

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
EGERTON UNIVERSITY**

**FOR THE YEAR ENDED
30 JUNE 2018**

EGERTON



UNIVERSITY

www.egerton.ac.ke

ANNUAL REPORT
&
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR

ENDED

JUNE 30, 2018



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

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KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information

Egerton University is the premier Agricultural Public University in Kenya. It was founded in 1939 under the name Egerton Farm School. By 1955, it was upgraded and renamed Egerton Agricultural College. It became a constituent college of the University of Nairobi in 1986 and a year later in 1987 became a fully fledged University following the Enactment of the Egerton University Act of 1987. This Act was repealed and replaced by the Universities Act No 42 of 2012.

Egerton University has three (3) active Campuses and one Campus College. The main Campus is based at Njoro and houses the Faculties of Agriculture, Arts and Social Sciences, Education and Community Studies, Engineering and Technology, Environment and Resources Development, Science and Veterinary Medicine and Surgery. The Njoro Campus also houses the Board of Undergraduate Studies and Field Attachment, and the Board of Postgraduate Studies. The other Campus is the Nairobi City Campus, offering programmes from the Faculties of Arts and Social Sciences, Commerce, and Education and Community Studies. It also hosts the African Centre for Distance Education (ACDE). The third Campus, Kenyatta Campus, is located five (5) kilometres from Njoro Campus and is planned to house the Open and Distance Learning (CODL) programmes which is currently based at Njoro Campus. The only University's Campus College, Nakuru Town Campus College, hosts the Faculties of Commerce, Law and Health Sciences. The University currently has ten (10) faculties, one (1) institute of Gender and fifty-one (51) academic departments offering a wide range of programmes at diploma, undergraduate, and postgraduate levels. All of them are open to both Government-sponsored and self-sponsored students. The University also offers courses in computer literacy, computer repairs and maintenance, as well as accounting and bridging courses. Baringo Campus has not been viable and is in the process of closure.

(b) Principal Activities

The Core business of the University as provided by the Universities Act No 42 of 2012 of the Laws of Kenya includes:

- Advancement of knowledge through teaching, scholarly research and scientific investigation;
- Promotion of learning in the student body and society in general;
- Promotion of cultural and social life of society;
- Support and contribution to the realization of national economic and social development;
- Promotion of the highest standards in, and quality of, teaching and research;

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- Education, training and retraining higher level professional, technical and management personnel;
- Dissemination of the outcomes of the research conducted by the university to the general community;
- Facilitation of life-long learning through provision of adult and continuing education;
- Fostering of a 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.

i. Vision

A world class University for the advancement of humanity.

ii. Mission

To offer exemplary education to society and generate knowledge for national and global development.

iii. Core Values

The University's activities and decisions will be guided by the following core values:

- National unity;
- Internationalism;
- Passion for excellence;
- Professionalism;
- Devotion to duty;
- Integrity, transparency, and accountability;
- Social fairness

(c) Key Management

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

- University Council
- University Management Board
- The Senate

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility are shown on pages 12 - 15.

(e) Fiduciary Oversight Arrangements

The University Council is responsible and accountable to the Government of Kenya through the Ministry of Education, Science and Technology 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 University Council Charter.

The Council consists of nine members- the Chairman & five other members, representative of the National Treasury, Representative of the Principal Secretary Ministry of Education and the Vice Chancellor.

(f) Headquarters

P.O. Box 536 - 20115, EGERTON,
Njoro Campus,
Njoro Mau Narok Road,
NJORO, KENYA

(g) Contacts

Tel: (254) 051-2217891/2/051-2217781
E-mail: info@egerton.ac.ke
Website: www.egerton.ac.ke

(h) Bankers

1. Kenya Commercial Bank Ltd,
Egerton University Branch,
P.O. Box 248 - 20115,
EGERTON

2. Co-operative Bank of Kenya Ltd,
P.O. Box 2982 - 20100,
NAKURU

3. Barclays Bank of Kenya Ltd,
P.O. Box 66- 20100
NAKURU

(i) Independent Auditors

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

(j) Principal Legal Adviser

Sheth & Wathigo Advocates
Vickers Building
P.O. Box 611 – 20100
Nakuru, Kenya

THE CHANCELLOR



PROFESSOR SHEM OYOO WANDIGA, EBS, FRSC

EBS, Frsc, B.Sc (Howard University), M.Sc. (Maryland), Ph.D (Reserve University)

YOB: 1939

WORK EXPERIENCE

A long working experience in academia, research, consultancy, administrative and advisory UON; Professor; DVC (Administration & Finance); Principal College of Biological & Physical Science; COD Chemistry Dept.; Snr. Lecturer; Lecturer (inorganic Chemistry).

Co-ordinator University Investment Project; Chairman Kenya National Academy of Sciences;

Chairman International Geosphere-Biosphere Programme Kenya Committee; Chairman

Constitutive Committee of African Union of Pure & Applied Chemistry and a member Kenya Chemical Society.

Kenya's Representative to UNESCO Executive Board; Expert Consultants to UNEP; Member of

General of the International Council of Scientific Unions; Chairman Programme and External Relations Commissions of UNESCO Executive Board; Member World Conference on Science

Case Western Reserve University & University of Maryland: Teaching Assistant.

Inter American University: Temporary Assistant Professor of Chemistry.

Just to mention a few of his expansive work experiences

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THE UNIVERSITY COUNCIL



NAME: Dr. Ben Chumo

YOB: 1956

POSITION/KEY RESPONSIBILITIES:

Council Chairman; Chairman of Appointments Committee

QUALIFICATION: B.A (UoN), M.BA (UoN), Ph.D (JKUAT)

WORK EXPERIENCE

KPLC: MD & CEO, Chief Manager HR & Administration, Employees Benefits Manager, Principal Administration Officer, Principal HR Officer (Training & Development), Principal HR Officer (Coast Region), Principal HR Officer (Administration), Senior HR Officer (Manpower Planning, Recruitment, Training & Development), Senior HR Officer (Nairobi Area), HR Officer (Training School), Assistant HR officer (Staff Housing).



NAME: Mr. Joshua Nyangidi Otieno

YOB: 1976

POSITION/KEY RESPONSIBILITIES:

Council Member; Chairman Planning, Development & Fund-Raising Committee; Member Chairperson Audit, Governance & Risk Management Committee; Member Sealing & Honorary Degree Committee; Member Appointments Committee

QUALIFICATION: B.Ed. (KU), MBA. (KU)

WORK EXPERIENCE

KCA University: Manager, Centre for Entrepreneurship & Leadership; Lecturer KCA University; Lead Researcher in the Africa Bio-diversity Conservation and Innovation Centre & CIC Insurance Company, Business Consultant and Trainer at Kenya Market Trust and Parsons Ltd. Business Trainer, Africa Youth Trust; Part-time Lecturer: JKUAT, Kenyatta University & Moi University



NAME: Mr. Joseph Mwaura Kamau

POSITION/KEY RESPONSIBILITIES:

Council Member - Rep. P.S. The National Treasury, Member Audit, Governance and Risk Management Committee; Member Planning, Development & Fund-Raising Committee; Member Sealing & Honorary Degree Committee

QUALIFICATION: B.A. (UoN), MBA-Finance (KAIST), Masters of Finance & Banking (Moi)

WORK EXPERIENCE

Government of Kenya National Treasury Investment Officer, Equity Bank (K) Ltd Operations Manager Corporate Division, Standard Chartered Bank (K) Ltd Customer Service Manager Langata.



NAME: Dr. Charity C. Nyaga

YOB: 1955

POSITION/KEY RESPONSIBILITIES:

Council Member; Chairperson Audit, Governance and Risk Management Committee; Member Tegemeo, Academic and Research Committee; Member Grievances Handling and Appeals Committee; Member Appointments Committee

QUALIFICATION: B.Ed. (UoN), M.Ed (KU), Ph.D (KU).

WORK EXPERIENCE

Ministry of Education: Deputy Director of Education; Senior Assistant Director of Education; Kiini Mixed Boarding Secondary School: Principal Graduate Teacher I; Principal Graduate Teacher II; Njuri Mixed Boarding Secondary School: Principal Graduate Teacher II; Senior Graduate Teacher; Head Teacher; Graduate I Kyeni Girls High School; Graduate Teacher I; Graduate Teacher Mukuuni Secondary School; Untrained Teacher



NAME: Mr. Mugambi J. Nyaga

YOB: 1963

POSITION/KEY RESPONSIBILITIES:

Council Member - Rep. P.S. Ministry of Education, Member Finance, Human Resources & General Purpose Committee; Member Tegemeo, Academic and Research Committee; Member Grievances Handling and Appeals Committee; Member Appointments Committee.

QUALIFICATION: B.A(UoN), MBA (Moi University), CPSK

WORK EXPERIENCE

Deputy Director, HRM & Development services; Head of HR Department in the Ministries of; - Local Government, Regional Development & Prisons Department; Executive of the President (Cabinet Affairs Office) and Education (University Education) Senior Assistant Director, Assistant Director, HR Audit, With PSC of Kenya; Ministry of Finance: Ag. Deputy Director HRM; Principal HR Officer; Senior HRM Officer – Office of the president; District Personnel Officer in Meru South & Mbeere districts; Deputy District Personnel Officer, Isiolo District; Personnel Officer II, Kenya Airports Authority

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NAME: Mrs. Alasa O. Hirsi

YOB: 1962

POSITION/KEY RESPONSIBILITIES:

Council Member; Chairperson Grievances Handling and Appeals Committee; Chairperson Sealing & Honorary Degree Committee; Member Finance, Human Resources & General Purpose Committee; Member Planning, Development & Fund-Raising Committee;

QUALIFICATION: Dip. Clin. Med (KMTC), HND (KMTC) MPH (Western Cape)

WORK EXPERIENCE

Consultant with UNFPA, Commissioner – Poverty Eradication Commission, Assistant Project Officer – UNICEF, Lecturer – KMTC Nairobi, District Clinical Officer – Garissa District



NAME: Ms. Esther Mukoa Wabuge

YOB: 1976

POSITION/KEY RESPONSIBILITIES:

Council Member; Chairman Tegemeo, Academic and Research Committee; Member Audit, Governance and Risk Management Committee; Member Grievances Handling and Appeals Committee;

QUALIFICATION: B.Ed (Moi), M.Sc. (JKUAT).

WORK EXPERIENCE

Coordinator, Kenya Country Core Group. Project Officer Training, Management Sciences for Health (MSH) – Leadership, Management & Sustainability (LMS) Project. Associate Consultant, Kenya National AIDS Strategic Plan. Kenya HIV/AIDS Private Sector Business Council (KHBC); Head of Programme & Stakeholder Development; Head of Training & Business Development; Namawanga Girls' High School: Biology & Homescience teacher; Research Officer, Community Management & Training Services (CMTS.EA) Part-time Lecturer, Kisumu Polytechnic



NAME: Mr. John Nyakawa Ondari

YOB: 1970

POSITION/KEY RESPONSIBILITIES:

Council Member; Chairman Finance, Human Resources & General Purpose Committee; Member Tegemeo, Academic and Research Committee; Member Planning, Development & Fund-Raising Committee; Member Appointments Committee

QUALIFICATION: B.A. (UoN), M.A. (UoN)

WORK EXPERIENCE

Strategic Advisor, Kenya Water Security & Climate Resilience Program. Senior WASH Advisor, SNV Netherlands Development Organisation, Kenya. Long Term Technical Advisor, Kenya Water & Sanitation Programme. Lemma Development Consultants Ltd; Managing Director; Research Director Economist (WSS Financing Consultant), World Bank, Water & Sanitation Program – AF, Economist/ Statistician, Ministry of Planning & the Treasury



NAME: Prof. Rose A. Mwonya

YOB: 1950

POSITION/KEY RESPONSIBILITIES

Vice-Chancellor

QUALIFICATION

Dip (Egerton), B.Sc., M.Sc, Ph.D. (Iowa)

WORK EXPERIENCE

Egerton University: Vice Chancellor; Deputy Vice-Chancellor (Academic Affairs); Dean of Students; Director Centre of Women Studies and Gender Analysis; Chairperson Dept. Of Agriculture & Home Economics; Professor, Associate Professor, Senior Lecturer, Lecturer

UNIVERSITY MANAGEMENT BOARD



NAME: Prof. Rose A. Mwonya

YOB: 1950

POSITION/KEY RESPONSIBILITY

Vice-Chancellor

QUALIFICATION

Dip (Egerton), B.Sc., M.Sc, Ph.D, (Iowa)

WORK EXPERIENCE

Egerton University: Vice Chancellor; Deputy Vice-Chancellor (Academic Affairs); Dean of Students; Director Centre of Women Studies and Gender Analysis; Chairperson Dept. Of Agriculture & Home Economics; Professor, Associate Professor, Senior Lecturer, Lecturer



NAME: Prof. Alexander K. Kahi

YOB: 1968

POSITION/KEY RESPONSIBILITY

Deputy Vice-Chancellor (Academic Affairs)

QUALIFICATION

B.Sc., M.Sc, (Egerton), Dr. Sc. Agr. (Hohenheim)

WORK EXPERIENCE

Egerton: Deputy Vice-Chancellor (Academic Affairs); Dean Fac. Agriculture; Chairman Dept. Of Animal Science; Professor, Associate Professor, Senior Lecturer, Lecturer, Asst. Lecturer; Teaching Assistant Dept. Animal Science. Kyoto University (Japan): Visiting Professor, Postdoctoral Research Scientist.

Consultant ILRI – SLU Project; Consulting Scientist – Livestock Recording Centre (Naivasha); Visiting Scientist – AGBU (University of New England); Consultant – AGRP (Ethiopia); Consultant – Applied Genetic Network (Germany); Graduate Fellow – ILRI (Dairy Research Project); Visiting Researcher – Wageningen University.



NAME: Prof. Isaac O. Kibwage

YOB: 1954

POSITION/KEY RESPONSIBILITY

Deputy Vice-Chancellor (Administration, Planning & Development)

QUALIFICATION

B.Pharm (UoN), M.Pharm, Ph.D (K.U. Leuven), FPSK, CSci. C.Chem, MRSC

WORK EXPERIENCE

Egerton University: Deputy Vice-Chancellor (Administration, Planning & Development)

University of Nairobi: Principal of the College of Health Science, Dean of Faculty/School of Pharmacy, Chairman of Department, Professor, Associate Professor, Senior Lecturer,



NAME: Prof. Alfred C. Kibor

YOB: 1950

POSITION/KEY RESPONSIBILITY

Ag Deputy Vice-Chancellor (Research & Extension)

QUALIFICATION

B.V.M., M.Sc. (U.O.N), Ph.D. (Edinburgh)

WORK EXPERIENCE

Egerton University: Director (Research & Extension); Associate Professor; Senior Lecturer (Veterinary Pathology, Microbiology & Parasitology)



NAME: Prof. Lenah Nakhone Wati

YOB: 1956

POSITION/KEY RESPONSIBILITY

Principal (Nakuru Town Campus College)

QUALIFICATION

B. Sc., M.Sc. (U.O.N), Ph.D. (Nottingham)

WORK EXPERIENCE

Principal NTCC; Director NTC; Egerton University – Associate Prof, Snr. Lecturer, Lecturer of Soil Science; Research Officer at Kenya Marine & Research Institute Kisumu; Research assistant UON; Research Officer – National Agricultural Laboratories.

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NAME: Dr. Thomas K. Serrem

YOB: 1962

POSITION/KEY RESPONSIBILITY

Registrar (Human Capital & Administration)

QUALIFICATION

B.Ed (Nairobi), M.Ed. (Manchester), D.Ed. (Bristol)

WORK EXPERIENCE

Egerton University: Registrar (Admin); Ag. Registrar (Admin); Deputy Registrar (Admin); Snr. Assistant Registrar (Central Services); Deputy Registrar (Academic Affairs); Snr. Assistant Registrar (Admissions); Assistant Registrar (Academic Affairs); Administrative Assistant
Marketing Representative – Xerox Kenya Ltd.



NAME: Prof. Seth F. O. Owido

YOB: 1954

POSITION/KEY RESPONSIBILITY

Registrar (Academic Affairs)

QUALIFICATION

B.Sc., M. Sc. (U.O.N), Ph.D. (Illinois)

WORK EXPERIENCE

Egerton University: Registrar AA; Deputy Registrar AA
Kabarak University: Acting Academic Registrar; Academic Dean
Egerton University: Director Quality Assurance; Director Board of Undergraduates; Associate Prof., Snr. Lecturer, Lecturer in Soil Physics & Water Management; COD Soil & Water Management Dept; Research Officer National Agricultural Research Laboratories.



NAME: Prof Bockline Omedo Bebe

YOB: 1963

POSITION/KEY RESPONSIBILITY

Ag Director (Research & Extension)

QUALIFICATION

Diploma, BSc (Egerton), MSc, PhD (Wageningen)

WORK EXPERIENCE

Egerton University: Ag. Director (Research & Extension); Deputy Director, Extension outreach and consultancy; Professor of Livestock Production Systems; Consultant: Livestock Development Policies; University curriculum development; Strategic plan; Climate change and adaptation; Livestock value chains



NAME: Mr. Moses O. Ouma

YOB: 1978

POSITION/KEY RESPONSIBILITY

Finance Officer

QUALIFICATION

C.P.A (K), B.Agbm (Egerton), MBA (KU)

WORK EXPERIENCE

Finance Officer - Egerton; Accountant - Kenyan Rural Roads Authority; Auditor Kenya National Audit Office; Accountant - The Mater Hospital (Nairobi)



NAME: M/s Janegrace Kinyanjui

YOB: 1967

POSITION/KEY RESPONSIBILITY

University Librarian

QUALIFICATION

BA (Egerton), MSc. (SISA-Addis Ababa)

WORK EXPERIENCE

Egerton University – University Librarian;
Kabarak University – University Librarian, Deputy University Librarian, Senior Assistant Librarian;
Egerton University – Assistant Librarian, Senior Library Assistant

CHAIRMAN'S STATEMENT

In the year ended 30th June 2018, the university achieved a number of milestones key among them; the university hosted the 64th World Ploughing Contest, the 5th Mau-Egerton University Cross Country and the 12th Egerton University International Conference and Research Week which attracted regional and international participants. In addition, the University attracted Kshs 545 million in research funds and grants during the year.

The University's revenue in the year under review was adversely affected by reduced students' enrolment especially self-sponsored programmes, and extended industrial strikes, which altered the academic timetable leading to one semester overlapping into the financial year 2018/19.

The staff costs increased due to the payment of 2013-17 CBA arrears which were awarded and paid in July and December 2017, and our rented premises remain idle for the better of the year.

Governance

We are focussed to position Egerton University as a centre of excellence in agricultural training, research; extension services and policy formulation to promote food security as part the University's contribution towards the achievement of vision 2030 through flagship projects.

The University has put initiatives for the turnaround of Ngongongeri farm and the ARC Hotel to make them viable commercial enterprises now run as Egerton University Investment Company under the management of a Managing Director. The University has introduced cost cutting measures to remain afloat.

Financing and Policies

During the year ended 30th June 2018, Egerton University was mainly funded through the Government Capitation (72%) and Appropriation in Aid (A-I-A) (28%) for its recurrent expenditure.

