programmes. She has extensive experience in Africa having worked in Kenya, Ethiopia, Uganda, Tanzania, Rwanda, Ghana, Nigeria, South Africa, Zimbabwe and South Sudan.



Prof. Ogodo. M. J. Nandi,

Secretary

YoB: 19.03.1965

PhD (Maseno University), MBA

(Moi University), MA (UoN) BA (UoN).

Prof. Ogodo, M.J Nandi is a full Professor and currently the Principal of Kaimosi Friends University College. He has over twenty-five years of teaching and research experience at University level and has published several university level books and articles in refereed journals. He has also won International research grants in multi-disciplinary research. He has taught and supervised many students at Masters and PhD level. Prof Nandi has served as an administrator for over fourteen years, six of this as head of department and eight as a director. He is a member of professional bodies (Association of African Study of Religion, Ecumenical Symposium of East African Theologians, Ecumenical Association of Third World Theologians and African Society of Edible and Medicinal Mushrooms, and has also made several linkages with scholars in other countries.



Dr. Josephine D. Waudu,
Chairman, ASPD & I Comm.

YoB: 02.09.1955

PhD, (KU), M.Ed (UON), BED, (UoN), Higher National Diploma, (KIPC), Cert Teacher Education, (State of Israel).

Dr. Waudu is currently a Council Member at Kitale National Polytechnic. She worked as an Acting Deputy Director- Research in charge of Policy, Planning & Strategy Division in the Directorate of Research Management and Development at Ministry of Education Science and Technology headquarters. She was also an assistant Director Quality Assurance and Standards Officer in charge of Teacher Education Development at the MoE headquarters and a senior Inspector of Schools in charge of Grading and regrading of Teachers Sub Section. In addition, she coordinated Social Studies Subject at the MoE headquarters.



Dr. Fauziya Brek Karama OGW,
Chairman FHR Com

YoB: 10.04.1966

PhD, (JKUAT), MBA Bsc, Communications Manager

Dr. Karama is currently Head of Department - School of Business Raf International University. She also served as Head of Special Programs & Brand Communication – (B2B Marketing Telkom Kenya) among other positions. She is a member of Professional bodies in Management and Marketing: Kenya Institute of Management and Marketing Society of Kenya.

Dr. Karama's core competencies include;

- Excellent team player to achieve desired goals and objectives including conducting ISO and Process audits
- Skilled in Project planning and execution.
- Strategic management, operational and logistics management and forecasting.
- Highly result-oriented individual with strong sense of commitment

and integrity

- Skilled in internal staff capacity building, training and development.
- Good communication skills – oral and written, consensus building.
- Strong Analytical assessment skills on statistical analysis.
- Computer literate in Word, Excel, PowerPoint and SPSS (Statistical Package for Social Scientists).
- Excellent team player and motivator of staff to achieve desired goals and objectives
- Sensitive to cultural diversity and gender issues.
- Self-motivated with a strong desire to achieve performance targets and performs well even with no supervision
- Excellent writing skills – project reports, field visit reports and status reports.
- Expert in preparation of Business Performance reports and in preparations of Business Plans.
- Oriented in conducting business development surveys.
- Highly result –oriented individual and strong sense of commitment and integrity.

Arthur Anam Rateng, OGW

Chairman AGRAC Comm

YoB:14.09.1953

MSc, B.Ed (Tech. I), Educationist

Mr. Rateng has worked as Director of Technical Education in the Ministry of Education, Science and Technology. He also served as the Chief Principal, Machakos Technical Training Institute among other training institutions

Mr.Rateng is a highly skilled leader with diverse experience and capacity to initiate new projects and turn around existing projects in a cost-effective manner. Endowed with excellent capacity in situation analysis, interpretation and report writing as well as the knack for making written and oral presentations. He exhibits the following competencies;



- Policy design, formulation, planning and implementation.
- Training program design, development and implementation.
- Job task analysis, goal setting and staff deployment
- Project formulation, planning, implementation, monitoring and evaluation
- Organizing scientific and technological shows and exhibitions
- Teaching Practice coordination and supervision
- Coordination of examination setting, moderation, supervision, management and related psychometrics processes
- Development of competency based modular TVET curriculum
- Planning, organizations and facilitation of training sessions, seminars, workshops and conferences
- Development of project proposals and terms of reference for research studies and consultancies in various aspects of TVET
- Machine tool design and development for industry
- Productivity improvement training and work organization

Mr. Paul Mwaura Wanderi

Member

YOB: 03.04.1977

MA-Project Planning & Management

(UON), PGD-HRM(KIM),B.Ed(Egerton)

Mr. Wanderi is an independent assessor for Sustainable Development Goals for governments and intergovernmental bodies in Africa. He has also worked as a Deputy Chief Executive Officer and Head of Programmes at Kenya Land Alliance (KLA). He is a highly skilled, result-driven professional in leadership and strategic management with diverse experience with in depth knowledge and unparalleled skills in executive management and leadership.

Key focal areas of experience include Project Capacity Assessment, Civic Education, Training and Development, Capacity Building, Conflict Resolution, Human Rights, NGOs and Civil Society, Community Projects Design and Management, Monitoring and Evaluation, Politics and Policy Advocacy, Devolution Governance,



Partnership and Relationships building.

He values transparency, accountability, justice, good governance and adherence to the rule of law. He has worked hard to assist the community to realize their potential in providing services that improve the social economic status in pursuit of sustainable development and a just and equitable society regardless of gender, race, nationality, religious or any other inclination.



Mr. Isaiah Odiwuor Ochelle

Member

YOB: 10.10.1978

Representative of the Cabinet Secretary, National Treasury & Planning.

Mr. Ochelle holds a Bachelors of Arts Degree in Economics (Major) First Class Honors from the University of Nairobi (2002) and M.A in Public Policy (MPP) from University of Erfurt, Germany (2011). He has worked with the National Treasury for over 16 years. During this period, he has gained working experience in public sector financial management and national budgeting. He has served both in the Government Information Technology Services department and the Budget Department at the National Treasury as an Assistant Director of Budget, where he is currently serving.



Rodney Odhiambo Oluoch,

Member

YoB: 17.05.1980

LL.M-Tax Law (UNISA),

BL. L (Hons) (Moi University), PGD-Law (KSL)

Mr. Oluoch is an Advocate of the High Court of Kenya and currently a partner at NETO OTIENO and Company Advocates.

Mr. Oluoch has practical 12 years' legal experience during which time he has:

- Practiced law as a litigation counsel based in Kisumu city.
- Adjunct lecturer in local universities and colleges.
- Been employed as a Senior Legal officer and head of Legal Department at Bondo University College/Jaramogi Oginga Odinga University of Science and Technology (JOOUST).
- Been the Scheme Secretary of JOOUST Staff Retirement Benefits Scheme;
- Performed Council/Board Secretarial duties for the JOOUST Council.
- Been a member of several committees and Boards within JOOUST.
- Has been trained on management and leadership.
- Carried out civic education, training and consultancy for various legal entities and government agencies.
- Drafted Bills and By-Laws for County Governments.
- Offered general consultancy services for various government agencies and private enterprises.
- Presented papers at various conferences and workshops.



Mr. Stephen Mbasu

Member

YoB: 00.00.1970

Period of Service: April 2021- August 2021

BA (Arts)- UON, Dip. (Public Admin)- KSG

Representative of the Principal Secretary, State Department for University Education and Research, Ministry of Education

Mr. Mbasu is a Senior Deputy Secretary

He has served in Public Administration of the Government of Kenya in various Districts and Provinces.

He is currently deployed in Central Government and served in:

- * Ministry of Environment, Natural Resources & Wildlife
- * Labour and Human Resources Development
- * Office of the Vice President & Ministry of Home Affairs
- * Ministry of Interior and Coordination of National Government



Dr. Christopher K. Yegon

Member

YoB: 00.00.1967

Period of Service: February 2020- March 2021

PhD (BA), MBA, BBM

Rep., PS, State Department for University Education and Research, Ministry of Education.

Dr. Yegon has vast experience in education and training having risen through the ranks in the Ministry of Education to his current position of Deputy Director, Directorate of University Education, State department for University Education and Research.

3. MANAGEMENT TEAM



Prof. Ogodo M.J Nandi
Principal
PhD (Maseno University), MBA (Moi University), MA(UoN), BA (UoN)



Prof. M. M Amadalo
Deputy Principal
(Finance & Development)
PhD (KU), Med(KU), Bed (Sc), Hons(UoN)



Prof. B. Ojwang
Ag. Deputy Principal, ASA
Director. GS
PhD. Linguistics (Maseno) M.A Linguistics (UoN), BEd. Arts (UoN)



Dr. Samwel Munda,
Assistant Registrar
(Academic Affairs
PhD. (MMUST), MEd (Mgt)
Egerton University, BEd (Sc)



CPA Irine Lumatete,
Deputy Finance Officer
MBA Finance (UoN), B.Com
Accounting (UoN), CPA (K)



Dr. Peter Karanja
Rep. Deans & Directors
PhD (Western Cape, SA), M.A (UoN).



Dr. Nabeta K. N Sangili - Rep. CoDs
PhD Kiswa (Rongo), M.A Kiswa (aAseno), B.A Kiswa (Moi)



Dr. P. A Mugesani
Senior Assistant Registrar (HR & Admin)
PhD HR (JKUAT), MBA HRM (KU)



Ms. C. Shikuku, Senior Assistant Librarian
MSc. Records & Archive Management (Moi),
BSc. Information Science (Moi), Dip. Information Studies
(Kenya Polytechnic)



Ms. Linet Mayavi, Advocate
In-Charge Legal Affairs Office
LLB Hons KU, Post Graduate Dip, Law (KSL),
Dip. Public Relations (ICM)

4. CHAIRMAN'S STATEMENT



I am delighted to present the annual report and financial statements for the year ended 30th June, 2021. This was the fifth year in operation as a Constituent College. Although the year marked the end of tenure of the Chairman of Council on 6th November, 2020, the University College Council remained steadfast in discharging its mandate.

Our vision remains “a University of excellence in teaching, learning, research, innovation and holistic development” as postulated in our Revised Strategic plan 2018/19 -2022/23. To this end, the University College was given approval by the Nursing Council of Kenya to offer the Bachelor of Science in Nursing Programme. We managed to purchase nursing equipment and convert classrooms to nursing skills lab. This led to the establishment of the Bachelor of Science in Nursing Programme which is anticipated to transition into a full- fledged School, that is, the School of Nursing in the near future. The Bachelor of Science in Nursing Programme is set to receive students in September, 2021.

The University College created the Quality Assurance Directorate that has initiated the process towards ISO: 9001: 2015 certification which is the hallmark of quality in service delivery. An E-Learning strategy was also developed to respond to the growing demand for virtual learning in the country.

With regard to physical infrastructure, Council managed to oversee the partial handover of the 24 No. Tuition block. The project is currently at 77% completion rate and is in use by students and staff. This eased the pressure on physical facilities occasioned by the COVID – 19 pandemics. It is estimated that the project will be completed by September, 2021.

Further, during the period under review, the University College continued to revamp and integrate its Income Generating Unit activities with a view to sustain its revenue base. The University College will continue to implement its reviewed Strategic Plan 2018/19 -2022/23 whose thrust continues to address the Big four agenda and vision 2030.

Although the Council is proud of the above achievements, the University College also faced challenges of inadequate funding from the government that impacted on its financial status. This led to the non-execution of Commission for University Education requirements of recruiting programme leaders for each department hence delayed review of academic programmes.

Finally, I would like to thank the Government for its continued support towards realization of KAFUCO's Vision and Mission. Permit me to thank Management, staff and all our stakeholders for their continued support in steering the University College through another successful financial year.



DR. JOSEPHINE D. WAUDO, PhD.

PRESIDING CHAIRPERSON, KAIMOSI FRIENDS UNIVERSITY COLLEGE COUNCIL

5. REPORT OF THE PRINCIPAL



It is my honour and pleasure to present Annual Report and Financial Statements for the period ended 30 June 2021. This report helps us to measure our performance for the period and gives us an opportunity to reflect and celebrate our milestones in terms of infrastructural development and academic growth.

The FY 2020/2021 Annual Report is an opportunity to reflect on an extraordinary year. It was a year of unprecedented local and global challenges emanating from COVID – 19 and the Kaimosi Friends University College was not immune to their impact. At the onset of Semester one, our outstanding lecturers mobilized to move close to thirty courses into a virtual delivery mode in a matter of days, committed to ensuring students could continue with their studies. We maintained our critical research capacity and significantly enhanced the use of remote education and online teaching in an environment of increased operational costs.

With equal dedication to the student experience and knowing the benefits greater engagement means for student success, we were proud to be one of the few Public Universities in Kenya to return to a COVID-19 safe form of face-to-face teaching in November, 2020 to the great relief of many of our students.

In the midst of the escalating pandemic, we reviewed our strategy as detailed in the 2018-2023 Strategic Plan to fine tune its capacity to our core mandate. We are working towards seizing growth opportunities in the market despite the current unfavorable global economic outlook. In September 2020, our student enrollment numbers elevated to 2,158 compared to 1,820 in the previous year. The students' population which forms the bulk of our clientele is currently at 2,822. In addition, the University College was given approval by the Nursing Council of Kenya to offer the Bachelor of Science in Nursing Programme. We are set to launch the School of Nursing in September, 2021.

The University College continues to prudently manage its financial resources and has enhanced its Income Generating Unit. In FY 2020/2021, we reported a surplus of **KES 7.907M** against a surplus of

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KES 104.457M in FY 2019/2020. We were significantly funded through Government Capitation and recorded a total recurrent income of **KES 575.935M** which included recurrent grant of **KES 444.024M**, and **KES 131.912M** from Appropriation in Aid (A-I-A). Although we were able to absorb the impacts of Covid-2019 Pandemic and returned a modest surplus, we are aware that there are more challenges ahead. We remain focused and committed on setting our University College up to success in FY 2021/2022 and beyond.

Construction of Phase A of our premier project, the 24-No. Tuition Project, is complete and is in use by students and staff, while Phase B of the project is ongoing and is expected to be finalized by the end of June 2022. This has given an incredible boost to our physical infrastructure and enabled us to create more teaching and working space to our students and staff.

Together we have navigated a difficult and challenging year. But as a fast growing University College that endeavors to be ranked globally based on academic excellence and research that impact on societal needs, addressing challenges is at the heart of what we do. We are grateful to all who helped us maintain a steady course in FY 2020/2021 – the Government of Kenya, University College Council, Management Board, all our students, alumni and friends and our staff. We are also, as always, enormously grateful for the support we feel and receive from our wider community.



PROF. OGODO, M. J. NANDI
PRINCIPAL

6. STATEMENT OF KAFUCO's PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Kaimosi Friends University College has FOUR strategic pillars and objectives within its Strategic Plan FY 2018/2019-2022/2023

Objectives

Being a comprehensive teaching and research university, KAFUCO is expected to work towards the achievement of the following general objectives: -

1. To Promote academic excellence and student engagement.
2. To Strengthen technological advancement and institutional infrastructure.
3. To Create and sustain a culture that supports research, innovation, outreach and linkages.
4. To Promote sustainability by enhancing human capital infrastructure, resource mobilization, institutional governance, corporate affairs and environmental sound practices.
5. To Create and sustain a culture that supports teaching and learning excellence in all academic units

The strategic issues are as follows:

Strategic issue 1: Academic Excellence and Student Engagement

Strategic issue 2: Technological Enhancement and Infrastructure

Strategic issue 3: Research, Innovation, Outreach and Linkages

Strategic issue 4: Sustainability

KAFUCO develops its annual work plans based on the above four strategic issues. Assessment of the Management's performance against its annual work plan is done on a quarterly basis. The University achieved its performance targets set for the FY 2020/2021 period for its four strategic issues as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Expected Target	Achievements
Strategic issue 1: Academic Excellence and Student Engagement	To increase student enrolment equitably	Number of students in science courses	Admit students in science programmes	1688	
		Number of students admitted	Admit students to the programme	3844	
		E-learning infrastructure	Operationalize Open Distance Electronic learning by installing and commissioning of a studio for video recording and online teaching	100%	100%
		E-resources	Deploy EZ Proxy software and server for off campus access		
Strategic Issue 2: Technological Enhancement and Infrastructure	To Enhance Infrastructure	Construction of tuition block and associated works	Complete construction of Tuition Block	100%	100%
		ICT Infrastructure	Deploy a web conferencing facility by	100%	100%

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Expected Target	Achievements
			installing and customizing the big-blue button		
Strategic Issue 3: Research, Innovation, Outreach and Linkages	Capacity building of research	Grant proposal writing	Hold training workshops	3	3
		Seminars and conferences	Academic staff seminars leading to publications	2	2
		Benchmarking	Benchmark with other research institutions on the best practices in research	2	2
	Outreach ,innovation and Linkages				
		Partnership and Linkages	Create linkages with relevant institutions	5	5
		Innovation	Innovate, produce and commercialize Bio-gel fuel to the public	100%	100%
Strategic issue 4: Sustainability	To establish a strong capital and financial base	Pending bills	Ensure pending bills do not exceed 1% of total budget	1%	0%
		A-In A Mechanisms	Enhance A-in-A revenue	132,896,000	131,911,616
		Absorption of allocated funds	Ensure absorption of all allocated funds	100%	90%
	To Harness Human Resource	Number of staff trained and developed	Train & Develop Staff	100%	100%
		Staff Training Needs Assessment	Carry out Staff Needs Assessment and execute the intervention strategies	100%	100%
		Performance monitoring	Conduct staff performance appraisal based on negotiated and agreed performance targets	100%	100%

7. CORPORATE GOVERNANCE STATEMENT

1. Ownership

KAFUCO is a corporate body Gazetted on 22nd May 2015 as a Constituent College of Masinde Muliro University of Science and Technology under the Legal Notice No. 87 Kenya Gazette supplement No 65. The University College is wholly owned by the 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. The sitting allowance paid to the Council members is disclosed in note 15 of the Annual report and financial statements.

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.

However, the Council is yet to develop a policy on Conflict of Interest as envisaged by paragraphs 2.6 and 4.3. The Policy is among those scheduled for development to provide a framework to manage these conflicts.

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 and procedure document for risk management. The University College conducts risk assessment on regular basis which informs the internal audit plan. The University College has a risk management committee which oversees the risk management. The University College has an Internal Audit department to carry out risk based internal audits on a quarterly basis. The University Council through

its Audit and Compliance Committee received regular reports during the financial year on internal control and risk.

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

6. Statement of Compliance

The Council Members confirm that Kaimosi Friends University College has throughout the financial year ending 30th June, 2021 complied with the entire statutory and regulatory requirements and has been managed in accordance with the principle of Corporate Governance.

7. Committees of the University College Council

In order to facilitate the smooth running of its affairs, the University Council establishes such Committees with the membership and with such terms of reference as it may deem fit. The following Committees were in place during the financial year ending 30th June, 2021;

- i. Finance & Human Resource Committee
- ii. Audit, Governance, Risk Assurance & Compliance Committee
- iii. Academic, Strategy, Planning, Development & Innovation Committee

The University Council nominates the Chairperson of each Committee of the Council provided that in the absence of the Chairperson of any Committee, the members present and constituting a quorum may elect one person from among them to chair the meeting.

Finance & Human Resource Committee

The Committee provides oversight, policy recommendation and advises on matters relating to the University College Finance & Human Resource, with a view to referring the matters of utmost importance to the Council for final approval.

Audit, Governance, Risk Assurance & Compliance Committee

The Committee oversees and advises on matters relating to the safety of assets; operations of adequate systems; control processes, preparation of accurate financial reports in compliance with legal and statutory requirements and standards; internal and external audits; risk assurance strategies; institutional governance; monitoring of performance contract; and quality assurance.

Academic, Strategy, Planning Development & Innovation Committee

The Committee advises and provides an oversight role to the strategic development and implementation of academic and research programmes; physical facilities and infrastructures plan; quality assurance for excellence in teaching, research and innovation and protection of intellectual assets.

MEMBERSHIP TO COMMITTEES OF COUNCIL

a) FINANCE AND HUMAN RESOURCE COMMITTEE

1. Dr. Fauziya B. Karama, OGW - Chairperson
2. Mr. Rodney O. Oluoch - Member
3. Mr. Stephen Mbasu - Rep., PS, State Department for
University Education and Research
4. Mr. Isaiah Odiwuor Ochelle - Rep. CS, National Treasury and Planning
5. Prof. Ogodo, M. J. Nandi - Secretary

**b) AUDIT, GOVERNANCE, RISK ASSURANCE AND COMPLIANCE COMMITTEE
(AGRAC)**

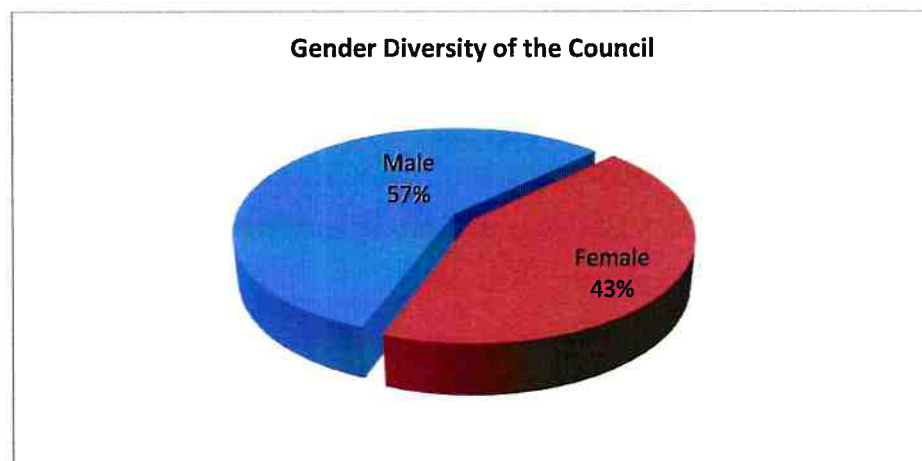
1. Mr. Arthur A. Rateng, OGW - Chairman
2. Mr. Paul M. Wanderi - Member
3. Mr. Stephen Mbasu - Rep., PS, State Department for
University Education and Research
4. Mr. Isaiah O. Ochelle - Rep., Rep., CS, National Treasury & Planning
5. CPA Fred Wasike - Internal Auditor/Secretary

**c) ACADEMIC STRATEGY, PLANNING, DEVELOPMENT & INNOVATION
COMMITTEE (ASPD&I)**

1. Dr. Josephine D. Waudu - Chairperson
2. Mr. Paul M. Wanderi - Member
3. Mr. Stephen Mbasu - Rep., PS, State Department for
University Education and Research
4. Mr. Isaiah O. Ochelle - Rep., CS, National Treasury & Planning
5. Prof. Ogodo, M. J. Nandi - Secretary

GENDER DIVERSITY OF THE COUNCIL

The University Council composition meets the constitutional requirement relating to gender rule as shown in the pie chart below;



UNIVERSITY COLLEGE COUNCIL MEETINGS

During the FY 2020/21, Council implemented the approved Council Almanac as per the State Corporations Act 446, PFM Act 2012 and performance contracting guidelines for the purposes of complying with statutory timeliness as stipulated in the laws for timely submission of reports to Government Agencies.

