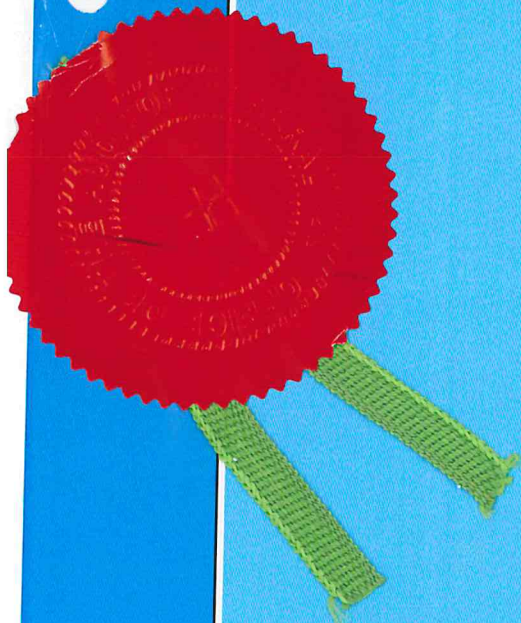



REPUBLIC OF KENYA



Enhancing Accountability



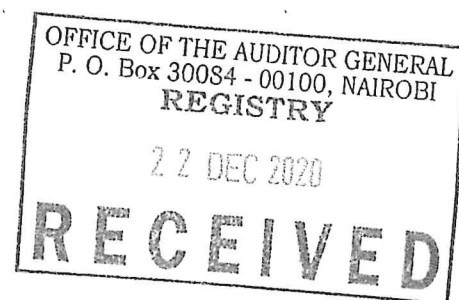
	
REPORT	
NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 FEB 2022	DAY: WED
TABLED BY: OF	HON. Jimmy ANGWENYI, MP
CLERK-AT THE-TABLE:	Perpetual Kararu.

THE AUDITOR-GENERAL

ON

SOUTH EASTERN KENYA UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2020**



SOUTH EASTERN KENYA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING JUNE 30, 2020

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

SOUTH EASTERN KENYA UNIVERSITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

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ACRONYMS

A/C:	Account
ASDSP:	Agricultural Sector Development Support Programme
BBK:	Barclays Bank of Kenya
CO-OP:	Co-operative Bank of Kenya
GCFSI:	Global Centre for Food Systems Innovations
ICRAF:	International Centre for Research in Agroforestry
IGADINWRM:	Intergovernmental Authority for Development Inland Water Resources Management Programme
IGU:	Income Generating Units
IPSASB:	International Public Sector Accounting Standards Board
JKUAT:	Jomo Kenyatta University of Agriculture and Technology
KCB:	Kenya Commercial Bank
NACOSTI:	National Commission for Science Technology and Innovation
NBK:	National Bank of Kenya
NRF:	National Research Fund
RUFORUM:	Regional Universities Forum for Capacity Building
SEKU:	South Eastern Kenya University
TARC:	Trans disciplinary Applied Research Centre

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I. UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background Information

South Eastern Kenya University was established on 1st March, 2013 as a successor to South Eastern University College (SEUCO), which was established on 15th July, 2008 as a successor to Ukamba Agricultural Institute (UKAI).

At Cabinet level, the University is represented by the Cabinet Secretary for Education, who is responsible for the general policy and strategic direction of the University.

(b) Principal Activities

The mandate of the University is teaching and learning, research and innovation, outreach and community service. To guide in carrying out these activities, the University has developed clear vision and mission statements.

The Vision of the University is to be a globally competitive center of excellence in teaching, research and innovation for purposes of transforming human lives.

The Mission is to provide quality and transformative education through teaching, learning, research, extension, innovation and entrepreneurship with emphasis on dry land agriculture, natural resources and environmental management.

In order to achieve the vision and mission, the University is guided by the following core values:

- (i) **Professionalism:** In all actions and interactions, we maintain ethical behavior, courtesy and professional etiquette.
- (ii) **Innovation:** Innovativeness is the hallmark of our business activities through fostering pro-activeness, creativity, and adaptability to change.
- (iii) **Integrity:** Transactions are done in honest, transparent and accountable ways.
- (iv) **Freedom of thought:** We promote and defend academic freedom.
- (v) **Teamwork:** We maintain a sense of unity and of common interests and responsibilities.
- (vi) **Respect for and conservation of the environment:** We strive to respect and protect the natural and working environment.