I wish to thank the Government of Kenya, Council members, Management and Staff for their dedication and participation during the year in striving to make Egerton University a world class University for the advancement of Humanity.

Dr. Ben Chumo, PhD
Chairman, Egerton University Council

REPORT OF THE VICE-CHANCELLOR

During the financial year ended 30 June 2018, the university continued to stay focussed on the path to achieving its vision of being a world class university for the advancement of humanity. Towards this end, the focus remained on enhancing the quality of academic programs and research output including increasing collaborations with other institutions.

The university achieved a number of milestones in the year ended 30 June 2018. Key among them was hosting the 64th World Ploughing Contest, an international event which attracted participants from twenty-six countries across the world, and the launching of President Uhuru Kenyatta Doctoral Scholarships Programme which is expected to benefit at least 100 Kenyans.

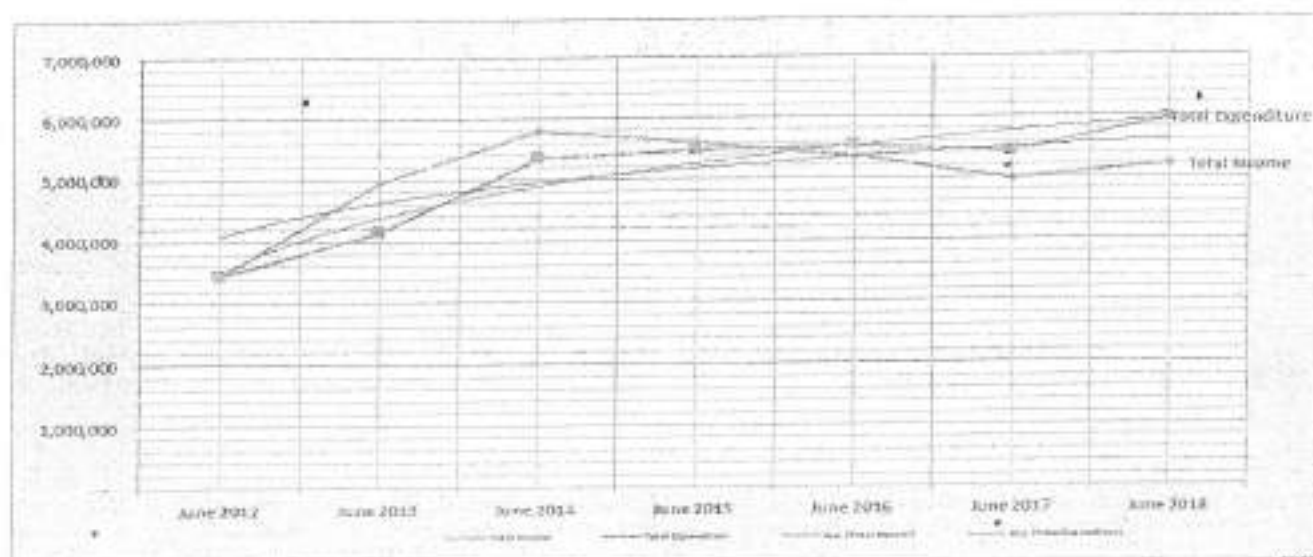
Industrial action by staff was the main challenge during the year which hampered revenue collection while at the same time escalating costs of operations. In Nairobi, Nakuru and Baringo campuses, no learning took place for the three months while the university continued to pay rents leading to massive losses.

As a result of the industrial action stated above and reduced students' enrolment, the university did not realize the budgeted revenue for the year in terms of tuition and other incomes by Ksh 1,138 million.

Over the last seven years the following are the trends of surpluses (deficits) realised by the end of each financial year:

Seven-year Surplus/Deficit Trends

Income/Expenditure (Kshs 000's)	June 2012	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018
Total Income	3,414,769	4,942,489	5,773,804	5,597,399	5,357,174	4,968,162	5,201,906
Total Expenditure	3,426,046	4,132,707	5,324,991	5,458,943	5,522,944	5,417,001	5,954,033
Surplus/(Deficit)	8,723	809,782	448,813	138,456	(165,770)	(448,839)	(752,127)
Exp as a %age of income	100%	84%	92%	98%	103%	109%	114%



Seven-year Surplus/Deficit Trends

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Revenue rose steadily up to the year 2014 (then started declining in the year 2015 to date. The University received Ksh 727 million in respect of CBA arrears for the years 2013 to 2017, however, there was a reduction of the monthly recurrent capitation by Ksh. 55 million in the year 2018.

Tuition income has also been declining over the years from Kshs 1.4 billion in 2017 to Kshs 1.3 billion in 2018. This is attributed to the industrial strikes in the year 2018 which led to a shortfall of one semester in the financial year 2017/18 which overlapped into the financial year 2019.

It is noteworthy however that the entire reported deficit of Ksh 752 million is accounted for by non-operating/adjustment expenses charged amounting to Ksh 156 million (depreciation Ksh 138 million, Tuition Waiver Ksh 17 million, Bad debts provision Ksh 1 million) and by recurrent revenue shortfall of Ksh 1,135 million as shown in page 17.

The university expected the future to get tougher in terms of the operating environment. The GoK funding is reducing by the year. At the same time the pool of self-sponsored students from whom the university has been getting some revenue is also dwindling. For example, all KCSE candidates of year 2017 were absorbed by the GoK under the regular programs. This partly explains why the self-sponsored students' numbers did not rise as had been projected. This situation is expected to continue into the future.

The university is therefore taking drastic steps to diversify its revenue sources away from reliance on students. The new focus is on Income Generating Units of the university like the firm, the hotel among others. At the same time the university is implementing austerity measures at all times and embracing automation so as to cut operating expenses in the coming years.


Prof. Rose A. Mwangi, PhD
Vice Chancellor

CORPORATE GOVERNANCE STATEMENT

COMMITTEES OF COUNCIL

The University Council is responsible and accountable to the Government of Kenya through the Ministry of Education, Science and Technology 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 University Council Charter.

The Council consists of nine members- the Chairman & five other members, representative of the National Treasury, Representative of the Principal Secretary Ministry of Education Science & Technology and the Vice Chancellor. The functions of the Council are:

- (i) Administer the property and funds of the University in a manner and for purposes which shall promote the best interests of the University; but the Council shall not charge or dispose of immovable property of the University without prior approval of the Chancellor;
- (ii) Receive on behalf of the University or a constituent college, donations, endowments there from to the constituent college or other bodies or persons;
- (iii) Provide for the welfare of the staff and students of the University;
- (iv) Enter into association with other Universities or other institutions of learning, whether within or outside Kenya as the Council may deem necessary and appropriate; and
- (v) After consultation with the Senate, make regulations governing the conduct and discipline of the students of the University.

The Committees have delegated authority to assist the Council effectively carry out its obligations.

The University Council and its Committees are supported by the University Management Board which consists of ten members.

The Council has seven committees namely;

1. Finance, Human Resources and General Purposes Committee
2. Audit, Governance and Risk Management Committee
3. Planning, Development & Fund-Raising Committee
4. Tegemeo, Academic and Research Committee
5. Grievances Handling and Appeals Committee
6. Sealing and Honorary Degree Committee
7. Appointments Committee

The Terms of Reference for the Committees of Council are:

1. Finance, Human Resources and General Purposes Committee

The Committee recommends to the Council for its approval the annual report and financial statements, annual estimates and expenditure, recommend policies on Finance and Human Resource to Council for approval, decide on disciplinary matters for staff in Grade XIII-XV, and shall pay due regard to the necessity to refer matters of major importance to the Council for final approval.

2. Audit, Governance and Risk Management Committee

The Committee ensures compliance to internal control processes, accurate preparation of financial reporting of results, operations and statements in compliance with legal and statutory requirements and standards, ensures the University complies with internal and external audits, develop risk management strategies, monitor institutional governance, and monitor compliance of the performance contract, and quality assurance.

3. Planning, Development & Fund-Raising Committee

The Committee mobilizes financial resources for the development of the University, take charge for all arrangements for planning and development of the University and construction of new buildings, advocate on behalf of the University and enhance the marketing of the University locally and internationally, provide advice and assistance to Deputy Vice-Chancellor (Administration, Planning and Development) with respect to corporate sponsorship and private source fund raising activities, and pay due regard to the necessity to refer matters of major importance to the Council for final approval.

4. Tegemeo, Academic and Research Committee

The Committee advises on the development and implementation of academic and research programmes and policies; make recommendations for the sourcing, administration and distribution of scholarships; oversee a reward scheme for excellence in teaching, research and extension; receive regular reports from and provide advice to the Deputy Vice-Chancellor (Academic Affairs) and the Deputy Vice-Chancellor (Research and Extension) on the development of policy and procedures relating to academic and research; approve the Tegemeo Institute's annual budget, business plans and policies; ensure good management and identify risk and internal controls in the Tegemeo Institute; promote and integrate good corporate governance at the leadership management and in all levels of the Tegemeo Institute; strategize on the Tegemeo Institute's development and sustainability; and consider and report any matter referred to it by the Council and Senate.

5. Grievances Handling and Appeals Committee

The Committee oversees staff, students and other stakeholder's grievances; and staff and students appeal against disciplinary action.

6. Sealing and Honorary Degree Committee

The Committee authorizes affixing of the University seal to appropriate documents on behalf of the Council; and nomination of distinguished personalities in various fields for the conferment of honorary degrees of the University.

7. Appointments Committee

The Committee appoints Professors and Staff in Grade 15; search candidates for position of Principal's; Deputy Vice-Chancellors and Vice-Chancellor and make recommendations to the Council; and consider disciplinary matters for Principals and Deputy Vice-Chancellor's and recommend to Council.

Council Meetings Attendance Financial Year 2017/2018

a) Attendance – 4th July to 22nd August 2017

No.	Council Member	FCM 4/7/17	AG&RM 5/7/17	PDF 6/7/17	TA&R 6/7/17	FHR&GP 7/7/17	SPDFCC 26/7/17	FCM 27/7/17	SPDFC C 3/8/17	SFHR& GP 3/8/17	SCM 22/8/17
1	Dr. Ben Chumo	X						X			X
2	Mugambi J. Nyaga	X			X	X		X		X	X
3	Esther M. Wabuge	X	X		X			X			X
4	Mrs. Alasa O. Hirsi	X		X		X	X	X	X	X	
5	Dr. Charity C. Nyaga	X	X		X			X			X
6	Joshua Nyangidi Otieno	X	X	X			X	X	X		X
7	John Nyakawa Ondari	X		X	X	X	X	X		X	X
8	Joseph Kamau Mwaura	X	X	X			X	X	X		X
9	Prof. Rose A. Mwonoya	X	X	X	X	X	X	X	X	X	X

b) Attendance – 22nd September to 30th November 2017

No.	Council Member	SAG&R M 22/9/17	FHR&G P 25/9/17	GHA 26/9/17	SPDFCC 13/10/17	GHA 17/10/17	TA&R 31/10/17	AG&R M 1/11/17	AG&R M 10/11/17	FCM 29/11/17	SHDC 30/11/17
1	Dr. Ben Chumo									X	
2	Mugambi J. Nyaga			X		X	X			X	X
3	Esther M. Wabuge	X		X		X	X	X	X	X	
4	Mrs. Alasa O. Hirsi		X	X	X	X				X	X
5	Dr. Charity C. Nyaga	X		X		X	X	X	X	X	
6	Joshua Nyangidi Otieno	X			X			X	X	X	
7	John Nyakawa Ondari		X		X		X			X	
8	Joseph Kamau Mwaura	X						X		X	X
9	Prof. Rose A. Mwonoya	X	X		X		X	X		X	X

c) Attendance – 1st December 2017 to 29th January 2018

No.	Council Member	ASK(WPC) 1/12/17	GC 8/12/17	FHR&GP 20/12/17	FCM 21/12/17	SFHR&GP 21/12/17	SCM 22/12/17	PCN 3/1/18	VPC 8/1/18	FHR&GP 23/1/18	FCM 29/1/18
1	Dr. Ben Chumo	X	X		X		X		X		X
2	Mugambi J. Nyaga	X	X	X	X	X	X			X	X
3	Esther M. Wabuge	X	X		X		X				X
4	Mrs. Alasa O. Hirsi	X	X		X	X	X	X	X	X	X
5	Dr. Charity C. Nyaga	X	X		X		X				X
6	Joshua Nyang'idi Otieno	X	X		X		X				X
7	John Nyakawa Ondari	X	X	X	X	X	X	X	X	X	X
8	Joseph Kamau Mwaura	X			X		X				X
9	Prof. Rose A. Mwenya	X	X	X	X	X	X	X	X	X	X

d) Attendance – 10th February to 16th April 2018

No.	Council Member	EMCC 10/2/18	SFHR&GP 12/2/18	SCM 19/2/18	TA&R 21/2/18	AG&RM 22/2/18	PDF 23/2/18	AG&RM 7/3/18	C&UMBM 15/4/18	C&UMBM 16/4/18	SCM 16/4/18
1	Dr. Ben Chumo			X					X	X	X
2	Mugambi J. Nyaga	X	X	X	X						
3	Esther M. Wabuge	X		X	X	X		X	X	X	X
4	Mrs. Alasa O. Hirsi	X	X				X		X	X	X
5	Dr. Charity C. Nyaga	X		X	X	X		X	X	X	X
6	Joshua Nyang'idi Otieno	X		X		X	X	X	X	X	X
7	John Nyakawa Ondari		X	X	X		X		X	X	X
8	Joseph Kamau Mwaura			X		X	X	X	X	X	X
9	Prof. Rose A. Mwenya	X	X	X			X		X	X	

e) Attendance – 17th April to 9th May 2018

No.	Council Member	C&UMBM 17/4/18	SCM 17/4/18	C&UMBM 18/4/18	AC 25/4/18	AC 25/4/18	PDF 4/5/18	FHR&GP 7/5/18	FCM 8/5/18	SAG&RM 8/5/18	TA&R 9/5/18	GHA 9/5/18
1	Dr. Ben Chumo	X	X	X					X			
2	Mugambi J. Nyaga				X	X						
3	Esther M. Wabuge	X	X	X					X	X	X	X
4	Mrs. Alasa O. Hirsi	X	X	X				X	X			X
5	Dr. Charity C. Nyaga	X	X	X					X	X	X	X
6	Joshua Nyang'idi Otieno	X	X	X			X		X	X		
7	John Nyakawa Ondari	X	X	X			X	X	X		X	
8	Joseph Kamau Mwaura	X	X	X			X		X	X		
9	Prof. Rose A. Mwenya	X	X	X	X	X	X		X		X	

f) Attendance – 11th May to 15th June 2018

No.	Council Member	AG&RM 11/5/18	AC 11/5/18	SFHR&GP 17/5/18	FCM 21/5/18	CEM&VTI 22/5/18	FCM 23/5/18	FCM 24/5/18	AC 25/5/18	SHDC 4/6/18	SCM 11/6/18	GC 15/6/18
1	Dr. Ben Chumo				X	X	X	X			X	X
2	Magambi J. Nyaga		X						X			
3	Esther M. Wabuge	X			X	X	X	X			X	X
4	Mrs. Alisa O. Hirsi			X	X	X	X	X		X	X	
5	Dr. Charity C. Nyaga	X			X	X	X	X			X	X
6	Jeshua Nyangidi Otieno	X			X	X	X	X		X	X	X
7	John Nyakawa Ondari			X	X	X	X				X	X
8	Joseph Kamau Mwaura	X			X	X	X	X		X	X	X
9	Prof. Rose A. Mwangi		X	X	X	X	X	X	X	X	X	X

LIST OF ABBREVIATIONS

No.	Key	Description
1	AC	Appointments Committee
2	AG&RM	Audit, Governance & Risk Management Committee
3	CEM	Council Evaluation Meeting
4	CM	Council meeting
5	CM on the TREA	Consultative Meeting on the terms of Reference for external auditor
6	CM with UMB	Consultative meeting with University management Board
7	CMFVNR	Council Members Visit to Vision 2030 Njoro River Rehabilitation
8	CMTRR	Council Members Training on Risk Register
9	CMNEUCP	Council Members Visit to Egerton University Capital Projects
10	EMCC	Egerton Mau Cross country
11	FAP&AT	Finance, Audit, Procurement & audit Training
12	FHR&GP	Finance, Human Resources & General Purposes Committee
13	GC	Graduation Ceremony
14	GHA	Grievances Handling & Appeals Committee
15	PCN	Performance Contract Negotiation
16	PDF	Planning Developments & Fund raising Committee
17	SC	Sealing Committee
18	SCM	Special Council Meeting
19	SHDC	Sealing and Honorary Degree Committee
20	TA&R	Tegemeo, Academic & Research Committee
21	TOOGP	Tour of On-going Projects
22	VCPPPC	Visiting Capital Projects & Presentation of Performance Contract
23	FCM	Full Council Meeting
24	C&UMBWOP&R	Council & UMB Workshop on Procurement and Review of Strategic Plan
25	SJF,HR&GP&PD&F	Special Joint Finance, Human Resource & General Purposes & Planning Development & Fund raising
26	CMLC & UMB	Council Meeting with the Chancellor & UMB Member
27	EOPC	Evaluation of Performance Contract
28	SPDFCC	Special Planning, Development & Fund raising Committee of Council
29	VCP	Visiting Capital Projects
30	ITWFNACM	Induction Training Workshop for Newly Appointed Council Members

MANAGEMENT DISCUSSION AND ANALYSIS

PART 1: ANALYSIS OF THE STATEMENT OF FINANCIAL PERFORMANCE

i. Revenue

The revenues of the University have been as shown in table 1 and figure 1 below over the last seven years:

Table 1: Seven-year Revenue trend

Income Type	June 2012	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018
Revenue from Exchange Transactions	1,398,698	2,123,568	2,413,910	2,134,677	1,936,838	1,572,899	1,474,081
Revenue from Non-Exchange Transactions	2,036,071	2,818,921	3,359,894	3,462,722	3,420,336	3,395,263	3,736,618
Total Income	3,434,769	4,942,489	5,773,804	5,597,399	5,357,174	4,968,162	5,210,699

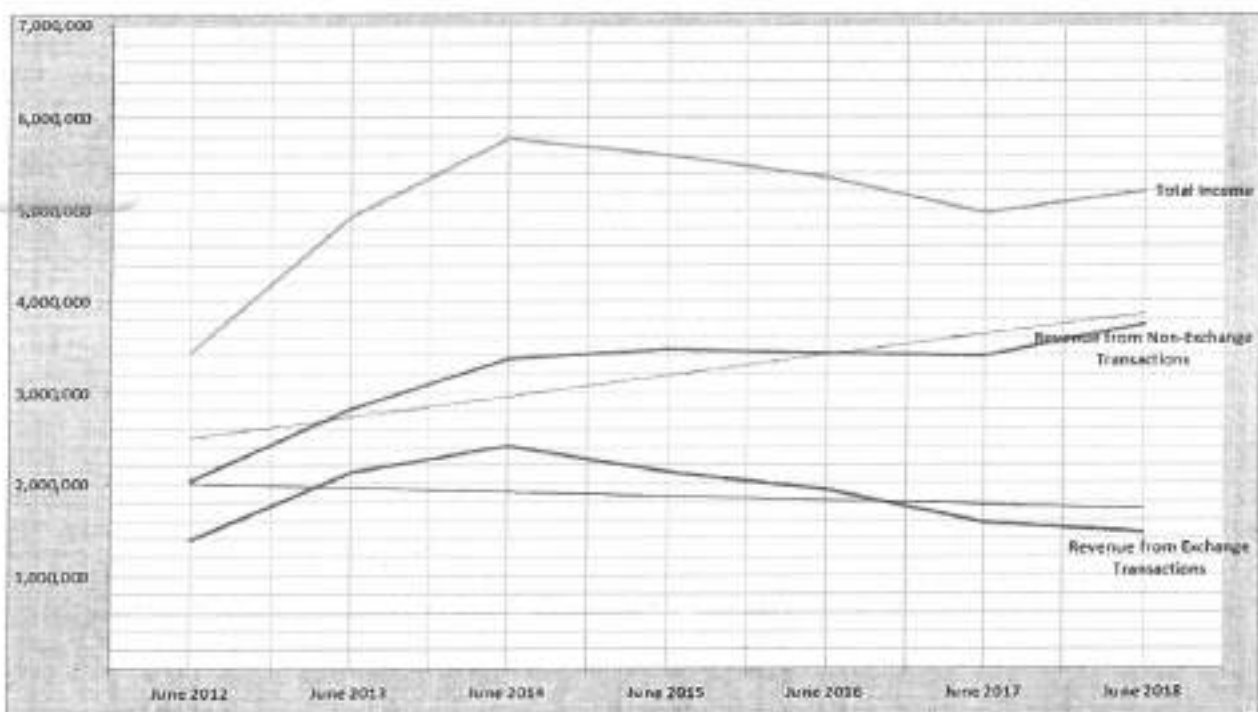


Figure 1: The trend of Revenue over the last seven years

Except for CBA arrears for the years 2013 to 2017 of Ksh 727 million received in 2018, the University's revenue has consistently declined over the last three years. The Government reduced the monthly recurrent capitation by Ksh. 55 million in the year 2018. However, GoK and other donors remained the biggest source of income over the last seven years averaging 63% (2018-72%) of all revenue. These are the sources described as revenue from Non- exchange transactions.