The Council and its Standing Committees held a total of twenty-one regular and four special meetings. During the year under review, the Council had four trainings. On 4th December, 2020, Council visited the University Chancellor at the Karen County Club in Nairobi for a brief on the status of the University College and presentation of the 2020 graduation list.

They later attended the 15th MMUST graduation Ceremony on 15th December, 2020 at the main Campus in Kakamega during which 307 graduands from KAFUCO, graduated with certificates, diplomas and degrees in various programmes.

All the Special Council meetings held during this period under review were approved by the Principal Secretary, State Department for University Education and Research. Council and its Committees held their meetings as per the summary below:

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Council Members	Position in Council (Chairman/CEO/Member)	Gender	Date of Appointment DD/MM/YYYY	Expiry of Appointment DD/MM/YYYY	Membership & attendance	CURRENT COUNCIL										
						University College Council	Finance & Human Resource Committee (FHR)	Trainings	Academic, Strategy, Planning, Development and Innovation Committee, (ASPD&I)	Audit, Governance, Risk Assurance and Compliance Committee, (AGRMC)	Special Council	Special FHR	Visit to Chancellor	15 th MMUST Graduation		
Dr. Bernadette Mungai	Chairman	F	20/11/2019	6/11/2020	attendance Membership	3/5 √	X X	1/4 √	X X	X X	X X	X X	X X	X X	X X	
Prof. Ogodo, M. J. Nandi	Principal/Secretary	M	25/01/2018	24/01/2023	Attendance Membership	5/5 √	5/5 √	4/4 √	5/5 √	1/6 X	2/2 √	2/2 √	1/1 √	1/1 √		
Dr. Josephine D. Wando	Member	F	20/11/2019	19/11/2022	Attendance Membership	5/5 √	X X	4/4 √	5/5 √	X X	2/2 √	X X	1/1 √	1/1 √		
Dr. Fauziya B. Karana, OGW	Member	F	20/11/2019	19/11/2022	Attendance Membership	5/5 √	5/5 √	4/4 √	X X	X X	2/2 √	X X	1/1 √	1/1 √		
Mr. Arthur A. Rateng, OGW	Member	M	20/11/2019	19/11/2022	Attendance Membership	5/5 √	X X	4/4 √	5/5 √	6/6 √	2/2 √	X X	1/1 √	1/1 √		
Mr. Paul Wandari	Member	M	20/11/2019	19/11/2022	Attendance Membership	5/5 √	X X	4/4 √	√	1/6 X	2/2 √	X X	1/1 √	1/1 √		
Mr. Rodney O. Oluoch	Member	M	20/11/2019	19/11/2022	Attendance Membership	1/5 √	1/5 √	1/4 √	1/5 √	2/6 √	1/2 √	2/2 √	X X	X X		
Mr. Stephen Mbasu	Current Representative, PS, State Department for University Education & Research	M	20/2/2020		Attendance Membership	4/5 √	4/5 √	1/4 √	5/5 √	5/6 √	1/2 √	1/2 √	X X	1/1 √		
Mr. Isaiah O. Ochelle	Representative, CS, National Treasury	M	19/08/2019		Attendance Membership	3/5 √	3/5 √	3/4 √	4/5 √	2/6 √	X X	X X	1/1 √	X X		
Dr. Christopher Yegon	Former Representative, PS, State Department for University Education & Research	M			Attendance Membership	3/5 √	3/5 √	3/4 √	4/5 √		X X	X X	1/1 √	X X		

8. MANAGEMENT DISCUSSION AND ANALYSIS

We have the pleasure to present the Annual Report and Financial Statements of KAFUCO for the period ended June 30, 2021 as per the Universities Act, 2012 and the Public Audit Act, 2015.

Despite the myriad challenges inherent in the university college's operating environment, the college continued to discharge its mandate of teaching, research and innovation successfully throughout the year.

STUDENT ENROLMENT AND TEACHING

The University College has two functional divisions namely, the Academic and Students Affairs and the Finance and Development Divisions.

The Academics and Students Affairs division is mandated to implement quality teaching, learning, research, innovation and holistic development as outlined in the University Vision. The division is currently made up of the following schools, Directorates and administrative Departments:

- i) School of Education and Social Sciences
- ii) School of Business and Economics
- iii) School of Science
- iv) School of Computing and Informatics
- v) Directorate of Postgraduate Studies
- vi) Directorate of Open and Distance e-Learning
- vii) Directorate of Research, Innovations and Outreach
- viii) Directorate of International and Academic Linkages
- ix) The proposed Learning Centre
- x) University Library
- xi) Office of the Dean of Students
- xii) Office of the Registrar (Academic Affairs)

Academic programs

The University College offers 45 Senate approved and CUE accredited programs whose enrolment has generally been on a growth trajectory since the establishment of the University College. These include:

- i) Four (4) PhD programs
- ii) Fifteen (15) Masters programs
- iii) Sixteen (16) Bachelors programs
- iv) Five (5) Diploma Programs
- v) Five (5) Certificate Programs

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Academic Staff Distribution

The University College has sixty-seven (67) full time academic members of staff across schools distributed by rank as indicated in the table below.

Cadre	School of Business & Economics	School of Computing & Information Technology	School of Education & Social Sciences	School of Science	School of Nursing	Total
Professors	0	0	1	0	0	1
Associate Professors	0	0	1	1	0	2
Senior Lecturers	1	1	6	2	0	10
Senior Research Fellow	0	0	0	0	1	1
Lecturers	5	0	8	3	1	17
Tutorial Fellows	5	5	10	7	3	30
Lab Technicians	0	0	0	3	2	5
Senior-Technical Assistant I	0	0	0	1	0	1
Total	11	6	26	17	7	67

A graphical representation of the academic in the University College is depicted below:

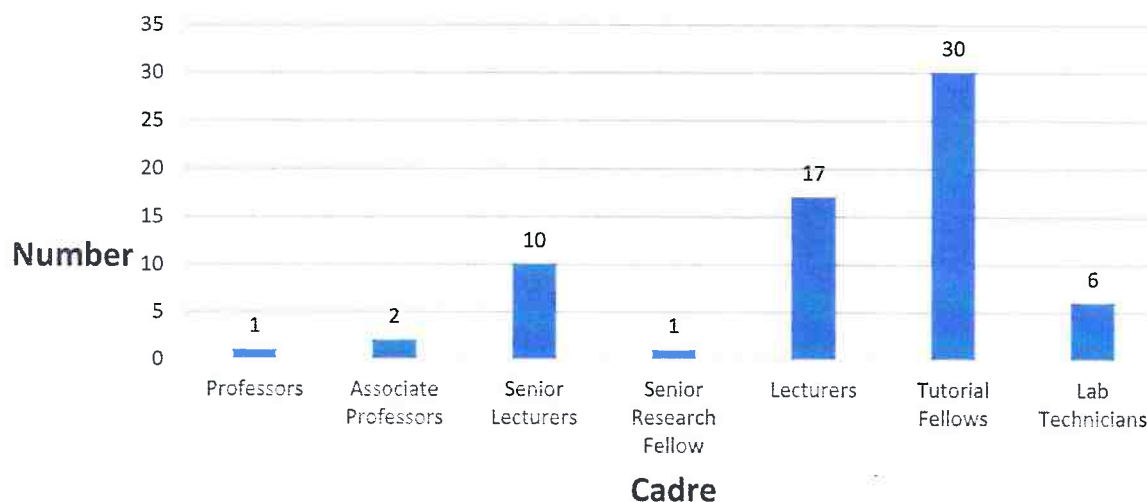


Fig. 1: Distribution of Academic Staff by Rank

The tabulation above shows the University College is understaffed, with Part-time lecturers filling the staffing gap. There were 165 Part-time lecturers during the financial year period under consideration.

Student Enrolment

There were 2,822 students enrolled in the University College in the Financial Year 2020/2021. Students enrolled in schools as depicted in Table 1 below:

Table 1: Student Enrolment in Schools

S/N.	School	Enrolment	Percentage (%)
1	School of Business and Economics	490	18
2	School of Computing and Informatics	144	5
3	School of Education and Social Sciences	1,957	69
4	School of Science	231	8
	TOTAL	2,822	100

Figure 1 shows a pictorial representation of students' distribution across the schools.

Student Enrolment in Schools 2020/2021

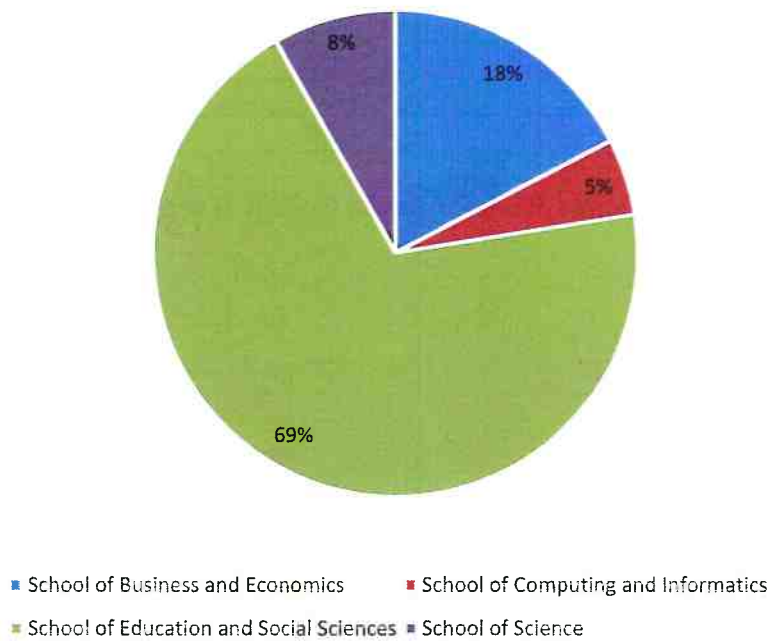


Fig. 1. Institutional Enrolment Distribution in Schools 2020/2021

Enrolment Trends

Since its establishment as a campus and subsequently as a Constituent College of Masinde Muliro University of Science and Technology (MMUST), KAFUCO has had a steady positive growth in student enrolment; Table 2 below highlights enrolment for the period 2014/2015 to 2020/2021.

Table 2: Institutional Enrolment Trend 2014/15-2020/21

YEAR	GSSP	PSSP	TOTAL
2014/15	186	49	235
2015/16	455	101	556
2016/17	1,013	306	1,319

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2017/18	1,520	218	1,738
2018/19	1,585	235	1,820
2019/20	1,879	279	2,158
2020/21	2,476	346	2,822

Figure 2, presents a pictorial view of student enrolment growth by category over the period.

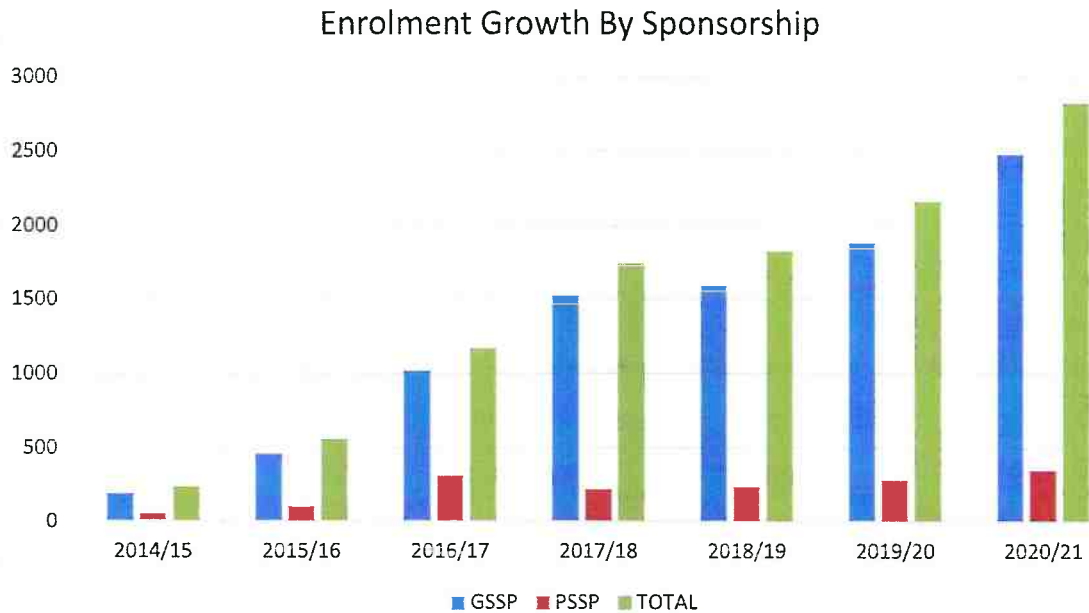


Fig. 2: Student Enrolment Growth by Category

Graduation

The University College has graduated three (3) cohorts since enrolling the first group of students in August 2014. The distribution of graduates across schools is as indicated in the Table 3 below:

Table 3: Institutional Graduation Trends

Year	SOBE	SESS	SCIT	SOSCI	TOTAL
2018	53	142	0	0	195
2019	56	208	6	0	270
2020	117	177	10	3	307
Total	226	527	16	03	772

Figure 3 presents a pictorial view of graduation trends over the past three years

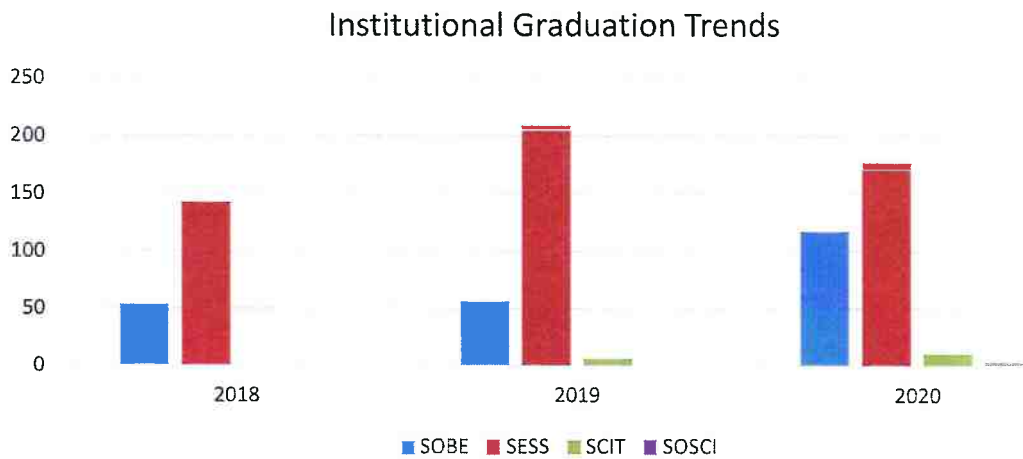


Fig 3: Institutional Graduation Trends

Academic Activities in Schools

This section discusses activities and outputs from schools. It begins with the School of Business and Economics, followed by the School of Education and Social Sciences (SESS), School of Science (SSCI) and School of Computing and Information Technology.

School of Education and Social Sciences

The School of Education and Social Sciences (SESS) is the mother of all schools in KAFUCO having been the transitional School from MMUST when KAFUCO was being established.

Departments of the School

The following departments constitute the School of Education and Social Sciences:

- i) Department of Languages and Literature
- ii) Department of Social Sciences
- iii) Department of Curriculum and Instruction
- iv) Department of Educational Psychology, Foundations and Managements

Programs of Education and Social Sciences

The following Programs are offered in the School of Education and Social Sciences:

- i) Doctor of Philosophy in Comparative Literature
- ii) Doctor of Philosophy in Curriculum & Instruction
- iii) Doctor of Philosophy in Religion
- iv) Master of Education (English Language)
- v) Masters of Arts in Religion
- vi) Masters of Arts in Comparative Literature
- vii) Masters of Education in Education Psychology
- viii) Masters of Arts in Kiswahili

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- ix) Masters of Arts in Geography
- x) Master of Education (Educational Psychology)
- xi) Master of Arts (History)
- xii) Bachelor of Education (Arts)
- xiii) Bachelor of Education (Science)
- xiv) Bachelor of Education (French)
- xv) Bachelor of Education (ECDE)
- xvi) Bachelor of Disaster Management and International Diplomacy
- xvii) Bachelor of Criminology
- xviii) Bachelor of Social Work
- xix) Diploma in Criminology and Criminal Justice
- xx) Diploma in Social Work and Community Development
- xxi) Certificate in Criminology
- xxii) Certificate in Social Work

Enrolment

The school has a total enrolment of 1,957 students distributed in 18 programs, seven each of which are in undergraduate and post graduate, and two each for certificate and diploma respectively (table 4).

Table 4: Enrolment in Programs

S.No	PROGRAM	GSSP	PSSP	TOTAL
1	Bachelor of Criminology	109	13	122
2	Bachelor of Disaster Management & International Diplomacy	11	0	11
3	Bachelor of Education (Arts)	1,095	43	1,138
4	Bachelor of Education (French)	11	0	11
5	Bachelor of Education (Science)	531	11	542
6	Bachelor of Education in Early Childhood Education	0	3	3
7	Bachelor of Social Work	15	6	21
8	Certificate in Criminology	0	11	11
9	Certificate in Social Work	0	8	8
10	Diploma in Criminology and Criminal Justice	0	43	43
11	Diploma in Social Work	0	14	14
12	Master of Arts in Geography	0	5	5
13	Master of Arts in Kiswahili	0	7	7
14	Master of Education in Educational Psychology	0	3	3
15	Masters of Arts in Comparative Literature	0	5	5
16	Masters of Arts in Religion	0	7	7
17	Masters of Education (English)	0	4	4
18	PhD in Literature	0	2	2
	TOTAL	1,772	185	1,957

Figure 4 illustrates the distribution of students in programs by proportion in the School in the year 2020/2021.

Distribution of Students in Programs



Figure 4: Enrolment Distribution by Program

SESS is the largest school in the University College. With an enrolment of 1,957 students, it constitutes over 69% of the entire student population. The school has had a steady growth in student numbers over the years whose trend distribution against the years is as shown in the table 5 below:

Table 5: Enrolment Growth

Year	Enrolment		
	GSSP	PSSP	TOTAL
2014/15	134	44	178
2015/16	348	83	431
2016/17	660	136	796
2017/18	956	177	1,133
2018/19	945	169	1,114
2019/20	1,214	174	1,388
2020/21	1,772	185	1,957

Figure 5 below provides a pictorial representation of enrolment trends by type of sponsorship (GSSP and PSSP) in SESS.

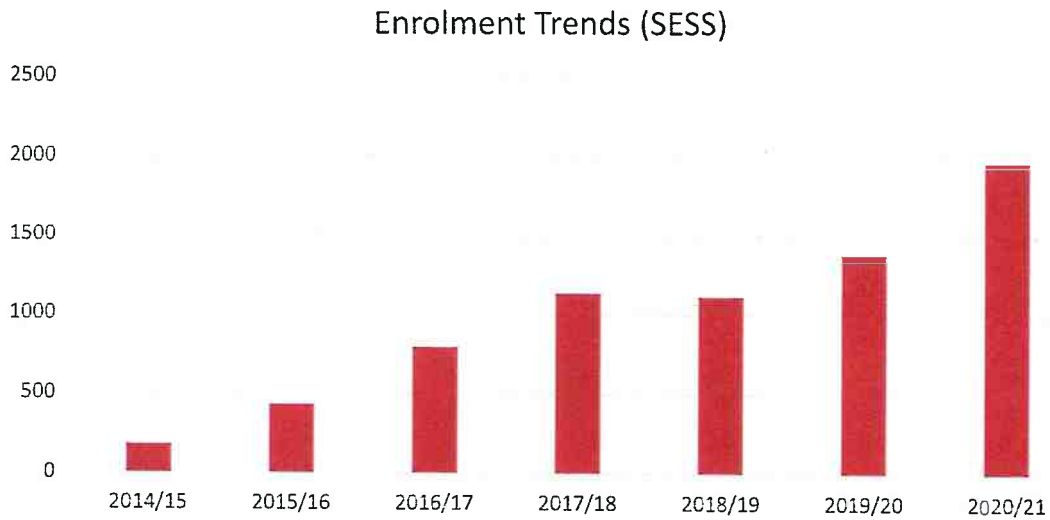


Figure 5: Enrolment Trends by Type of Student

Graduation

The school has had three (3) cohorts of students who have graduated in various programs since its establishment. Table 6 below is a display of graduations per program for the years under consideration.