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(c) Key Management

The management of the University is undertaken by the following organs:

- (a) The University Council
- (b) The Senate
- (c) The South Eastern Kenya University Management Board

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Vice Chancellor	Prof. Geoffrey M. Muluvi, Ph.D
2.	Deputy Vice Chancellor (Finance, Planning and Development)	Prof. Reuben M. Muasya, Ph.D
3.	Deputy Vice Chancellor (Academic, Research and Students Affairs)	Prof. Zipporah Ng'ang'a, Ph.D
4.	Deputy Vice Chancellor (Administration and Human Resources)	Prof. Francis N. Wachira, Ph. D
5.	Registrar (Administration and Human Resources)	Prof. Mary Mburu, Ph.D
6.	Registrar (Academic and Students Affairs)	Dr. John F. Koga, Ph.D
7.	Registrar (Resources Mobilization)	Dr. Samuel Mutukaa, Ph.D
8.	Ag. Finance Officer	CPA Hosea K, Kiprop

(e) Fiduciary Oversight Arrangements

- (i) Finance and General Purpose Committee
- (ii) Building and Physical Development Committee
- (iii) Staff Terms and Conditions of Service Committee
- (iv) Audit Committee
- (v) Appeals Committee
- (vi) Appointments Committee
- (vii) Graduation and Sealing Committee

(f) Headquarters

South Eastern Kenya University
Main Campus
P.O. Box 170 – 90200
Kitui, Kenya

(g) Contacts

Telephone: 0748605996/0748605997

E-mail: info@seku.ac.ke

Website: www.seku.ac.ke

(h) Bankers

1. National Bank of Kenya Ltd. (SEKU Branch)
P.O Box 1656-90200
KITUI
2. Equity Bank of Kenya Ltd. (Kitui Branch)
P.O Box 1453-90200
KITUI
3. The Co-operative Bank of Kenya Ltd. (Kitui Branch)
P.O Box 1432-90200
KITUI
4. Barclays Bank of Kenya Ltd. (Kitui Branch)
P.O Box 1206-90200
KITUI
5. Kenya Commercial Bank Ltd. (Kitui Branch)
P.O Box 683-90200
KITUI



(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 on land matters

Mutula Kilonzo & Co. Advocates
P.O. Box 59839-00200 City Square
Nairobi, Kenya

II. THE UNIVERSITY COUNCIL

 <p>1. Dr. Swabah Omar (Chairman of the Council)</p>	<p><i>Date of Birth:</i> 13th September 1966</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 2002: London School of Hygiene & Tropic Medicine, Phd ii) 1995: University of Nairobi, M.Sc Biochemistry iii) 1990: University of Nairobi, B.Sc. Chemistry, Zoology <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) 2013-2015: County Executive Member (CEC incharge of Health- Kilifi County. ii) 2011-2013: Director of Centre for Geographics in KEMRI- Kilifi County iii) 2009-2013: Principal Research Officer /Head of Malaria Research Lab in KEMRI. iv) 2002-2009: Senior Research Officer in KEMRI
 <p>2. Mr. Paul Maina Mwangi (Member Representing State Department for University Education and Research)</p>	<p><i>Date of Birth:</i> 19th May, 1970</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> i) 2011 Kenyatta University, Master of Science (Pure Mathematics) ii) 1996 Egerton University, Bachelor of Education (Science). iii) 2014 Kenya School of Government, Strategic Leadership Development Programme (SLDP). iv) 2015 Centre for Corporate Governance, Corporate Governance <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> i) 2017 to date Assistant Director of Education, MOE. ii) 2013-2017: Principal Education Officer, MOE. iii) 2007-2012: Senior Quality Assurance and Standards Officer, MOE. iv) 2019 to present: South Eastern Kenya University Council Membership

**SOUTH EASTERN KENYA UNIVERSITY
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3. Dr. Kennedy Okong'o, Ph.D
(Member)