Local AIA accounted for a seven-year average of 40% (2018-28%) of all income (Revenue from exchange transactions).

Note that the external sources of funding accounted for 72% of all revenue for the year ended June 2018. This is higher than the seven-year average, meaning that the University is becoming more dependent on external funding, which is not very desirable.

ii. Expenses

Notwithstanding the shortfalls in revenue as shown above, expenses remained largely constant especially those expenses that do not depend on level of activity in the University such as Staff costs. This increase is also attributed to the payment of 2013-2017 CBA arrears in December 2017.

Sensing the expected revenue shortfall after midyear, the Management instituted austerity measures aimed at containing expenditure to the best extent possible. The following table 2 and figure 2 indicate the expenditure trends over time:

Table 2: Seven-year expenditure trends

Expenditure Type	June 2012	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018	Note
Staff Costs	2,093,121	2,505,903	3,213,145	3,094,213	3,158,178	3,113,900	4,030,809	14
Other Expenses	1,332,925	1,626,804	2,111,846	2,364,730	2,364,766	2,303,101	2,107,958	15-23

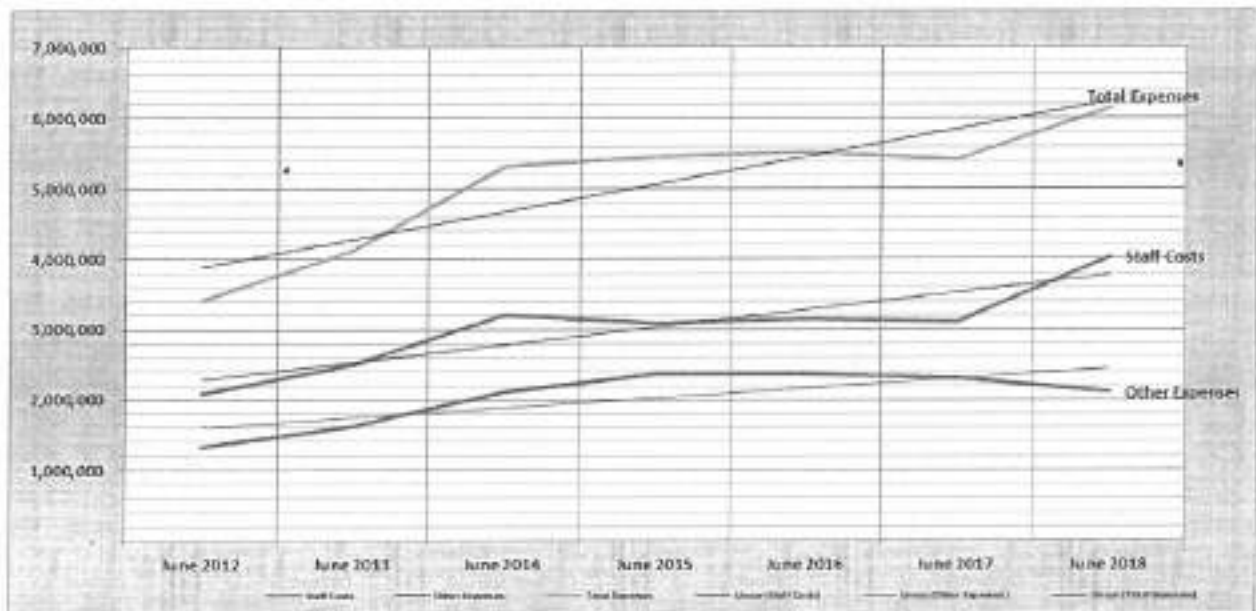


Figure 2: The trend of Expenditure over the last seven years

As shown above, the expenses of all categories continued to rise over the last seven years as shown by the above trend analysis where staff cost constitute the highest proportion of expenses with a seven-year average being 60% (2018-68%). This is a good indicator, mostly attributed to minimal expansion of the staff payroll over the indicated period.

PART 2: ANALYSIS OF STATEMENT OF FINANCIAL POSITION

The following analysis presents a seven-year movement observed in the financial status of the University as at the end of each of the financial years:

i. Property, Plant and Equipment

Table 3: Seven-year Net Book Values of Property Plant and Equipment (Ksh “000”)

Type of Property	Ksh “000”			Percentage proportions		
	Land & Buildings	W.I.P	Other Assets	Land & Buildings	W.I.P	Other Assets
30/6/2012	1,055,826	2,472,661	136,247	29%	67%	4%
30/6/2013	2,796,293	590,458	309,393	76%	16%	8%
30/6/2014	2,931,957	1,115,261	218,499	69%	26%	5%
30/6/2015	3,449,562	809,501	174,448	78%	18%	4%
30/6/2016	3,412,879	1,064,636	186,423	73%	23%	4%
30/6/2017	3,339,556	1,256,699	186,423	70%	26%	4%
30/6/2018	3,274,164	1,700,634	119,000	64%	33%	2%

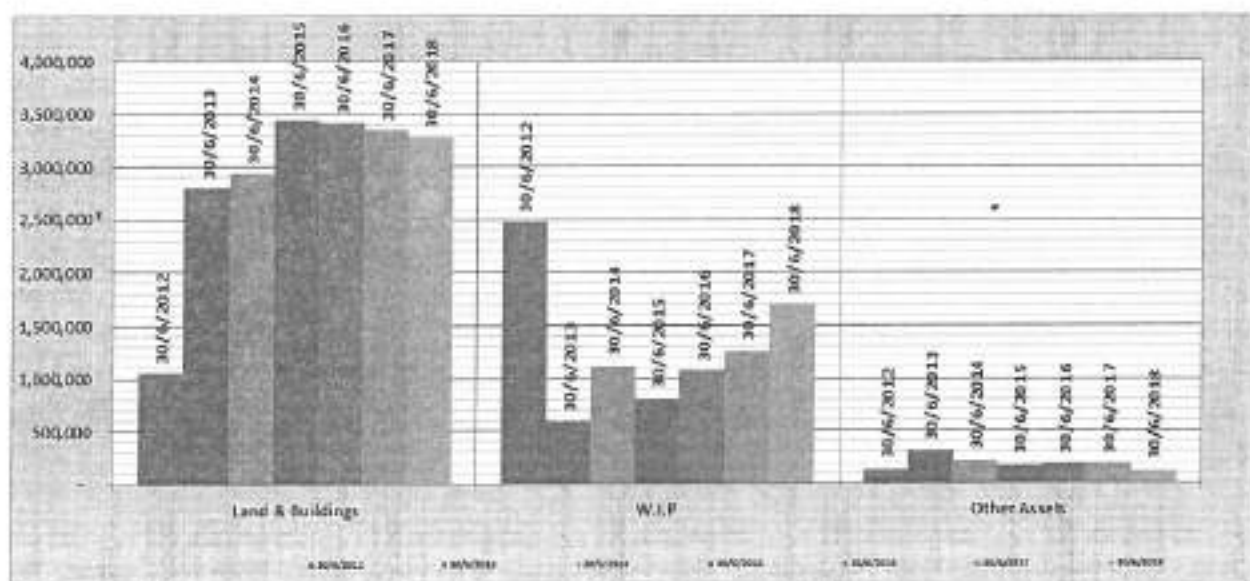


Figure 3: The make-up of Property, Plant and Equipment (Kshs “000”)

The graphs in figures 3 & figure 4 above and below respectively show a rise in work in progress (W-I-P) and decreases in land and buildings over the year 2017/2018. The increase in work in progress is due to the ongoing works, mostly at the physical sciences complex, the Library and the main gate.

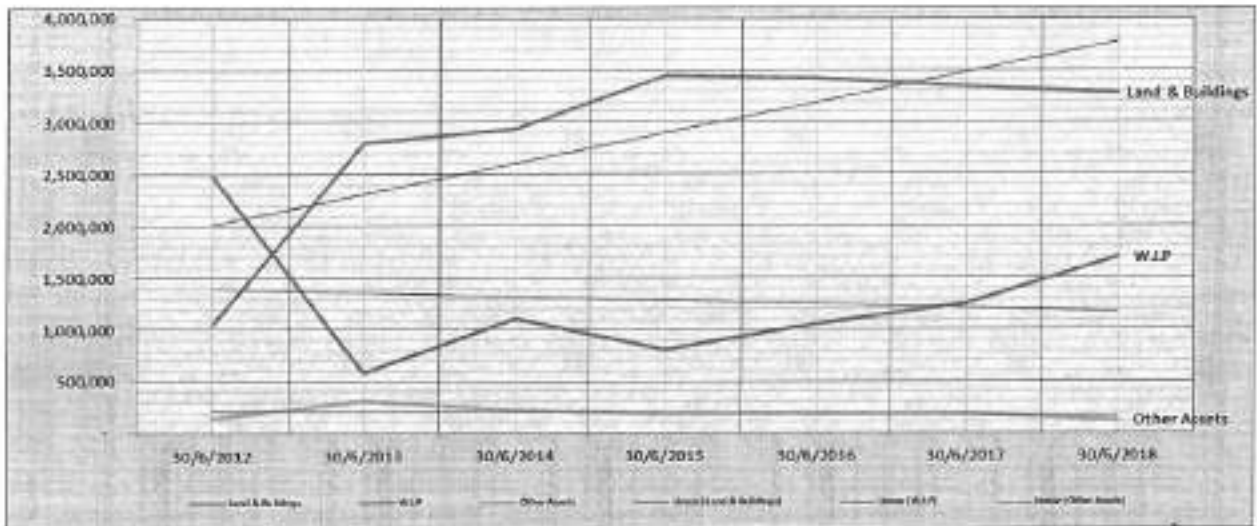


Figure 4: The composition of net book values of the University's assets over the seven-year period

The total assets of the University however continued to rise over the seven-year period as shown by the following trend in figure 5:

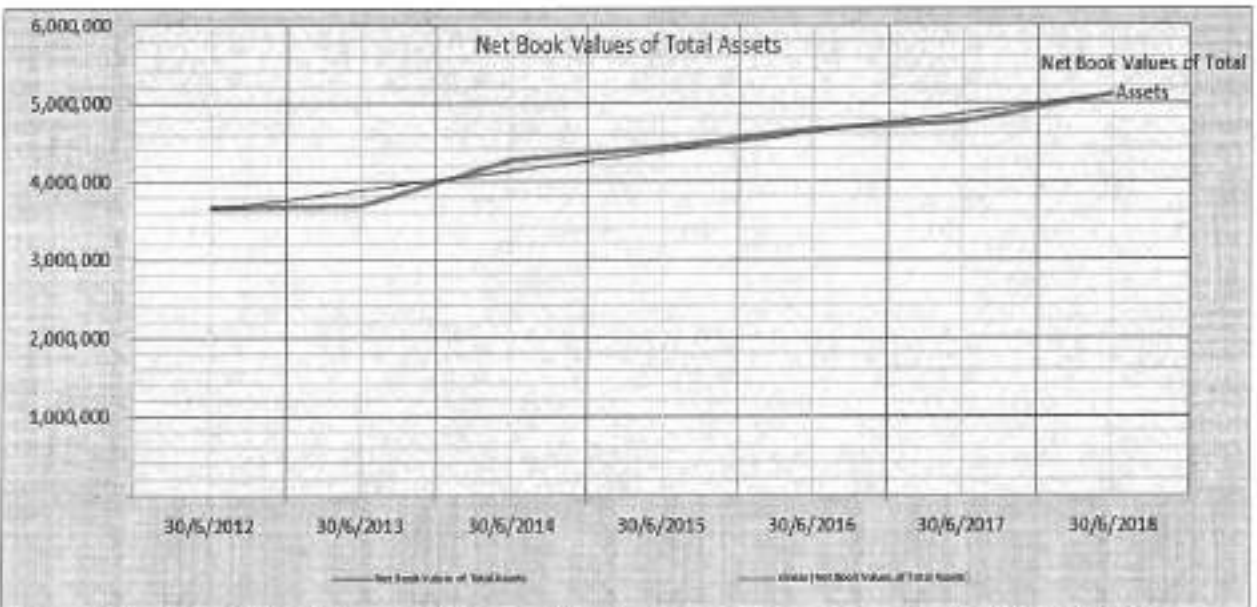


Figure 5: The trend of Total Property, Plant and Equipment over the seven-year period (Kshs "000")

ii. Working Capital

The Net Working capital is indicated by the difference between current assets and current liabilities. The following table 4 and Figure 6 indicate the net working capital of the University over the last seven years:

Table 4: Seven-year Net Working Capital figures (Ksh “000”)

Current Assets	June 2012	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018
Total Current Assets	949,906	1,543,194	1,714,188	1,983,942	1,529,420	1,450,774	1,134,684
Total Current Liabilities	863,105	717,718	1,012,161	1,376,617	1,252,520	1,571,436	2,522,447
Net Working Capital	86,801	825,476	702,027	607,325	276,900	(120,662)	(1,387,763)

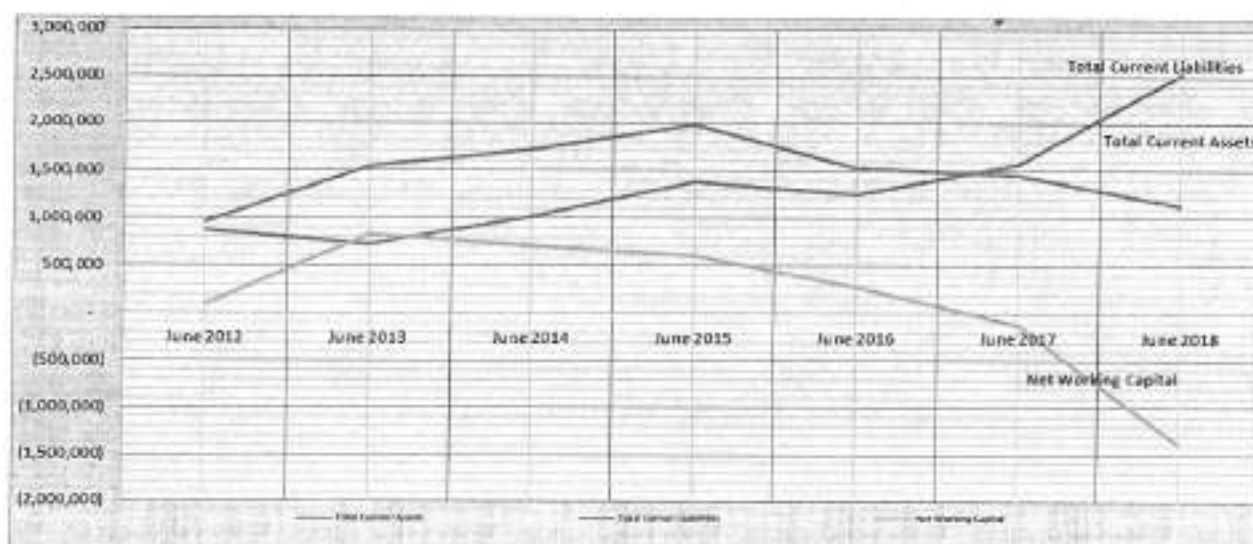


Figure 6: The trend of Net Working Capital over the seven-year period (Ksh '000')

Net Working Capital Trend

The Net working capital remained in positive between 2012 and 2016 but dipped to negative territory in the last two financial years; 2017 and 2018. This is because we recognized the balances of research funds as liabilities (Deferred Income) in line with the new reporting requirements. The Deferred Income reported during the year amounted to Kshs 423 Million.

Notwithstanding the above, the University remains constrained in terms of cash flows and is experiencing difficulties in meeting its short term financial obligations as and when they fall due. This difficulty is exemplified by the ratios indicated here below:

Current and quick ratios

While Current ratio (current assets/current liabilities) and quick ratio ((Current Assets-Inventory)/Current liabilities) declined over the seven-year period, the ratios remained in

healthy territory at more than 1:1 except in the year ended June 2018 when it fell to 0.87 and quick ratio of 0.82 as shown in Table 7 below.

Table 5: Seven-year trend of Current and Quick Ratios

Current Assets	June 2012	June 2013	June 2014	June 2015	June 2016	June 2017	June 2018
Current ratio	1.10	2.15	1.69	1.44	1.22	0.92	0.45
Quick ratio	1.01	2.06	1.42	1.39	1.14	0.87	0.42

The optimal quick ratio is 1:1 or higher, but the University's ratio in 2018 is 0.42 which means that current liabilities cannot be met from current assets without the need to sell inventory and agricultural assets. This is a challenge since the University inventories are not for sale, but rather for use in the processes of service delivery-hence may not be sold.

As shown in table 5 and figure 7, both ratios declined steadily over the last five years. It however still remained at above 1:1 up June 2016, only falling to levels below 1.1 in the years ended June 2017 and June 2018.

