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# KENYA NATIONAL AUDIT OFFICE

## REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYATTA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2003

I have audited the financial statements of Kenyatta University for the year ended 30 June, 2003 in accordance with the provisions of Section 29 of the Exchequer and Audit Act, Cap 412. I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been kept by the University and the financial statements which have been prepared under the historical cost convention are in agreement therewith and comply with the Kenyatta University Act, 1985.

### Respective Responsibilities of the University Council and the Controller and Auditor General

The University Council is responsible for the preparation of financial statements which give a true and fair view of the University's financial state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

### Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatements. An audit includes an examination on a test basis, of evidence supporting the amount and disclosures in the financial statements. It also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. I believe my audit provides reasonable basis for the opinion.

The Fixed Assets figure of Kshs.1,579,421,412 as at 30 June 2003 includes Kshs.35,200,000 being the value of approximately 1122 acres of land for which the University holds title deed. However, records available show that over the years Kahawa barracks have occupied 139 acres of this land while squatters at Kamae village have occupied 30.82 acres. The occupation, however, of the 169.82 acres of the total University land would appear not to have been formalized with the Commissioner of Lands with a view to formalizing the occupation and obtaining compensation for the land occupied.

KENYA NATIONAL ASSEMBLY  
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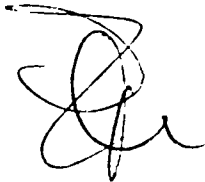
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circumstances it has not been possible to ascertain the correctness of the fixed assets figure of Kshs.1,579,421,548 as at 30 June 2003.

**Opinion**

Except for the foregoing reservation, in my opinion the financial statements when read together with the notes thereon present fairly the financial state of affairs of the university as at 30 June, 2003 and of its loss and cash flows for the year then ended.



**E. N. MWAI**  
**CONTROLLER AND AUDITOR GENERAL**

**Nairobi**

**30 March 2005**

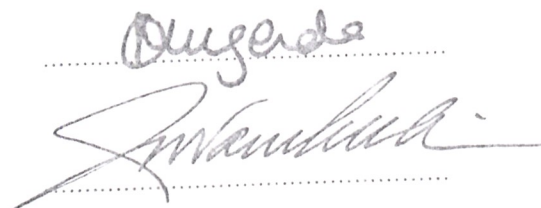
**KENYATTA UNIVERSITY**  
**BALANCE SHEET AS AT 30TH JUNE 2003**

	NOTES	2003	Kshs.	2002	Kshs.
<b>CAPITAL &amp; RESERVES</b>					
Capital Fund	7	1,276,734,947		1,364,891,714	
Revenue Reserve Account		829,793,007		915,498,102	
Revaluation Reserve Account		24,507,714		24,507,714	
		<u>2,131,035,668</u>		<u>2,304,897,530</u>	
<b>REPRESENTED BY:</b>					
Net Fixed Assets	8	1,579,421,412		1,573,775,548	
Work in Progress	9	302,983,021		302,982,614	
		<u>1,882,404,433</u>		<u>1,876,758,162</u>	
<b>CURRENT ASSETS</b>					
Stocks	10	37,071,351		40,376,034	
Debtors & debit balances	11	43,907,176		180,211,437	
Short Term Deposits	12	221,323,360		331,697,039	
Cash at Bank and in hand	13	114,652,310		52,327,649	
		<u>416,954,197</u>		<u>604,612,159</u>	
<b>LESS: CURRENT LIABILITIES</b>					
Creditors & credit balances	14	168,322,962		176,472,791	
Net Current Assets		<u>248,631,235</u>		<u>428,139,368</u>	
		<u>2,131,035,668</u>		<u>2,304,897,530</u>	

PROF. EVERETT M STANDA, PhD, MBS  
 VICE CHANCELLOR



PROF. OLIVE MUGENDA, PhD  
 DEPUTY VICE CHANCELLOR (F, P & D)