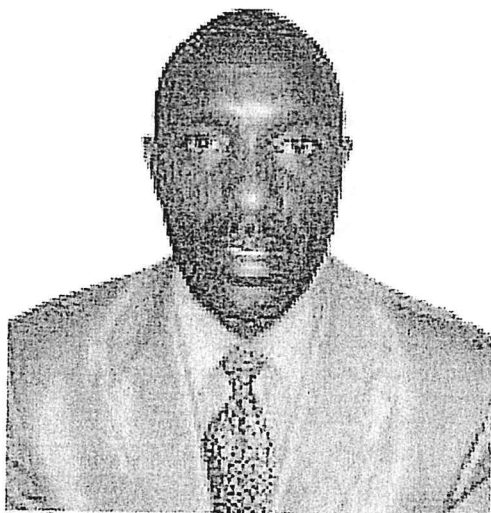
Date of Birth: 16th April 1982

Key Qualifications:

- i) 2016: University of Cape Town, South Africa, Doctor of Philosophy degree in Information Systems.
- ii) 2014: University of Nairobi, MBA (Finance).
- iii) 2011: Jomo Kenyatta University of Agriculture and Technology, MSc. ICT Policy.
- iv) 2006: Jomo Kenyatta University of Agriculture and Technology, BSc.Eng.

Work Experience:

- i) 2017 to date: ICT4D Policy Expert-GSMA-DFID Partnership for Digital Economy.
- ii) 2014-2019: Boards/Council-CCK, Kakamega Revenue Agency and University of Embu.
- iii) 2006-2017: ICT Policy & Projects - Celtel, Orange, Rightel, Asiacell, United Nations.
- iv) 1st August, 2017 to date: South Eastern Kenya University Council.



4. Mr. Martin F. Kinoti
(Member)

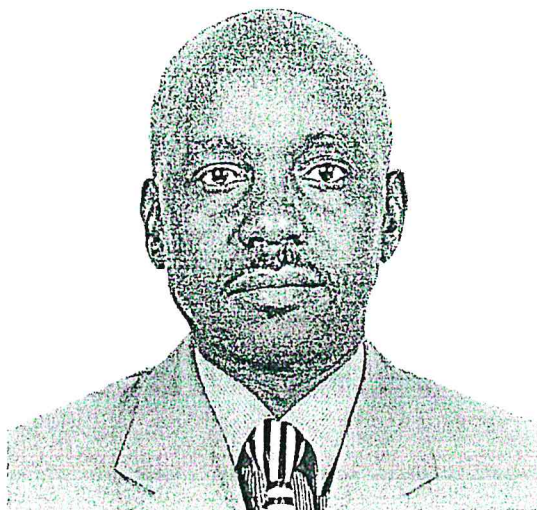
Date of Birth: 14th December, 1963

Key Qualifications:

- i) 1995 University of Nairobi, Master of Science degree in Applied Nutrition
- ii) 1990 Egerton University Bachelor of Science in Animal Production, Upper Second Class Honours.

Work Experience:

- i) 2006 to present: Managing Director, Nutrimix Limited
- ii) 1995-2006: Unga Farm Care East Africa Ltd
- iii) 1990-1993: District Animal Production Officer/Extension Co-ordinator, Ministry of Livestock Development, Kitui
- iv) 1st August, 2017 to present: South Eastern Kenya University Council Membership



5. Dr. Indeje Wanyama
 (Member Representing National Treasury and Planning)

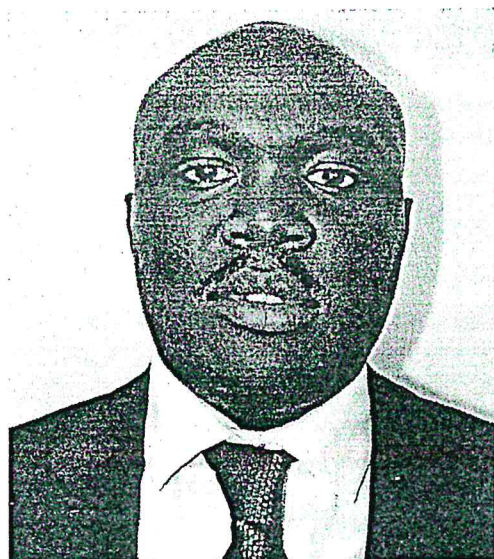
Date of Birth: 10th July 1969

Key Qualifications:

- i) 2011 Shanghai University of Finance and Economics, Doctor of Philosophy – Management Science.
- ii) 2002 Addis Ababa University, MSc – Economic Policy Analysis
- iii) 1992 Bachelor of Arts Economics

Work Experience:

- (i) 2017 to date: Deputy Director- Financial and Sector Affairs Department, Ministry of Finance / Treasury
- (ii) 2015-2017: Deputy Chief Finance Officer / Senior Director of Budget; State Department for Livestock.
- (iii) 2009-2015: Assistant Director of Budget – Budget Supply Management; Ministry of Finance/ Treasury.
- (iv) 2004-2009 Senior Finance Officer, Ministry of Finance – Budget Supply Management
- (v) Currently a member of South Eastern Kenya University Council.