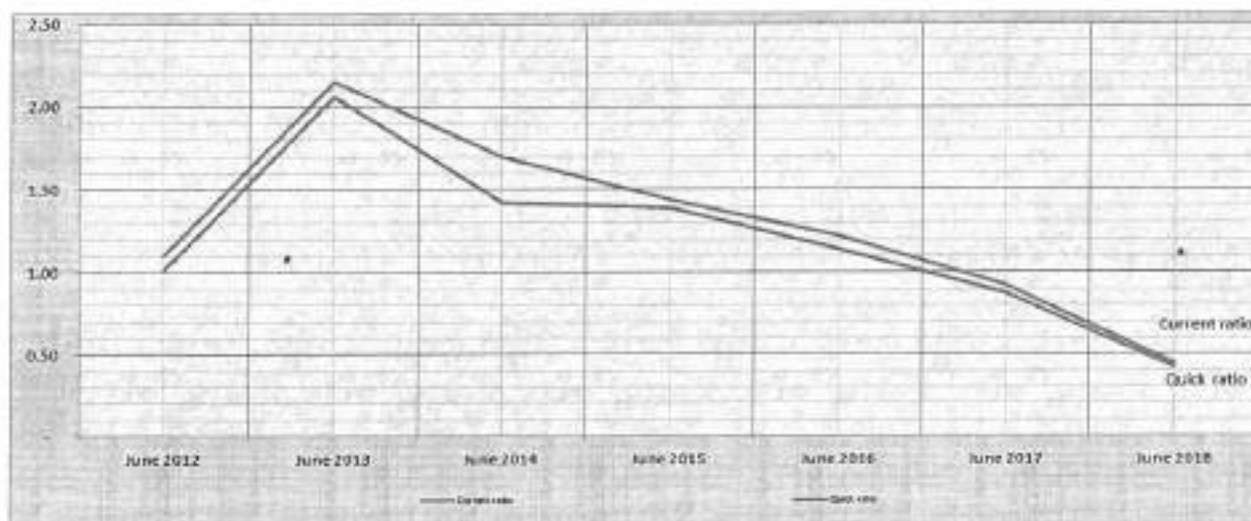


Figure 7: The trend of Current and Quick ratios over the seven-year period

Compliance with Statutory Requirements

The University has endeavoured to comply with all statutory requirements during the period under review. However due to financial constraints the university had in arrears an amount equal to Kshs.286m relating to staff pension schemes and Kshs. 61m for Pay-As-You-Earn and 3.6m for NSSF, NHIF, HELB and NITA for the month of June 2018.

Key Projects and Investment Decisions

The University is constructing an ultra-modern library at the cost of Ksh 2.1 billion which is fully funded by the Government, and a Main Gate Complex at the cost of Ksh 65 million funded by University's internal sources.

Major risks facing the entity

The University operates under a strict credit and debt policy to manage its liquidity risk exposure.

Material arrears in statutory/financial obligations

At the close of the year, the University had other unremitted payroll deductions amounting to Kshs 281m out of which 204m was in relation to Egerton University Sacco deductions.

Financial probity and serious governance issues

The University has no major financial improbity as reported by internal audit/Board audit committee, external auditors, or other National Government Agencies.

Property, Plant and Equipments

The value for Land of Kshs. 965,594,800 in the financial report excludes 420 ha of land which has been allotted to the University in Mpeketoni area. The university has not acquired the title deed for the land to give way for its valuation and recognition.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

1. Mau – Egerton University Cross Country and Rehabilitation of River Njoro

As part of Corporate Social Responsibility (CSR), the University held the 5th Edition of Mau-Egerton University Cross Country on 10th February 2018. The main objectives of the cross country are

- To create environmental awareness and
- To raise funds for the rehabilitation of Njoro River and Mau Ecosystem.

The Mau Ecosystem is one of the largest remaining water towers in Kenya. It is the source of water for the communities that live as far as western Kenya. However, over the past years the Mau Ecosystem has experienced massive environmental degradation. Rivers such as Njoro River originating from this vast ecosystem are also receding and are heavily polluted. Soil erosion has also increased as the farmers clear the forest and leave large swathes of steep land bare. The most affected area is the Eastern part of Mau Forest, which covers Nakuru and Narok Counties. To create awareness of environmental degradation of Mau Ecosystem and rehabilitate Njoro River, the University initiated the Mau-Egerton University Cross country. The University has been rehabilitating the river through planting of riparian tree seedlings, clearing of dump sites, controlling dumping of wastes and water quality monitoring. Other activities include support for community-based initiatives such as establishment of tree nurseries, construction of watering troughs, community training on environment, involvement of primary school pupils in rehabilitation and community sensitizations through the Agricultural Society of Kenya (ASK).



A section of the polluted River Njoro



A section of the Rehabilitated River Njoro



Tree planting exercise in the University



Participants during the 5th edition of Mau-Egerton Cross Country event held in February 2018

2. Primary School Mentorship Programme in partnership with Rift Valley Reading Association

The University, through the Faculty of Education and Community Studies (FEDCOS) and the Faculty of Arts and Social Sciences (FASS), have partnered with the Rift Valley Reading Association (RVRA) to lay a strong foundation for bright and needy primary school children in the neighbourhood of the University. This has been made possible through the establishment of LitClubs in ten primary schools. The mission of this formation is to advocate for literacy and promote a reading culture among Kenyan youth.

The goal of the project is to empower primary school children by encouraging them to explore their communities and environments, participate in positive activities and tell their stories. This is cultivated by taking the pupils through a two-year mentorship programme aimed at developing seven strengths: Friendship, Belonging, Kindness, Curiosity, Confidence, Courage and Hope.

The schools participating in the project are Kilimo, Egerton, Mwigito, Tengecha, Ndege, Subuku, Njuguni, Cheptoroi, Ngongogeri, and Utafiti. Each of the participating schools has a LitClub comprising 15 children, aged between 9 and 12 years. Each club meets for a two-hour session each week in their respective schools under the leadership of a mentor, who is a lecturer at Egerton University and a member of RVRA. The participating schools have appointed contact teachers to work with the University mentors.

3. The 64th World Ploughing Contest

The 64th World Ploughing Contest organised by ASK was held at Egerton University on 1st and 2nd December 2017. The University worked with ASK on the coordination of the relevant protocols to make the contest a success. Twenty-six countries participated in the contest, and Kenya was the only African country participating in the event. The University has been privileged to host the event twice; in 1995 and December 2017.



His Excellency the President, Uhuru Kenyatta and the Vice Chancellor, Prof Mwonya with the participants of the World Ploughing contest

4. ASK Nakuru National Show & Exhibition

The University participated in the Nakuru National Agricultural Show which was held between 4th and 8th July 2017 under the theme “Promoting Innovation and Technology in Agriculture and Trade”.

The University emerged top in eight categories, which included position one in five trade stands and three livestock stands. These were:

1. The Best University Stand;
2. The Best Stand in Research and Development
3. The Best Stand in Agro-Processing
4. The Best in Innovations & Inventions.



Former Nakuru County Governor, Kinuthia Mbugua, the Vice Chancellor, Prof Mwonya with other University staff during the ASK Nakuru Show



Agriculture & Irrigation Cabinet Secretary, Hon. Mwangi Kiunjuri presenting a trophy to the University's Industry Liaison Officer, Prof Symon Mahungu

5. Seeds of Gold Magazine

The Seeds of Gold Magazine published by the Nation Media Group every Saturday since its launch on the February 15th, 2014 is a farmers' knowledge sharing magazine. Egerton University is contributing to the Magazine through writing of articles and providing expert answers to questions posted to the Magazine by readers of the magazine. In addition to offering expert answers posed by readers and farmers, various articles have been published, authored by staff from various faculties: Agriculture, Veterinary Medicine, Sciences and Environment.

REPORT OF THE COUNCIL

The Council submits their report together with the financial statements for the year ended June 30, 2018 which show the state of the University's financial affairs.

Principal activities

The principal activities of the University are shown on page 3.

Results

The results of the University for the Year ended June 30, 2018 are set out on pages 39 - 86.

Council

The members of the University Council who served during the year are shown on page 8 - 11.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the Part VI of the Public Audit Act 2015.

By order of the Council

STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITY

Section 81 of the Public Finance Management Act, 2012 requires the Council to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (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 the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2018, and of the University's financial position as at that date. The council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the University 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 University's financial statements were approved by the Council on 7th September 2018 and signed on its behalf by:

Dr. Ben Chumo, PhD
Chairman
University Council

Mr. John N. Ondari
Chairman
Finance Committee

Prof. Rose A. Mwonya, PhD
Vice Chancellor

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE EGERTON UNIVERSITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Egerton University set out on pages 40 to 44 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Egerton University as at June 30, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and complies with the University Act No.42 of 2012 and Public Financial Management Act 2012

Basis for Qualified Opinion

1. Expenditure

1.1 Unsupported Expenditure on Teaching Claims

The statement of financial performance reports a total expenditure of Kshs.6,145,535,800 which includes academic department expenditure of Kshs.476,403,836 as disclosed in note 18 to the statements. Included in Kshs.476,403,836 are teaching claims of Kshs.373,153,785 which are not supported by a schedule of individual lecturers or relevant accounting documentation and as such it was not possible to confirm the accuracy and completeness of the expenditure.

1.2 Unexplained Research and Extension Payments

The statement of financial performance reports a total expenditure of Kshs.6,145,535,800 which includes research and extension expenditures of Kshs.269,589,094 as disclosed in note 19 to the statements which however, differs with actual total payments of Kshs.347,960,172 reflected in bank statements for all projects during the year resulting to a difference of Kshs.78,371,072 which has not been explained or reconciled. Therefore, the

accuracy and completeness of the expenditure of Kshs.347,960,172 could not be ascertained.

1.3 Unrealized Gain on Foreign Exchange Transactions

The statement of financial performance reports net income from other gains and losses of Kshs.6,768,605 which includes foreign exchange gain of Kshs.15,007,800 as disclosed in note 24 to the financial statements that is not supported by actual realized gains or ledger records showing how the gains were arrived at. Therefore, the accuracy and completeness of net income from other gains or losses of Kshs.6,768,605 could not be confirmed.

2. Current Assets

2.1 Student Debtors Not Supported by Aging Student List

The statement of financial position reports receivables from exchange transactions of Kshs.930,028,201 which includes student debtors of Kshs.822,162,931 that are not supported by data on opening balances, billings for the period, payments received and closing balances. In addition, they have been classified as current assets while management has not demonstrated how the outstanding balances will be recovered in full in the next twelve months.

It was therefore not possible to confirm the accuracy and completeness of receivables from exchange transactions amount of Kshs.930,028,201

2.2 Agricultural Assets

The statement of financial position reports agricultural assets of Kshs.28,093,375 which decreased from a comparative amount of Kshs.35,540,747 previously reported resulting to a loss of Kshs.7,447,372 that has not been supported by a reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the financial period in accordance with IPSAS 27 on Agriculture disclosure requirements.

3. Current Liabilities

3.1 Long Overdue Un-presented Cheques

The statement of financial position reports current liabilities of Kshs.3,122,196,450 which includes negative cash balances of Kshs.(599,749,161) as at 30 June 2018 representing cheques written for payment of trade creditors and other payables that have been recorded in the cash book but are still held in the university cash office without any reasonable justification. The act of withholding the cheques has the overall effect of misstating the cash and cash equivalent and outstanding creditor's balances at the close of the year thereby manipulating the financial records.

In addition, the negative cash balances are not supported by corresponding cash outflows from the university or bank overdraft amounts from commercial banks and therefore its accuracy, completeness and existence could not be confirmed.

3.2 Misstatement of Trade Creditors Balance

The statement of financial position as at 30 June 2018 reflects trade and other payables of Kshs.1,482,277,741 under current liabilities which includes trade creditors of Kshs.317,166,362 as disclosed in note 31(a) to the statements that are not in agreement with the creditors aged analysis balance of Kshs.351,490,345.51 by a difference of Kshs.34,323,983.51 which has not been reconciled or explained. Therefore, the completeness and accuracy of the trade and other payables amount could not be confirmed.

3.3 Misstatement of Provisions and Accruals

The statement of financial position as at 30 June 2018 reports provisions and accruals balance of Kshs.617,084,711 which differs with the summary of accrual schedule provided of Kshs.953,125,240 resulting to a difference of Kshs.336,040,529 which has not been explained or reconciled. Therefore, the accuracy, completeness and validity of the provisions and accruals amount of Kshs.617,084,711 could not be confirmed.

3.4 Deferred Income Not Supported by Budget Performance or Cash Flow Statement

The statement of financial position as at 30 June 2018 reports deferred income of Kshs.423,084,837 under current liabilities, representing the unused cash balances for research and extension and donor funded projects which differs with the total closing bank certificate balances of Kshs.447,336,572.79 in respect of all projects on a comparable basis resulting to a difference of Kshs.24,251,735.79 that has not been explained or reconciled.

In addition, the deferred income balance of Kshs.423,084,837 are not supported by budget performance or cash inflows statement showing how the amount was arrived at and therefore its completeness and accuracy could not be confirmed.

3.5 Non-Disclosure of Unremitted Statutory and Voluntary Payroll Deductions in the Financial Statements

The statement of financial position reports current liabilities totaling Kshs.3,122,196,450 as at 30 June 2018 that excludes outstanding statutory deductions and voluntary employee contributions of Kshs.437,599,421 and no explanations were provided for the omission.

In addition, these amounts have been totally excluded from the books of account and therefore the basis upon which the financial statements are prepared are questionable since they do not comply with the requirements of International Public Sector Accounting Standards - Accrual Basis.

3.6 Non-Disclosure of Annual Leave Days Outstanding Balance

The University payroll records reflects an accumulated pending leave days valued at Kshs.200,153,894 as at 30th June 2018 relating to the year 2008 and prior years in respect of commuted staff leave days that have not been disclosed in the liabilities balance reported

in the statement of financial position and therefore the completeness and accuracy of outstanding liabilities amount is consequently understated by the same amount.

4. Statement of Changes in Net Assets

4.1 Revenue Reserves Transferred Without Council Authorization

The statement of changes in equity and capital for the year ended 30 June 2018 reflects transfers of Kshs.191,027,449 from revenue reserves to deferred income without being supported by an analysis of revenue allocated to each project during the year and the relevant approvals by the University Council or National Treasury as the equity owner.

In addition, the transaction is not recorded in the university books of account or supported by verifiable accounting documentation and therefore the accuracy and propriety of Kshs.191,027,449 transferred from revenue reserves to equity could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Egerton University in accordance with ISSAI 30 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.

Emphasis of Matter

1. Expenditure

1.1 Tegemeo Expenditure Not Processed Through Sage Accounting System

The statement of financial performance reports a total expenditure of Kshs.6,145,535,800 which includes Tegemeo Institute expenditure of Kshs.181,266,557 as at 30 June 2018 as disclosed in note 32 to the financial statements which were processed outside the university's approved financial information system in total breach of the Public Financial Management Act, 2012 provisions and reflected in the financial statements based on reports instead of official books of account.

As a result of failure by Tegemeo Institute to maintain proper books of account it was not possible to confirm the accuracy and completeness of the expenditure of Kshs.6,145,535,800 during the year under review.

2. Investments

2.1 Long Outstanding Egerton University Investment Company Limited Loan

The statement of financial position reports Investments of Kshs.150,477,691 which includes Kshs.149,918,907 loan advanced by Egerton University to Egerton University Investment Company Limited (EUICO) as disclosed in note 30 to the statements which has remained

unpaid to date with no formal payment plan agreement. Therefore the full recoverability of this loan amount may be in doubt in the absence of a formal agreement being made.

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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

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. Non- Current Assets

1.1 Land Without Title Documents

The statement of financial position reports property, plant and equipment of Kshs.5,093,798,809 as at 30 June 2018 that includes various parcels of land valued at Kshs.965,594,800 owned by the university. However, included in Kshs.965,594,800 are parcels of land amounting to Kshs.520,624,800 which are not supported by title deeds.

Further, it was also noted that Mpeketoni land is not included in the list of parcels of land owned by the university and its valuation is totally omitted from the books of account or the asset register. Therefore, the ownership and valuation of property, plant and equipment valued at Kshs.5,093,798,809 could not be ascertained.

1.2 Work In Progress Not Supported.

The statements of financial position reports property, plant and equipment of Kshs.5,093,798,809 which includes works in progress amount of Kshs.1,700,634,419 as at 30 June 2018. Included in Kshs.1,700,634,419 are additions of Kshs.453,733,399 made during the year under review which are only supported by certificates of work done of Kshs.66,331,421 leaving a balance of Kshs.387,401,798 without being backed by any certificate of work done.

It was therefore not possible to confirm the propriety of the expenditure incurred on works in progress during the year and the accuracy and completeness of the balances reported in the financial statements.

2. Revenue from Non-Exchange Transactions

2.1 Recurrent Capitation Grant Not Supported by Student Population Data

The statement of financial performance reports revenue from non - exchange transactions of Kshs.3,736,618,077 as at 30 June 2018 which includes recurrent expenditure capitation grant of Kshs.3,182,186,700 that is not supported by information on the total number of government sponsored students, courses undertaken and amount allocated to each in every financial year.

In the absence of these records being maintained by the University, it is unclear on what basis its revenue and expenditure budgets are made as the dissemination of knowledge to students is the main core business and this may in the long run negatively affect the sustainability of its services due to lack of reliable information to bargain for enhanced capitation.

3. Non-Current Assets

3.1 Irregular Award of Modern Library Works Tender to Vaghjiyani Enterprises Ltd

The University through an Open Tender No, EU/ONT-33/2016-2107 dated 4th April 2016 invited bidders for the construction of proposed modern Library at Egerton University Njoro Campus. Fourteen bidders submitted their tenders for the works and the tender opened on 5th June 2017 whereupon all the 13 bidders were eliminated at the technical evaluation stage with an exception Vaghjiyani Enterprises Ltd who was responsive and subsequently invited to financial tender opening.

However, all the prices quoted by all bidders were not read and recorded in the tender register in accordance with section 78(6) of the Public Procurement and Asset Disposal Act 2015 thereby defeating the objective of competition under national open tender procurement method. The tender was eventually awarded to Vaghjiyani Enterprises Ltd at a contract sum of Kshs.2,129,001,805 against a budget provision of Kshs.17,000,000 thereby overcommitting the university resources to unplanned procurement activities.

Further, no financial evaluation or due diligence was carried out on the vendor in accordance with the tender documents evaluation criteria to assess their suitability and financial ability to undertake the works and this poses a threat to the quality of works being carried out in the project.

In addition, the works on the project were commenced without obtaining the approved architectural and structural drawings from Nakuru County Government and this may negatively affect the project scope thereby escalate the project costs due to lack of proper specifications.

In the circumstances it was not possible to confirm the propriety of the expenditure and if public funds were properly charged.

3.2 Awards of Contract to Circuit Business Systems (K) Ltd without Budgetary Allocation

Egerton University Awarded Circuit Business Systems (K) Ltd the contract for the supply, installation and commissioning of ICT Infrastructure, computers, laptops and media transmission equipment at a cost of Kshs.105,215,476 on 27 April 2017 through open tender No.EU-ONT-26-2016-2017 without adequate budgetary provision or professional opinion from the head of procurement.

Further, the contract expired on 19th June 2017 and was subsequently renewed for additional period of eighteen weeks with effect from 13th July 2017 to 30th November 2017 upon the advice of the Deputy Chief Procurement Officer. However, no evidence was provided to indicate the current performance status of the contract upon its expiry on 30th November 2017, consequently, the validity of the contract signed could not be confirmed.