JONES K. WAMBUA  
 AG. FINANCE OFFICER

KENYATTA UNIVERSITY  
 INCOME AND EXPENDITURE STATEMENT  
 FOR YEAR ENDED 30TH JUNE 2003

	Notes	2003	Kshs	2002	Kshs
Government Grants	2		863,304,531		849,489,723
Tuition and other Fees	3		566,215,806		357,076,086
Services rendered	4		49,772,979		64,217,275
Other income	5		35,428,261		53,681,360
			<u>1,514,721,577</u>		<u>1,324,464,444</u>
<b>Less Expenditure:</b>					
Central services	6(a)		292,727,140		281,640,575
Administration	6(c)		588,165,347		493,763,581
Academic departments	6(b)		577,393,430		547,652,667
			<u>1,458,185,917</u>		<u>1,323,056,823</u>
Surplus for the year			56,435,660		1,407,621
Accumulated surplus brought forward			915,498,102		913,527,167
Prior year adjustment	15		(142,140,756)		563,314
Accumulated surplus carried forward			<u>829,793,007</u>		<u>915,498,102</u>



**KENYATTA UNIVERSITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2003**

	2003 KShs.	2002 KShs.
<b>CASH GENERATED FROM OPERATIONS</b>		
Surplus during the year	56,435,660	1,407,621
<b>Adjustments for:</b>		
Provision for bad/doubtful debts	(15,144,918)	17,063,057
Capital development Debt written off	(140,662,637)	-
Provision for audit fees	983,600	871,800
Accrued interest	(1,197,394)	(1,843,213)
Decrease in debtors	136,298,922	9,638,302
Decrease in stock	3,304,683	2,482,725
Decrease in creditors	(8,149,829)	48,429,292
<b>Cash generated from operations</b>	<b>31,868,087</b>	<b>78,049,584</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Payment of capital projects(installations)	(5,534,552)	(117,542,161)
Purchase of furniture & equipment	(61,553,744)	(79,594,727)
Patents & Rights and Motor Vehicles	(20,430,375)	8,024,045
Transfer of Gowns	(6,283,960)	-
Disposals of Motor/ Vehicles & Equipments	48,015,684	-
	<b>(93,802,311)</b>	<b>(141,097,159)</b>
<b>Increase /( decrease) in cash and cash equivalents</b>	<b>(61,934,544)</b>	<b>(63,047,575)</b>
<b>MOVEMENT IN CASH &amp; CASH EQUIVALENTS</b>		
Cash and cash equivalents at start of year (b/f)	397,910,215	460,957,790
Increase /(decrease) in the year	(61,934,544)	(63,047,575)
<b>Balance at end of year</b>	<b>335,975,671</b>	<b>397,910,215</b>
<b>Analysis of the balance of cash and cash equivalents</b>		
Short term deposits	221,323,360	345,582,565
Cash at bank	113,040,856	51,733,045
Cash in hand	1,611,454	594,605
	<b>335,975,670</b>	<b>397,910,215</b>

## 1.0 SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Accounting Convention:

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

### 1.2 Income:

- Income from fees and grants from donors is recognised on receipt basis.
- Interest on short-term deposits is recognised on accrual basis.

### 1.3 Fixed Assets:

Fixed assets are stated at 1994 professional valuation with subsequent additions at cost less depreciation. The depreciation rates are as follows:

- |                           |   |                         |
|---------------------------|---|-------------------------|
| • Furniture and Equipment | - | 10% on reducing balance |
| • Motor Vehicles          | - | 25% on straight line    |
| • Academic Gowns          | - | 5% on straight line     |
| • Buildings               | - | 2% on straight line     |
| • Land                    | - | 1% on straight line     |
| • Patent Rights           | - | 20% on straight line    |

### 1.4 Stocks:

Stocks are stated at lower of cost and/or net realizable value. Books purchased for the library are written off in the year of acquisition. The cost of Library books is written off to the income and expenditure account in the year of purchase.

1.5 Assets and liabilities in foreign currencies are converted into Kenya Shillings at the rates of exchange ruling at the transaction date.

## 1 KENYATTA UNIVERSITY

Kenyatta University was established by the Kenyatta University Act enacted on 23<sup>rd</sup> August 1985.