Table 6: Students Graduations per Program

Year	Bachelors	Diploma	Certificate	Total
2018	127	10	5	142
2019	167	15	5	187
2020	163	9	2	174
Total	457	34	12	503

Figure 6 below is a pictorial illustration of the trend in graduation in the School of education and Social Sciences (SESS).

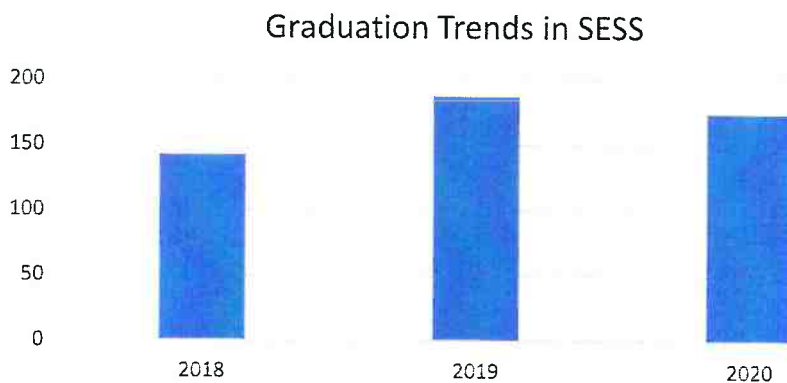


Figure 6: Students Graduations Trend in SESS

School of Business and Economics

The school of Business and Economics (SOBE) is one of the pioneer schools in the University College, having been established at inception in 2015. Its vision is to be a leading Business school connecting the region and the world. The School's progressive positive enrolment growth with student numbers currently standing at 490, is testimony of its staffs' ability to transform and deliver on its mandate. The school has received tremendous support from all stakeholders within and outside the University College to realize these achievements.

Departments

SOBE is made up of the following three departments:

- i) Department of Business, Administration and Management
- ii) Department of Accounting and Finance
- iii) Department of Economics

Academic Programs

The school offers the following seven (7) programs:

- i) Doctor of Philosophy in Business Administration
- ii) Masters of Business Administration
- iii) Master of Science (Economics)
- iv) Bachelors of Commerce
- v) Bachelors of Science in Economics
- vi) Diploma in Business Management
- vii) Certificate in Business Management

Options under Business Management Courses include:

- i) Accounting
- ii) Banking and Finance
- iii) Business Administration
- iv) Entrepreneurship
- v) Marketing
- vi) Human Resource Management
- vii) Purchasing and Supplies Management

The school is at an advanced stage to establish KAFUCO Professional Centre which will offer the following profession courses to complement academic programs at the school in collaboration with Kenya National Accountants and Secretaries National Examination Board (KASNEB):

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- i. Diploma in Credit Management
- ii. Accounting Technicians Diploma
- iii. Certified Credit Professionals
- iv. Certified Public Accountant
- v. Certified Investment and Financial Analyst
- vi. Certified Procurement and Supply Professional
- vii. Associate Procurement and Supply Chain

Enrolment

Student enrolment in regular programs of the school for the 2020/2021 academic year is indicated in Table 7 below:

Table 7: Student Enrolment in Regular Programs

PROGRAMS	GSSP	PSSP	TOTAL
Bachelor of Commerce	301	38	339
Bachelor of Science (Economics)	75	0	75
Certificate in Business Management	0	6	6
Diploma in Business Management	0	30	30
Master of Science in Economics	0	5	5
Masters of Business Administration	0	35	35
TOTAL	376	114	490

Figure 7 below gives a pictorial illustration of enrolment in the school for the academic year 2020/2021.

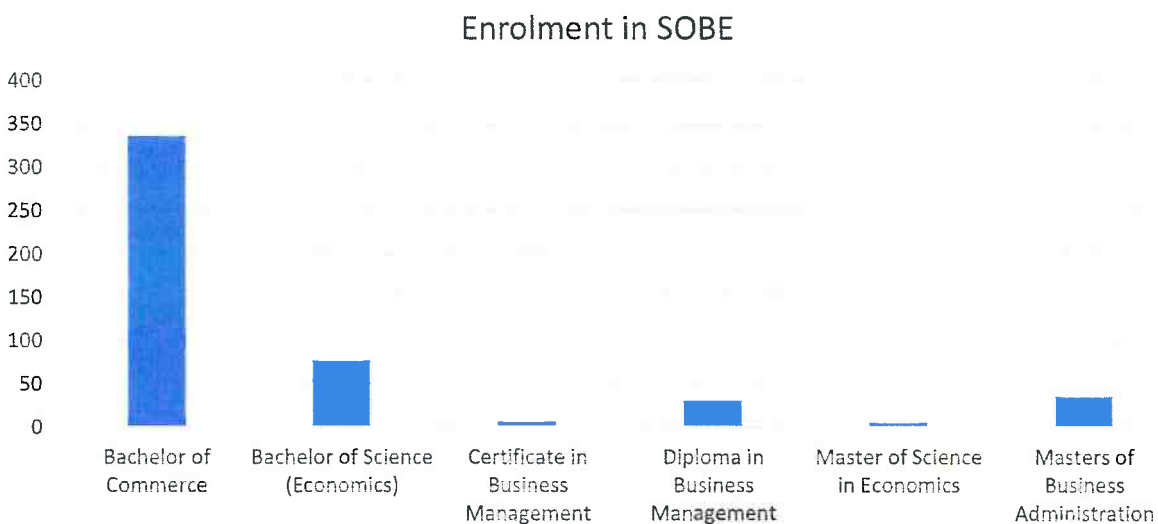


Fig. 7: Enrolment for 2020/2021 Academic Year

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Enrolment Trends

The student enrolment for the period 2014/15 - 2020/21 is summarized in the table 8 below:

Table 8: Student Enrolment for 2014/15 - 2019/20

	GSSP	PSSP	TOTAL
2014/15	52	5	57
2015/16	107	18	125
2016/17	242	16	258
2017/18	371	37	408
2018/19	409	50	459
2019/20	401	66	467
2020/2021	376	114	490

The Figure 8 below depicts enrolment trends in the school under Government Sponsored (GSSP) and Privately Sponsored (PSSP) programs

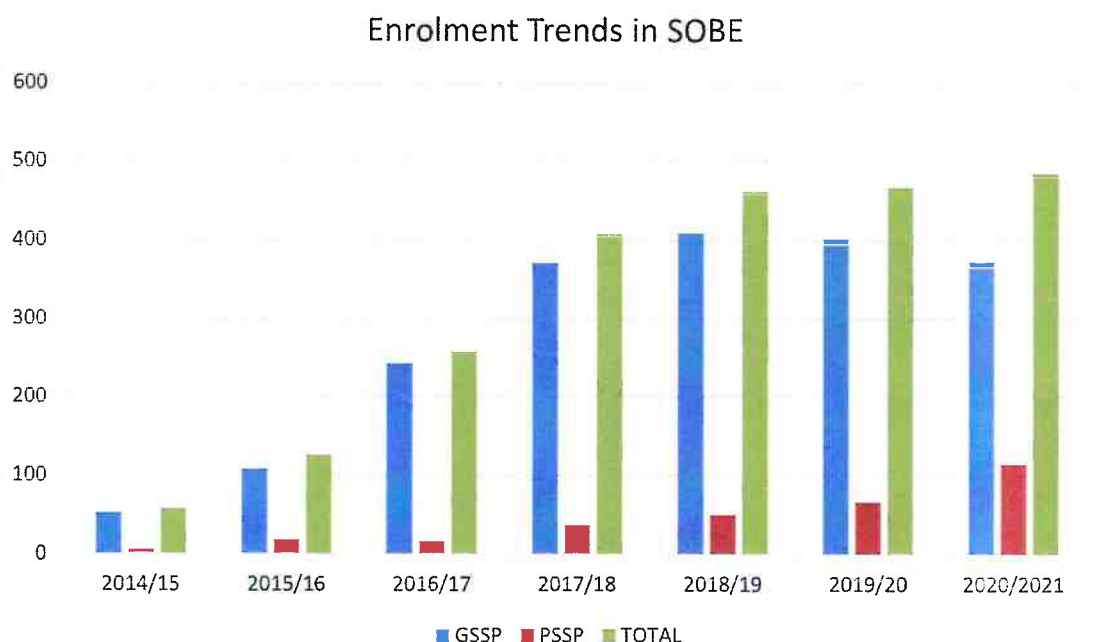


Fig. 8: Enrolment Trends in SOBE

Graduation

The school has graduated three (3) cohorts of students since its establishment. Table 9 below is a display of graduations for the programs offered in the School.

Table 9: Students Graduation

Year	B. Commerce	BSc. (Economics)	Diploma	Certificate	Total
2018	46	0	7	0	53
2019	49	0	4	3	56
2020	88	21	6	2	117

Figure 9 below gives a pictorial illustration of graduation trends in the School of Business and Economics:

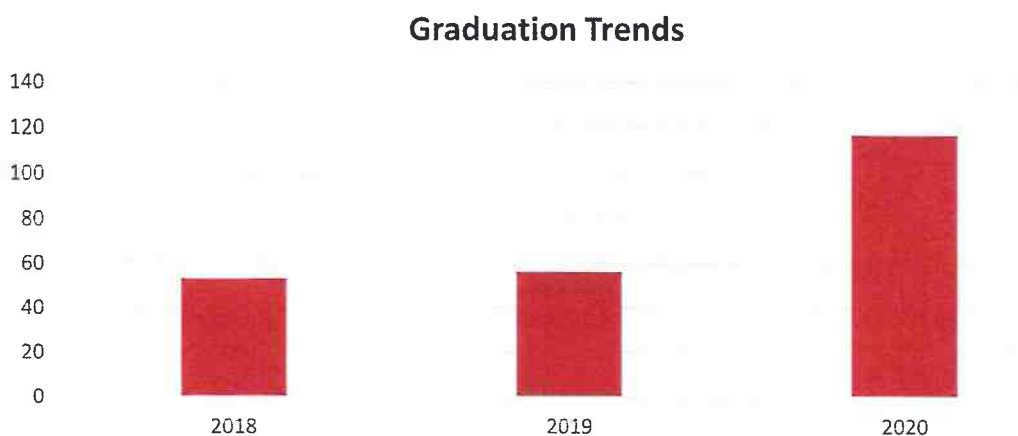


Fig. 9: Students Graduation Trends

School of Science

The school of science is among schools established after a significant growth in students and staff population at the School of Education, KAFUCO. It has an enrolment of 231 students, with its departments engaged in servicing sciences based courses for students in the School of Education and Social Sciences. The School of Science has been at the center in driving the University's mission of teaching, research and innovation in the area of natural sciences. The School was remarkably involved in developing research solutions that impacted the society during the onset of COVID-19 pandemic, through production of sanitizers from locally available materials. This greatly aided the University College in mitigating the adverse effect of COVID-19 both within and among the immediate neighboring communities.

Departments

The following departments constitute the School of Science:

- i) Biological and Agricultural Sciences
- ii) Mathematics and Statistics
- iii) Physical Sciences

Programs

The School of Science offers the following programs:

- i) Masters of Science in Microbiology
- ii) Masters of Science in Physics

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- iii) Master of Science in Applied Mathematics
- iv) Masters of Science in Pure Mathematics
- v) Bachelor of Science in Agricultural, Economics and Resource Management
- vi) Bachelor of Science in Applied Statistics with IT
- vii) Bachelor of Science in Mathematics and Economics with IT
- viii) Bachelor of Science in Mathematics with IT

Enrolment

School of Science is among the fastest growing schools both in student numbers and in the number of programs launched. Table 10 below shows student enrolment trends since the establishment of the school in the 2016/2017 academic year.

Table 10: Student Enrolment

Year	GSSP	PSSP	TOTAL
2016/17	90	0	90
2017/18	149	1	150
2018/19	181	2	183
2019/20	205	8	213
2020/21	214	17	231

The Figure 9 below depicts a pictorial enrolment trend for both GSSP and PSSP students in the school over the period 2016/2017 to 2020/2021 academic years.

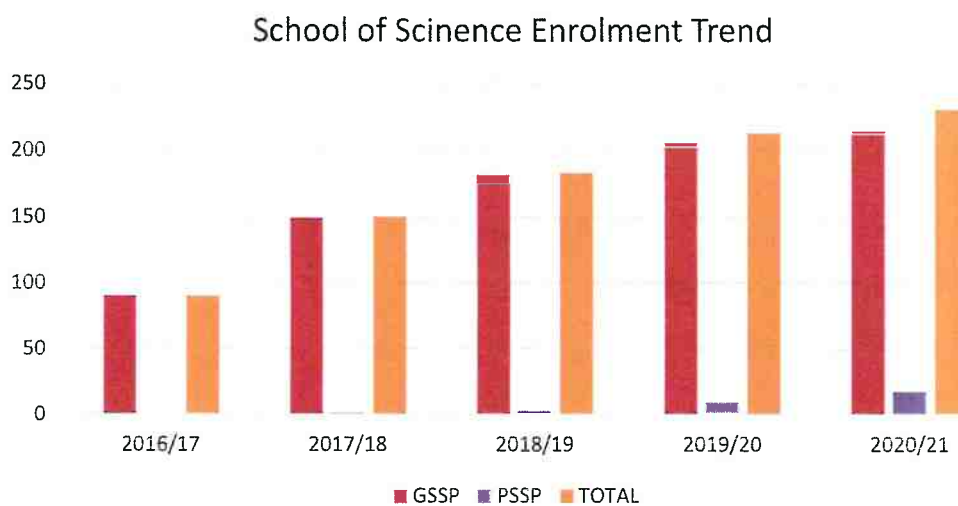


Fig. 9: Student Enrolment Trends

Graduation

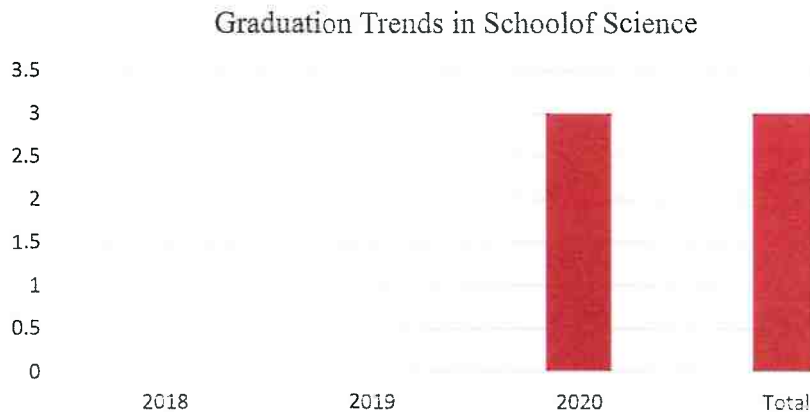
The school graduated its first cohort at the end of the academic year 2019/2020. The graduation of this group of students was greatly affected by the COVID-19 pandemic which led to the closure of all education institution in Kenya.

Table 11 below highlights the pioneer students who were able to graduate in the school under the program Agricultural Economics and Resources Management.

Table 11: Graduation Trend in School of Science

Year	Bachelors
2018	0
2019	0
2020	3
Total	3

Figure 11 below on the other hand gives a pictorial illustration of the graduation trends in the school.



School of Computing and Informatics (SCIT)

The school of computing and informatics (SCIT) is among the latest to be established in KAFUCO. It previously existed as a Department in the School of Science. SCIT provides critical support in servicing courses with ICT components across the Schools.

Departments

The school has one running academic department: Department of Information Technology. However, the school also houses and is nurturing the Open and Distance e-Learning Centre whose mandate is to improve student access for virtual learning services and to help integrate Information Technology in all programs offered at KAFUCO.

Programs

The following programs are currently offered at the School of Computing and Informatics:

- i) Master of Science in Information Technology
- ii) Bachelor of Science in Information Technology
- iii) Bachelor of Science in Computer Science
- iv) Diploma in Information Technology
- v) Certificate in Information Technology

Enrolment

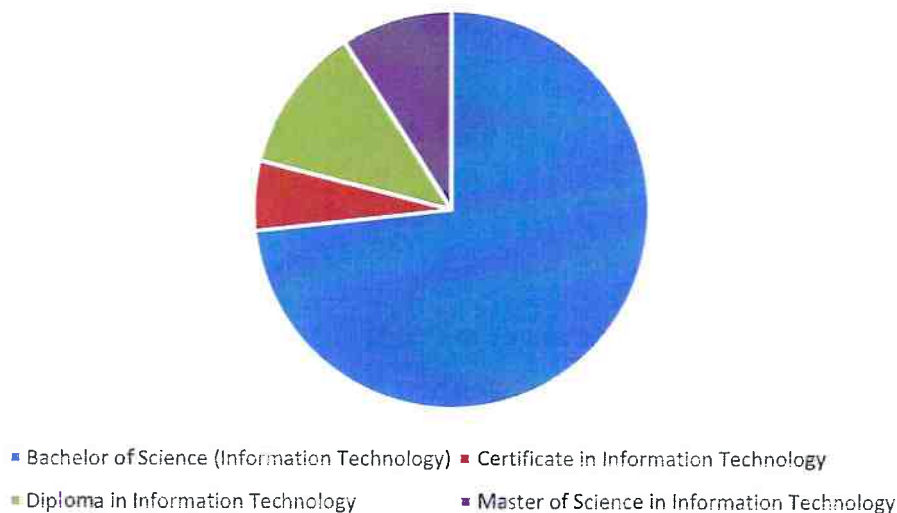
Enrolment in the school over the years is captured in the table 12 below:

Table 12: Enrolment in the School

Program	GSSP	PSSP	TOTAL
Bachelor of Science (Information Technology)	102	4	106
Certificate in Information Technology	0	8	8
Diploma in Information Technology	0	17	17
Master of Science in Information Technology	0	13	13
Total	102	42	144

Figure 12 below gives a pictorial show of the distribution of programs in the school

Distribution of Programs in SCIT



Enrolment Trends

Table 13 below highlights enrolment trend in the School of Computing and Information Technology since 2016/2017 academic year.

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Table 13: Enrolment Trend, School of Computing and Information

Year	GSSP	PSSP	TOTAL
2016/17	21	1	22
2017/18	44	3	47
2018/19	50	14	64
2019/20	59	33	92
2020/21	102	42	144

The figure 13 below gives a pictorial representation of enrolment growth in the school for the highlighted period.

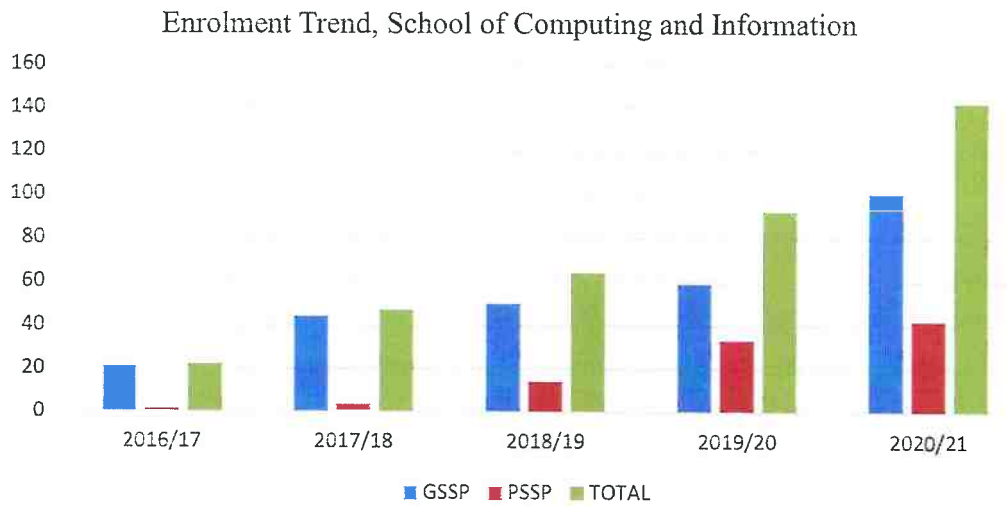


Fig. 13: Enrolment Growth Trends

Graduation

The school graduated five of its pioneer degree students which together with diploma and certificate graduates totalled ten in the academic year 2019/2020. The table 13 below highlights graduation rates in the school.

Table 13: Graduation Rates, School of Computing and Information

Year	Bachelors	Diploma	Certificate	Total
2018	0	0	0	0
2019	0	0	0	0
2020	5	2	3	10
Total	5	2	3	10

Graduation Trends, School of Computing and Information Technology

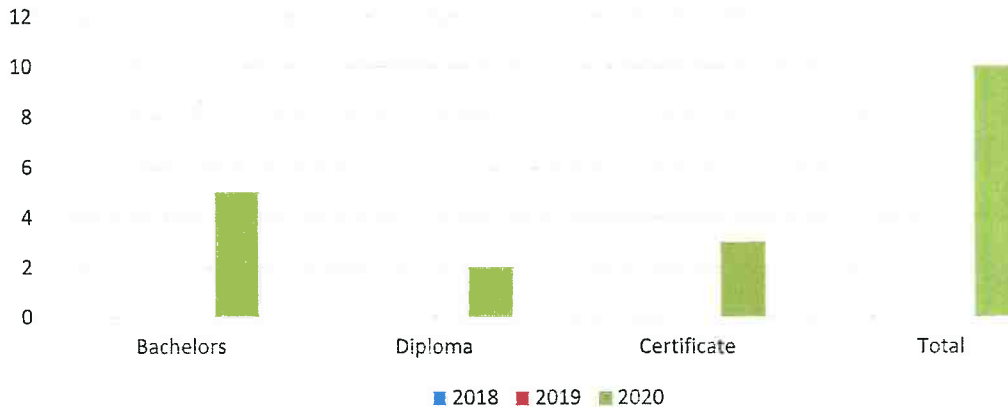


Fig. 13: Graduation Trends, School of Computing and Information Technology

Department of Nursing

The Bachelor of Science in Nursing Programme (currently hosted in the School of Science) has been established after inspection by the Nursing Council, and approval by Commission for University Education. All requisite equipment and laboratory facilities have been put in place. Staff expected to run the School have also been sourced. The programme expects the initial cohort of forty (40) government sponsored students to report to the University College in September 2021. Plans are underway to commence the Bachelor of Science in Midwifery Programme. All these initiatives will culminate in the establishment of a fully-fledged school, that is, the School of Nursing, thus bringing the number of Schools at KAFUCO to five from the current four.