5. Mr. Luthers Mose Mokua
 (Member)

Date of Birth: 22nd May 1981

Key Qualifications:

- i) 2013 University of Nairobi, Master of Business Administration, Strategic Management.
- ii) 2005 University of Nairobi, Bachelor of Commerce Degree Finance option

Work Experience:

- i) 2018 to present: Corporate Relationship Manager NIC Bank of Kenya PLC.
- ii) 2012-2017: Corporate Sales Assistant Barclays Bank of Kenya
- iii) 2016 to present: C.E.O Wazito football club
- iv) 2007-2008: Bank Officer K-Rep Bank ltd
- v) 1st August, 2017 to date: South Eastern Kenya University Council Membership

**SOUTH EASTERN KENYA UNIVERSITY
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6. Mrs. Anna N. Mwaure
(Member)

Date of Birth: 14th April 1959

Key Qualifications:

- i) 2005 Daystar University, Master of Arts in Communication
- ii) 1983 University of Nairobi, Diploma in Legal Education
- iii) 1981 University of Nairobi, Bachelor of Laws degree (LLB) Hons.

Work Experience:

- i) 1987 to present: Managing Partner, Mwaure & Mwaure Waihiga Advocates.
- ii) 1986-1987: Magistrate, Nairobi Law Courts.
- iii) 1983-1986: Magistrate, Makadara Law Courts.
- iv) 1st August, 2017 to present: South Eastern Kenya University Council Membership



7. Ms. Lydia Mwikali Kaleli
(Member)

Date of Birth: 19th July 1979

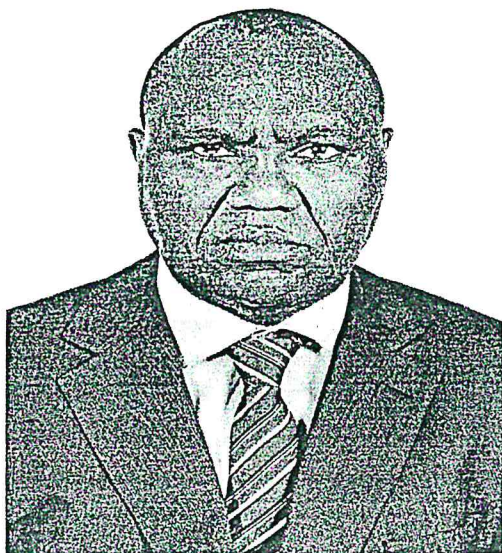
Key Qualifications:

- i) 2016 Uganda Christian University, Master of Public Health Leadership.
2004 Kenyatta University, Bachelor of Education.
- ii) 2014 Kenya Institute of Management Higher Diploma in Human Resource Management

Work Experience:

- i) 2011-To present: Human Resource Officer, Bible Translation and Literacy E.A.
- ii) 2015-2011: Teacher NPC Senior School.
- iii) 1st August, 2017 to present: South Eastern Kenya University Council Membership

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8. Prof. Geoffrey M. Muluvi, Ph.D
(Vice Chancellor and Secretary to the Council)

Date of Birth: 6th June, 1963

Key Qualifications:



- i) 2012 Eastern and Southern Africa Management Institute, Arusha Tanzania. Master of Business Administration.
- ii) 1998 University of Dundee, U.K. Doctor of Philosophy (Plant Molecular Genetics), Department of Biological Sciences,
- iii) 1988 Moi University, Eldoret. Bachelor of Science, Second Class Honors (Upper Division),

Work Experience:

- (i) 20th May, 2013 - to present: Vice Chancellor, South Eastern Kenya University.
- (ii) 1st March, 2013 up to 19th May 2013: Ag. Vice-Chancellor South Eastern Kenya University.
- (iii) 15th March 2010 to 29th February 2013: Principal South Eastern University College (SEUCO) a Constituent College of the University of Nairobi.
- (iv) 2007-2010 Deputy Vice Chancellor, Kenyatta University.