2. GOVERNMENT GRANTS.	2002/2003	2001/2002
	KShs.	KShs.
Received in the year	863,304,531	849,489,723
	<b>863,304,531</b>	<b>849,489,723</b>
3. TUITION AND OTHER FEES	2002/2003	2001/2002
	KShs.	KShs.
Regular Students( JAB)	328,854,501	257,596,991
Self Sponsored Programmes	237,361,305	99,479,095
	<b>566,215,806</b>	<b>357,076,086</b>
4. SERVICES RENDERED	2002/2003	2001/2002
	KShs.	KShs.
INCOME GENRATING ACTIVITIES	49,772,979	64,217,275
5. OTHER INCOME	2002/2003	2001/2002
	KShs.	KShs.
Bank Interest Received	15,998,000	28,166,588
Receivable interest	1,197,394	1,843,213
Dust Bin	8,759	(1,560)
House Rent	18,224,108	23,673,119
	<b>35,428,261</b>	<b>53,681,360</b>
6. EXPENDITURE.	2002/2003	2001/2002
	KShs.	KShs.
6(a) CENTRAL SERVICES	2002/2003	2001/2002
	KShs.	KShs.
Conferences, Seminars	9,779,228	10,726,090
Celebrations & Ceremonies	12,671,185	10,169,057
Fees, Commissions & Honoraria	2,064,859	4,393,005
Advertising and Publicity	23,963,515	10,577,317
Prize & Other Awards	3,775,343	173,300
Council Meetings & Functions	2,539,478	1,817,010
University Calender & Bronchus	797,440	1,920,747
Vc's Committes Meetings	654,049	454,235
Culture Week	9,821,167	5,600,583
Staff Development	4,137,027	1,027,852
Accomodation for visiting staff	6,700	-
Funeral expenses	3,750,361	3,129,971
Water & Conservancy	12,302,879	15,201,765
Telephone & Postage	10,537,173	9,979,935
Passage and Baggage ( Local )	1,355,735	665,600
Passage and Baggage ( External )	16,579,370	26,968,379
Insurances	32,061,091	34,826,318
Maintance of Equipment	6,031,575	2,954,830
Legal Fees	3,895,263	1,452,268
Clearing, Forwarding & Haddling	200,002	-
Electricity	33,500,422	36,186,189
Audit Fees ( provision)	983,600	871,800
Rates	1,534,255	278,131
Staff and Students Health	63,497,866	56,205,476
Bank Charges	9,110,910	6,625,478
Provision for tax (Penalty)	35,588,509	-
Bad & doubtful debts (provision)	(15,171,862)	17,063,057
Staff Education Support	6,760,000	6,200,000
	<b>292,727,140</b>	<b>281,640,575</b>

## 6(b). ADMINISTRATIVE DEPARTMENTS

	2002/2003	2001/2002
	KShs.	KShs.
Personal emoluments	325,250,672	316,510,507
Operations & Maintenance	262,914,675	177,253,074
	<u>588,165,347</u>	<u>493,763,581</u>

## 6 (C). ACADEMIC DEPARTMENTS.

	2002/2003	2001/2002
	KShs.	KShs.
Personal emoluments	529,612,290	473,702,921
Operations & Maintenance	47,781,140	73,949,746
	<u>577,393,430</u>	<u>547,652,667</u>

## 7. CAPITAL FUND.

	2002/2003	2001/2002
	KShs.	KShs.
As at 1st July 2002	1,364,891,715	1,440,495,353
Less: Depreciation for the Year ( See Note 8 )	(88,156,768)	(75,603,638)
As at 30th June 2003	<u>1,276,734,947</u>	<u>1,364,891,715</u>



**8. FIXED ASSETS SCHEDULE:**

DETAILS	LAND		BUILDINGS		FURNITURE & EQUIPMENT		MOTOR VEHICLES		PATENTS & RIGHTS		ACADEMIC GOWNS		TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	
<b>COST / VALUATION:</b>													
As at 1st July 2002	35,200,000	1,652,335,600	309,846,445	44,881,125	-	-	-	-	-	-	-	-	2,042,263,170
Additions /Valuations	-	5,534,552	61,553,744	12,600,000	7,830,375	-	-	-	-	-	-	-	87,518,671
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>35,200,000</b>	<b>1,657,870,152</b>	<b>371,400,189</b>	<b>57,481,125</b>	<b>7,830,375</b>	<b>6,283,960</b>	<b>6,283,960</b>	<b>2,136,065,801</b>					
<b>PROVISION FOR DEPRECIATION:</b>													
As at 1st July 2002	7,084,000	248,820,087	201,363,253	11,220,281	-	-	-	-	-	-	-	-	468,487,621
Prior year Adjustment(Note 15)	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the Year	352,000	33,157,403	37,140,019	14,370,281	1,566,075	1,256,792	314,198	86,899,976					
<b>Total</b>	<b>7,436,000</b>	<b>281,977,490</b>	<b>238,503,272</b>	<b>25,590,562</b>	<b>1,566,075</b>	<b>1,570,990</b>	<b>556,644,389</b>						
<b>NET BOOK VALUE AS AT:</b>													
<b>30TH JUNE,2003</b>	<b>27,764,000</b>	<b>1,375,892,662</b>	<b>132,896,917</b>	<b>31,890,563</b>	<b>6,264,300</b>	<b>4,712,970</b>	<b>1,579,421,412</b>						
<b>30TH JUNE,2002</b>	<b>28,116,000</b>	<b>1,403,515,513</b>	<b>108,483,192</b>	<b>33,660,844</b>	<b>-</b>	<b>-</b>	<b>1,573,775,549</b>						