Directorate of Open and Distance e-Learning

The University College is in the process of establishing an Open and Distance e-Learning Centre whose mandate is to facilitate delivery of programs online, and promote integration of ICT in teaching. This will enable the University College adopt a blended (face-to-face and virtual) mode of content delivery. In a bid to operationalize the Center sourcing equipment and software for a studio and addressing staffing needs is being undertaken among other requirements. KAFUCO strives to be among the institutions in western region that can reach out to international students through virtual engagement.

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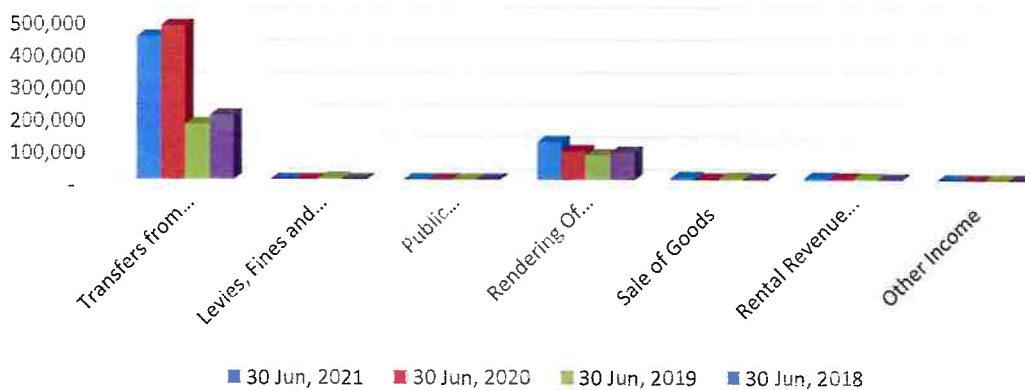
Financial performance

The University College recorded an aggregate income of **KES 575.935Million** as at end of the year, with the recurrent grant from the Exchequer of **KES 444.024 million**. Internally generated revenue stood at **KES 131.912million** as at end of the year consisting of Rendering of services, sale of goods, rental revenues and other income. In General, the University College recorded a drop in surplus of **KES 7.907 million** as compared with a surplus of **KES 104.457 million** during the previous year. The University College is committed to establishing Income generating activity projects that are aimed at smoothening the seasonal income trend and to expand its financial resource base and enhance income streams that projects to higher levels of appropriation in Aid (A-I-A).

INCOME

Particulars	2020/2021	2019/2020	2018/2019	2017/2018	2020/2021	2019/2020	2018/2019	2017/2018
	Ksh '000'				PERCENTAGES (%)			
Transfers from Ministries, Departments and Agencies (MDAs)	444,024	477,893	172,738	200,739	77	83	66	69
Levies, Fines and Penalties	81	69	3,902	-	0	0	1	-
Public Contributions and Donations	-	110	20	40	-	0	0	0
Rendering Of Services	117,572	89,929	77,109	85,684	20	16	29	0
Sale of Goods	7,151	3,178	5,440	2,585	1	1	1	1
Rental Revenue from Facilities and Equipment	6,605	5,048	4,411	2,690	1	1	2	1
Other Income	504	74	2	4	0	0	0	0
TOTAL	575,935	576,301	263,623	291,742	100	100	99	71

INCOME DISTRIBUTION



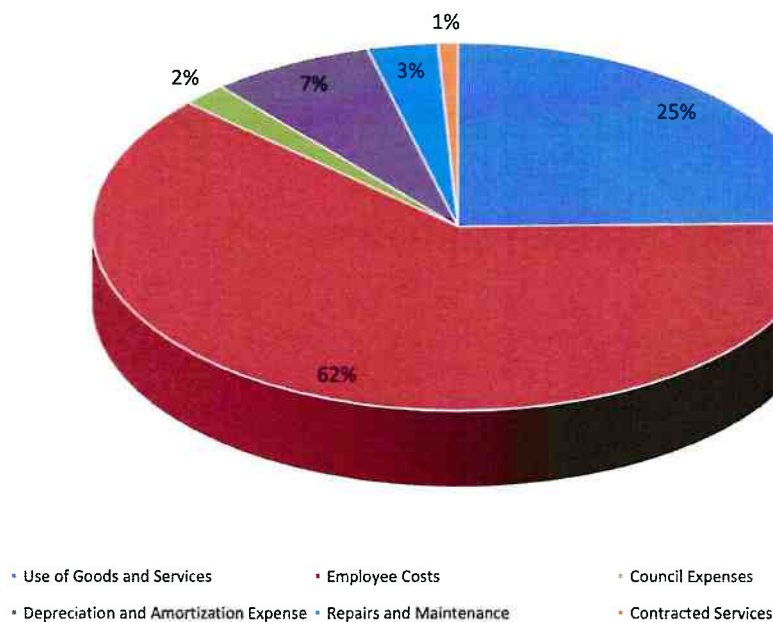
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EXPENDITURE

Personnel emoluments continued to comprise the largest part of the expenditure during the year at 62% of the total expenditure while all other expenses constituted the balance of 38%. The table below illustrates the expenditure trends for four year-period with the overall total expenditure rising steadily during the year under review.

Particulars	2020/2021	2019/2020	2018/2019	2017/2018	2020/2021	2019/2020	2018/2019	2017/2018
	KES '000'				PERCENTAGES (%)			
Use of Goods and Services	140,106	105,001	75,426	74,579	25	22	24	27
Employee Costs	352,771	308,924	206,886	163,196	62	65	65	59
Council Expenses	11,364	8,112	9,284	17,264	2	2	3	6
Depreciation and Amortization Expense	41,125	25,503	20,182	13,750	7	5	6	5
Repairs and Maintenance	17,682	24,304	7,152	6,085	3	5	2	2
Contracted Services	4,980	0	-	-	1	0	0	0
TOTAL	568,028	471,844	318,930	274,874	100	100	100	100

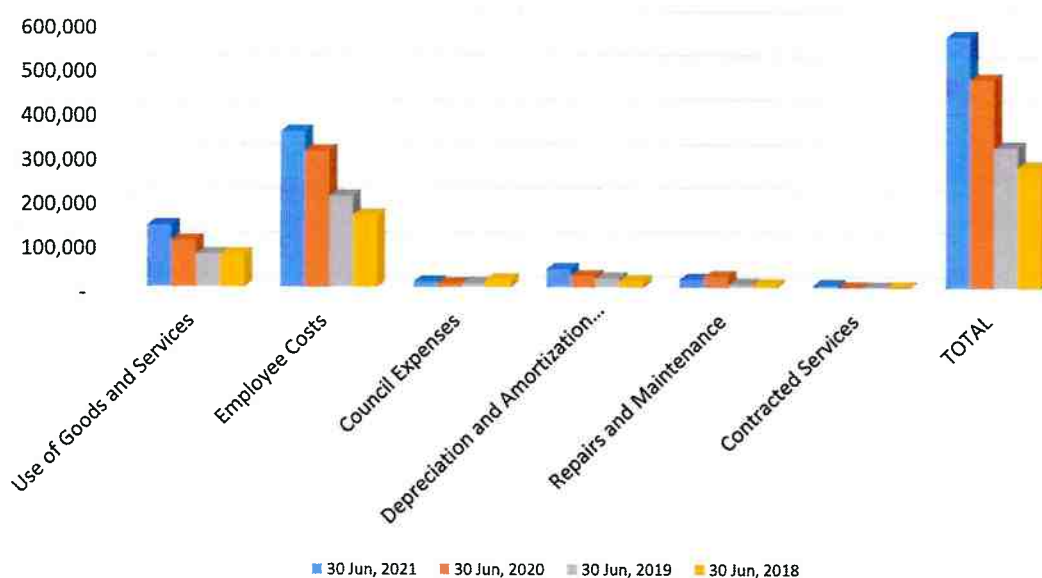
Expenditure Distribution



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To ensure the achievement of academic excellence, the University College has focused most expenses on enhancing teaching and research in a progressive manner.

Expenditure Trend

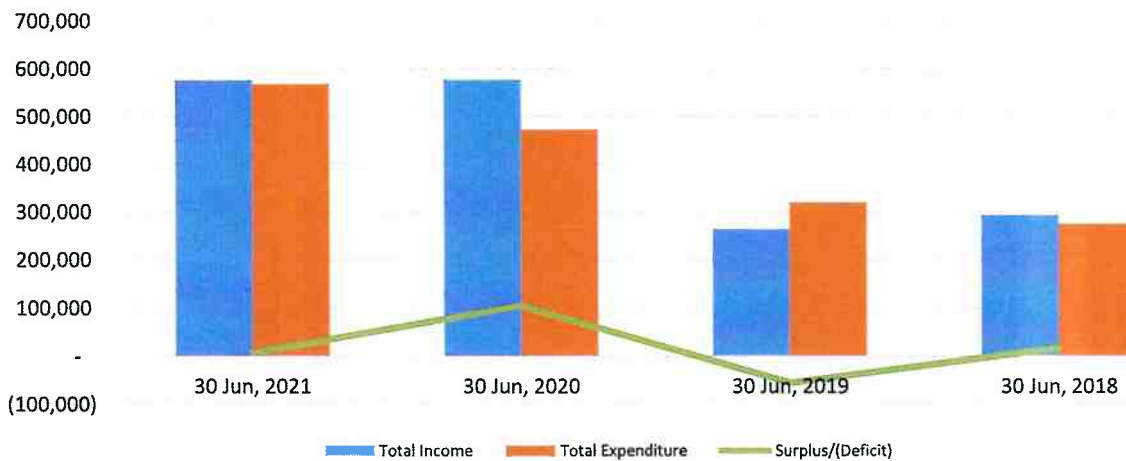


TOTAL INCOME VERSUS TOTAL EXPENDITURE

The relationship between income and expenditure is as tabulated below. There has been seasonal trend in the performance of the institution for a period of four years.

Income/Expenditure trend	2020/2021	2019/2020	2018/2019	2017/2018
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Total Income	575,935	576,301	263,623	291,742
Total Expenditure	568,028	471,844	318,930	274,874
Surplus/(Deficit)	7,907	104,457	(55,307)	16,868

Income-Expenditure Trend

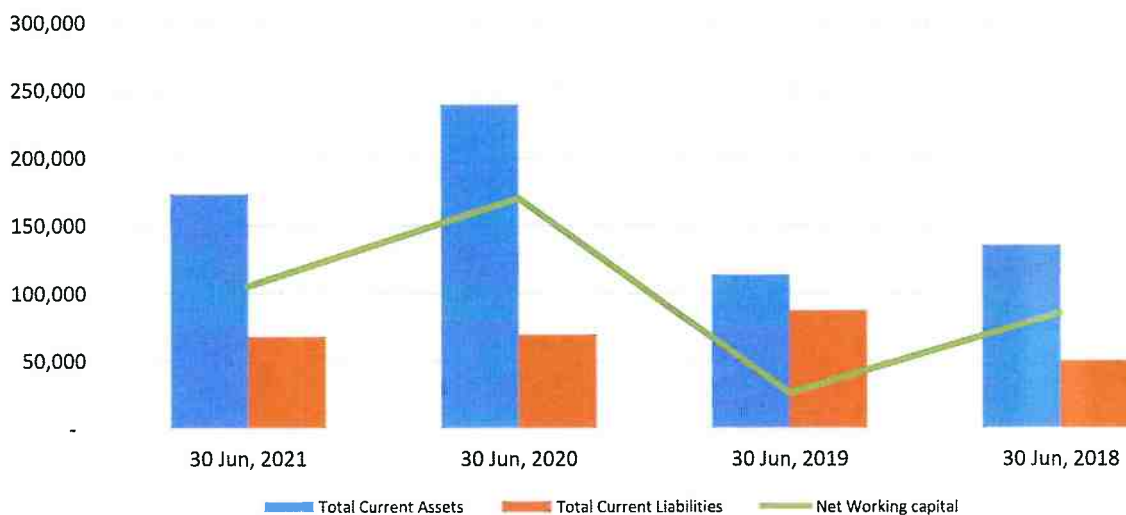


WORKING CAPITAL

The University has had a healthy Working capital position with positive net current assets position as shown below:

Working capital review	2020/2021	2019/2020	2018/2019	2017/2018
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Total Current Assets	172,928	239,328	113,564	135,584
Total Current Liabilities	67,743	69,315	87,442	49,923
Net Working capital	105,185	170,013	26,122	85,661
Working Capital Ratio	2.55 :1	3.45: 1	1.3: 1	2.72: 1

Working Capital Analysis



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Performance Margin

	JUNE 2021	JUNE 2020
	KES	KES
Surplus/(Deficit)	7,906,992	104,457,297
Total Recurrent Revenue	575,935,396	576,300,968
Performance Margin	1.37%	18.13%

The University College posted a performance (surplus) margin of 1.37% in the FY 2020/2021 compared to 18.13% in the previous year. The surplus margin indicates the entity's ability to raise revenues enough to absorb operational cost expenditure. Although the margin declined from the previous year, this also indicates high level of budget absorption, as the University College is a service non-profit making entity.

Debt to Equity Ratio

	JUNE 2021	JUNE 2020
	KES	KES
Debt(Non-Current Liabilities)	46,304,542	38,088,213
Capital Fund & Reserves	1,037,510,128	608,344,866
Debt To Equity Ratio	0.04: 1	0.06: 1

This ratio tells how much debt you have per Kshs 1 of equity. Once the debt to equity ratio is less than 1, then it is generally less risky than debt to equity ratio which is greater than 1. This ratio has a direct relationship with liquidity and insolvency risks. Therefore, the low ratio depicts low risks, which means the chances of running bankrupt are low or zero. Hence, the University College has a good debt to equity ratio.

ONGOING PROJECTS

Following the national government directive, that no new development projects will be undertaken before previous ones are completed, Kaimosi Friends University College undertook the following one project: continuation of Tuition block & Associated works.

The Tuition block is our Vision 2030 flagship project whose expected completion date is 10th February 2022. Upon completion it will:

- i. Augment on Insufficient lecture rooms and faculty offices
- ii. Boost student enrolment numbers
- iii. Enhance teaching, learning and research
- iv. Ease and enable introduction of more Bachelor's, diploma and certificate courses

WORK IN PROGRESS

Tuition Block and Associated works: KES. 301,009,638.00. This is a vision 2030 flagship project. It is 68.84 % complete.



COMPLIANCE WITH STATUTORY REQUIREMENTS

The University College complies with statutory requirements as follows:

1. PAYE

Income Tax Act, 1973, Laws of Kenya, places on employers an obligation to deduct and remit monthly income tax for all employees and be remitted to the pay master general on or before 9th day of the following month. The University College has complied with the deadline for remittance.

2. NSSF

The NSSF Act, 2013, Laws of Kenya, requires employers to deduct and remit NSSF deductions on a monthly basis and remit the same on or before 9th of the following month. The University College has been remitting the deductions to NSSF on time.

3. NHIF

NHIF Act, 1998, Laws of Kenya, requires the employer to deduct the NHIF dues and remit the same on or before the 9th of the following month. The University has complied with the NHIF Act.

4. HELB

HELB Act, 1995, Laws of Kenya, requires employers to deduct from the wages or remuneration of the loanee(s) the amount of any loan as instructed by the Board and submit within 15 days after the end of each month. The University College has effected the recovery of HELB loans as required and remitted the same within the stipulated fifteen days after the end of each month.

5. NITA

Industrial Training Levy Act CAP 237 requires employers to pay KES 50/= per employee, including temporary, casual and apprentices per month. The University College has effected the payments for NITA as required and remitted the same within the stipulated timelines which is the last working day of the month.

The University College is cognizant of the fact that compliance is a continuous process. To this effect it has put measures in place to ensure the institution maintains the required threshold of compliance in adherence to the best corporate Governance principles.

MAJOR RISKS FACING THE ENTITY

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

KAFUCO is exposed to the following risks:

- i) Market risks
- ii) Liquidity risk

iii) Credit risks

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

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

i) Market risk: -Low Student Enrolment

The University College is more likely to experience low student enrolment due to competition which may result in the reduction of revenue.

ii) Liquidity risk: -Low Funding

Liquidity risk is the risk that the KAFUCO will not be able to meet its financial obligations as and when they fall due. The University College's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University College's reputation. Typically, the University ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence. All capital investments are funded by the Government. However, Low funding levels by the government may result to liquidity issues and slow development in infrastructure which can lead to congestion & inadequate facilities.

iii) Credit risk

Credit risk is the risk of financial loss to the University College if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. KAFUCO receives fees from students which minimizes the credit risk exposure.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KAFUCO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

1. Sustainability strategy and profile

KAFUCO is committed to embedding the principles of sustainable living and development across the whole scope of the activities. Sustainability has been defined as meeting the needs of the present without compromising the ability of the future generations to meet their own needs.

KAFUCO aims to:

- i. Adopt as far as possible, recognized good practice across all of its operations.
- ii. Comply with all applicable legal requirements.
- iii. Provide all students with opportunities to develop their awareness of sustainability related curriculum, tutoring and enrichment activities.
- iv. Promote the conservation of material sources to reduce environmental impact.
- v. To include sustainability and environment impact as criteria when assessing potential contractors.
- vi. Make choices to reduce energy consumption, improve energy efficiency where possible and to endeavor to use renewable energy supplies

2. Environmental Performance

The Strategic Plan envisions the creation of an Environmental Policy to monitor the environmental impact of business operations.

In the Plan, environmental sustainability will be attained through the implementation of green strategies to reduce the carbon footprint and waste, conserve energy and water, and promote clean and renewable sources.

Environmental and sustainability issues will be included in the curricula and research agenda to promote awareness of these pertinent issues.

Currently, the University College channels efforts towards having a clean, conducive environment with good infrastructure.

KAFUCO plays a pivotal role in the conservation of the Kaimosi Tropical Rainforest, which extensively extends into the University College land.

Re-afforestation and protection efforts by the University College have preserved its biodiversity in the wake of increased potential threats of encroachment.

KAFUCO further intends to improve energy conservation efforts by purchasing more energy-saving jikos. Further, it engages the environment within regulations and rules of the National Environmental Management Authority in ways such as to planting trees, conservation of soil through the reduction of soil erosion and keep the environment clean. The institution also harvests rainwater and prudently uses the available piped water.

The Occupational Health, Safety and Work Environment (OSHA) policy guides workplace safety.

3. Employee Welfare

KAFUCO consistently implements its Human Resource Policy and Procedures Manual in the management of employee wellbeing.

The guiding principles on hiring take into account gender ratio in line with the third gender rule of the Constitution of Kenya 2010, stakeholder engagement, and embrace an open and competitive approach to recruitment based on merit.

Employment transcends religious affiliations to reflect the face of Kenya.

The KAFUCO Occupational Health, Safety and Work Environment (OSHA) policy is implemented to guide workplace safety.

KAFUCO recognizes training and development as a key determinant in the quality of services rendered by the employees. Staff training and development contributes significantly to the realization of staff potential and enhancement of their professional development and work environment.

The policy and procedures manual is improved in line with KAFUCO Policy Development and Review Procedure.

4. Marketplace practices

a) Responsible competition practice

KAFUCO is bound and abides by provisions of the Constitution of Kenya 2010, Public Procurement Act 2015, the Competition (Amendment) Act 2019 as well as the internal Procurement Policy and Anti-corruption policy.

There exists a tender evaluation committee that carries out the technical and financial evaluation of tenders or proposals, enhancing fair competition. Further, a committee of the Ethics and Anti-Corruption Commission guards against vested individual interests.

b) Responsible supply chain and supplier relations

KAFUCO Procurement Office is bound by a strong code of practice and endeavors to maintain a good working relationship with its business partners. The University College commits to honoring contracts and agreed terms of payment.

Procurement Office keeps a list of prequalified suppliers who are contacted and advised on the supply chain.

c) Responsible marketing, advertisement and product stewardship

The University College continually markets its services to prospective clients through general and targeted advertising and publicity.

Mass media marketing are bound by provisions of the Marketing Society of Kenya and the Government Advertising Agency: Rules and Guidelines, as well as the Communication Authority of Kenya.

Internally, marketing activities are guided by provisions of the Communication and Public Relations Policy.

5. Community Engagements

KAFUCO is a public-spirited institution that aspires to make positive contribution to the community. This is achieved through cognizance of the importance of stakeholder participation and partnerships in



the attainment of the strategic objectives.

In this regard, we have built a strong commitment around our core mandate to contribute to the socio-economic wellbeing of the extensive KAFUCO community.

Our CSR strategy is anchored on the following strategic objectives:

- i. Developing, in partnership with local leadership, programmes that address social justice and Security issues
- ii. Organizing training for stakeholders and communities to improve their livelihood.
- iii. Partnering with stakeholders to hold free medical camps to address the community's health issues.
- iv. Offering other outreach programmes aimed at giving back to society to foster good relationships between the University College and the community
- v. Intensifying National Cohesion and integration campaigns to improve peaceful coexistence between KAFUCO and the community.
- vi. Promoting Gender and Disability Mainstreaming activities to ensure inclusivity.

In tandem with these objective, the University College partnered with Jumua Hospital Kaimosi in holding a free medical camp on the World Malaria Day to strengthen our commitment to community health issues.

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KAFUCO and Jumuia Friends Hospital

Kaimosi conduct free medical check-up on World Malaria Day

In the same vein, the University College donated 300 reflector jackets to boda-boda riders in the immediate community to improve road safety. We have forged a close association with the sector which performs a pivotal role, serving as an affordable and efficient mode of transport for University College staff and students.