3.3 Award of Contract to Technology Associates East Africa Ltd without Approved Budget

Egerton University contracted Technology Associates East Africa Ltd, for the supply, delivery, installation and commissioning of ICT Infrastructure, Computers, Laptops and Media Transmission Equipment at a cost of Kshs.93,652,472 on 4 May 2017 against a budget provision of Kshs.7,260,708.90 in total breach of the Public Procurement and Disposal Act Provisions.

Further, the contract was awarded without a professional opinion from the head of procurement contrary to the Public Procurement and Asset Disposal Act 2015, provisions and therefore it was not clear what factors the Accounting Officer considered in arriving at the award decision.

In addition, the contract had not been executed by June 2018 and no status report was availed for audit scrutiny to confirm the current performance state, therefore the validity of the contract signed could not be confirmed.

3.4 Irregular Procurement of Security Control Checkpoint and Associated Buildings (Gate)

Egerton University contracted M/s. Cell Arc Systems to undertake the construction of security control check point and associated buildings (Gate) at a cost of Kshs.65,789,948.75 through open Tender No. EU/ONT/02/2016-2017 as advertised in the Standard Newspaper of 21/7/2016. However, it was noted that they were finally awarded the contract by the Accounting Officer even though the performance security bond presented by them and issued by Equity Bank of Kshs.6,578,995 was fraudulent and warranted their disqualification as was recommend by the university legal officer.

Therefore, the validity of the contract signed between the university and Cell Arc Systems could not be confirmed.

4 Revenue from Exchange Transactions

4.1 Tuition Fees Reversals without Approval and Documentation

The statement of financial performance reports revenue from exchange transactions of Kshs.1,474,080,883 as at 30 June 2018 which includes Kshs.1,331,483,613 from tuition and other related fees as disclosed in note 11 to the financial statements. However, included in the amount of Kshs.1,331,483,613 are tuition and other related fees of Kshs.876, 245,721.80 that were reserved in the books of account during the year under review without supporting approvals or accounting documentation explaining their nature or details with the overall effect of reducing total revenue for the financial year by the same amount.

In the event that the revenue collection system design and controls are not evaluated to address the process of making reversals and documentation including segregation of duties and approval levels the university may be exposed to cases of internal fraud or manipulation of financial records by staff.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Internal Control Weaknesses

1.1 Lack of an Offsite Data Recovery Centre

The University did not have an offsite data recovery center either within the university location or with an offsite vendor to enable it obtain critical data from its back up store in the event of a disaster occurring in compliance with the Disaster Recovery Policy. This situation if allowed to continue may impact negatively on the University's ability to resume normal operations in the event of a disaster happening.

1.2 Lack of Information Technology Systems Interface

The Management Information Systems used by the university namely Academic Records Management Systems (ARMS), Student Records Maintenance System (SRMS), Sage Accpac Accounting System and the Human Resource Management system were not integrated or interfaced with each other to facilitate a common shared data base to facilitate easy access to information and better service delivery in executing the university mandate.

In addition, the technical support for Student Records Maintenance System (SRMS) usage and maintenance was obtained directly from the software developer without any formal service level agreement or patent ownership rights. This state of affairs exposes the university to disruption of operations in the event the developer discontinues services or locks the system due to business disagreements.

Further, the Sage Accpac Accounting System used in processing financial information and statements is unable to produce final financial statements exposing them to errors of misstatements and omissions as a results of inadequate controls.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the university or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant

legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

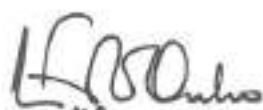
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for

one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the university's ability 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 Egerton University to cease 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 Egerton 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

14 March 2019

**REPORT OF THE INDEPENDENT AUDITORS ON EGERTON
UNIVERSITY**


STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Particulars	Notes	2017-2018 Kshs.	2016-2017 Kshs.
<u>Revenue from Non-Exchange Transactions</u>			
GoK Recurrent Capitation Grant	6 (a)	3,182,186,700	2,768,255,899
Research & Extension Income	7	296,256,525	347,537,665
Other Revenue from Non-Exchange Transactions	8	228,250	8,475,093
CESAAM ACE 2 Income	9	50,523,573	946,795
MCF TAGDEV Income	10	29,304,177	14,432,913
Tegemeo Income for the period	32	178,118,852	255,615,106
Total Revenue from Non-Exchange Transactions		3,736,618,077	3,395,263,471
<u>Revenue from Exchange Transactions</u>			
Tuition and Related Fees	11	1,331,483,613	1,409,916,035
Other Services Rendered	12	142,597,270	151,384,933
Interest Income	13	-	11,598,505
		1,474,080,883	1,572,899,474
Total Revenue		5,210,698,960	4,968,162,945
<u>Expenditure</u>			
Staff Costs	14	4,030,809,278	3,113,899,648
Council Expenses	15	21,300,240	20,520,297
Administrative and Central Services	16	819,692,215	846,678,113
Repairs and Maintenance Expenses	17	53,703,372	98,524,368
Academic Departments Expenses	18	476,403,836	523,496,868
Research & Extension Expenses	19	269,589,094	335,795,326
Expenses-IGU Inputs	20	74,578,119	84,894,926
Depreciation Expenses	21	138,365,338	150,880,491
CESAAM ACE 2 Expenses	22	50,523,573	946,795
MCF TAGDEV Expenses	23	29,304,177	14,432,913
Tegemeo Expenses for the period	32	181,266,557	250,365,674
		6,145,535,800	5,440,435,419
<u>Other Gains/(Losses)</u>			
Gain on Revaluation Investment-Shares		283,327	47,221
(Decrease)/increase in Provision for bad debts		(1,075,151)	782,382
Gain on Foreign Exchange		15,007,800	8,765,036
Gain/(Loss) on biological Assets		(7,447,372)	13,839,777
	24	6,768,605	23,434,416
Deficit for the Period		(928,068,236)	(448,838,058)
<u>Attributable to:</u>			
Owners of the controlling entity		(928,068,236)	(448,838,058)

The notes set out on pages 44 to 86 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

Particulars	Notes	2017-2018 Kshs.	2016-2017 Kshs.
ASSETS			
Current Assets			
Cash in Bank and in Hand	25 (a)	668,561,435	493,975,116
Contingent Deposit	25 (b)	50,000,000	50,000,000
Receivables from Exchange Transactions	26 (a)	930,028,201	1,002,975,178
Receivables from Non-Exchange Transactions	26 (c)	-	50,820
Inventories	27	43,358,960	41,946,407
Agricultural Assets	28	28,093,375	35,540,747
		1,720,241,970	1,724,488,268
Non Current Assets			
Property, Plant & Equipment	29 (a)	5,093,798,809	4,761,713,274
Investments	30	150,477,691	273,457
		5,244,276,501	4,761,988,731
Total Assets		6,964,518,471	6,486,476,999
LIABILITIES			
Current Liabilities			
Negative Cash Balances	25 (e)	599,749,161	241,780,776
Trade and Other Payables	31 (a)	1,482,277,741	857,173,580
Provisions and Accruals	31 (b)	617,064,711	370,497,123
Deferred Income	31 (c)	423,084,837	343,765,065
		3,122,196,450	1,813,216,546
Total Liabilities		3,122,196,450	1,813,216,546
Net Assets		3,842,322,021	4,673,260,453
General fund		4,310,588,326	4,022,431,074
Accumulated Surplus(Deficit)		(468,266,306)	650,829,379
Total Capital and Liabilities		3,842,322,021	4,673,260,453

 Prof. Rose A. Mwangi, PhD Vice Chancellor	 CPA Miriam N. Nginga Ag. Finance Officer ICPAK Member No. 7505 Mr. Joshua N. Otieno Chairman, University Council
Date:	Date:	Date:

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

Particulars	Note	Capital Reserves	Revenue Reserves	Total
		Kshs.	Kshs.	Kshs.
At July 1, 2016		3,876,767,538	1,053,163,907	4,929,931,445
Capital Grants	6(b)	145,663,536		145,663,536
Prior year Adjustments			46,503,530	46,503,530
Deficit from operations			(448,838,058)	(448,838,058)
At June 30, 2017		4,022,431,074	650,829,379	4,673,260,453
At July 1, 2017		4,022,431,074	650,829,379	4,673,260,453
Capital Grants	6 (b)	288,157,252		288,157,252
R&E Reserves Transferred to Deferred Income			* (191,027,449)	(191,027,449)
Deficit from operations			(928,068,236)	(928,068,236)
At June 30, 2018		4,310,588,326	(468,266,306)	3,842,322,021

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

Particulars	Notes	2017-2018 Kshs.	2016-2017 Kshs.
Operating Activities			
Deficit for the year		(928,068,236)	(448,838,058)
Adjustments for			
Depreciation	21	138,365,338	150,880,491
Adjustments in Reserves for prior years items			46,503,530
Movement in Provisions for the year	31 (b)	246,587,588	87,051,328
Movement in Deferred Income for the year	31 (c)	79,319,772	149,866,303
(Gain)/Loss on Revaluation of Shares	24	(283,327)	(47,221)
Investment Income	13	-	(11,598,506)
Interest Expense	16	14,655,411	16,563,851
		(449,423,454)	(9,618,282)
Changes in Working Capital			
(Increase)/Decrease in Biological Assets	28	7,447,372	(13,839,777)
(Increase)/Decrease in Receivables	26 (a)	72,997,797	53,527,395
(Increase)/Decrease in Inventories	27	(1,612,552)	25,157,487
Increase/(Decrease) in Payables	31 (a)	625,104,161	80,947,188
		703,936,777	145,792,293
Cash Generated from Operations		254,513,324	136,174,011
Investing Activities			
Interest/Bank Charges Paid	16	(14,655,411)	(16,563,851)
Purchase of Property, Plant and Equipment	21(n)	(470,450,874)	(248,655,500)
Loan to E.U Investment Company	30	(149,918,907)	-
R & E Reserves Transferred to Deferred Income		(191,027,449)	-
Interest earned from Investments	16	-	11,598,506
		(826,052,640)	(253,620,845)
Financing Activities			
GoK Capital Grants	6 (b)	288,157,252	145,663,536
Net Cash from Financing Activities		288,157,252	145,663,536
Net Increase/(Decrease) in Cash and Cash Equivalents		(283,382,064)	28,216,702
Cash and Cash Equivalents at the start of the period		402,194,337	373,977,635
Cash and Cash Equivalents at the Close of the period	25 (a)	118,812,274	402,194,337

"Transforming Lives Through Quality Education"

Egerton University is ISO 9001:2008 Certified

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

Particulars	Note	Original Budget	Adjustments	Final Budget	Budget	Actual on	Performance
		2017/2018 Kshs.	2017/2018 Kshs.	2017/2018 Kshs.	Cumulative to date 2017/2018 Kshs.	Comparable basis 2017/2018 Kshs.	Difference 2017/2018 Kshs.
Revenue from Non-Exchange Transactions							
GoK Recurrent Capital Grant	6(b)	2,100,552,093	1,081,634,607	3,182,186,700	3,182,186,700	3,182,186,700	-
Research & Extension Income-Main campus	7	270,143,449	-	270,143,449	270,143,449	296,258,525	26,113,076
Other Revenue from Non-Exchange Transactions						228,250	228,250
CESAAM ACE 2	8	89,000,000	-	89,000,000	89,000,000.00	59,523,573	(38,476,427)
MCF TAGDEV	9	23,745,751	-	23,745,751	23,745,751.00	29,304,177	5,558,426
Tegemeo Income	32	385,884,672	-	385,884,672	385,884,672.00	178,118,852	(207,765,820)
Total Revenue from Non-Exchange Transactions		2,869,325,965	1,081,634,607	3,950,960,571	3,950,960,571	3,736,618,077	(214,342,494)
Revenue from Exchange Transactions							
Tuition and Related Fees	11	2,366,922,095	-	2,366,922,095	2,366,922,095	1,331,483,613	(1,035,438,482)
Other Services Rendered	12	246,244,270	-	246,244,270	246,244,270	142,597,270	(103,647,000)
		2,613,166,365	-	2,613,166,365	2,613,166,365	1,474,080,883	(1,139,085,482)
Total Revenue		5,482,492,329	1,081,634,607	6,564,126,936	6,564,126,937	5,210,698,960	(1,353,427,976)
Expenditure							
Staff Costs	14	3,136,061,373	1,122,966,191	4,258,991,564	4,258,991,564	4,030,809,278	228,182,286
Council Expenses	15	15,000,000	5,817,569	20,817,569	20,817,568.50	21,300,240	482,672
Administrative and Central Services	16	707,928,000	90,481,934	804,436,934	804,436,933.74	819,092,215	15,275,281
Repairs and Maintenance Expenses	17	51,750,000	5,041,308	56,791,308	56,791,308.32	53,703,372	(3,087,936)
Academic Departments Expenses	18	500,934,008	(147,008,009)	353,924,999	353,924,999.30	476,403,356	122,478,357
Research & Extension Expenses	19	239,243,451	-	239,243,451	239,243,451	269,389,094	30,145,643
Expenses-IGU Inputs	20	45,500,000	1,041,255	46,541,255	46,541,255	74,578,119	28,036,864
Depreciation Expenses	21	6,300,000	(6,293,910)	6,090	6,090	138,365,338	138,359,248
CESAAM ACE 2 Expenses	22	89,000,000	-	89,000,000	89,000,000	59,523,573	(38,476,427)
MCF TAGDEV Expenses	23	23,745,751	-	23,745,751	23,745,751	29,304,177	5,558,426
Tegemeo Expenses	32	385,884,672	-	385,884,672	385,884,672	181,266,557	(204,618,115)
Total Expenditure		5,221,370,255	1,078,013,238	6,299,383,593	6,299,383,593	6,145,535,800	302,516,778
Other gains/(Losses)							
Other gains/(Losses)		-	-	-	-	6,768,605	6,768,605
		-	-	-	-	6,768,605	6,768,605
Surplus/(Deficit) from Recurrent Budget		261,122,074	3,621,270	264,743,344	264,743,345	(928,063,236)	(1,663,176,152)
GoK Development Grant	6(b)	337,123,690	-	337,123,690	252,842,788	288,157,252	35,314,465
Capital Expenditure	29(a)	398,245,766	3,621,269	601,867,035	451,400,276	471,450,874	19,050,597
Deficit for the Period		(2)	0	(2)	66,185,876	(1,110,561,857)	(1,632,912,264)

Notes on the Budget

- The differences between actual and budgeted amounts are within reasonable limits
- The differences between the original and the revised budget were due to reallocations within the same total budget.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Egerton University is established by and derives its authority and accountability from Universities Act No 42 of 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activities are outlined on page 3.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. 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 University's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

The Annual Report and Financial Statements for period ended 30th June 2017 and 2018 for Centre of Excellence in Sustainable Agriculture and Agribusiness Management (CESAAM) have been presented separately for audit purpose. However, the same have been consolidated in these Financial Statements.

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. <i>The University operates a defined contribution scheme for its employees.</i>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations. <i>The University does not have any business combinations arising from non-exchange transactions and therefore the standard does not apply.</i>

iii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue from Non-Exchange Transactions

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 University 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 University and can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue Recognition

ii) Revenue from Exchange Transactions

Rendering of Services & Fees

The University recognizes revenues from fees when the event occurs and the asset recognition criteria are met.

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

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

Sale of Goods

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

Interest Income

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget Information

The original budget for FY 2017-2018 was approved by the National Assembly on 24th May 2017. 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 University upon receiving the respective approvals in order to conclude the final budget. Accordingly, the University recorded additional appropriations of Kshs 348,095,280 on the 2017-2018 budget following the University's Council approval.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the University. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or University differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes

The University is tax exempt as per the Income Tax Act, 2014.

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 University 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.

Land is not depreciated as it is deemed to have an infinite life. Depreciation on other property is charged so as to write off the assets during their estimated useful life, using the straight-line method. Assets acquired during the year attract full depreciation charge.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, Plant and Equipment (Continued)

The annual rates used are: -

Buildings	-	2.5%
Machinery & equipment	-	20%
Furniture & fittings	-	12.5%
Dairy equipment / plant / tractors	-	10%
Motor vehicles	-	25%
Library books	-	20%
Computers and Appliances	-	33.3%

e) 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.

f) Research and Development Costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Research and Development Costs (Continued)

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

g) Financial Instruments

Financial Assets

Initial Recognition and Measurement

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

Loans and Receivables

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

Held-to-Maturity

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

the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Financial Instruments (Continued)

Impairment of Financial Assets

The University assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a University 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 University of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

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

Financial Liabilities

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 determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

h) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Inventories (Continued)

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

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

i) Agricultural Assets

Agricultural activity is the management by the University of the biological transformation and harvest of biological assets. Biological Asset is a living animal or plant. There are three groups of agricultural assets: -

Agricultural Produce: Is the harvested product of the University's biological assets.