9. CAPITAL WORK IN PROGRESS.

Inauguration Monument  
 Science Complex  
 Hostel, Kitchen & Dining hall  
 Mo: Library extension  
 Social centre  
 Staff housing project  
 Administration Block  
 Faculty Of Arts Building

10. STOCKS.

2002/2003	302,983,021	302,982,811
2001/2002	844,880	844,880
	82,034,583	82,034,583
	172,700,940	172,700,940
	27,098,902	27,098,902
	1,794,255	1,794,255
	13,490,841	13,490,631
	2,324,231	2,324,231
	2,694,389	2,694,389

Finance Store - Stationery  
 Finance Store - General  
 Finance Store - Bookshop  
 Petrol stock  
 Health Unit - Drugs  
 Maintenance Store  
 Graduation - Gowns  
 Central Food Store  
 Accommodation Store  
 Culture Village Curio Store

2002/2003	37,071,351	40,376,034
2001/2002	663,375	663,375
	1,204,710	696,351
	225,764	231,902
	7,668,056	6,283,960
	2,058,226	4,463,902
	655,088	2,215,885
	9,649,058	1,263,167
	1,165,026	9,956,615
	13,782,047	790,724
	13,810,153	13,810,153

11. DEBTORS AND DEBIT BALANCES

Salary Advances  
 Service Deposits  
 Interest Accrued  
 Imprestis  
 Sundry Debtors  
 Capital Development Fund (MOEST)  
 Less: Provision for bad debts (10%)

2002/2003	489,930	489,930
2001/2002	7,313,057	7,313,057
	1,197,394	1,843,213
	29,393,658	24,620,605
	10,391,712	25,560,521
	48,785,751	140,662,637
	(4,878,575)	200,229,591
	43,907,176	180,206,098

12. SHORT TERM DEPOSITS.

Tuition  
 Research  
 Pension Scheme

2002/2003	182,889,506	182,889,506
2001/2002	38,433,854	36,609,177
	221,323,360	274,027,896
	21,059,966	21,059,966
	331,697,039	331,697,039

13. CASH AND BANK BALANCES

Cash at Bank  
 Cash in hand

2002/2003	113,040,857	113,040,857
2001/2002	1,611,454	594,605
	114,652,310	52,327,649

14. CREDITORS AND CREDIT BALANCES

Research funds  
 Sundry Creditors  
 Other Creditors

2002/2003	55,425,232	55,425,232
2001/2002	91,991,428	46,017,092
	20,906,302	43,279,199
	168,322,962	176,472,790

### 15. PRIOR YEAR ADJUSTMENT

- (i) The year 2001/2002 creditors totalling to Ksh 176,472,790.05 was understated by Ksh 1,478,119.00
- (ii) Gowns which were previously included in stocks have now been transferred to inventory. Depreciation has been accounted for, for the last five years.
- (iii) An amount of Kshs. 140,662,636.50 being capital development expenditure which was outstanding in the previous year was written off against Revenue Reserve account as a prior year adjustment.

### 16. PROVISION FOR TAX PENALTY

The University has accrued the tax penalty of Kshs. 35,588,509 awaiting the Government waiver which has been requested.

### 16. CONTINGENT LIABILITIES.

Guarantees provided to the banks in respect of employees: Loan Scheme

	<b>2002/2003</b>	<b>2001/2002</b>
	<b>KShs.</b>	<b>KShs.</b>
Car Loan Scheme (National Bank of Kenya)	10,000,000	16,000,000
House Loan Scheme (Kenya Commercial Bank)	10,000,000	9,000,000
	<u>20,000,000</u>	<u>25,000,000</u>