Principal Prof. Ogado M.J. Nandi, flanked by members of the University College Management Board leads the distribution of the reflector jackets.

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10. REPORT OF THE DIRECTORS

The University College Council submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of KAFUCO's affairs.

i) Principal activities

The principal activity of KAFUCO is to provide quality education and training, research and innovation to meet the needs of a dynamic society.

ii) Results

The results of the entity for the year ended June 30, 2021, are set out on page 1 to 5

iii) Directors

The members of the University College Council who served during the year are shown on page x to xvi. During the year one Council member retired and none was appointed.

iv) Surplus remission

The entity did not remit any funds to the Consolidated Fund.

v) Auditors

The Auditor General is responsible for the statutory audit of KAFUCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of KAFUCO for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Council

Name: Prof. WANDI O.M.T Signature: [Signature] Date: 13/10/2021

Principal/Secretary to the Council

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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act cap 446 require that the Council to prepare financial statements in respect of the University College, which give a true and fair view of the state of affairs of the University College at the end of the financial year and the operating results of the university college for the year ended June 30, 2021. The Council is also required to ensure that the University College keeps proper accounting records which disclose with reasonable accuracy the financial position of the University College. The Council is also responsible for safeguarding the assets of the University College.

The University Council is responsible for the preparation and presentation of KAFUCO's financial statements, which reflect a true and fair view of the state of affairs of KAFUCO for and as at the end of the financial year ended on June 30, 2021. 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 KAFUCO; (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 KAFUCO; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council members accept responsibility for KAFUCO's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act Cap 446. The Council members are of the opinion that KAFUCO's financial statements reflect a true and fair view of the state of KAFUCO's transactions during the financial year ended June 30, 2021, and of KAFUCO's financial position as at that date. The Council members further confirm the completeness of the accounting records maintained for KAFUCO's, which have been relied upon in the preparation of the KAFUCO's financial statements as well as the adequacy of the systems of internal financial control.

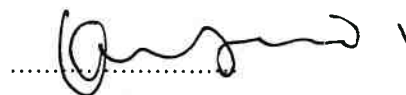
Nothing has come to the attention of the Council members to indicate that KAFUCO will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The KAFUCO's financial statements were approved by the Council on 13/10/2021 and signed on its behalf by:



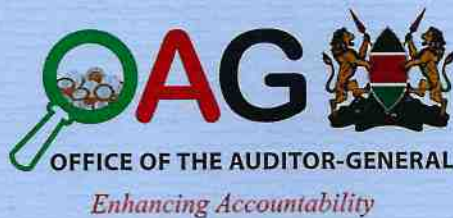
Dr. Josephine D. Waudo, Phd.
Presiding Chairperson of Council, KAFUCO



Prof. O.M.J. Nandi
Principal, KAFUCO

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON FRIENDS UNIVERSITY COLLEGE KAIMOSI 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

Qualified Opinion

I have audited the accompanying financial statements of Friends University College Kaimosi set out on pages 1 to 49, which comprise of 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 the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies

Report of the Auditor-General on Friends University College Kaimosi for the year ended 30 June, 2021

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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Friends University College Kaimosi 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 comply with Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unrecorded Receipts in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.103,928,000 as disclosed in Note 19 to the financial statements. Review of bank reconciliation statements for the month of June, 2021 revealed long outstanding receipts in bank statements not yet recorded in cash book of Kshs.554,700. Management has not indicated when they will record the long outstanding receipts in the cash book.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.103,928,000 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Consulting Contract on Property Valuation

The statement of financial performance reflects contracted services expenditure of Kshs.4,980,000 as disclosed in Note 18 to the financial statements incurred on property valuation. The contract which comprised of asset valuation, tagging and asset register preparation was awarded to a consultant at a price of Kshs.4,980,000 and signed on 29 September, 2020. Although the consultant was paid on 21 December, 2020, the asset register prepared did not meet the guidelines given by The National Treasury on July, 2020 on Asset and Liability Management Reporting Registers and Templates. Further, the contract required the bidder to have previous experience of similar works. However, no supporting documents were provided to confirm that the consultant had the experience.

In the circumstances, it was not possible to confirm whether due process was followed in award and execution of the consultancy.

2.0 High Employee Costs

The statement of financial performance reflects employee costs of Kshs.352,771,000 as disclosed in Note 14 to the financial statements. The employee costs are approximately 61% of the total revenue of Kshs.575,935,000 and may be unsustainable in the near future.

In the circumstances, the wage bill may not be sustainable unless adequate measures are put in place to contain its rising.

3.0 Incomplete Construction of Modern Dairy

The statement of financial position reflects property, plant and equipment balance of Kshs.963,951,000 as disclosed in Note 24 to the financial statements. The balance includes work in progress of Kshs.302,604,468. The work in progress amount includes construction of a modern dairy unit works certified of Kshs.43,220,420. However, physical verification revealed that the calf burn unit was at foundation level and incomplete while the drainage works and floor were not properly done. Further, the floor had a section with mud posing future challenge to its cleaning and maintenance.

In the circumstances, the value for money on the construction of a modern dairy unit of Kshs.43,220,420 could not be confirmed.

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 controls, 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 controls, risk management and overall 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 the Management is aware of the intentions 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 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the University's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 controls 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

23 September, 2022

Kaimosi Friends University College
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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2020-2021 Kshs '000'	2019-2020 Kshs '000'
Revenue From Non Exchange Trans:			
Transfers from Ministries, Departments and Agencies (MDAs)	6	444,024	477,893
Levies, Fines and Penalties	7	81	69
Public Contributions and Donations	8	-	110
Total Revenue from Non-Exchange Trans		444,105	478,072
Revenue From Exchange Trans:			
Rendering Of Services	9	117,572	89,929
Sale of Goods	10	7,151	3,178
Rental Revenue from Facilities and Equipment	11	6,605	5,048
Other Income	12	504	74
Total Revenue from Exchange Trans		131,831	98,229
TOTAL REVENUES		575,935	576,301
EXPENSES			
Use of Goods and Services	13	140,107	105,001
Employee Costs	14	352,771	308,924
Council Expenses	15	11,364	8,112
Depreciation and Amortization Expense	16	41,125	25,503
Repairs and Maintenance	17	17,682	24,304
Contracted Services	18	4,980	-
TOTAL EXPENSES		568,028	471,844
Surplus for the Period		7,907	104,457

The notes set out on pages 20 to 31 form an integral part of these Financial Statements.

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

Principal

Prof. O.M.J. Nandi

Signature: 

Date: 26/08/2022

Head of Finance

CPA Irine Lumatete

ICPAK Member Number: 16901

Signature: 

Date: 26/08/2022

Presiding Chairperson of Council

Dr. Josephine D. Waudo

Signature: 

Date: 26/08/2022

Kaimosi Friends University College
Annual Reports and Financial Statements
For the year ended June 30, 2021.

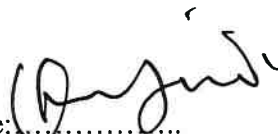
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021


	NOTES	2020-2021 Kshs '000'	2019-2020 Kshs '000'
ASSETS			
Current Assets			
Cash And Cash Equivalents	19	103,928	151,317
Receivables from Exchange Trans	20	48,761	30,645
Receivables from Non-exchange Trans	21	5,630	37,203
Inventories	22	14,438	20,163
Prepayments	23	171	-
Total Current Assets		172,928	239,328
Non-current Assets			
Property, Plant & Equipment	24	963,951	457,718
Intangible Assets	25	12,872	17,087
Biological Assets	26	1,806	1,615
Total Non-current Assets		978,630	476,420
TOTAL ASSETS		1,151,558	715,748
Liabilities			
Current Liabilities			
Trade and Other Payables	27	(1)	5,718
Refundable Deposits and Prepayments from Customers	28	15,451	12,806
Current Provisions	29	37,680	46,528
Deferred Income	30	10,270	-
Special Accounts & Grants	31	4,343	4,263
Total Current Liabilities		67,743	69,315
Non-Current Liabilities			
Non-Current Provision	32	12,515	7,204
Capital Retentions	33	33,789	30,884
Total Non-Current Liabilities		46,305	38,088
Total Liabilities		114,048	107,403
Net Assets			
Reserves	34	68,047	(30,086)
Surplus/(Deficit) for the year		7,907	104,457
Capital Fund	35	585,504	533,974
Revaluation Reserve	36	376,052	
Total Net Assets		1,037,510	608,345
TOTAL NET ASSETS & LIABILITIES		1,151,558	715,748


The notes set out on pages 20 to 31 form an integral part of these Financial Statements.

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

Principal	Head of Finance	Presiding Chairperson of Council
Prof. O.M.J. Nandi	CPA Irine Lumatete	Dr. Josephine D. Waudo
	ICPAK Member Number:16901	

Signature: 
Date: ...26/08/2022.

Signature: 
Date: ...26/08/2022

Signature: 
Date: ...26/08/2022

Kaimosi Friends University College
Annual Reports and Financial Statements
For the year ended June 30, 2021.

15. STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2021

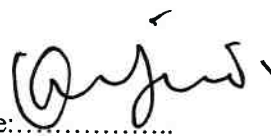
	CAPITAL FUND	REVENUE RESERVE	REVALUATION RESERVE	TOTAL
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs'000'
At July 1, 2019	390,638	(30,086)	-	360,541
Adjustment	-	-	-	-
	390,638	(30,086)	-	360,552
Capital Grant	143,336	-	-	143,336
Fair Value adjustment on Biological Assets	-	-	-	-
Surplus for the year	-	104,457	-	104,457
				-
At June 30, 2020	533,974	74,371	-	608,345
				-
At July 1, 2020	533,974	74,371	-	608,345
Adjustment		(6,324)	375,681	369,357
	533,974	68,047	375,681	977,702
Capital Grant	51,530	-	-	51,530
Fair Value adjustment on Biological Assets	-	-	371	371
Surplus for the year	-	7,907		7,907
				-
At June 30, 2021	585,504	75,954	376,052	1,037,510

The notes set out on pages 20 to 31 form an integral part of these Financial Statements.

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

Principal

Prof. O.M.J. Nandi

Signature: 

Date: 26/08/2022

Head of Finance

CPA Irine Lumatete

ICPAK Member Number:16901

Signature: 

Date: 26/08/2022

Presiding Chairperson of Council

Dr. Josephine D. Waudu

Signature: 

Date: 26/08/2022

**Kaimosi Friends University College
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For the year ended June 30, 2021.**

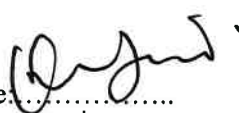
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2020-2021	2019-2020
		Kshs '000'	Kshs '000'
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts:			
Transfers from Ministries, Departments and Agencies (MDAs)	6	444,024	477,893
Levies, Fines and Penalties	7	81	69
Public Contributions and Donations	8	-	110
Rendering of Services	9	117,572	89,929
Sale of Goods	10	7,151	3,178
Rental Revenue from Facilities and Equipment	11	6,605	5,048
Other Incomes	12	504	74
Payments:			
Use of Goods and Services	13	(140,107)	105,001
Employee Costs	14	(352,771)	308,924
Remuneration of Council Members	15	(11,364)	8,112
Repairs and Maintenance	17	(17,682)	24,304
Contracted Services	18	(4,980)	-
		49,032	129,960
(Increase)/Decrease in receivables from exchange transactions	20	(18,116)	(9,191)
(Increase)/Decrease in receivables from non-exchange transactions	21	31,572	(17,091)
(Increase)/Decrease in inventory	22	5,725	(16,319)
(Increase)/Decrease in Prepayments	23	(171)	-
Increase/(Decrease) in Trade and other payables	27&28	(1,320)	(27,922)
Increase/(Decrease) in Capital(Retentions) payables	33	2,905	3,685
Increase/(Decrease) in Provisions	29&32	(3,538)	40,489
Increase/(Decrease) in Deferred Income	30	10,270	-
NET CASHFLOW FROM(USED IN) OPERATING ACTIVITIES		76,360	103,610
CASHFLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	24	(176,622)	(160,751)
Purchase of Biological Assets	27	-	(1,440)
NET CASHFLOW FROM INVESTING ACTIVITIES		(176,622)	(162,191)
CASHFLOW FROM FINANCING ACTIVITIES			
Increase in Capital Funds/Equity (Capital Grants)	35	51,530	141,055
Refundable Deposits from Customers	28	1,342	689
NET CASHFLOW FROM FINANCING ACTIVITIES		52,872	141,744
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(47,389)	83,163
Add Cash & Cash Equivalents At Start of the period		151,317	68,154
Cash & Cash Equivalents At End of the period		103,928	151,317
Cash & Cash Equivalents As per S. F. Position	20	103,928	151,317


The notes set out on pages 20 to 31 form an integral part of these Financial Statements.

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


Principal
Prof. O.M.J. Nandi

Signature: 
Date: 26/08/2022

Head of Finance
CPA Irine Lumatete
ICPAK Member Number:16901

Signature: 
Date: 26/08/2022

Presiding Chairperson of Council
Dr. Josephine D. Waudo

Signature: 
Date: 26/08/2022

**Kaimosi Friends University College
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**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30 JUNE 2021**

Particulars RECURRENT BUDGET	ORIGINAL BUDGET	ADJUST- MENTS	FINAL BUDGET	ACTUAL ON COMPAR- ABLE BASIS	PERFORM- ANCE DIFFERENCE	% ON UTILIZA- TION	EXPLANATION OF MATERIAL VARIANCES
	Kshs '000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	%	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c	
REVENUE							
Revenues from other Government Entities	444,024	-	444,024	444,024	-	100	a
Levies, Fines, and Penalties	100	-	100	81	(19)	81	b
Public Contributions and Donations	2,620	(1,120)	1,500	-	(1,500)	0	c
Rendering Of Services	116,084	2,885	118,969	117,572	(1,397)	99	d
Sale of Goods	7,322	(1,500)	5,822	7,151	1,329	123	e
Rental Revenue from Facilities & Equipment	6,700	(695)	6,005	6,605	600	110	f
Other Income	70	430	500	504	4	101	g
TOTAL INCOMES	576,920	-	576,920	575,935	(984)	100	
EXPENSES							
Use of Goods and Services	160,540	(14,930)	145,609	140,107	5,503	96	h
Employees Costs	368,580	(13,797)	354,783	352,771	2,012	99	i
Remuneration of Council Members	18,000	(6,389)	11,611	11,364	247	98	J
Repairs and Maintenance	12,550	6,535	19,085	17,682	1,402	93	k
Contracted Services	5,000	-	5,000	4,980	20	100	l
Non-Current Assets	12,250	13,582	25,832	24,331	1,501	94	m
Re-Alignment	-	15,000	15,000	-	15,000	0	n
TOTAL EXPENDITURE	576,920	-	576,920	551,234	25,685	96	
RECURRENT SURPLUS/(DEFICIT)	-	-	-	24,701	24,701		
CAPITAL DEVELOPMENT BUDGET							
Capital Grants	118,783	35,388	154,171	154,171	-		
Capital Expenditure	118,783	35,388	154,171	148,646	5,526	96	o
Surplus/(Deficit)				5,526	5,526		


The notes set out on pages 20 to 31 form an integral part of these Financial Statements.


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


Principal
Prof. O.M.J. Nandi

Head of Finance
CPA Irine Lumatete
ICPAK Member Number:16901

Presiding Chairperson of Council
Dr. Josephine D. Waudo

Signature: 
Date: 26/08/2022

Signature: 
Date: 26/08/2022

Signature: 
Date: 26/08/2022

Budget notes

1. Explanation of differences between actual and budgeted amounts (10% over/ under)

IPSAS 24.14

levies, fines & penalties (b)

The higher estimated budget was not attained due to stringent compliance measures put in place both in the library & hostels, thus reducing the amount of fines & penalties.

Public contributions & donations (c)

No donation was recognized in the year under review. This is due to covid-19 pandemic that made it impossible to hold major activities like tamasha, beauty pageant and other student related activities where donors/stakeholders are involved in contribution.

Sale of goods (e)

With enhanced IGU activities in the farm and ready internal market, the IGU recorded a higher income.

Rental revenue from facilities and equipment (f)

Accommodation was mandatory to all first-year students so as to ensure their security. This led to increased revenues received from rental facilities.

Re-alignment to capital (n)

The realignment of budget from recurrent to capital was done during the revision to ensure renovation of existing buildings.

2. An explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

Revenue

- The adjustment on Public contributions & donations, sales of goods and other income was based on mid-year performance review
- An adjustment of rendering of services was done after actual students reported and a higher number was realized, which informed the upward adjustment.

Expenditure

- The changes between original and final budget was based on mid-year actual performance review.
- Employee costs budget adjustment based on some staff exits/resignations, which led to movement of employee costs to other operational costs.
- Remuneration of Council member adjustments was as a result of Covid-19 pandemic, where council meetings were made online, hence reduction of costs of the same.

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- The realignment of budget from recurrent to capital was done during the revision to ensure renovation of existing buildings

3. Purchase of Non-Current assets was moved to Property, Plant and Equipment hence is not part of the Statement of Financial Performance. It was capitalized and therefore forms part of the Statement of Financial Position. The table below shows a reconciliation between the Statement of Budget comparison with actual amounts and Statement of Financial Performance surplus.

RECONCILIATION BETWEEN RECURRENT BUDGET COMPARISON AND STATEMENT OF FINANCIAL PERFORMANCE SURPLUS		
	Surplus As Per Statement of Comparison of Budget and Actual	24,701
Add:	Purchase of Non-Current Assets	24,331
Less:	Depreciation Charge for the year	(41,125)
	Surplus as per Statement of Financial Performance	7,907

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kaimosi friends University College (KAFUCO) is established by and derives its authority and accountability from University Act 2012. KAFUCO is wholly owned by the Government of Kenya and is domiciled in Kenya. KAFUCO's principal activity is to provide quality education and training, research and innovation to meet the needs of a dynamic society.

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 *KAFUCO's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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.

**Kaimosi Friends University College
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>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.</p> <p>IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p>The amendments did not affect KAFUCO's financial statements for the year ended 30th June, 2021.</p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>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</p>

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Standard	Effective date and impact:
	<p>the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (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.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when

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Standard	Effective date and impact:
	<p>IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

iii. Early adoption of standards

The University College did not early – adopt any new or amended standards in year 2020/2021.

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.

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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.

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 2020-2021 was approved by the National Assembly in June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 7 of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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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:

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when

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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

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The University College did not have financial assets in the financial year under review.

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.

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:

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The University College did not have financial assets in the financial year under review.

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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour 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.

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k) 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.

The University College has a Case in court-ELC 61 of 2019 Kakamega, whose gist is encroachment of land LR No. 1087/2 and recovering of alienated assets of former Kaimosi Teachers Training College, predecessors of the University College on LR No. 1087/3. The matter is ongoing thus, the legal fees and the amount of liability cannot be reasonably estimated. In view of this, it has not been captured in the books of accounts as contingency.

l) 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.

The University College entered into a Contract of Works on 23rd December, 2016, with Lubimbayi Limited, for the construction of the Tuition Block and Associated Works. The contract was terminated on 7th October, 2019 because of breaches.

The Contractor has disputed the amounts of Ksh.17 Million as work owed to the University College and is in the process of sourcing for an arbitrator through their letter dated 16th July, 2020. The amount owed is a debt but the probability of recovery cannot be reliably ascertained.

m) Nature and purpose of reserves

The University College creates and maintains reserves in terms of specific requirements. KAFUCO maintains revenue and capital reserves as per the approved policy.

n) Changes in accounting policies and estimates

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

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o) Employee benefits

Retirement benefit plans

The University College 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.

KAFUCO pays defined monthly contribution to MMUST Pension Scheme to cater for retirement benefits for its employees.

p) 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.

q) Related parties

The University College 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 Council members, the Principal and the Deputy Principals.

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

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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, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. KAFUCO 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:

- a) The condition of the asset based on the assessment of experts employed by KAFUCO.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

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Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in **Note 29 & 32.**

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.

Provisions raised in this Financial Year are as below.

Particulars	KES '000'
i. Provision for Gratuity	4,361
ii. Audit Fees	950
iii. Provision for Doubtful Debt of 10%	2,003
iv. Provision for Part-time payments	25,879
v. Provision for industrial attachment/teaching practice	3,999
vi. Provision for CBA Arrears	NIL
vii. Provision for Caution Money	281
viii. Provision for Fuel & Lubricants	372
ix. Provision for Electricity	423
x. Provision for PSSP Payments	2,298
xi. Provision for Graduation	1,967
xii. Provision for Smart Cards	567

Management estimated the expenditure requirement to pay off the obligations.

6. Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2020/21	Prior year
					2019/2020
	KShs	KShs	KShs	KShs	KShs
State Department of University Education and Research	444,023,780		51,530,444	495,554,224	621,228,893
		-			
Total	444,023,780	-	51,530,444	495,554,224	621,228,893

The details of the reconciliation have been included under appendix III

7. Levies, Fines and Penalties

Description	2020-2021	2019-2020
	KShs	KShs
Fuel levy	-	-
Fines	80,951	69,296
Penalties	-	-
Total	80,951	69,296

This revenue is collected from students as a result of damages/losses on property.

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8. Public Contributions and Donations

Description	2020-2021	2019-2020
	KShs	KShs
The Green Belt Movement	-	-
Health donations	-	-
Research donations	-	-
Other public donations (specify)	-	110,000
Total transfers and sponsorships	-	110,000
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	-	-
Current year receipts	-	110,000
Conditions met - transferred to revenue	-	-
Conditions to be met - remain liabilities	-	-

During the year under review, donations were not received.