Bearer Biological Assets: Are those that are used repeatedly or continuously for more than one year in an agricultural activity e.g. breeding stocks (including fish and poultry), dairy animals, and sheep

Consumable Biological Assets: Are those that are held for harvest as agricultural produce such as animals and plants for one-time use e.g. beef animals, fish in farms, crops such as maize and wheat.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Agricultural Assets (Continued)

Biological assets are measured on initial recognition and at each reporting date at its value less costs to sell except where fair value cannot be measured reliably. In such case the biological asset shall be measured at cost less any accumulated depreciation and any impairment loss as per IPSAS 27.

j) Provisions

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

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

Contingent Liabilities

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

Contingent Assets

The University 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 University 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Provisions (Continued)

Provision for bad debts

A general provision for bad and doubtful debts is provided for at the year-end at 1% of outstanding general and student debtors.

k) Nature and Description of Capital Reserves

The University has a capital reserve which represents the government's interest in the net assets/equity of the university and is a combination of contributed capital by the government and the aggregate of the University's accumulated surpluses or deficits and reserves that reflect the net assets/equity attributable to the University's operations.

l) Changes in Accounting Policies and Estimates

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

m) Employee Benefits

Retirement Benefit Plans

The University provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which the University pays fixed contributions into a separate trustee administered 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 the fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Employee Benefits (Continued)

The University also contributes to the National Social Security Fund (NSSF) for staff in grade I to IV. The University's obligations under this scheme are limited to specific contributions legislated from time to time, and are currently limited to a maximum of KSh 200 per employee per month while the employer contributes a similar per month. The University's obligation to staff retirement benefit schemes are charged to the statement of the financial performance in the year to which they relate.

n) Foreign Currency Transactions

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

o) Related Parties

The University regards a related party as a person or an University with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. Members of key management are regarded as related parties and comprise the council members and senior managers.

p) Service Concession Arrangements

The University analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the University recognizes that asset

when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Service Concession Arrangements (Continued)

Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the University also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) Cash and Cash Equivalents

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

r) Comparative Figures

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

s) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the University'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. The University 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 University. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful Lives and Residual Values

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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 27.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

“Transforming Lives Through Quality Education”

Egerton University is ISO 9001:2008 Certified

Note 6 (a) Income - GoK Recurrent Capitation Grants

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
<u>GoK Capitation Grants</u>		
July	901,787,132	234,937,992
August	175,046,008	234,937,992
September	175,046,008	234,937,992
October	175,046,008	234,937,992
November	175,046,008	234,937,992
December	352,492,746	234,937,992
January	204,620,465	214,647,749
February	204,620,465	234,937,992
March	204,620,465	234,937,992
April	204,620,465	234,937,992
May	204,620,465	234,937,992
June	204,620,465	214,647,700
Total GoK Recurrent Grants	3,182,186,698	2,768,255,899

Note 6 (b) Income-GoK Development Grants

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
September	-	19,438,545
October	84,280,922	-
December	-	19,438,545
March	-	32,176,646
April	-	18,948,732
May	-	23,727,235
June	203,876,330	31,933,833
Total GoK Development Grants	288,157,252	145,663,536

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 6 (c) Transfers from the Ministry of Education				
Bank Statement Date	Amount recognized to Statement of Comprehensive Income	Amount recognised in the Reserves	2016-2017	2017-2018
	KShs	KShs	KShs	KShs
3-Jul-17	347,018,887.35			347,018,887.35
11-Jul-17		31,933,833.00	31,933,833.00	
24-Jul-17	379,722,238.00			379,722,238.00
21-Aug-17	175,046,008.00			175,046,008.00
08-Sep-17	175,046,008.00			175,046,008.00
14-Oct-17	175,046,007.00			175,046,007.00
30-Nov-17	175,046,008.00			175,046,008.00
30-Nov-17		84,280,922.00		84,280,922.00
1-Dec-17	147,872,283.00			147,872,283.00
01-Dec-17	175,046,008.00			175,046,008.00
02-Jan-18	29,574,457.00			29,574,457.00
02-Jan-18	175,046,007.00			175,046,007.00
23-Feb-18	175,046,008.00			175,046,008.00
23-Feb-18	29,574,457.00			29,574,457.00
13-Mar-18	175,046,008.00			175,046,008.00
13-Mar-18	29,574,457.00			29,574,457.00
09-Apr-18	29,574,457.00			29,574,457.00
09-Apr-18	175,046,007.00			175,046,007.00
03-May-18	175,046,008.00			175,046,008.00
07-Jun-18	29,574,457.00			29,574,457.00
11-Jun-18	175,046,008.00			175,046,008.00
19-Jun-18	29,574,457.00			29,574,457.00
20-Jun-18		203,876,330.00		203,876,330.00
28-Jun-18	175,046,008.00			175,046,008.00
28-Jun-18	29,574,457.00			29,574,457.00
Total	3,182,186,700.35	320,091,085.00	31,933,833.00	3,470,343,952.35

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 7 : -Research & Extension Income		
Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
AICAD-RE02-Income	606,379	354,038
DAAD/EBR-RE05-Income	15,822,963	17,120,236
Department of Defence-RE06-Income	75,945,203	73,826,600
Dryland Farming-RE07-Income	788,011	3,919,179
Economics Department-RE08-Income	230,121	802,433
Fingerponds-RE10-Income	6,127,015	-
Gift Shop-RE11-Income	884,800	1,845,370
Global Fund for TB-RE12-Income	40,418	-
Globalite-RE13-Income	1,461,421	1,453,698
Greenhouses-RE14-Income	2,065,274	5,516,265
KAPP GRANTS-RE18-Income	19,990,589	5,260,405
Natural Resources-RE20-Income	35,416	-
NORAGIC-RE21-Income	3,015,255	13,551,875
OSSREA Young Scholars-RE22-Income	8,123,296	1,407,550
PRA-RE23-Income	1,222,978	50,070
Research & Extension-RE25-Income	10,150,442	7,296,080
ROSA Project-RE27-Income	5,170,248	-
TAMOU 01C-RE29-Income	7,805,103	11,905,593
Training-RE33-Income	1,213,323	1,891,440
Vertical Management-RE34-Income	1,465,967	607,791
OSSREA Post-Doctoral-RE37-Income	134,022	610,486
ECOLIVE Project-RE40-Income	1,747,791	1,454,859
Wetland Ecosystem-RE41-Income	3,312,894	1,484,340
Limnology-RE42-Income	8,994,112	10,643,917
ECO-HELB-RE43-Income	1,391,459	6,791,674
Global Fund-RE44-Income	8,842,364	21,201,325
Confucious Institute-RE45-Income	16,944,800	17,720,895
DOLLAR Account-RE46-Income	17,246,497	18,108,772
EURO Account-RE47-Income	65,517,304	122,712,775
AERC Account-RE50-Income	455,561	-
AGEC dollar Account-RE51-Income	9,102,139	-
AERC 2 Project - RE52-Income	403,365	-
	296,256,525	347,537,665
Note 8 : - Other Non-Exchange Income		
Mau Egerton Cross Country Income-MAIN	178,250	2,782,520
Mau Egerton Cross Country Income Noncash Sponsors	-	322,600
Income-Other Incomes- Advertising Income - Main	50,000	-
Partners Rec. Grants -Overheads Grants(Tegemeo)	-	5,369,973
	228,250	8,475,093

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 9 : - CESAAM ACE 2		
INCOME-R&E-CESAAM ACE 2	50,523,573	946,795
	50,523,573	946,795
Note 10 : - MCF TAGDEV		
Income - R&E MCF TAGDEV	29,304,177	14,432,913
	29,304,177	14,432,913
Total Non-Exchange Income	376,312,525	371,392,467

Note 11 : - Income-Tuition and Related Fees

Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
Application Fee	4,754,909	9,598,827
Registration Fee	25,776,900	27,864,660
Student I/D	3,019,400	3,343,350
Activity Fees	20,919,460	22,365,600
Student medical fee	36,622,500	37,872,500
Examination Fee	69,303,900	70,912,100
Material Development	73,973,700	78,967,000
Graduation Fees	21,622,320	22,107,450
Library Fee	38,760,600	47,385,200
Tuition Fee	918,675,253	987,902,992
Tuition Fees- Bridging Cours	-	5,494,950
Student Supervision Fee	15,285,000	8,065,400
Field Attachment fee	33,521,850	35,659,100
Student Laboratory fee	22,017,500	24,419,060
Academic Trascripts	71,300	59,400
Certificate Storage Charges	465,900	239,900
Student Damages Charges	-	5,587,988
Library Fine	544,358	237,748
Test & Vaccination- NICC	805,000	1,120,000
Gowns Hire & Penalties	333,750	324,580
Credit Transfers	-	2,362,140
Remarking & Retake	37,415,406	10,041,880
Short Courses	7,594,607	7,984,210
	1,331,483,613	1,409,916,035

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 12 : - Income-Other Services Rendered		
Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
Accommodation Fees-Halls	74,146,619	75,881,391
Alumni Membership Fees	-	6,600
Ambulance Fee	-	5,630
Bed Charges	14,075	44,442
Clinical Charges-medical	1,140,956	4,041,781
Consultancy Fees	2,980,000	-
Consultation Fees	189,920	47,565
Dental Fees	245,300	273,370
Drugs	11,502,477	2,816,480
Miscellaneous Income	-	2,560,730
Hire of Conference Facilities	-	74,945
Hire Of Furniture	17,350	16,900
House Rent	8,252,575	12,007,503
Income from Animal Health dept	-	628,850
Income from UNISA	-	80,142
Lab Test	2,384,880	2,718,034
Meals-catering	10,626,993	18,534,949
Photocopying Charges	59,060	12,450
Sale Of Birds	209,590	74,730
Sale of Cattle	436,500	23,500
Sale of Commercial Goods	28,500	-
Sale of Dairy Products	1,480,980	6,801,923
Sale Of Eggs	216,974	251,980
Sale of Firewood	6,000	11,000
Sale Of Goats	159,800	11,000
Sale of Horticultures	209,055	104,570
Sale of Maize	182,400	80,000
Sale Of Milk & Dairy Products	5,279,947	2,474,492
Sale Of Pigs	607,475	164,700
Sale of Pork	142,420	-
Sale Of Rabbits	5,400	22,500
Sale Of Sheep	91,800	13,000
Sale of Stationery	125,339	155,006
Sale of Text Books	56,380	67,599
Sale of Wheat	2,008,505	-
Tailoring Income	480,053	1,022,977
Tendering Charges	160,000	124,000
Income from OUTZ-IGU	1,164,175	1,909,053
Electronic Studio Income-NTCC	-	2,000
Collaborative Colleges Income(AICO & KIPC)	-	69,600
Mortuary Income - IGU	3,381,100	3,460,900
Visiting Group Levy- Main	2,025,050	3,278,800
Ward Charges-IGU	1,412,589	1,038,544
Maternity Fee-IGU	5,500	-
Insurance Payroll deduction Commission	2,709,972	2,620,308
Insurance Refunds/Rebates	60,956	502,046
Visitors Accommodation Charges	654,980	517,240
Electricity Charges	214,310	357,745

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Key-cutting Charges	600	2,550
Manpower Development Income	1,784,153	4,980,545
Sale of Tree Seedlings	160,330	22,790
Income from Games	6,300	-
Hire of Laboratory facilities	-	267,000
Salary Refunds/lieu of notice	5,210,833	1,201,074
Sale of beans	359,100	-
	142,597,270	151,384,933

Note 13 : - Interest Income

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Interest Income Fixed Deposits		
July	-	3,912,189
August	-	670
December	-	6,666
January	-	7,685,647
		11,598,506

Note 14 : - Staff Costs

Note 14 (a) : - Key Management Personnel Remuneration

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Basic Salary	21,790,152	23,294,540
House Allowance	3,663,684	3,822,516
Duty Allowance	2,284,000	2,029,645
Medical Allowance	312,000	274,469
Entertainment All	1,176,000	1,065,290
Professorial Allowance	300,000	430,000
Responsibility Allowance	2,676,000	2,422,290
Phone Allowance	564,000	666,161
Call Allowance	270,000	-
Book Journal/ICT Allowance	10,500	10,500
Domestic Servant Allowance	2,340,000	2,443,226
Home Water And Electricity Allowance	636,000	662,839
Non User Car Allowance	960,000	1,001,290
Medical Extraneous Allowance	450,000	-
Leave Allowance	97,692	109,052
Non Practice Allowance	495,000	-
SSP Allowance	-	2,384,385
Pension Employer Contribution	4,358,030	4,658,908
	42,383,059	45,275,111

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 14 (b) : - Staff Personnel Remuneration

Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
Basic Salary	2,275,318,348	1,382,100,999
House Allowance	842,879,997	749,052,747
Duty/Risk/Extraneous Allowance	15,208,418	64,625,531
Commuter Allowance	221,503,935	225,855,863
Medical Allowance	83,567,743	84,635,757
Hardship Allowance	2,927,870	2,547,450
Remunerative Allowance	36,957,424	34,835,416
Basic Salary Arrears	30,225,998	-
Examination Allowance	1,311,609	1,073,017
Non Practice Allowance	20,238,075	21,973,645
Entertainment Allowance	1,401,935	1,515,129
Acting Allowance	1,698,005	1,557,256
Professorial Allowance	6,827,441	6,794,247
Responsibility Allowance	3,271,403	3,526,161
Manpower/Staff Education	107,641	133,647
Leave Allowance	23,113,961	23,701,933
Special Duty Allowance	693,676	413,758
Uniform Allowance	230,000	366,779
Ambulance Allowance	72,000	68,761
Phone Allowance	1,675,772	1,684,077
Call Allowance	15,144,806	16,408,258
SSP Allowance	146,131	60,067,089
Book Journal/ICT Allowance	7,935,000	8,265,000
NSSF-Employer Contribution	1,774,600	3,102,611
Pension-Employer Contribution	245,752,380	222,150,537
Overtime Amount	2,050,004	-
Gratuities	54,800,631	85,118,141
Home Water & Electricity	600,000	606,710
Domestic Servant	-	25,806
Non use of Car	-	10,323
Top-Up Allowance	948,528	948,528
Assistants Allowance	360,000	360,000
Medical Extraneous Allowance -Main	37,478,403	-
Medical Risk Allowance -Main	9,944,865	-
Veterinary Risk Allowance -Main	877,333	-
Night Travel -Library staff	315,000	-
Pay in lieu of leave days	1,893,571	-
Passage and Baggage	387,060	1,082,160
Staff Training Expenses	3,765,372	8,648,181
Graduate Scholarships	2,278,800	6,087,500
Staff Education Fund Expenses	124,680	8,252,610
Staff Fees Waiver	17,247,500	19,634,900
Staff Uniforms	1,663,967	4,733,380
NITA Charges	1,258,500	1,184,800
Casual Labor Expenses	12,447,734	15,475,830
	3,988,426,219	3,068,624,537
Total Staff Costs	4,030,809,278	3,113,899,648

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 15 : - Council Expenses		
Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Sitting Allowances	18,559,100	18,782,267
Mileage/Travel	113,575	171,050
Meals	-	364,980
Accommodation	-	1,202,000
Training Expense	383,565	-
Chancellors Honorarium	1,200,000	-
Chairman's Honorarium	960,000	-
Chairman's Phone Allowance	84,000	-
	21,300,240	20,520,297

Note 16 : - Administration and Central Services Expenses		
Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Office Stationery -Main	21,845,221	25,083,401
Advertising -Main	2,933,647	11,946,680
Postage And Telephone -Main	7,496,981	8,073,847
Electricity & Water -Main	105,466,532	117,808,940
Official Entertainment -Main	770,546	529,732
Contracted Security Services -Main	55,481,095	39,089,236
General Insurances - Properties -Ma	77,191,301	59,149,201
Legal Charges -Main	2,834,624	5,917,710
Strategic Initiative-ISO 22000/9001	4,250,362	4,373,495
Computer Stationery -Main	1,416,281	831,400
Audit Fees And Expenses -Main	4,298,000	2,436,000
Rent And Rates -Main	131,010,583	115,658,098
Conference And Seminars -Main	8,028,220	17,597,040
Staff Subscription to Professional	1,903,953	810,502
University Subscription to Other Bo	2,258,766	13,509,844
News Papers, Journals & Videos -Mai	3,353,590	3,815,310
Shows & Exhibitions Expenses -Main	3,675,948	8,415,480
Internet Services -Main	53,993,243	51,537,683
Office Running Expenses -Main	9,849,162	13,637,290
Students Union Expenses-Main	3,685,710	5,081,651
Computer Maintenance -Main	4,695,702	13,202,153
Bank Charges , Interest & Comm.-Main	14,655,411	16,563,851

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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Other Board Comm. - Jab, Fac., Dept	7,645,017	9,028,844
Cleaning And Sanitary Services -Mai	71,216,170	58,914,345
Strategic Initiative General Main	2,737,594	5,007,269
Fuel & Gas Main	337,500	391,247
Publicity -Main	8,643,169	25,306,915
Open Days Expenses -Main	1,354,795	-
Awards & Prizes-Mau Egerton Cross Country	138,620	679,000
Noncash expense-Mau Egerton Cross Country	-	322,600
Other expenses-Mau Egerton Cross Country	1,176,815	3,501,757
Taxes	118,998	722,560
Performance Contract Service Delivery	653,230	2,959,823
Grade I-IV Retirement Benefit Scheme	15,215,107	5,998,851
Asset Tagging & Valuation Expenses	6,500,000	-
Environmental Impact Assessment	81,200	236,817
Disability Mainstreaming	959,550	379,515
Program Self Assessments	309,970	1,250,600
World Ploughing Contest	595,278	582,594
World Environmental Celebration	980,004	44,725
Admin & Central- Students Medical Expense	9,311,093	-
Travelling And Subs. Staff	65,959,662	71,401,796
External Travelling	341,970	9,113
Staff Funerals Expenses	2,007,020	2,973,720
Staff Hospitalization Expenses	94,166,734	113,279,480
Staff Sports Welfare -Main	820,220	3,035,965
Team Building Activities -Main	247,450	1,359,603
Medical Supplies	6,780,170	4,222,429
	819,692,215	846,678,113

Note 17: - Repairs and Maintenance Expenses

Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
Equipments	975,432	633,488
Motor Vehicle Repairs	10,891,371	11,991,753
Fencing	-	18,129
Water Supply & Sewerage	6,980,271	5,291,039
Buildings	-	271,250
Maintenance Of Stations	14,671,896	57,445,566
Motor Vehicles - Fuel And Oils	20,184,403	22,873,143
	53,703,372	98,524,368

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 18 : - Academic Departments Expenses		
Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
Teaching Claims (Part Time Lecturers)	373,153,785	395,327,943
Printing And Publishing	131,200	537,873
Teaching Materials	11,873,799	13,894,793
Laboratory Materials	4,350,000	165,132
Graduation Expenses	19,767,411	16,132,833
School Based Expenses		338,310
Students Sports Expenses	1,144,375	3,021,688
Teaching Practice & Attachment	4,371,734	15,225,731
Students Work Study Expenses	2,758,818	12,214,701
Academic Field Trips	15,862,643	16,958,057
Sports (Inter-Universities)	1,876,209	4,237,413
Subsistence & Accommodation -External Examiners	10,965,354	14,506,606
Students Registration Expenses	1,909,065	2,062,320
Students Leadership Development Program Expenses	2,456,470	2,345,088
Post Graduate Practicum	169,395	850,722
Students ID Expenses	198,800	1,278,390
Teaching Services		1,834,030
Curriculum Review	2,358,708	2,315,642
Quality Assurance Audit Academic	1,070,507	1,565,860
E-Learning Expenses	6,931,473	3,432,216
Student Affairs Expenses	6,384,320	2,721,329
Student Attachment	8,669,770	12,530,193
	476,403,836	523,496,868

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 19 : - Research & Extension Expenses

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
AICAD-RE02-Expenses	606,379	815,458
DAAD/EBR-RE05-Expenses	15,822,963	15,819,372
Department of Defence-RE06-Expenses	32,939,536	40,258,530
Dryland Farming-RE07-Expenses	788,011	1,438,749
Economics Department-RE08-Expenses	230,121	425,370
Fingerponds-RE10-Expenses	6,127,015	1,671,775
Gift Shop-RE11-Expenses	1,016,127	1,824,775
Global Fund for TB-RE12-Expenses	40,418	9,030
Globalite-RE13-Expenses	1,461,421	1,040,055
Greenhouses-RE14-Expenses	2,065,274	1,734,465
KAPP GRANTS-RE18-Expenses	19,990,589	15,470,891
Natural Resources-RE20-Expenses	35,416	2,775,542
NORAGIC-RE21-Expenses	3,015,255	16,622,762
OSSREA Young Scholars-RE22-Expenses	8,123,296	5,574,291
PRA-RE23-Expenses	1,222,978	2,677,060
Research & Extension-RE25-Expenses	10,502,657	24,523,893
ROSA Project-RE27-Expenses	5,170,248	3,148,312
TAMOU 01C-RE29-Expenses	7,805,103	11,405,759
Training-RE33-Expenses	7,113,568	2,553,317
Vertisol Management-RE34-Expenses	1,465,967	1,110,017
OSSREA Post-Doctoral-RE37-Expenses	134,022	2,702,091
ECOLIVE Project-RE40-Expenses	1,747,791	3,476,747
Wetland Ecosystem-RE41-Expenses	3,312,894	2,628,762
Limnology-RE42-Expenses	8,994,112	9,658,724
ECO-HELB-RE43-Expenses	1,391,459	9,042,170
Global Fund-RE44-Expenses	10,321,258	5,820,261
Confucious Institute-RE45-Expenses	16,944,800	21,892,681
DOLLAR Account-RE46-Expenses	10,555,926	28,283,852
EURO Account-RE47-Expenses	82,901,453	101,390,615
AERC Account-RE50-Expenses	455,561	-
AGEC Dollar Account-RE51-Expenses	6,884,117	-
AERC 2 Project Account - RE52 -Expenses	403,365	-
	269,589,094	335,795,326