SOUTH EASTERN KENYA UNIVERSITY
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III. MANAGEMENT TEAM

<p>1. Prof. Geoffrey M. Muluvi, Ph.D (Vice Chancellor)</p>	<p>Refer to page (xi)</p>
	<p><i>Date of Birth:</i> 12th September 1960</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 2001 Wageningen Agricultural University, Netherlands. Doctor of Philosophy (ii) 1996 Moi University, Eldoret. Master of Philosophy, (iii) 1992 University of Eastern Africa Baraton, Bachelor of Science in Agriculture. <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) November 2013 to present: Deputy Vice Chancellor, Finance Planning and Development South Eastern Kenya University. (ii) 14th July 2011 up to October 2013: Director, Kitui Town Campus, SEKU.
<p>2. Prof. Reuben M. Muasya, Ph.D Deputy Vice-Chancellor (Finance, Planning and Development)</p> 	<p><i>Date of Birth:</i> 3rd February 1960</p> <p><i>Key Qualifications:</i></p> <ul style="list-style-type: none"> (i) 2012 JKUAT, Executive Master of Business Administration. (ii) 1998 Kenyatta University Doctor of Philosophy. (iii) 1988 University of Nairobi, Master of Science in Parasitology. (iv) 1984 University of Nairobi, Bachelor of Science, Second Class Honors (Upper Division) <p><i>Work Experience:</i></p> <ul style="list-style-type: none"> (i) 2nd December 2013 to present, Deputy Vice Chancellor, Academic, Research and Student Affairs South Eastern Kenya University
<p>3. Prof. Zipporah Ng'ang'a, Ph.D Deputy Vice Chancellor (Academic, Research and Students Affairs)</p>	



4. Prof. Francis N. Wachira, Ph.D
 Deputy Vice Chancellor (Administration
 and Human Resources Management)

Date of Birth: 20th March 1963

Key qualification:

- (i) 1996 Dundee University, the United Kingdom, Doctor of Philosophy degree.
- (ii) 1990 Kenyatta University, Kenya Master of science.
- (iii) 1986 Kenyatta University, Bachelor of Education (Science)

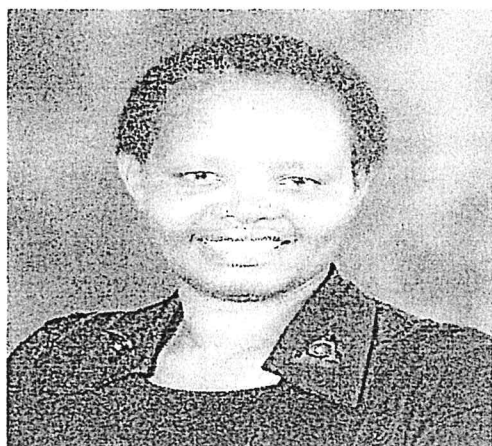
Work Experience

- (ii) January 2017 – present: Deputy Vice-Chancellor, Administration & Human Resources Management South Eastern Kenya University
- (i) February 2015-December 2016: Executive Secretary, ASARECA, Uganda
- (ii) August 2012 – February 2015: Deputy Executive Director, ASARECA, Uganda
- (iii) November 2009-July 2012: Director, CEO Tea Research Foundation of Kenya

Membership:

- (i) February 2015-December 2016: Member of Board of Directors, Forum for Agricultural Research in Africa (FARA), Ghana
- (ii) May 2014-December 2016; Member, Independent Advisory Committee, ICRISAT (International Crops Research Institute for the Semi-Arid Tropics), India
- (iii) April 2014-December 2016; Member, Steering Committee, Pan African Research Alliance (PASIRA), Uganda
- (iv) March 2011-September 2012: Member, Kenya Highlands Evangelical University Council, Kenya

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5. Prof. Mary Mburu, Ph.D
Registrar (Administration and Human
Resources Management)

Date of Birth: 16th August, 1959

Key Qualifications:

- (i) 1996 University of Reading, Doctor of Philosophy degree.
- (ii) 1986 University of California, Davis USA, Master of Agronomy.
- (iii) 1983 University of Nairobi, Bachelor of Science in Agriculture.