9. Rendering of Services

Description	2020-2021	2019-2020
	KShs	KShs
KUCCPS Tuition Fees	42,683,700	33,762,800
PSSP Tuition Fees	9,541,500	14,569,850
Master Tuition Fees	6,725,000	1,559,000
Registration Fees	709,600	355,800
Teaching Practice/Attachment Fees	3,442,200	5,381,300
Student ID Cards	596,900	320,500
Examination Fees	13,108,700	7,967,600
Activity Fees	2,532,000	1,809,000
Amenity	2,530,000	1,809,000
Medical Fees	4,403,000	2,970,000
KUCCPS Processing Fees	1,584,000	777,000
ICT Levy	13,262,300	9,222,100
Library Fees	8,001,600	5,707,500
Graduation Fees	1,967,000	-
Students Organization Fees (KAFUSO)	1,012,900	724,000
Application Fees	125,144	121,500
Supervision Fees	4,031,000	1,035,000
Supplementary Exams	160,000	229,000
Remarking Fees	-	3,000
CUE Quality Assurance Fee	1,155,000	589,500
Research Income	-	1,016,000
Total revenue from the rendering of services	117,571,544	89,929,450

This is revenue collected from tuition and tuition related charges. Examination fee includes Thesis/Project Examination and Examination fees

10. Sale of Goods

Description	2020-2021	2019-2020
	KShs	KShs
Sale of goods		
Farm Sales	1,694,344	243,131
Catering Sales	5,456,456	2,934,499
Total revenue from the sale of goods	7,150,800	3,177,630

This is revenue received from sale of farm output and catering services. Catering sales includes catering income-others, staff catering sales, students catering sales and other igu income

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11. Rental Revenue from Facilities and Equipment

Description	2020-2021	2019-2020
	KShs	KShs
Hire of Hall & Conference facilities	-	7,000
Accommodation fees	6,361,000	4,942,000
Rent Income	230,000	12,300
Hire Of Playing Ground	1,000	5,000
Hire Of Bus	12,500	81,352
Total rentals	6,604,500	5,047,652

This is revenue received from hire of facilities and hostel fee charged to students.

12. Other Income

Description	2020-2021	2019-2020
	KShs	KShs
Miscellaneous Income	503,821	74,047
Total other income	503,821	74,047

13. Use of Goods and Services

Description	2020-2021	2019-2020
	KShs	KShs
IGU/Farm Operating Expenses	3,975,641	1,328,005
Catering Expense	8,090,210	2,513,045
Internet Charges	7,578,157	6,060,644
Postal and courier expenses	45,725	56,865
Electricity expenses	3,445,770	2,291,421
Water & Sewerage	2,421,384	1,651,908
Security Services	10,596,630	10,299,000
Sanitary Services Expenses	445,000	587,400
Property Insurance Expenses	1,335,429	997,976
Fumigation	724,500	489,600
Contracted Cleaning Services	5,500,000	5,343,054
Academic Trips	190,050	265,560
Admission Expenses	456,230	338,100
Advertisements & Publicity	1,293,160	2,051,885
Anti-corruption Expenses	295,850	92,000
Audit Fees	950,000	993,050
Bank Charges	313,030	231,163
Research innovation and Incubation expenses	167,905	35,400
Cleaning Materials	670,897	47,240
Coaching and Mentoring	4,500	82,620
CUE Inspection Expenses	-	934,860
Corporate Social Responsibility	195,000	103,600
Cultural Week/Tamasha Expenses	170,000	500,000
Disability and Gender Mainstreaming	148,700	-
Examination Expenses	623,856	595,140
External Examiners	1,964,370	1,072,353
External Travels & Accommodation	-	28,000
Fees Waiver Expense	-	130,200
Fuel & Lubricants	2,151,321	1,549,978
Group Life Cover	1,025,239	611,121
HIV/Aids	310,270	220,710
ICT Operating Expense	234,800	273,550
Inter-University Games	308,640	1,017,920
ISO Certification	2,324,310	-

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Description	2020-2021	2019-2020
	K.Shs	K.Shs
KAFUSO	408,670	849,355
KUCCPS Admission	1,545,000	793,500
Laboratory Materials	1,542,469	2,809,240
Library expenses	158,160	125,570
Subscriptions, License & Affiliation Expenses	1,197,922	1,008,360
Management & Academic Board Expenses	1,443,205	475,000
Purchase of Medical Drugs and reagents	3,103,224	3,558,929
Medical Scheme Staff	-	5,746,510
Curriculum development/review expenses	492,720	245,200
Office Expenses	674,036	571,000
Consultancy/Professional Services	5,347,127	2,027,350
Performance Contracting Services	1,264,684	1,771,545
Professional & Legal Charges	2,580,000	7,578,600
Bad & Doubtful Debts	2,002,982	1,009,123
Public Celebrations & Funerals	40,000	159,261
Printing & Publications	695,000	954,600
Purchase of Cutlery & Crockery	453,890	-
Purchase of Stationary	6,792,160	3,508,042
Recruitment, Appointments and Promotions	60,716	66,210
University College research fund	2,210,020	1,199,026
Teaching Practice	1,801,100	2,337,840
SGC Elections & Training	984,270	303,720
Sports Equipment	491,570	416,200
Staff Training & Development	4,206,140	3,311,520
Seminars & Conference	27,600	629,640
Strategic Planning & Training expenses	499,400	189,340
Teaching Materials	-	937,800
Tender Expenses	1,032,110	341,550
Travelling & Accommodation expenses	9,589,546	7,724,663
WIBA (Work Injury Benefits)	89,719	59,770
Graduation Expenses	1,967,000	-
Staff Uniform & protective gears	218,050	498,242
Student Work Study	202,400	193,200
Payment of Medical Bills	12,073,382	4,747,582
Carriage, Insurance and Freight Charges	-	640,513
Industrial Attachment	2,201,498	2,220,004
National Cohesion	71,040	-
Transport expense	101,657	164,250
Curtains and mattresses	1,104,000	2,343,261
ODEL Expense	9,000	616,300
CUE Quality assurance expenses	1,122,000	-
Career services expenses	180,290	71,440
Staff development programme	3,292,400	-
University choir/drama	-	4,500
Pension expenses	1,486,503	-
COVID-19 Related Expenses	2,949,852	-
Risk Management Expenses	1,392,845	-
PSSP Payments	2,298,100	-
Loss on disposal	180,000	-
Smart Cards	566,500	-
Totals	140,106,530	105,001,124

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14. Employee Costs

	2020-2021	2019-2020
	KShs	KShs
Personnel Emoluments Cost		
Basic salary	179,280,586	125,488,584
House Allowance	74,377,396	64,216,076
Commuting Allowance	13,052,447	11,995,764
Car Allowance	11,902,533	10,116,577
Responsibility Allowance	7,048,833	6,280,467
Acting Allowance	224,020	357,182
Entertainment allowance	4,267,166	3,792,250
Telephone Allowance	2,593,000	2,370,524
Domestic workers	960,000	960,000
Professorial Allowance	120,000	120,000
Risk Allowance	260,400	216,306
Tool Allowance	1,740	1,740
Extraneous Allowance	1,848,000	1,765,258
Passage and Baggage allowance	144,658	525,240
Part-time Teaching Payments	26,562,630	24,111,005
Gratuity	3,514,732	2,995,976
EMPLOYERS NSSF	699,800	428,600
Employers Pension Contributions	18,337,406	12,734,864
Leave Allowance	1,732,200	1,485,200
Casual Labour expenses	2,126,946	1,558,207
Electricity Allowance	62,060	150,023
Research/Book Allowance	225,000	-
Other Allowances	-	33,176
Salary Locum Appointees	3,019,090	2,179,500
Special Allowance	309,845	387,890
NITA Employer Contribution	90,200	107,700
CBA Arrears	-	34,545,699
Uniform Allowance	10,000	-
Total Personnel Emoluments Cost	352,770,688	308,923,808

The University College runs a Defined Contribution scheme under MMUST Staff Retirement Benefit Scheme. In the Financial year 2020/2021 the University College made a contribution to the Scheme of Ksh. 18,337,406.00

15. Council Expenses

Description	2020-2021	2019-2020
	KShs	KShs
Chairman/Directors' Honoraria	381,000	1,080,000
Sitting allowances	4,417,732	2,481,900
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	3,488,700	2,702,000
Other allowances	3,076,792	1,848,275
Total	11,364,224	8,112,175

16. Depreciation and Amortization Expense

Description	2020-2021	2019-2020
	KShs	KShs
Depreciation on Building	3,958,541	922,753
Depreciation on Computers, Copiers & Printers	8,589,255	4,538,374
Depreciation on Furniture, Fixtures & Equipment	3,416,458	2,683,963
Depreciation on Motor Vehicles	9,893,636	8,922,434
Depreciation on Plant & Machinery	8,350,459	3,092,750
Amortization on ERP System	5,262,360	4,978,580
Depreciation on Books & Journals	1,471,760	318,480
Amortization on Computer Software	182,288	45,572
Total depreciation and amortization	41,124,757	25,502,906

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17. Repairs and Maintenance

Description	2020-2021	2019-2020
	KShs	KShs
Maintenance of Buildings & Stations -Property	11,275,238	13,056,713
Maintenance of Hostel Facilities -Property	369,200	100,000
Investment property – earning rentals	-	-
Maintenance of Plant & Equipment -Equipment and machinery	147,300	291,837
Maintenance of Motor Vehicles-Other Repairs -Vehicles	521,709	1,704,424
Furniture and fittings	-	-
Maintenance of Computers & Other Electronics -Computers and accessories	1,302,208	2,153,195
Maintenance of Playgrounds	798,475	29,700
Maintenance of Water Suppliers & Sewerage	499,960	2,753,589
Maintenance of ERP system and other software	2,768,116	4,214,200
Total repairs and maintenance	17,682,206	24,303,658

18. Contracted Services

Description	2020-2021	2019-2020
	KShs	KShs
Property Valuation Expense	4,980,000	-
Investment valuations	-	-
Property valuations	-	-
Total contracted services	4,980,000	-

19. Cash and Cash Equivalents

Description	2020-2021	2019-2020
	KShs	KShs
Current account	103,927,782	151,271,975
Savings account	-	-
On - call deposits	-	-
Fixed deposits account	-	-
Un-deposited Funds	-	45,000
Staff car loan/ mortgage	-	-
Total cash and cash equivalents	103,927,782	151,316,975

19 (a) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2020-2021	2019-2020
		KShs	KShs
a) Current account			
CO-OP PSSP FEES A/C	1129698477700	17,404,131	7,711,792
EQUITY KUCCPS FEES	960271081548	3,651,090	6,592,444
KCB SAVINGS A/C MMUST-KAIMOSI	1164385291	1,180,025	1,143,490
KCB SAVINGS A/C KAFUCO DEPOSIT	1203735065	31,036,364	24,702,600
KCB KAFUCO Capital Development A/C	1203709862	55,507	74,833,581
KCB-KAFUCO Payment A/C	1203735030	6,619,076	3,200,134
Equity Retention Account	0960279158643	36,784,881	31,287,934
KCB BANK GUARANTEE AC		850,000	800,000
ABSA RESEARCH ACCOUNT-A/C	2042616160	6,345,730	1,000,000
KCB RETENTION ACCOUNT	1222460874	980	-
Sub- total		103,927,782	151,271,975
b) Others(specify)			
Petty Cash		-	-
Un-deposited Funds		-	45,000
Sub- total		-	45,000
Grand total		103,927,782	151,316,975

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20. Receivables from Exchange Transactions

20 (a) Current Receivables from Exchange Transactions

	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Student Debtors	53,116,396	33,086,578
Prov. for Doubtful Debts	(5,311,640)	(3,308,658)
Sundry Debtors	812,220	579,220
Insurance Claim Receivables	144,000	288,000
Total current receivables	48,760,976	30,645,140

20(b) Long- term Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Total Receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
	-	-
Current portion transferred to current receivables	(-)	(-)
Total non-current receivables	-	-
Total receivables (a+b)	48,760,976	30,645,140

21. Receivables from Non-Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Property tax debtors	-	-
Levies, Fines, and penalties	-	-
Licences, fees and permits	-	-
Other debtors (non-exchange transactions)	-	-
Staff Imprest Debtors	5,630,400	2,578,690
Staff Advances	-	78,145
CBA Arrears receivable	-	34,545,699
Less: impairment allowance	-	-
Total current receivables	5,630,400	37,202,534

22. Inventories

Description	2020-2021	2019-2020
	KShs	KShs
Central Stores:- Stationary	2,645,250	3,853,426
Medical Drug Stores	3,512,700	1,267,333
Maintenance Stores	5,180,954	12,773,556
Central Stores :- Catering Stores (Foodstuff)	704,869	483,070
Central Stores:- Cleaning	201,738	202,660
Teaching Laboratory Stores	544,025	897,862
Farm Stores	1,648,325	685,272
Less: Allowance for impairment	-	-
Total inventories at the lower of cost and net realizable value	14,437,861	20,163,179

23. Prepayments

Description	2020-2021	2019-2020
	KShs	KShs
Prepaid Nssf	111,600	-
Prepaid VAT @ 16%	57,142	-
Prepaid Withholding VAT 2%	2,440	-
Total Prepayments	171,182	-

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24. Property, Plant and Equipment

Particulars	Land	Buildings	Motor vehicles	Furniture, fixtures, fittings & Equipment	Computer & Accessories	Plant & Machinery	Books & Journals	Capital Work In Progress	Total
Cost:	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At July 2019	-	-	34,394,800	12,319,176	8,679,256	11,728,364	-	283,210,404	350,332,000
Additions	-	-	5,179,750	12,702,203	13,461,848	14,941,554	5,095,674	109,675,257	161,056,286
Disposals	-	-	-	-	-	-	-	-	-
Valuation/ adjustments	-	36,910,122	-	-	-	-	-	(36,910,122)	-
At 30th June 2020	-	36,910,122	39,574,550	25,021,379	22,141,104	26,669,918	5,095,674	355,975,539	511,388,286
Additions	-	4,120,679	-	3,920,377	5,595,408	9,146,680	1,547,503	152,291,220	176,621,867
Disposals	-	-	-	-	-	-	-	-	-
Valuation/ adjustments	204,000,000	309,924,229	-	2,333,580	4,624,550	50,071,424	-	(205,662,291)	365,291,492
At 30th June 2021	204,000,000	350,955,030	39,574,550	31,275,336	32,361,062	85,888,022	6,643,177	302,604,468	1,053,301,644
Depreciation and impairment:									
At July 2019	-	-	17,197,400	3,921,535	7,288,661	4,783,779	-	-	33,191,375
Depreciation for the year	-	922,753	8,922,434	2,683,963	4,538,374	3,092,751	318,480	-	20,478,755
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-	-	-	-	-
At 30th June 2020	-	922,753	26,119,834	6,605,498	11,827,035	7,876,530	318,480	-	53,670,130
Depreciation for the year	-	3,958,541	9,893,638	3,416,457	8,589,255	8,350,460	1,471,761	-	35,680,111
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-	-	-	-	-
At 30th June 2021	-	4,881,294	36,013,472	10,021,955	20,416,290	16,226,990	1,790,241	-	89,350,241
Net Book Values:									
At 30 June 2021	204,000,000	346,073,736	3,561,078	21,253,381	11,944,772	69,661,032	4,852,936	302,604,468	963,951,403
At 30 June 2020	-	35,987,369	13,454,716	18,415,881	10,314,069	18,793,389	4,777,194	355,975,539	457,718,157

During the year under review, several projects were capitalized while the additions relates to additional certified works on Tuition Block and Modern Dairy Unit.

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Valuation

Land and buildings were valued by Mobisoft Ltd independent valuer on 02.12.2020 on reinstatement cost basis of valuation. These amounts were adopted on 26.04.2021.

24 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	204,000,000	-	204,000,000
Buildings	350,955,030	4,881,294	346,073,736
Plant and machinery	85,888,022	16,226,990	69,661,032
Motor vehicles, including motorcycles	39,574,550	36,013,472	3,561,078
Computers and related equipment	32,361,062	20,416,290	11,944,772
Office equipment, furniture, and fittings	31,275,336	10,021,955	21,253,381
Books & Journals	6,643,177	1,790,241	4,852,936
Work In Progress	302,604,468	0	302,604,468
	1,053,301,645	89,350,242	963,951,403

25. Intangible Assets

Description	2020-2021	2019-2020
	KShs	KShs
Cost		
At beginning of the year	26,915,830	24,022,400
Additions	-	2,393,430
At end of the year	-	-
Transfers/adjustments	1,229,600	500,000
At end of the year	28,145,430	26,915,830
Amortization and impairment		
At beginning of the year	9,828,632	4,804,480
Amortization	5,444,648	5,024,152
At end of the year	-	-
Impairment loss	-	-
At end of the year	15,273,280	9,828,632
NBV	12,872,150	17,087,198

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25 a.) Intangible Assets

Description	ERP System	Computer Software	Total
	KShs	KShs	KShs
Cost			
At 1 July 2019	24,022,400	-	24,022,400
Additions	1,482,000	911,430	2,393,430
Disposals			
Transfers/adjustments	500,000		500,000
At 30th June 2020	26,004,400	911,430	26,915,830
Additions	-	-	
Disposals			
Transfers/adjustments	1,229,600		1,229,600
At 30th June 2021	27,234,000	911,430	28,145,430
Amortization and impairment:			
At 1 July 2019	4,804,480	-	4,804,480
Amortization/Impairment for the Period	4,978,580	45,572	5,024,152
At 30th June 2020	9,783,060	45,572	9,828,632
Amortization/Impairment for the Period	5,262,360	182,288	5,444,648
At 30th June 2021	15,045,420	227,860	15,273,280
NBV At 30th June 2021	12,188,580	683,570	12,872,150

26. Biological Assets

Description	2020-2021	2019-2020
	KShs	KShs
Cows	1,806,000	1,615,000
Total Biological Assets	1,806,000	1,615,000

27. Trade and Other Payables

Description	2020-2021	2019-2020
	KShs	KShs
General Creditors	(1,162)	5,213,752
Capital Creditors	(1)	(1)
PAYE	-	
VAT @ 16%	-	311,925
WHT Magt, Consultancy & Professional Tax 5%	-	-
Withholding Vat 2%	-	191,872
Total trade and other payables	(1,163)	5,717,548

28. Refundable Deposits and Prepayments from Customers

Description	2020-2021	2019-2020
	KShs	KShs
Caution Money-Refundable Deposit	2,715,000	2,803,000
Fees Prepayments	12,736,244	10,002,633
Total deposits	15,451,244	12,805,633

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29. Current Provisions

	Provision for part time teaching payments	Provision for industrial attachment & teaching practice	Provision for Caution Money	Provision for CBA Arrears	Provision for Fuel & Lubricants	Provision for Electricity	Provision for PSSP Payments	Provision for Graduation	Provision Smart Cards	Total
	KShs	KShs	Kshs	KShs	KShs	KShs	KShs	Kshs	KShs	KShs
Balance b/d 01/07/2020	8,622,600	3,360,164	-	34,545,699	-	-	-	-	-	46,528,463
Additional Provisions	25,879,400	3,998,998	281,000	-	372,151	423,160	2,298,100	1,967,000	566,500	35,786,309
Provisions Utilized	(8,125,600)	(3,221,820)	-	(33,287,658)	-	-	-	-	-	(44,635,078)
Change due to discount and time value for money	-	-	-	-	-	-	-	-	-	-
Transfer from non-current provision	-	-	-	-	-	-	-	-	-	-
Total Provisions as at 30.06.2021	26,376,400	4,137,342	281,000	1,258,041	372,151	423,160	2,298,100	1,967,000	566,500	37,679,694

30. Deferred Income

Description	2020-2021	2019-2020
	KShs	KShs
National government	8,051,500	-
International funders	1,044,559	-
Public contributions and donations	1,174,375	-
Total deferred income	10,270,434	-

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	Total
Balance brought forward	-	-	-	-
Additions	9,990,000	1,758,209	1,174,375	12,922,584
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Disbursements	(1,938,500)	(713,650)	-	(2,652,150)
Balance carried forward	8,051,500	1,044,559	1,174,375	10,270,434

31. Special Accounts & grants

Description	2020-2021	2019-2020
	KShs	KShs
Endowment Funds	200,000	-
HELB Loan Fund	1,806,290	2,461,300
CDF/Sponsorships	2,336,587	1,802,160
Total Special Accounts & Grants	4,342,877	4,263,460

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32. Non-Current Provisions

Non-Current Provision	Provision for Audit Fees	Provision for Gratuity	Total
	KShs	KShs	KShs
Balance b/d 01/07/2020	1,794,000	5,409,939	7,203,939
Additional Provisions	950,000	4,361,122	5,311,122
Provisions Utilized	-	-	-
Change due to discount and time value for money	-	-	-
Less Current Portion	-	-	-
Total Non-Current Provision as at 30.06.2021	2,744,000	9,771,061	12,515,061

33. Capital Retentions

Description	2020-2021	2019-2020
	KShs	KShs
Retention Fees 10 %	30,752,661	26,621,334
Retention 5%	-	726,120
CLOSED-Retention Account	3,036,820	3,536,820
Total Long Term Liabilities	33,789,481	30,884,274

34. Reserves

Description	2020-2021	2019-2020
	KShs	KShs
Revenue Reserves	73,859,168	(21,523,830)
Opening Balance Equity	(5,812,293)	(8,562,323)
Total Reserves	68,046,875	(30,086,153)

N/B: These reserves do not include surplus for the year.