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 20: - IGU Expenses		
Particulars	2017-2018 Kshs. *	2016-2017 Kshs.
Travelling And Subsistence	1,209,725	754,245
Staff Uniforms	269,280	-
Casual Labor Expenses	3,975,559	2,612,746
Cleaning Materials	-	161,121
Office Running Expenses	-	10,000
Bank Charges , Interest & Comm.	691,579	586,272
Cleaning And Sanitary Services	22,604,456	20,865,600
Repairs & Maintenance - Equipment	279,684	17,500
Motor Vehicle Repairs	79,938	-
Repairs & Maintenance - Furniture	-	10,000
Maintenance of Stations	7,979,355	12,187,176
Teaching Claims (Part Time Lecturers)	2,400,821	2,810,852
Teaching Materials	61,000	-
Production Inputs	30,157,783	37,973,612
Purchase Of Farm Inputs	3,765,668	4,804,422
Purchase Of Stationery For Resale	66,172	585,468
Funeral Home Expenses	1,037,100	1,515,911
	74,578,119	84,894,926

Note 21: - Depreciation Expenses		
Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Buildings-Egerton Buildings	74,378,803	73,322,578
Plant & Machinery-Dairy Institute machinery	6,272,483	6,587,483
Furniture	7,874,911	8,605,694
Equipments	23,332,333	25,681,589
Library Books	12,681,307	12,428,648
Motor Vehicles	4,890,310	12,935,650
Computers & Software	8,935,192	11,318,849
	138,365,338	150,880,491

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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Note 22 : - CESAAM ACE 2 Expenses		
Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Traveling & Subsistence	-	382,900
Bank Charges	-	9,079
Promote Regional Research	-	554,816
Recruitment & interviews of students	467,411	
Support continuing Ph.D. student	9,831,530	
Support continuing Msc. students	11,601,805	
Short courses in Agric value chain	53,500	
Staff exchange fellowship	485,715	
Facilitate presentation in international con	1,875,277	
Retooling workshop for staff	4,116,837	
Support Agri Enterprises	500,000	
Support teams develop proposals	228,200	
Procure motor vehicle	8,062,067	
Hold an inception workshop	1,410,989	
Marketing Cesaam Project and its programs	111,250	
Cesaam steering committee sub committees	1,537,000	
Cesaam staff package (Salaries and wages)	816,000	
Cesaam vehicle mtc & Travel, subs. costs	3,933,815	
Effective CESAAM secretariat	492,678	-
Audit conducted	61,600	-
ADB MOHEST- Dr Isaac Kariuki	4,931,600	-
Cesaam Operational Expenses	6,300	
	50,523,573	946,795

Note 23 : - MCF TAGDEV Expenses		
Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Project Coordinator at Egerton University	4,535,132	3,956,601
Project Assistant at Egerton University	2,267,562	2,364,627
English language teacher at Egerton University	733,753	252,849
Faculty release time at Egerton University	2,187,605	1,607,531
Interview Students	-	532,560
Expense - Orientation	204,666	
Cost of publicising the Project and its scholarship	-	122,764
Facilitation of linkages with industry and entrepr	562,756	
Annual recruitment meetings	206,841	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Set up programme unit at partner universities	132,611	16,656
University meetings to disseminate project lessons	1,219,234	95,117
Monthly Seminars at the universities	530,470	-
Expense - University admission support	252,625	-
University fees for undergraduate students	-	751,575
University fees for postgraduate students	-	1,952,604
Service Fees for Undergraduate students	1,506,055	-
Student Welfare Costs	9,317,342	2,103,114
Curriculum review events	929,738	-
Staff Laptops	-	336,109
Office furniture for the project offices	53,043	60,979
University Printers	110,446	279,257
Expense - other	77,887	570
Program Delivery Fee	303,150	-
MCF Potato Seed Project Prof Kibe	779,969	-
MCF Potato Seed Graduate Students	954,386	-
MCF CASSAVA CARP+ - Prof M.S. Mulwa	1,735,194	-
MCF AGLEAD - Prof. P. Mshenga	703,712	-
	29,304,177	14,432,913

Note 24:- Other (Gains)/Losses

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Gain (Loss) on Revaluation Investment-Shares	283,327	47,221
Main Campus-Bad Debts w/off-(Increase)/Decrease in Provision	(797,675)	406,677
Nairobi Campus-Bad Debts w/off-(Increase)/Decrease in Provision	(103,406)	88,239
IGUs-Bad Debts w/off-(Increase)/Decrease in Provision	5,410	(4,990)
R& E-Bad Debts w/off-(Increase)/Decrease in Provision	-	152,616
Nakuru Campus-Bad Debts w/off-(Increase)/Decrease in Provision	(181,333)	68,441
Baringo Campus-Bad Debts w/off-(Increase)/Decrease in Provision	16,011	77,921
Ecampus-Bad Debts w/off-(Increase)/Decrease in Provision	(14,158)	(6,522)
Bad Debts w/off- (Increase)/Decrease in Provision	(1,075,151)	782,382
Main Campus Dollars- Gain (Loss) on FOREX	(2,260,295)	301,564
Dollars- Gain (Loss) on FOREX	(6,690,572)	2,633,290
EUROs- Gain (Loss) on FOREX	17,384,149	5,830,182
Dollars- Gain (Loss) on FOREX	8,792,540	-
Dollars- Gain (Loss) on FOREX	(2,218,022)	-
Gain (Loss) on FOREX	15,007,800	8,765,036
Main Campus-Gain/(Loss) on biological Assets	(50,000)	20,000
IGUs-Gain/(Loss) on biological Assets	(7,464,072)	13,256,477
R& E-Gain/(Loss) on biological Assets	66,700	563,300
Gain/(Loss) on biological Assets	(7,447,372)	13,839,777
	6,768,605	23,434,416

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 25 (a) :- Cash in Hand and in Bank

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Bank balances		
Main - Bank Balances	218,644,106	70,999,234
Nairobi City Campus - Bank Balances	3,728,843	-
IGUs - Bank Balances	1,057,414	2,426,239
Research & Extension Bank Balances	355,739,171	319,866,977
Nakuru Town Campus College - Bank Balances	4,800,687	10,566,346
Baringo Campus - Bank Balances	-	49,258
Ecampus - Bank Balances	198,570	941,817
Tegemeo Bank Balances	84,197,245	188,921,632
Total Bank Balances	668,366,037	593,771,502
Petty Cash		
Main - Cash In Hand	121,296	123,431
Nairobi City Campus - Cash In Hand	35,784	-
IGUs - Cash In Hand	38,318	65,884
Total Cash In Hand	195,398	203,614
Total Cash in Bank and in Hand	668,561,435	593,975,116

Note 25 (b) :- Contingent Deposits

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Staff Mortgage Scheme		
KCB Bank	50,000,000	50,000,000
Total Fixed Deposits	50,000,000	50,000,000

Note 25 (c) :- Negative Cashbook Balances

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Main - Negative Bank Balances	502,240,488	152,384,061
Nairobi City Campus - Negative Bank Balances	19,683,000	11,962,130
IGUs - Negative Bank Balances	18,760,030	14,066,516
Nakuru Town CC - Negative Bank Balances	59,065,644	63,368,072
	599,749,161	241,780,778
Total Cash and Cash Equivalents	118,812,274	402,194,337

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 (d) Detailed Analysis of Bank Balances as at 30th June 2018

Financial Institution	Account No	2017/2018 Kshs.	2016/2017 Kshs.
1) Current Account			
a) Barclays Bank of Kenya			
EU Fees Account	271291000	445,097	1,259,264
Sub- total		442,925	1,259,264
b) Co-operative Bank of Kenya			
EU Main Campus account	1129025576700	208,074,659	8,682,674
EU Nakuru Town Campus	1129025576701	2,880,003	8,773,404
EU Global Fund	01139025576700	9,077	9,077
MCF Tagdev	02128025576700	65,710,287	14,194,268
Sub- total		210,963,739	17,465,156
c) Kenya Commercial Bank			
E U Endowment Fund A/C	1108550584	573,231	48,785,091
E U AICO Fees Collection	1101909579	87,185	92,155
E U Development Account	1101907681	5,090,236	250,835
Egerton University Paying Account	1101906812	(34,317,340)	24,891,735
E U Fees Account	1101910895	2,338,086	2,994,248
E U House Rent	1108044956	220,647	914,262
E U Fees Collection Account	1108550703	12,218,452	8,626,917
E U Baringo Campus	1137209518	338,547	49,258
E U E- Learning Account	1101893680	198,570	1,072,217
Egerton University	1137209542	1,433,341	2,296,729
Egerton Univ Nkr Town Campus	1101909374	2,168,184	1,902,942
E U Nairobi City Fees	1101909781	3,771,599	1,450,748
Egerton University NCC A/C	1137209577	329,673	625,709
Egerton University Overhead Account	1101908718	920,890	954,950
E U Funeral Home Account	1101893796	989,322	365,546
Eusacs Catering Account	1101862920	291,445	116,389
Egerton University Milk Account	1101910429	475,666	933,163
Egerton Uni Students Accom C Serv	1101862637	(79,387)	374,315
Egerton University Nutrition Account	1101908904	501,707	1,195,362
Egerton Uni Natural Resources Depar	1101913614	442,718	1,249,151
Egerton,Univ. Outz	1101847530	590,602	512,070
Bookshop	1101908033	241,271	800,732
Egerton University Knit Tailoring	1101891920	145,186	944,244
Egerton University Tatton Farm	1101910089	604,141	709,862
AICAD	1101846704	2,642,310	2,384,688
EBR Project	1101911786	3,452,277	7,225,090
DOD Project	1101914025	7,067,984	1,522,653
Dryland Farming	1101911964	186,512	339,322
Egerton University Economic Dept	1101893370	2,317,514	2,400,932
Fingerponds Project	1101893567	9,270,090	5,024,574
Gift Shop	1101912499	2,527,394	2,574,694

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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Financial Institution	Account No	2017-2018 Kshs.	2016-2017 Kshs.
c) Kenya Commercial Bank			
Egerton Univ Biochemistry Dept	1101854197	278,483	318,901
Globalite Project	1101847719	6,926,944	7,133,240
Greenhouses Project	1101846437	7,853,761	9,922,165
KAPP	1101852763	13,525,408	13,331,185
ADSP	1101913886	679,465	858,466
Noragric Project	1101850396	4,482,255	5,746,703
Ossrea Project	1101853492	31,926,955	7,662,524
Partic Rural Project	1101911336	4,464,576	4,612,741
R&E Project	1101907525	16,234,575	17,384,805
EU Rosa Project	1101854138	2,850,512	2,314,519
Ta Mou	1101848995	3,283,855	5,332,749
EU Cesaam Project	1184060347	79,880,881	112,551,955
Training Project	1101913185	3,951,126	5,171,636
Versitol	1101911654	5,614,540	6,363,337
Ossrea Pos Doc Project	1101859792	4,381,117	4,513,856
Ecolive Project	1112022317	1,951,901	1,673,973
Limnology Project	1114469297	5,946,439	6,714,298
Wetland Ecosystem	1114468789	7,597,653	5,930,625
Ecohealth	1115354132	5,110,146	3,120,947
Agra Project	1137209593	9,280,910	10,756,170
Confucius Institute	1138143936	14,817,260	31,952,164
US Dollar A/C	1132129737	11,883,748	33,047,517
Euro A/C	1132129680	17,530,703	44,574,277
AERC Project Account	1107933919	6,531,828	2,713,514
EU AGEK Dollar	1141810220	1,992,221	2,419,540
Sub- total		333,234,323	389,661,056
d) National Bank of Kenya			
Egerton University PAM/KMDP	100304368800	3,999,737	2,289,874
Egerton University Tegemeo Institute - AGRA	02003005240200	38,935,397	155,287,369
Egerton University Tegemeo Institute	01003005240200	68,844	69,944
		43,003,977	157,647,187
e) NIC Bank			
Egerton Univ. Tegemeo TAMPA II	1000235926	3,845,299	3,083,914
Egerton University A/C Tegemeo TAPRA	1000237228	5,191,665	3,138,982
Egerton University-Tegemeo Inst TAPRA II	1000020334	18,570,757	19,960,818
Egerton University-Tegemeo Institute	1001783811	493,829	18,490,060
Egerton University-Tegemeo Inst- RFCCP	1000015411	11,584,534	602,210
Egerton University-Tegemeo Inst- KBSP	1000015748	6,380,000	3,679,314
		46,066,085	48,955,298
2) Staff mortgage			
Contigent Deposit -Staff Mortgage	1101906812	50,000,000	50,000,000
Sub- total		50,000,000	50,000,000
3) Cash in Hand			
Njoro Campus	1101906812	121,296	123,431
Nairobi City Campus	1137209577	35,784	
IGUs	1101862920	38,318	65,884
Baringo Campus	1137209518		14,299
Sub- total		195,398	203,614
Grand Total		683,906,448	665,191,575

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 26 (a) :- Receivables from Exchange Transaction

Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
Outstanding Imprest	92,408,943	93,693,091
Salary Advance Staff	181,995	70,000
Student Debtors	822,162,931	714,563,872
General Debtors	720,440	1,416,890
Internal Debtors	25,802,118	11,898,899
E.U. Investment Co. Ltd	0	145,400,000
INTER-BANK TRANSFERS	(14,882,709)	-
DUE FROM GOVERNMENT(Capi	-	31,933,833
Payroll Receivables	691,043	-
Deposits E A O Cylders	61,800	61,800
Deposits KPL CO Ltd	862,325	852,325
Rent Deposits	10,218,150	10,218,150
Deposits NAWASCO-NTCC	30,000	20,000
	938,257,035	1,010,128,861

Note 26 (b) :- Provisions for Bad Debts

Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
Provisions Main Campus	6,113,539	5,315,864
Provisions Nairobi City Campus	1,069,430	966,024
Provisions IGUs	-	5,410
Provisions Nakuru Town Campus	902,910	721,577
Provisions Baringo Campus	93,433	109,444
Provisions Ecampus	49,522	35,364
	8,228,834	7,153,683

Net Receivables from Exchange Transaction

930,028,201 **1,002,975,178**

Note 26 (c) :- Receivables from Non-Exchange Transaction

Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
Current Assets-General Debtors-Mau/Egerton Cross Country	-	50,820
Total Receivables	930,028,201	1,003,025,998

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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Note 27 :- Inventories		
Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
Inventories-Stocks Central & Substores	8,183,278	10,129,375
Inventories-Stocks Stationery	9,915,397	9,347,361
Inventories-Stocks Cleaning Materials	53,165	49,250
Inventories-Stocks Consumables	22,249,798	19,819,108
Inventories-Shop stock-IGU	3,157,322	2,601,314
	43,558,960	41,946,407
Note 28: Agricultural Assets		
Note 28 (a) :- Biological Assets - Bearer Assets		
Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
Livestock TDU-IGU	21,628,600	30,268,600
Livestock Kenyatta Campus-IGU	4,034,000	3,260,000
Security Dogs-Main	90,000	140,000
Livestock Chemeron Field Station	1,839,500	1,772,800
	27,592,100	35,441,400
Note 28 (b) :- Consumable Assets		
Particulars	2017-2018	2016-2017
	Kshs.	Kshs.
Crops TDU-IGU	501,275	63,015
Crops Kenyatta Campus	-	36,332
	501,275	99,347
Total Agricultural Assets	28,093,375	35,540,747

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 19: Non Current Assets
 Note 29 (a) : Property, Plant & Equipment

Particulars	Land		Buildings		W.I.P		Dairy Equipments/Tractors		Furniture, Fixings		Other Equipments		Library Books		Motor Vehicles		Computer and Appliances		Totals		
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	
Cost or Valuation																					
As at 01/07/2016	965,594,800	2,965,355,830	1,064,636,339	75,491,123	168,638,201	531,555,584	190,098,487	190,643,934	386,732,825	6,499,738,322											
Additions During the year	-	-	181,661,963	2,798,500	1,806,700	30,976,273	9,613,131	669,045	10,718,186	249,665,500											
As at 30/06/2017	965,594,800	2,965,355,830	1,256,699,302	78,289,623	170,444,901	562,531,857	199,712,318	191,312,979	197,460,213	6,747,903,822											
Additions During the year			451,731,309	-	3,551,195	2,640,517	5,155,243	-	4,660,420	479,456,874											
WIP Transferred to Assets		9,790,282	(9,790,282)																		
As at 30/06/2018	965,594,800	2,975,154,112	1,700,634,420	78,289,623	173,996,096	565,172,374	165,567,561	191,312,979	402,119,733	7,217,344,696											
Depreciation																					
As at 01/07/2016	-	418,071,009	-	37,451,534	134,583,567	482,360,777	118,185,098	169,329,449	374,917,624	1,824,590,629											
Charge for the year		73,311,578		6,597,483	8,605,694	25,681,589	12,428,648	12,935,680	11,318,949	190,580,491											
As at 30/06/2017	-	591,394,587	-	44,049,017	143,189,261	507,942,366	130,613,746	182,265,099	386,236,473	1,965,090,549											
Year adjustments	511,267	(222,448)	(639,450)				1,620		40,031	-											
Charge for the year	74,378,803	3,871,911	25,332,313	6,272,483	7,871,911	25,332,313	12,681,397	4,890,310	8,935,192	139,865,338											
As at 30/06/2018	-	666,584,657	-	50,321,500	150,841,724	530,644,288	143,296,673	187,155,409	395,211,716	2,124,045,887											
NBV-30 JUNE 2018	965,594,800	2,308,569,455	1,700,634,420	27,978,123	21,147,312	34,528,165	22,270,883	4,157,571	6,918,017	5,093,798,809											
NBV-30 June 2017	965,594,800	1,373,961,243	1,256,699,302	34,250,606	27,247,440	54,539,491	29,898,572	9,047,580	11,221,740	4,761,713,274											

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 29 (b) - Work-In-Progress				
Particulars	2017-2018	30-Jun-18	30-Jun-18	2016-2017
	Kshs.	Additions	Transfers	Kshs.
WIP-Buildings-Constr. Of Admin. Building-Main	20,096,000	-	-	20,096,000
WIP-Buildings-Constr. Of Egerton Universi Main Gate-Main	66,684,314	63,265,538	-	3,418,776
WIP-Buildings-Construction Of Science Complex-Main	861,658,691	28,959,409	-	832,699,282
WIP-Buildings-Construction Of Agronomy & Horticulture-Main	177,377,480	-	-	177,377,480
WIP-Buildings-Const. Of ICT Infrastructure-Main	72,091,047	-	-	72,091,047
WIP-Buildings-Faculty Of Law-NTCC-Main	123,916,482	-	-	123,916,482
WIP-Buildings-Faculty Of Commerce Building NTCC-Main	45,852,741	45,852,741	-	-
WIP-Buildings-Renovation Of Buildings-Njoro-Main	14,968,412	8,595,318	-	6,373,094
WIP-Buildings-Faculty of Veterinary Medicine-Main	1,650,000	-	-	1,650,000
WIP-Buildings Construction- Police Post-Main	2,594,166	-	-	2,594,166
WIP- Zoning of the University	1,919,286	-	-	1,919,286
WIP- University Library	311,825,801	297,262,111	-	14,563,690
WIP- Perimeter Wall, Gate House - Confucius Institute	-	9,798,282	9,798,282	-
Total	1,700,634,419	453,733,399	9,798,282	1,256,699,302