35. Capital Fund

Description	2020-2021	2019-2020
	KShs	KShs
Capital Development Funds	583,222,768	531,692,324
Capital Donations	2,281,398	2,281,398
Total Owners' Equity(Capital Fund)	585,504,166	533,973,722

36. Revaluation Reserve

	Revaluation Reserve
	KShs
Balance b/d 01/07/2020	-
Additions During the year:	
Revaluation on Land	204,000,000
Revaluation on Buildings	171,681,092
Fair Value adjustment on Biological Assets	371,000
Total Revaluation Reserve as at 30.06.2021	376,052,092

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37. Cash Generated from Operations

	NOTES	2020-2021	2019-2020
		Kshs	Kshs
Receipts:			
Transfers from Ministries, Departments and Agencies (MDAs)	6	444,024	477,893
Levies, Fines and Penalties	7	81	69
Public Contributions and Donations	8	-	110
Rendering of Services	9	117,572	89,929
Sale of Goods	10	7,151	3,178
Rental Revenue from Facilities and Equipment	11	6,605	5,048
Other Incomes	12	504	74
Total Receipts		575,935	576,301
Payments:			
Use of Goods and Services	13	140,107	105,001
Employee Costs	14	352,771	308,924
Remuneration of Council Members	15	11,364	8,112
Repairs and Maintenance	17	17,682	24,304
Contracted Services	18	4,980	-
Total Payments		526,904	446,341
		49,032	129,960
(Increase)/Decrease in receivables from exchange transactions	20	(18,116)	(9,191)
(Increase)/Decrease in receivables from non-exchange transactions	21	31,572	(17,091)
(Increase)/Decrease in inventory	22	5,725	(16,319)
(Increase)/Decrease in Prepayments	23	(171)	-
Increase/(Decrease) in Trade and other payables	27&28	(1,320)	(27,922)
Increase/(Decrease) in Capital(Retentions) payables	33	2,905	3,685
Increase/(Decrease) in Provisions	29 & 32	(3,538)	40,489
Increase/(Decrease) in Deferred Income	30	10,270	-
Total		27,373	(26,350)
NET CASHFLOW FROM(USED IN) OPERATING ACTIVITIES		76,360	103,610

38. Financial Risk Management

KAFUCO's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University College'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 University College's does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i) Credit risk

The University College 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

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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.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2021				
Receivables from exchange transactions	48,760,976	48,760,976	-	-
Receivables from non-exchange transactions	5,630,400	5,630,400	-	-
Bank balances	103,927,782	103,927,782	-	-
Total	158,319,158	158,319,158	-	-
As at 30 June 2020				
Receivables from exchange transactions	30,645,140	30,645,140	-	-
Receivables from non-exchange transactions	37,202,534	37,202,534	-	-
Bank balances	151,316,975	151,316,975	-	-
Total	219,164,649	219,164,649	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the University College has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from students (receivables from exchange transactions).

The Council sets the University College's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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 University College's short, medium and long-term funding and liquidity management requirements. KAFUCO manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2021				
Trade payables	(1,163)	-	-	(1,163)
Current portion of borrowings	-	-	-	-
Provisions	37,679,694	-	12,515,061	50,194,755
Deferred income	10,270,434	-	-	10,270,434
Employee benefit obligation	-	-	-	-
Total	47,948,965	-	12,515,061	60,464,026
As at 30 June 2020				
Trade payables	5,717,548	-	-	5,717,548
Current portion of borrowings	-	-	-	-
Provisions	46,528,463	-	7,203,939	53,732,402
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	52,115,761	-	7,203,939	59,449,950

iii) Market risk

The Council 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 University College's Risk Management Committee is responsible for the development of detailed risk management policies (subject to review and approval by the University College Council) and for the day-to-day implementation of those policies. There has been no change to KAFUCO's exposure to market risks or the manner in which it manages and measures the risk.

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a) Foreign currency risk

The University College does not have any have transactional currency exposures.

b) Interest rate risk

Interest rate risk is the risk that the University College's financial condition may be adversely affected as a result of changes in interest rate levels. KAFUCO'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 University College's all bank accounts are held in deposits and not savings, hence not affected by fluctuations in interest rates.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

The University College does not hold any financial instrument.

iv) Capital Risk Management

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

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	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	376,052,092	-
Retained earnings	75,953,867	74,371,144
Capital reserve	585,504,166	533,973,722
Total funds	1,037,510,125	608,344,866
Total borrowings	-	-
Less: cash and bank balances	(103,927,782)	(151,316,975)
Net debt/(excess cash and cash equivalents)	(103,927,782)	(151,316,975)
Gearing	0%	0%

39. Related Party Disclosures

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 Kaimosi Friends University College, holding 100% of KAFUCO'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) State Department of University Education and Research
- ii) KAFUCO key management
- iii) KAFUCO Council

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
a) Grants /Transfers from the Government		
Grants from National Gov't	444,023,780	477,892,893
Total	444,023,780	477,892,893
b) Key management compensation		
Directors' emoluments	11,364,224	8,112,175
Compensation to key management	22,369,755	20,734,637
Total	33,733,979	28,846,812

The top management comprises of the Principal, Deputy Principal Finance & Development and Deputy Principal Academics & Student Affairs.

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40. Segment Information

KAFUCO does not have segmented financial reports because it only operates in the main headquarter and has no campus/segment.

41. Contingent Assets and Contingent Liabilities

The University college does not have any contingent assets or contingent liabilities.

42. Capital Commitments

Capital commitments	2020-2021	2019-2020
	Kshs	Kshs
Authorised and contracted for	65,394,603	60,667,564.01
Total	65,394,603	60,667,564.01

43. 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. In line with this legal requirement, the University College did not remit any funds to the Consolidated Fund.

44. Taxation

The University College does not realize taxable income hence no taxation.

45. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%.

The University College does not realize taxable income hence no taxation.

46. Events after the Reporting Period

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

47. Ultimate and Holding Entity

Kaimosi Friends University College is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

48. Currency

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

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APPENDIX

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.
FY 2019-2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0 Inaccuracies in the Financial Statements	<p>The following inaccuracies were noted from the review of the financial statements:</p> <p>i. The statement of cash flows reflect a decrease of Ksh.28, 053,000 under trade and other payables while the same component in the statement of financial position reflect a decrease of Ksh.14,368,000 resulting to unexplained variance of Ksh.13,685,000</p> <p>ii. The statement of changes in net assets reflects revenue reserves as at 30th June 20202 of Ksh.74, 398,000 which differs with the amount of Ksh.74,413,000 in the statement of financial position indicated as reserves carried forward. Further the fair value adjustment of Ksh.15,000 reflected in the statement of net assets is not explained or supported by an accounting policy or framework. Consequently, the accuracy of the financial statements for the year ended 30th June 2020 could not be confirmed.</p>		RESOLVED	December 2020

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Budgetary control and performance	<p>The statement of comparison of budget and actual amounts reflects total budgeted revenues of Ksh.610,789,000 and actual revenues of Ksh.576,301,000 resulting to a budget shortfall of Ksh.34,488,000 or 6%. The statement also reflects total budgeted expenditure of Ksh.610,789,000 and actual expenditure of Ksh.499,110,000 resulting to under absorption of Ksh.111,679,000 or 18% of the budget. Management explained that the under absorption of Ksh.11,679,000 was caused by cessation of learning activities due to the Covid 19 pandemic. However, the budget shortfall and the under expenditure may have affected the planned activities of the University College.</p>			
1.0 Stalled Projects	<p>Included in the work in progress of Kshs. 355,670,089 are projects worth Kshs. 36,426,376 as shown below:</p> <ul style="list-style-type: none"> Renovation of Existing Buildings & Associated Works: Start Date- 22 November 2018, Expec. Cmplet. Date- 21 May 2019, Contract Price -Kshs. 18,538,320, Amt Paid to Date Kshs. 13,669,890, Status:- Contractor not on site LPG Installation: Start Date- 1 April 2019, Expec. Cmplet. Date- 30 June 2020, Contract Price –Kshs. 9,986,490, Amt Paid to Date Kshs. 5,151,031, Status:- Resumption of work on this project depends on the completion of renovations in the project above. <p>At the time of audit in December 2020 the contractor was not on site and LPG installation had not started. Under the circumstances, the value for money on the expenditure of Ksh.18,820,921 incurred on the project may not be realised.</p>	<p>Management acknowledges the stalling of the LPG project. The project stalled as it was depended on another project for renovations of the Dining Hall in which the LPG gas was to be installed. However, the management is following up with the contractor to ensure that the project is back on track.</p>	ON-GOING	December 2021
2.0 Construction of a Tuition Block	<p>The construction of a tuition block was awarded to a contractor on 23 December 2016 at a contract sum of Kshs. 125,138,335. However due to delayed completion, the contract was terminated and retendered on 8 April 2020. At the time of termination, Kshs. 87,593,233 had been paid</p>	<p>The project is on schedule, going on well and the current status is at 77% Part of the project has been handed over and expected completion is April 2022.</p>	ON-GOING	April 2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	and the remaining works at the time estimated at Kshs. 54,545,102. The re-tendered contract was enhanced to include other associated works and the total contract sum revised to Kshs. 269,827,933. The work as at the time of the audit was at 29% and is ongoing. The delay in completion of the project affects its delivery and its intended value to university.			
3.0 Staff Ethnicity	Upon examination of payroll for the month of June, 2020 it was observed that 74% of the university's employees were from one ethnic community against the recommended 70% and below. This is contrary to National Cohesion and Integration Commission Act, 2008 Section 7 (1) which requires that all public establishments seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community. Consequently, the management is in breach of the law.	The University College shall implement on subsequent recruitments.	Continuous	
4.0 Investment of Excess Funds	The closing cash and cash equivalents as at 30 June 2020 was KShs. 151,316,974 as per the statement of financial position. The university held the funds in various current and savings accounts. Management has not provided valid reasons on why the funds were not being invested in short term bills/bonds as per the Treasury Circulars No.10 of July 1992 and No. 2 of February 1998. Consequently, the funds were not being used in an effective way.	<p>The Treasury Circular No. 12 of 2002 dated 29th November 2002 stipulates that State Corporation must continue investing surplus funds in treasury bills/bonds and seek treasury approval to invest in commercial banks and financial institutions. The break down for KES 151,316,974 is as follows:</p> <ul style="list-style-type: none"> • KES 74,833,580.79 was for construction of Tuition Block which had been re-tendered and the contractor was on site and other projects. • KES 31,287,934.00 was retention money for contractors and refundable deposits from customers. • KES 1,000,000 was for research activities awarded at the end of the financial year. • Kes. 44,195,460.18 was meant for operations at the start of the new financial year and payment of pending bills. 	RESOLVED	December 2020

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Therefore, KES 151,316,974 was not surplus funds hence the University College could not invest the funds.		

FY 2018/2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
KSM/KAFUCO/2018/12	Procurement of fuel and lubricants from Total Kenya Plc with no local purchase order issued or service agreement signed by the two parties	Management noted the external Auditors' observation and has since signed a contract with Total Kenya that ended in December 2020. In 2021 the University engaged Vivo Energy and signed a contract.	RESOLVED	September 2019
2.0 Failure to Observe ONE-Third Rule	Examination of the payroll for the year revealed that nine (9) staff members were earning less than a third of their basic salaries contrary to the Employment Act 2007. Consequently, the management was in breach of the employment law and regulations.	The management has already taken corrective action and ensured strict adherence to the third basic salary rule after the observation by the Auditors since October 2019.	RESOLVED	Octobers 2019

FY 2017/2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0 Unsupported Payments	1.1 Unsupported Payments in Bank Statement not yet Recorded in the Cash Book: The statement of financial position reflects a cash and cash equivalents balance of Kshs. 99,164,000 as at 30 June 2018. However, various payments were	The transactions were inter-bank transfers which did not require a payment voucher to be effected. The following documents confirms the same;	RESOLVED	January 2019

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	<p>being made direct from bank account without any evidence of payment vouchers being processed in the cash book as detailed on various bank statement dates below:</p> <ul style="list-style-type: none"> • 30th June 2018 –Kshs. 16,800 • 31st May 2018 –Kshs. 30,016,280 • 31st April. 2018 –Kshs. 30,016,280 • 31st March 2018 –Kshs. 10,015,730 • 28th Feb. 2018 –Kshs. 10,015,620 • 31st January 2018 –Kshs. 10,005,510 • 31st December 2017 –Kshs. 0 • 30th November 2017 –Kshs. 10,000,550 • 31st October 2017 –Kshs. 4,410 • 30th September 2017 –Kshs. 7,910 • 31st August 2017 –Kshs. 4,410 • 31st July 2017 –Kshs. 3,750 <p>Total Kshs. 100,107,250</p>	<ul style="list-style-type: none"> • Approvals of transfer letters, copy of transaction declaration form, and • bank statements of transferor and payee bank <p>The other entries are bank charges which had not been recorded in the cash book.</p> <p>Transfers and their related bank charges were later updated in the cashbook and the reconciliation is now up-to-date.</p>	
<p>2.0 Property, Plant & Equipment</p>	<p>2.1 The statement of financial position indicates property, plant and equipment balance of Kshs. 46,842,000 as at 30 June 2018. However, the financial statements reflect purchase of Kshs. 106,066,000 additional property, plant and equipment while examination of the fixed asset register in respect of property, plant and equipment indicates total additional assets of Kshs. 104,333,595 resulting in an unexplained difference of Kshs. 1,732,405. Further, the fixed assets register remains un updated with the additional assets. Consequently, the accuracy, completeness and validity of property, plant and equipment balance of Kshs. 46,842,000 in the financial statements is in doubt.</p>	<p>The variance was noted and corrected. Currently there is no variance between the financial statement PPE figures and the Asset Register.</p>	<p align="center">RESOLVED</p> <p align="right">December 2020</p>
<p>3.0 Trade and Other Payables</p>	<p>Included in in the financial statements under Note 18 is trade and other payables from exchange transactions of Kshs. 36,031,000 which includes a balance of Kshs. 12,726,000 as refundable deposits from customers. This comprises of refunds meant for contractors' retention money. However, the University College did not maintain a deposit account for the refunds. This is contrary to section 81(2) of the Public Finance Management Act (National Government) Regulations, 2015 which stipulates that the accounting officer shall include in the financial statements a statement of the entity's assets and liabilities as at the end of the financial year in respect of the recurrent vote, development vote and funds and deposits.</p> <p>Consequently, the University College is in breach of the law and the custody and safety of the refundable deposits of Kshs. 12,726,000 could not be ascertained.</p>	<p>The financial statement stipulated clearly the KAFUCO assets and liabilities in respect of the recurrent vote, development vote and funds and deposits as per PFM Act Section 81(2).</p> <p>The University noted the concern on custody and safety of the refundable deposits. The University College management later opened a Retention Account for contractors, retention monies and refundable deposits from customers.</p>	<p align="center">RESOLVED</p> <p align="right">January 2020</p>
<p>OTHER MATTER</p>	<p>1.1 Under Absorption: Analysis of the approved budget revealed that the capital budget had been reduced to Kshs. 42,500,000 from Kshs. 170,000,000 due to</p>	<p>The opening balance was meant to be utilized for the 24No Tuition Block project that had stalled</p>	<p align="center">RESOLVED</p> <p align="right">December 2021</p>

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utilization of the capital funds during the financial year 2016/2017 resulting to a balance of Kshs. 118,107,441 in the development account as at 30 June 2017. During the year under review actual funding for development was Kshs. 36,337,500. However, the University College only utilized Kshs. 88,137,142 representing 57% of the available funds amounting to Kshs. 154,444,941 leaving a balance of Kshs. 66,307,799 unutilized as detailed below (under absorption):

Details	Available Funds (Kshs)	Actual Expenditure (Kshs)	Balance (Kshs)
Amount carried forward from 2016/2017	118,107,441	-	-
Budgeted amount (170,000,000x 0.25= 42,500,000)	36,337,500	-	-
Total amount & /budgeted available for use	154,444,941	88,137,142	66,307,799

thus the low absorption.

However, after termination and re-tendering of the project, the amount has been fully utilized in construction of the said project.

2.0 Failure to Prepare Monthly Bank Reconciliation Statements
All the seventy four (74) monthly bank reconciliation statements for the six (6) bank accounts were prepared on the 28 September 2018 as opposed to being prepared on a monthly basis as required by Section 90 (1) of the Public Finance Management Act 2012, which states that "An Accounting Officer shall ensure bank reconciliations are completed for each bank held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the National Treasury with a copy to the Auditor-General". Further, the submitted bank reconciliations statements did not have the names, designation and the dates of the preparer, checker by and the reviewer respectively.

Management noted the concern of the external Auditors and since then has prepared monthly bank reconciliation statements in compliance with Section 90(1) of the PFM Act 2012.

RESOLVED

January 2019

In the circumstances, the validity, accuracy and completeness of the submitted bank reconciliation statements could not be ascertained.

1.0 Work in Progress

1.1 Incomplete Works: Examination of tender documents revealed that an open tender was advertised in respect of construction of the proposed tuition block and associated works (Contract No. KAFUCO/EST/01/16-17), for contract price of Kshs. 125,138,335. The nine (9) firms bided. However, seven (7) firms were responsive hence considered for technical evaluation as follows:

- It was noted that, Lubimbayi Construction Limited was awarded, at a fixed contract price of Kshs. 125,138,335 and formal

The tuition block works was tendered in trio as:

- Proposed Construction Tuition Block and associated works
 - Supply delivery Installation, Testing and Commissioning of Sanitary fittings, Plumbing, drainage and portable fire-fighting equipment.
 - Installation of electrical works.
- Jumba Engineering Services was awarded a contract for installation of Electrical Works.
The payment voucher for Jumba Engineering Services was provided.

During the evaluation process Lubimbayi Construction Company Limited had the

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<p>agreement signed on 23 December 2016.</p> <ul style="list-style-type: none"> Jumba Engineering Services were paid Kshs. 3,335,790 under the same contract but no payment voucher was made available for audit review. Further, how they were identified was not clear from the examination of both the Bills of Quantities (BOQs) and evaluation reports. The contract start date was 24 January 2017 and expected completion date was 30 November 2017 (contract duration of 11 months). This was however revised to 30 May 2018. However, no extension letter has been availed for audit scrutiny. Thus the contract period elapsed and its now 2years later and the works have stalled. Further, it means the contractor Lubimbayi Construction Company Limited did not have the capacity; given the project has stalled and was already paid a total of Kshs. 70,206,564. 	<p>financial capability.</p>	
<p>1.2 Project Physical Verification: Another contractor, Icon Construction Company Limited was on site, as evidenced by our interaction with his foreman but no signboard was erected to show that he was actually on the ground. No agreement between the contracted contractor, Lubimbayi and Capital Icon Construction Co. Limited was availed to enable us ascertain the terms of engagement of the new contractor.</p> <p>Further, cut off test established that all payments are done to Lubimbayi despite the fact that another contractor has been engaged, thus in case of any dispute arising from non-performance it's not clear who the University College being the employer will sue and vice versa.</p> <p>No works evaluation report terminating Lubimbayi and engaging Capital Icon Construction Company Limited was availed for audit review.</p> <p>The University College has not obtained value for</p>	<p>The tuition block works was tendered in trio as;</p> <ol style="list-style-type: none"> Proposed Construction Tuition Block and associated works –Awarded to Lubimbayi Construction Company Limited Supply delivery Installation, Testing and Commissioning of Sanitary fittings, Plumbing, drainage and portable firefighting equipment – Awarded to Josswa Plumbers and General Contractors Ltd. Installation of electrical works – Awarded to Jumba Engineering Services <p>The University College had no contract with Capital Icon Construction Co. Ltd in respect to Construction of Tuition Block and Associated Works and therefore could not pay Capital Icon</p>	<p>RESOLVED</p>

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<p>money from the expenditure of Kshs. 70,206,564 already paid to the contractor for the incomplete works two years after contracting and no effort is being made to remedy the situation.</p>		
<p>2.0 Work in Progress</p> <p>2.1 Split Tender: Examination of tender documents revealed that an open tender was advertised in respect of proposed removal of Asbestos, Re-roofing and Associated Works at Kaimosi Friends University College (Contract No. KAFUCO/EST/04/17-18). The following was noted: The contract was awarded to four (4) contractors and divided in Lots I,II,III and IV. Total contract price was grand total of Kshs. 18,518,410. However, this works was split as follows:</p> <ul style="list-style-type: none"> • Midland Construction Co Ltd –Lot I, KAFUCO/EST/04/17-18 =Kshs. 5,118,400 • Kontinum Access Construction Co. Ltd-Lot II, KAFUCO/EST/05/17-18 =Kshs. 4,135,950 • Pan Cable Technology Kenya Kenya Ltd – Lot III, KAFUCO/EST/06/17-18 =Kshs. 4,286,610 • Mecada Contractors Limited –Lot IV, KAFUCO/EST/07/17-18 =Kshs. 4,977,450 <p>TOTAL Kshs. 18,518,410</p> <p>No newspaper advertisement stating whether the tender was open, or request for quotations was availed for audit review. It was not clear, why similar works (proposed removal of asbestos, re-roofing and associated works) was done by four different contractors, some of which bided in all the four contracts. This is tantamount to split tender contrary to Section 54(1) of Public Procurement and Disposal Act 2015. Thus it was not clear why the said contract was done in batches instead of consolidating into one procurement, having been of similar service.</p>	<p>Management noted the concern and since then no other tender has been split.</p>	
<p>3.0 Repairs & Maintenance</p> <p>3.1 Irregular Procurement of Minibus Repair Services: As disclosed in the report, the vehicle engine for KAW 523Z broke down as result of undue diligence and failure on the part of the driver to exercise reasonable care when engaging the gear system. The report on the damage of the vehicle is</p>	<p>Management noted the anomaly and has since then corrected where by all technical aspects relating to vehicles are first referred to the Public works department for assessment and guidance before taking any action.</p>	<p align="center">RESOLVED</p>

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	<p>from the University College department. Further inquiry and assessment was made and it was noted that the department does not have enough capacity in terms of technical know-how to carry out mechanical valuation and assessment. The report is prepared by a driver. It is expected that the University College should have liaised with the mechanical officer in the Department of Public Works to aid in the process so that a competent assessment and report is done.</p> <p>Further analysis was done and it was revealed that Kshs. 1,288,618 was incurred as the cost for repairs. Namo Italiano Ltd was charged with the responsibility of the repairs. Consequently, the management was in breach of the procurement law and regulations.</p>		
<p>1.0 Understanding the Entity</p>	<p>1.1 Non-Compliance on Issue on Audit Committee Requirement: It was noted that the Audit Committee did not have the following during the period under review: Approved Audit Committee Service Charter, Approved Risk Based Annual Work Plan (that contains the risk assessment report) and the Internal Audit Strategic Plan,</p> <p>Other notable observations include:</p> <p>i. The audit committee had some recommendations based on audit issues raised to the management which were not adequately responded to.</p> <p>ii. Minutes of the Audit Committee meeting were not signed contrary to Section 5.4 (e) of the same gazette notice number 2690 which requires that after the minutes are confirmed as true record of the meeting, they should be signed by the chair and the secretary.</p>	<p>Management noted external Auditors' observation and has since then done the following;</p> <p>1.0 The Internal Audit has an approved Audit Committee service charter.</p> <p>There is also an approved Risk based annual work plan that contains risk assessment report.</p> <p>The Department currently has an approved Audit Strategic Plan.</p> <p>Management provide responses on all the audit queries raised by the Internal Audit. Audit track the implementation status of each recommendation raised and report to the audit committee to ensure implementation of the recommendations.</p> <p>The status of Audit committee Recommendations implementation is always an agenda on the Audit committee meetings.</p> <p>All minutes of the Audit committee have been signed.</p>	<p align="center">RESOLVED</p> <p align="center">RESOLVED</p>

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FY 2016/2017

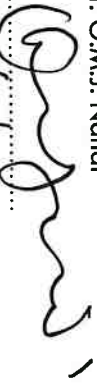
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>1.0 Stalled Tuition Block and Associated Works</p>	<p>1.1 The 2016/2017 statement of financial position and as disclosed under Note 16 and 17 to the financial statements reflect a balance of Kshs. 103,780,345 which include an amount of Kshs. 52,994,094 in respect of capital works in progress. It was noted that the University awarded a local contractor a contract to construct twenty-four (24) units of tuition block and associated works at a price of Kshs. 52,994,094 captured as work in progress in the financial statements. The components of the works include, main tuition block with 24 units of lecture rooms and 25 offices, mechanical and electrical services access road and parking yard to paved concrete block finish and a project vehicle. However, a site visit conducted on the project revealed the following anomalies: i). The project had stalled and the contractor has left the site. ii). No materials are on site. iii). Certificates of works done and contract agreement, including project timelines were not availed for audit review. The project started on 10 January 2015 and was supposed to be complete by 10 September, 2017 and seven months down the line the project is not yet complete. iv). There were no progress reports from the public works officer to confirm that the construction works were supervised/inspected by a certified public works officer before payments were made. In the circumstances, it has not been possible to ascertain the carrying value of property, plant and equipment balance of Kshs.103, 780,345</p>	<p>i. The University College noted that the project had stalled and efforts were made through default notices and other correspondences to rescue the project. The project stalled because the contractor was not executing the project as per the timelines. Termination process was undertaken and finally project re-tendered and a new contractor engaged. The project is currently progressing on well at 50% completion status and is expected to be complete by April 2021. iii. Certificates for works done including contract agreement and project timelines for the previous contract were provided. iv. Management noted the observation of External Auditors and has since then engaged officers from the ministry of Public Works who have since been filing regular reports and certificates. -Certificates for the old and new contracts -Sample Regular/Progress reports from the public works officers.</p>	<p>RESOLVED</p>	<p>May 2020</p>
<p>2.0 Tuition</p>	<p>2.1 The statement of financial performance and as</p>	<p>The University College is a state corporation that reports its financial transactions</p>	<p>RESOLVED</p>	


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<p>Fees</p> <p>disclosed under Note 2 to the financial statements reflects a figure of Kshs. 55,868,150 as at 30 June 2017. A review of the tuition fees records showed actual collection figure of 55,868,150. However, schedules availed in support of receipts only added up to a figure of Kshs. 50,488,289 resulting in an un-explained variance of Kshs. 5,379,861</p>	<p>and statements on accrual basis and not cash basis. Therefore, the variance of Kshs. 5,379,861 is the fees arrears for the year under review kept on separate schedule and forms part of the total expected tuition fees of Kes. 55,868,150 as per total student invoices.</p> <ul style="list-style-type: none"> • The variance of Kshs. 497,600 relates to arrears that forms part of the total expected fees from accommodation of Kshs. 1,948,100 • The variance of Kshs. 2,946,460 relates to arrears that forms part of the total expected income from Catering income of Kshs. 5,471,360 • The variance of Kshs. 500 relates to arrears that forms part of the total expected income from rent of Kshs. 32,500 • The variance of Kshs. 1,000 relates to arrears that forms part of the total expected fees from sale of tender of Kshs. 50,000 • The variance of Kshs. 1,000 relates to arrears that forms part of the total expected fees from supplementary exams of Kshs. 70,000 • The variance of Kshs. 109,269 relates to unpaid..... that is part of the total personnel costs of Kshs. 15,046,084 	
<p>2.2 Accommodation fees figure of Kshs. 1,948,100 differed with the supporting schedule total of Kshs. 1,450,500, leaving un-reconciled variance of Kshs. 497,600. In addition, there were other variances between the financial statement balances and the supporting schedules as detailed below;</p> <p>2.3 The financial statement balance of Catering Income of Kshs. 5,471,360 differed with its support schedules of balance of Kshs. 2,524,900 resulting in un-explained variance of Kshs 2,946,460.</p> <p>2.4 The financial statement balance of Rent Income of Kshs. 32,500 differed with its support schedules of balance of Kshs. 32,000 resulting in un-explained variance of Kshs. 500</p> <p>2.5 The financial statement balance of Sale of Tender Documents of Kshs. 50,000 differed with its support schedules of balance of Kshs. 49,000 resulting in un-explained variance of Kshs. 1,000.</p> <p>2.6 The financial statement balance of Supplementary Exams of Kshs. 70,000 differed with its support schedules of balance of Kshs. 69,000 resulting in un-explained variance of Kshs. 1,000.</p> <p>2.7 The financial statement balance of Personnel Emoluments of Kshs. 15,046,084 differed with its support schedules of balance of Kshs. 14,936,815 resulting in un-explained variance of Kshs. 109,269.</p>	<p>Therefore, all the variances to the above transactions are accrued items of incomes and expenditure that were included in respective ledgers for accrual basis.</p>	
<p>3.0</p> <p>Revaluation Reserve</p>	<p>In the circumstances it has not been possible to ascertain the accuracy and completeness of tuition fees figure of Kshs. 55,868,150 and other amounts reflected in the financial statement.</p> <p>3.1 The statement of financial position shows revaluation reserve balance of Kshs. 7,350,372 which was not supported with a detailed schedules and</p>	<p>The Kshs. 7,350,372 is the assets donated by MMUST to KAFUCO when the University College was starting.</p>
		<p align="center">RESOLVED</p>

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notes to the financial statements. Further, the University did not carry out any valuation/revaluation of assets during the year under review. In the circumstances, it was not possible to ascertain validity and accuracy of the revaluation reserves balance of Kshs. 7,350,372.		
4.0 Under Collection of Tuition Fees	<p>4.1 The University College failed to meet its target in collection of tuition fees by Kshs 22,938,550 with a budget of Kshs. 78,806,700 and actual collection of Kshs. 55,868,150 which leads to a variance of 110% of its revenue target.</p>	<p>i. The variance was 29% and not 110%</p> <p>ii. The budget item-tuition fees collection was not met because the first year admission target from KUCCPS for 2016/2017 was not achieved. The University had projected to receive an additional 850 students to add up to 1,397 students but received an actual of 654 adding up to a total of 1,201 students.</p>
5.0 Over-Expenditure	<p>5.1 There was an over expenditure of Kshs. 2,110,697 on repair and maintenance cost leading to a variance of 159% arising from the budgeted cost of Kshs 3,600,000 against the actual expenditure of Kshs. 5,710,697. Also there was an over of Kshs. 1,013,920 on Council expenses which lead to an over expenditure of 110% of the budget of Kshs. 10,000,000 against actual expenditure of Kshs. 11,013,920.</p>	<p>i. The variance on Repair and Maintenance was 59% and not 159% and The variance on Council expenses was 9% and not 110%</p>
		RESOLVED
		RESOLVED

Principal, KAFUCCO
Prof. O.M.J. Nandi
 Sign: 
 Date: 26/08/2022.

Presiding Chairperson of the Council, KAFUCCO
Dr. Josephine Waudo
 Sign: 
 Date: 26/08/2022.

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APPENDIX II: PROJECTS IMPLEMENTED BY KAFUCO

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

S/No	Project Title	Project Number	Donor	Period/ Duration	Donor Commitmen t	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.	Proposed Construction of Tuition Block and Associated Works KAFUCO/EST/01/16-17	KAFUCO/EST/01/16-170	GOK	116 Weeks	None	No	No
2.	Proposed Construction of Library Extension and Associated Works KAFUCO/EST/05/16-17	KAFUCO/EST/05/16-17 and KAFUCO/EST/02/17-18	GOK	98 weeks	None	No	No
	Proposed Construction of Library Extension Phase II KAFUCO/EST/02/17-18				None		
3.	Proposed renovations and Branding works at KAFUCO – Lot 1 KAFUCO/EST/01/18-19	KAFUCO/EST/01/18-19	GOK	73 weeks	None	No	No
4.	Supply, Installation and Commissioning of LPG Gas KAFUCO/DN/01/18-19	KAFUCO/DN/01/18-19	GOK	56 weeks	None	No	No
5.	Construction of Modern Dairy Unit KAFUCO/GU/01/18-19	KAFUCO/GU/01/18-19	GOK	140 weeks	None	No	No
6.	Proposed Masonry and Carpentry Works on Students' Halls Of Residence And Science Laboratory Carpentry KAFUCO/EST/08/17-18	KAFUCO/EST/08/17-18	GOK	10 weeks	None	No	No

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Status of Projects completion

QUARTER I FY 2020-2021

S/No	Project Name	Total Project cost (Kshs.)	Total Expended to date (Kshs.)	Completion % to date	Budget (Kshs.)	Actual	Sources of Funds
	Ongoing						
1.	Proposed Construction of Tuition Block and Associated Works: KAFUCO/EST/01/16-17	301,009,638	98,623,703	32.76	101,475,494	19,593,170	GOK
	Proposed Construction of Library Extension and Associated Works: KAFUCO/EST/05/16-17	16,199,570	15,133,310	93.42	2,585,000	0	GOK
	Proposed Construction of Library Extension Phase II KAFUCO/EST/02/17-18						
3.	Proposed renovations and Branding works at KAFUCO – Lot I: KAFUCO/EST/01/18-19	18,538,320	13,669,890	73.74	15,779,269	0	GOK
4.	Proposed renovations and Branding works at KAFUCO – Lot III: KAFUCO/EST/03/18-19	30,739,985	29,650,000	96.45		0	GOK
5.	Supply, Installation, Testing & Commissioning of Fiber Backbone Infrastructure, Structured Cabling, Data Center with Associated LAN Active Devices for Offices and Classes at Kaimosi Friends University College: KAFUCO/ICT/T03/2018-19	34,399,462	28,328,577	82.35		0	GOK
6.	Supply, Installation, Testing and Commissioning of Biometric Kits in Classes at Kaimosi Friends University College: KAFUCO/ICT/T04/2018-19	3,986,185	3,382,857	85	6,290,890	0	GOK
7.	Supply, Installation, Testing & Commissioning of Interactive White Boards with the Associated Devices for Classes at Kaimosi Friends University College: KAFUCO/CT/T05/2018-19	4,620,485	4,620,485	100		220,000	GOK
8.	Supply, Installation and Commissioning of LPG Gas: KAFUCO/DN/01/18-19	9,986,491	5,151,030	51.51	4,848,969	0	GOK
9.	Construction of Modern Dairy Unit : KAFUCO/GU/01/18-19	45,999,999	36,647,105	79.67	15,722,504	6,369,619	GOK
	Practically complete projects						
10.	Proposed Removal Of Asbestos And Re-Roofing And Associated Works At Kaimosi Friends University College – Lot I: KAFUCO/EST/04/17-18	5,118,400.00	4,719,904	92.21	0	0	GOK
11.	Proposed Masonry and Carpentry Works on Students' Halls Of Residence And Science Laboratory Carpentry : KAFUCO/EST/08/17-18	3,752,700.00	3,115,721	82.03	0	0	GOK
12	Proposed Removal Of Asbestos And Re-Roofing And Associated Works At Kaimosi Friends University College – Lot II: KAFUCO/EST/05/17-18	4,135,950	4,134,352	100	0	0	GOK

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13	Proposed Removal Of Asbestos And Re-Roofing And Associated Works At Kaimosi Friends University College – Lot III : KAFUCO/EST/06/17-18	4,286,610	4,594,210	100	0	0	GOK
14	Proposed Removal Of Asbestos And Re-Roofing And Associated Works At Kaimosi Friends University College – Lot IV :KAFUCO/EST/07/17-18	4,977,450	4,927,450	99	0	0	GOK
15	Proposed Construction of Gate, Road works and Associated Works :KAFUCO/EST/01/17-18	24,007,750	23,254,100	96.9	2,647,390	0	GOK

QUARTER 2 FY 2020-2021

S/No	Project Name	Total Project cost (Kshs.)	Total Expended to date (Kshs.)	Completion % to date	Budget (Kshs.)	Actual	Sources of Funds
Ongoing							
1.	Proposed Construction of Tuition Block and Associated Works KAFUCO/EST/01/16-17	301,009,638	150,437,895	49.98	101,475,494	51,814,192	GOK
2.	Proposed Construction of Library Extension and Associated Works KAFUCO/EST/05/16-17	16,199,570	15,133,310	93.42	2,585,000	0	GOK
3.	Proposed renovations and Branding works at KAFUCO – Lot I KAFUCO/EST/01/18-19	18,538,320	13,669,890	73.74		0	GOK
4.	Proposed renovations and Branding works at KAFUCO – Lot III KAFUCO/EST/03/18-19	30,739,985	29,650,000	96.45	15,779,269	0	GOK
5.	Supply, Installation, Testing & Commissioning of Fiber Backbone Infrastructure, Structured Cabling, Data Center with Associated LAN Active Devices for Offices and Classes at Kaimosi Friends University College: KAFUCO/CT/T03/2018-19	34,399,462	28,328,577	82.35		0	GOK
6.	Supply, Installation, Testing and Commissioning of Biometric Kits in Classes at Kaimosi Friends University College: KAFUCO/ICT/T04/2018-19	3,986,185	3,382,857	85	6,290,890	0	GOK
7.	Supply, Installation, Testing & Commissioning of Interactive White Boards with the Associated Devices for Classes at Kaimosi Friends University College: KAFUCO/CT/T05/2018-19	4,620,485	4,620,485	100		0	GOK
8.	Supply, Installation and Commissioning of LPG Gas: KAFUCO/DN/01/18-19	9,986,491	5,151,030	51.51	4,848,969	0	GOK
9.	Construction of Modern Dairy Unit KAFUCO/GU/01/18-19	45,999,999	43,220,419	93.96	6,573,313	6,573,314	GOK
Practically complete projects							

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10.	Proposed Removal Of Asbestos And Re-Roofing And Associated Works At Kaimosi Friends University College – Lot I : KAFUCO/EST/04/17-18	5,118,400.00	4,719,904	92.21	0	0	GOK
11.	Proposed Masonry and Carpentry Works on Students' Halls Of Residence And Science Laboratory Carpentry : KAFUCO/EST/08/17-18	3,752,700.00	3,115,721	82.03	0	0	GOK
12	Proposed Construction of Gate, Road works and Associated Works KAFUCO/EST/01/17-18	24,007,750	23,254,100	96.9	2,647,390	0	GOK

QUARTER 3 FY 2020-2021

S/No	Project Name	Total Project cost (Kshs.)	Total Expended to date (Kshs.)	Completion % to date	Budget (Kshs.)	Actual	Sources of Funds
	Ongoing						
1.	Proposed Construction of Tuition Block and Associated Works KAFUCO/EST/01/16-17	301,009,638	193,394,927	64.25	101,475,494	42,957,032	GOK
2.	Proposed Construction of Library Extension and Associated Works KAFUCO/EST/05/16-17	16,199,570	15,133,310	93.42	2,585,000	0	GOK
	Proposed Construction of Library Extension Phase II KAFUCO/EST/02/17-18						
3.	Proposed renovations and Branding works at KAFUCO – Lot I KAFUCO/EST/01/18-19	18,538,320	13,669,890	73.74	15,779,269	0	GOK
4.	Proposed renovations and Branding works at KAFUCO – Lot III KAFUCO/EST/03/18-19	30,739,985	29,650,000	96.45		0	GOK
5.	Supply, Installation, Testing & Commissioning of Fiber Backbone Infrastructure, Structured Cabling, Data Center with Associated LAN Active Devices for Offices and Classes at Kaimosi Friends University College: KAFUCO/CT/T03/2018-19	34,399,462	28,328,577	82.35		0	GOK
6.	Supply, Installation, Testing and Commissioning of Biometric Kits in Classes at Kaimosi Friends University College: KAFUCO/CT/T04/2018-19	3,986,185	3,382,857	85	6,290,890	0	GOK
7.	Supply, Installation, Testing & Commissioning of Interactive White Boards with the Associated Devices for Classes at Kaimosi Friends University College: KAFUCO/CT/T05/2018-19	4,620,485	4,620,485	100		0	GOK
8.	Supply, Installation and Commissioning of LPG Gas: KAFUCO/DN/01/18-19	9,986,491	5,151,030	51.51	4,848,969	0	GOK
9.	Construction of Modern Dairy Unit : KAFUCO/GU/01/18-19	45,999,999	43,220,419	93.96	15,722,504	0	GOK
	Practically complete projects						

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10.	Proposed Removal Of Asbestos And Re-Roofing And Associated Works At Kaimosi Friends University College – Lot 1: KAFUCO/EST/04/17-18	5,118,400	4,719,904	92.21	0	0	GOK
11.	Proposed Masonry and Carpentry Works on Students' Halls Of Residence And Science Laboratory Carpentry : KAFUCO/EST/08/17-18	3,752,700	3,115,721	82.03	0	0	GOK

QUARTER 4 FY 2020-2021

S/No	Project Name	Total Project cost (Kshs.)	Total Expended to date (Kshs.)	Completion % to date	Budget (Kshs.)	Actual	Sources of Funds
	Ongoing						
1	Proposed Construction of Tuition Block and Associated Works KAFUCO/EST/01/16-17	301,009,638	207,212,941	68.84	101,475,494	13,818,014	GOK
2	Proposed Construction of Library Extension and Associated Works KAFUCO/EST/05/16-17	16,199,570	15,133,310	93.42	2,585,000	0	GOK
3	Proposed Construction of Library Extension Phase II KAFUCO/EST/02/17-18	18,538,320	13,669,890	73.74	15,779,269	0	GOK
4	Proposed renovations and Branding works at KAFUCO – Lot 1 KAFUCO/EST/01/18-19	9,986,491	5,151,030	51.51	0	0	GOK
5	Supply, Installation and Commissioning of LPG Gas: KAFUCO/DN/01/18-19	45,999,999	43,220,419	93.96	0	0	GOK
	Practically complete projects						
6	Proposed Masonry and Carpentry Works on Students' Halls Of Residence And Science Laboratory Carpentry : KAFUCO/EST/08/17-18	3,752,700	3,115,721	82.03	0	0	GOK

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of XXX				
FY 2020/2021				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		07 August 2020	37,001,982	2020/2021
		31 August 2020	37,001,982	2020/2021
		01 October 2020	37,001,981	2020/2021
		30 October 2020	37,001,982	2020/2021
		07 December 2020	37,001,982	2020/2021
		04 January 2021	37,001,981	2020/2021
		05 February 2021	37,001,982	2020/2021
		10 March 2021	37,001,982	2020/2021
		09 April 2021	37,001,981	2020/2021
		10 May 2021	37,001,982	2020/2021
		16 June 2021	37,001,982	2020/2021
		25 June 2021	37,001,981	2020/2021
		Total	444,023,780	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		14 September 2020	51,530,444	2020/2021
		Total	51,530,444	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
		Total	0	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
		Total	0	

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

Finance Manager
KAFUCO

Sign -----

Head of Accounting Unit
Ministry of Education

Sign-----



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

The university college did not have transfers from other government entities during the year under review.

**APPENDIX III: INTER-ENTITY TRANSFERS
KAIMOSI FRIENDS UNIVERSITY COLLEGE**

Break down of Transfers from the State Department of Education & Research **Financial Period 2020/2021**

a Recurrent Grants		
Bank Statement Date	Amount (KES)	Indicate the FY to Which the Amounts Relate
07 Aug - 2020	37,001,982	2020/2021
31 Aug - 2020	37,001,982	2020/2021
01 Oct - 2020	37,001,981	2020/2021
30 Oct - 2020	37,001,982	2020/2021
07 Dec - 2020	37,001,982	2020/2021
04 Jan - 2021	37,001,981	2020/2021
05 Feb - 2021	37,001,982	2020/2021
10 Mar - 2021	37,001,982	2020/2021
9 April - 2021	37,001,981	2020/2021
10 May - 2021	37,001,982	2020/2021
16 June - 2021	37,001,982	2020/2021
25 June - 2021	37,001,981	2020/2021
TOTAL	444,023,780	
b Development Grants		
Bank Statement Date	Amount (KES)	Indicate the FY to Which the Amounts relate
14 Sept-2020	51,530,444	2020/2021
TOTAL	51,530,444	
The above amounts have been communicated to and reconciled with the parent ministry		
 Head of Finance Kaimosi Friends University College	 Head of Accounting Unit Ministry of Education, State Department of University Education & Research	