NOTES TO THE FINANCIAL STATEMENTS (Continued)**Note 30:- Investments**

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Kenya Airways- Ordinary Shares- 52468-	558,784	275,457
E.U. Investment Company	149,918,907	
	150,477,691	275,457

Note 31 (a) :- Trade and Other Payables

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Payroll Payables	322,588,014	161,575,869
Trade Creditors	317,166,362	199,363,153
Payable Clearing A/C	20,265,522	5,501,756
Internal Creditors-N	8,619,606	1,960,295
Taxes-Withholding Tax Payable	17,061,007	2,339,064
Taxes-Value Added Tax (VAT) Payable	8,657,422	6,595,179
Other Students Caution Money	74,602,840	69,777,040
Other Students Union Fees	-	646,058
Other CDF Clearing a/c	7,573,815	6,016,415
Other HELB Clearing a/c	10,614,962	5,239,050
Other Other Sponsors Clearing a	19,212,672	13,359,865
Other Alumni Fees-Main	13,759,530	10,371,300
Unidentified Bank Deposits - Main	26,183,976	23,900,130
Other AGEK Dollar Clearing A/c	-	2,393,612
Other AERC Project Clearing A/c	-	2,713,514
Other Payables-CUE Charges	111,000	-
Other Payables-KUCCPS Charges	4,500	-
Due to Contractors	249,729,071	-
Student Prepaid fees	386,127,440	345,421,279
	1,482,277,741	857,173,590

Note 31 (b) :- Accruals and Provisions

Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Accruals Main Campus	118,568,290	64,931,990
Accruals Nairobi City Campus	173,883,972	111,907,000
Accruals Nakuru Town Campus	278,150,725	159,098,133
Accruals Baringo Campus	46,481,724	34,560,000
	617,084,711	370,497,123

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 31 (c) :- Deferred Income		
Particulars	2017-2018 Kshs.	2016-2017 Kshs.
Deferred Income - NCC	-	18,906,959
Deferred Income Tegemeo	55,500,889	157,077,570
AICAD Deferred Incomes R&E	2,642,310	
EBR Project Deferred Incomes R&E	13,399,795	*
Dryland Farming Deferred Incomes R&E	186,512	
Economic Dept Deferred Incomes R&E	2,350,811	
Fingerponds Project Deferred Incomes R&E	5,514,743	
Biochemistry Dept Deferred Incomes R&E	278,483	
Globalite Project Deferred Incomes R&E	6,926,944	
Greenhouses Project Deferred Incomes R&E	7,901,178	
KAPP Deferred Incomes R&E	23,122,647	
ADSP Deferred Incomes R&E	1,113,780	
Noragric Project Deferred Incomes R&E	4,482,255	
OSSREA Project Deferred Incomes R&E	43,937,419	
Partic Rural Project Deferred Incomes R&E	4,464,576	
ROSA Project Deferred Incomes R&E	2,977,138	
TA MOU Deferred Incomes R&E	4,129,559	
CESAAM ACE 2 Deferred Incomes R&E	84,199,910	111,648,205
Versitol Project Deferred Incomes R&E	5,732,260	
OSSREA POS DOC Deferred Incomes R&E	4,545,934	
Ecolive Project Deferred Incomes R&E	1,951,901	
Limnology Project Deferred Incomes R&E	7,579,156	
Wetland Ecosystem Deferred Incomes R&E	6,453,491	
Ecohealth Deferred Incomes R&E	5,110,146	
Confucius Institute Deferred Incomes R&E	19,052,763	
US Dollar A/C Deferred Incomes R&E	8,070,368	
EURO A/C Deferred Incomes R&E	25,857,792	
MCF TAGDEV Deferred Incomes R&E	70,710,507	16,668,670
AERC Project Deferred Incomes R&E	4,042,768	
AGEC Dollar A/C Deferred Incomes R&E	797,638	
AERC Project 2 Deferred Incomes R&E	51,165	
Deferred Income - NTCC	-	39,463,661
	423,084,837	343,765,065

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The deferred income movement is as follows:

International funders	Balance brought forward (July 1, 2017)	Additions	Transfers to income statement	Balance carried forward (June 30, 2018)
Deferred Income - NCC	18,906,959	-	18,906,959	-
Deferred Income Tegemeo	157,077,570		101,576,681	55,500,889
AICAD Deferred Incomes		3,248,688	606,379	2,642,310
EBR Project Deferred Incomes		29,222,757	15,822,963	13,399,795
Dryland Farming Deferred Incomes		974,522	788,011	186,512
Economic Dept Deferred Incomes		2,580,932	230,121	2,350,811
Fingerponds Project Deferred Incomes		11,641,758	6,127,015	5,514,743
Biochemistry Dept Deferred Incomes		318,901	40,418	278,483
Globalite Project Deferred Incomes		8,388,365	1,461,421	6,926,944
Greenhouses Project Deferred Incomes		9,966,451	2,065,274	7,901,178
KAPP Deferred Incomes		43,113,236	19,990,589	23,122,647
ADSP Deferred Incomes		1,149,196	35,416	1,113,780
Noragric Project Deferred Incomes		7,497,510	3,015,255	4,482,255
OSSREA Project Deferred Incomes		52,060,714	8,123,296	43,937,419
Partic Rural Project Deferred Incomes		5,687,554	1,222,978	4,464,576
ROSA Project Deferred Incomes		8,147,385	5,170,248	2,977,138
TA MOU Deferred Incomes		11,934,662	7,805,103	4,129,559
CESAAM ACE 2 Deferred Incomes	111,648,205	23,075,278	50,523,573	84,199,910
Versitol Project Deferred Incomes		7,198,227	1,465,967	5,732,260
OSSREA POS DOC Deferred Incomes		4,679,956	134,022	4,545,934
Ecolive Project Deferred Incomes		3,699,692	1,747,791	1,951,901
Limnology Project Deferred Incomes		10,892,050	3,312,894	7,579,156
Wetland Ecosystem Deferred Incomes		15,447,603	8,994,112	6,453,491
Ecohealth Deferred Incomes		6,501,605	1,391,459	5,110,146
Confucius Institute Deferred Incomes		35,997,562	16,944,800	19,052,763
U/S Dollar A/C Deferred Incomes		25,316,865	17,246,497	8,070,368
EURO A/C Deferred Incomes		91,375,095	65,517,304	25,857,792
MCF TAGDEV Deferred Incomes	16,668,670	83,346,014	29,304,177	70,710,507
AERC Project Deferred Incomes		4,498,329	455,561	4,042,768
AGEC Dollar A/C Deferred Incomes		9,899,777	9,102,139	797,638
AERC Project 2 Deferred Incomes		454,530	403,365	51,165
Deferred Income - NTCC	39,463,661	-	39,463,661	-
TOTAL	343,765,065	518,315,216	438,995,444	423,084,837

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 32 :- Tegemeo Institute Financial Reports							
Note 32 (a) :- Tegemeo Institute Incomes & Expenditures							
				Jun-18			Jun-18
PROJECT NAME	Income	Other Income	Funding	Expenses for	matched to	Income/EXG	for the year
TAPRA I	(2,158,319)	-	-	(2,075,787)	(2,075,787)	-	(2,075,787)
TAPRA II	4,187,204	-	51,690,698	46,995,529	46,995,529	-	46,995,529
OVERHEAD	-	-	1,860,035	2,739,579	2,739,579	-	1,860,035
MLE	(67,085,125)	-	-	71,578,044	71,578,044	-	71,578,044
RCT	(10,146,199)	-	-	7,691,099	7,691,099	-	7,691,099
3ie	(7,376,594)	-	6,752,000	6,202,783	6,202,783	-	6,202,783
TZB	(62,909,827)	-	-	35,421,286	35,421,286	-	35,421,286
GLCI	(882,328)	-	-	-	-	-	-
ELLA	(96,776)	-	-	262,237	262,237	-	262,237
ReNAPRI	(1,334,707)	-	-	-	-	-	-
ISSD	(2,138,019)	-	-	1,913,939	1,913,939	-	1,913,939
AGRI BENCHMARK	-	-	300,000	228,396	228,396	-	228,396
KDB	(3,380,149)	-	-	3,380,149	3,380,149	-	3,380,149
P4P	(1,631,363)	-	-	1,707,790	1,707,790	-	1,707,790
MMP	(441,351)	-	113,700	323,472	323,472	-	323,472
World Bank	-	-	2,195,500	-	-	-	-
FAO/CPE	(1,672,564)	-	1,913,100	2,518,045	2,518,045	-	2,518,045
AFA	-	-	1,769,664	178,067	178,067	-	178,067
EABL-Oxygen	-	-	303,752	-	-	-	-
WFP	-	-	3,037,518	2,521,609	2,521,609	-	2,521,609
ODI	-	-	3,744,400	674,578	674,578	-	674,578
Africa Practice	-	-	693,179	79,045	79,045	-	79,045
AGRA	551,134	-	-	-	-	-	-
GISAMA	(72,088)	-	-	-	-	-	-
PAM/KMDP Account	-	-	2,947,820	1,922,172	-	-	2,947,820
TAMPA II Account	-	-	-	(2,995,474)	-	-	-
Interest/Forex Gain/(Loss)	-	(6,679,932)	-	-	-	(6,289,283)	(6,289,283)
TOTAL	(156,587,070)	(6,679,932)	77,321,365	181,266,557	182,339,859	(6,289,283)	178,118,852

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 32 (b) - Tegemeo Institute Deferred Incomes Summary

PROJECT NAME	Jun-18			Jun-17		
	Deferred Income (Fund Balances)	Reserve C/D	Combined	Deferred Income	Reserve	Combined
TAPRA I	4,935,085	-	4,935,085	2,158,319	-	2,158,319
TAPRA II	246,933	-	246,933	(4,187,204)	-	(4,187,204)
OVERHEAD	-	17,024,927	17,024,927	-	17,997,920	17,997,920
MLE	482,045	-	482,045	67,085,125	-	67,085,125
RCT	106,287	-	106,287	9,386,228	-	9,386,228
3ie	9,106,139	-	9,106,139	7,867,094	-	7,867,094
BMGF BASELINE	-	-	-	63,669,798	-	63,669,798
FAC	-	-	-	882,328	-	882,328
TZB	27,884,201	-	27,884,201	-	-	-
GLCI	645,471	-	645,471	96,776	-	96,776
WORLD BANK/KAPAP	2,195,500	-	2,195,500	1,334,707	-	1,334,707
ELLA	269,728	-	269,728	2,138,019	-	2,138,019
ReNAPRI	1,220,761	-	1,220,761	3,380,149	-	3,380,149
ISSD	44,517	-	44,517	1,631,363	-	1,631,363
AGRI BENCHMARK	71,604	-	71,604	-	-	-
KDB	-	-	-	441,351	-	441,351
P4P	-	-	-	1,672,564	-	1,672,564
AGRA	(551,134)	-	(551,134)	(551,134)	-	(551,134)
EGERTON	-	-	-	-	38,767	38,767
GISAMA	-	94,694	94,694	72,088	-	72,088
PAM/KMDP ACCOUNT	777,153	3,176,104	3,953,257	-	2,275,342	2,275,342
TAMPA II ACCOUNT	-	7,929,618	7,929,618	-	4,381,087	4,381,087
MMP	307,123	-	307,123	-	-	-
FAO/CPE	1,141,047	-	1,141,047	-	-	-
AFA	1,591,597	-	1,591,597	-	-	-
EABL-Oxygen	303,752	-	303,752	-	-	-
WFP	515,909	-	515,909	-	-	-
ODI	3,091,259	-	3,091,259	-	-	-
Africa Practice	625,412	-	625,412	-	-	-
Interest/Forex Gain/(Loss)	-	1,352,162	1,352,162	-	7,150,945	7,150,945
TOTAL	55,010,359	29,577,506	84,587,894	157,077,570	31,844,062	188,921,632

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 32 (c) :- Tegemeo Institute Cash at Bank				Jun 18	Jun-17
BANK A/C NAME	BANK A/C NO.	Cashbook Balance (KES)	Cashbook Balance (USD in KES Equivalent)	Total Cashbook Balances	Total Cashbook Balances
Egerton University A/C Tegemeo TAPRA-NIC	1000237228	4,867,642	-	4,867,642	2,695,560
Egerton University-Tegemeo Inst TAPRA II-NIC	1000020334	17,438,009	-	17,438,009	13,810,716
Egerton University-Tegemeo Institute-NIC	1001783811	493,398		493,398	74,508,690
Egerton University-Tegemeo Inst- RFCCP-NIC	1000015411	6,102,352	31,465,698	37,568,050	79,539,845
Egerton Univ-Tegemeo Institute - KBSP-NIC	1000015748	4,825,007	7,652,495	12,477,502	11,997,975
Egerton University Tegemeo Institute-NBK USD	0200-3005240200		(585,181)	(585,181)	(553,404)
Egerton University Tegemeo Institute-NBK	0100-3005240200	68,844	-	68,844	70,494
Egerton University PAM/KMDP -NBK	01003-043688-00	3,932,742		3,932,742	2,223,429
Egerton Univ. Tegemeo TAMPA II-NIC	1000235926	7,936,240		7,936,240	4,628,366
TOTAL		45,664,233	38,533,012	84,197,245	188,921,632

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. RELATED PARTY BALANCES

Nature of related party relationships

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

- i) The National Government;
- ii) The Ministry of Education;
- iii) The University Council;
- iv) Key Management
- v) Egerton University Investment Company

	2018	2017
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Recurrent Grants from National Govt	3,182,186,700	2,768,255,899
Development Grants from National Govt	288,157,252	145,663,536
Total	3,470,343,952	2,913,919,435
b) Key management compensation		
Councils' emoluments	21,300,240	23,102,993
Compensation to the Vice Chancellor	12,718,372	12,923,415
Compensation to key management	29,664,687	29,773,001
Total	63,683,299	65,799,409

34. EVENTS AFTER THE REPORTING PERIOD

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

Appendix I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Overdue Outstanding staff imprests</p> <p>72% or Ksh 67,148,685 of the amount held as imprest was in contravention of the Financial Rules and Regulations of the University.</p> <p>Without a record of how an imprest was surrendered, it may be possible to manipulate accountability of the funds.</p>	<p>The University adheres Fully to the government regulations regarding issue and surrender of temporary imprests however the nature of some imprests such as for research activities makes them outstanding for a longer period of time. Aggressive follow-up is being made for the imprests held by former staff through legal means</p>	Finance Officer	Partly resolved for the active staffs that are in the payroll.	Ongoing

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	<p>Students Caution money refund</p> <p>Note 23 (a) to the financial statements reflects balance of Ksh 59,001,540 in respect of students' caution money as at 30 June 2016. Examination of the account for the students' caution money shows that in the financial year 2015/2016, an amount of Ksh 10,917,000 was debited as refunds to students. Included in the refunds was Ksh 2,141,200 which was made vide payment voucher No. 50200-16 of 3 August 2015. The voucher refund was a surrender of imprest of Ksh 2,141,200 that had been taken by one, Joel N. Masobo vide warrant no. 123255 on 13 May 2013.</p>	<p>The University has been paying student caution money through cash/imprest system.</p> <p>The requirements are submission of both the original and copies of the following documents for verification before payment:</p> <ol style="list-style-type: none"> 1. A clearance form 2. The National ID 3. Student ID <p>The disciplinary process is on course. In the subsequent period the University has adopted to pay caution money directly to the students' bank accounts.</p>	Finance Officer	Not Resolved	Ongoing
3	<p>Tuition waiver</p> <p>The propriety of the waiver cost of Ksh 21,949,950 could not be confirmed.</p>	<p>The authority that prompted the waiver is the Collective Bargaining Agreements.</p>	Deputy Vice Chancellor (APD)	Resolved	3 rd May 2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	<p>Advances to Egerton University Investment Company with no clear repayment plan</p> <p>The University may be investing funds in a project that is not viable.</p>	<p>The Egerton University Investment company has planned to pay as per the Business plan</p>	Vice Chancellor	Not Resolved	Ongoing
5	<p>Violation of public procurement law on Insurance Services</p> <p>The University may have paid for services at rates that are not competitive.</p> <p>The University may have paid for services that were not rendered.</p>	<p>A copy of the policy document regarding the insurance was given to the auditors. The procurement of these services conformed to the law.</p>	Deputy Chief Procurement Officer	Resolved	3 rd May 2018
6	<p>Weak Control over Oils, Fuels and Motor vehicle</p> <p>The University could be paying for quantities of fuel that its vehicles have not consumed. The propriety of the expense of Ksh 26,631,723 is in respect of fuel and oils could not be confirmed.</p>	<p>Improvements have been made in the Management of these oils and fuels, especially in terms of record keeping</p>	Deputy Vice Chancellor (APD)	Resolved	3 rd May 2018

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7	<p>No titles to some Land Parcels. The accuracy, of the property, plant and equipment balance of Kshs. 4,663,938,265 and land ownership of the related parcels of land could not be confirmed.</p>	<p>The process of acquiring ownership documents for all the University lands is at advanced stage for the remaining three parcels.</p>	<p>Legal Officer</p>	<p>Not resolved</p>	<p>Ongoing</p>

Appendix 2: INTER-ENTITY TRANSFERS

EGERTON UNIVERSITY			
Break down of Transfers from the State Department of Education			
FY 17/18			
a. Recurrent Grants			
Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate	
03-Jul-17	347,018,887	2017/2018	
24-Jul-17	379,722,238	2017/2018	
21-Aug-17	175,046,008	2017/2018	
08-Sep-17	175,046,008	2017/2018	
14-Oct-17	175,046,007	2017/2018	
30-Nov-17	175,046,008	2017/2018	
1-Dec-17	147,872,283	2017/2018	
01-Dec-17	175,046,008	2017/2018	
02-Jan-18	29,574,457	2017/2018	
02-Jan-18	175,046,007	2017/2018	
23-Feb-18	175,046,008	2017/2018	
23-Feb-18	29,574,457	2017/2018	
13-Mar-18	175,046,008	2017/2018	
13-Mar-18	29,574,457	2017/2018	
09-Apr-18	29,574,457	2017/2018	
09-Apr-18	175,046,007	2017/2018	
03-May-18	175,046,008	2017/2018	
07-Jun-18	29,574,457	2017/2018	
11-Jun-18	175,046,008	2017/2018	
19-Jun-18	29,574,457	2017/2018	
28-Jun-18	175,046,008	2017/2018	
28-Jun-18	29,574,457	2017/2018	
Total	3,182,186,700		
b. Development Grants			
Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate	
11-Jul-17	31,933,833	2016/2017	
30-Nov-17	84,280,922	2017/2018	
20-Jun-18	203,876,330	2017/2018	
Total	320,091,085		

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

Ag. Finance Officer
Egerton University

Head of Accounting Unit
Ministry of Education

Sign

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