Work Experience:

- (i) 7th March 2012 up to 3rd April, 2013 Acting Director, Directorate for Research, Innovation and Technology South Eastern University College
- (ii) 3rd April, 2013 to 14th November, 2013 Acting registrar, AHRM South Eastern Kenya University
- (iii) 14th November, 2013 to present, Registrar, Administration and Human Resources Management.



6. Dr. John F. Koga, Ph.D
Registrar (Academic and Students
Affairs)

Date of Birth: 1st October, 1960

Key Qualifications:

- (i) 1994 The University of Leeds, Doctor of Philosophy degree.
- (ii) 1988 Kenyatta University, Master of Science.
- (iii) 1985 University of Nairobi, Bachelor of Education, Second Class Honours (Upper Division)
- (iv) 1981 Kenya Science Teachers College, Certificate of Teacher Education (S1)

Work Experience:

- (i) 1st November, 2010 to present: Registrar, Academics and Students Affairs, South Eastern Kenya University

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7. Dr. Samuel Mutukaa, Ph.D
 (Registrar, Resource Mobilization)

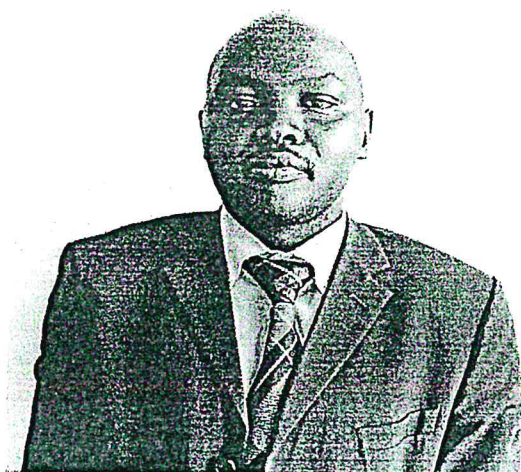
Date of birth: 3rd April 1972

Key qualification:

- i) 2015 University of KwaZulu-Natal, Doctor of Philosophy, Public Administration.
- ii) 2011 Moi University, Master of Science in Development Studies.
- iii) 2007 Kenyatta University, Master of Business Administration
- iv) 1997 University of Nairobi, Bachelor of Science

Work Experience

- i) 1st February, 2017 to present: Registrar, Resource mobilization, South Eastern Kenya University.
- ii) 2013-2017: Senior Lecturer, Africa Nazarene University.
- iii) 2011-2013: Regional Development Advisor – Action Aid Denmark
- iv) 2009-2010: Development Consultant – UNICEF, IUCN, Oxfam, WWF, Action Aid, Concern Worldwide, World vision, Heifer International



8. CPA Hosea Kiprop
 (Ag. Finance Officer)

Date of Birth: 25th July 1980

Key Qualifications:

- (i) 2016: Moi University, Master of Business Management 2016(Finance).
- (ii) 2003: Kenyatta University, Bachelor of Commerce (Accounting Option)
- (iii) 2007: CPA(K) - ICPAK
- (iv) 2017: CIFA

Work Experience:

- (i) August 2019, to present, Deputy Finance Officer South Eastern Kenya University.
- (ii) 2012-2019 Accountant/Senior Accountant University of Kabianga
- (iii) 2007-2012, Assistant Accountant, Moi University.

IV. CHAIRMAN'S STATEMENT

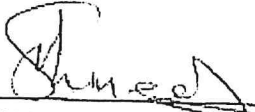
On behalf of the Council, I am delighted to present the South Eastern Kenya University Annual Report and Financial Statements for the financial year ended 30th June 2020.

I am pleased to report that the University continues to deliver on its key mandate of teaching and learning, research and innovation, outreach and community service. During the year under review, the University realized significant achievements, notwithstanding the financial and operational challenges occasioned by the COVID -19 pandemic. Notable, among the achievements include the launch of the University's Five-Year Strategic Plan (2019-2023) that is aligned to the National development plans of the country.

Given the operational and financial challenges, the University will continue to innovate in the core areas of teaching, learning and research as we focus on expansion of ICT infrastructure in order to ensure we deliver quality education and service to our students and other stakeholders.

I take this opportunity to reaffirm the commitment of the Council in providing effective leadership for the growth of the University. In this regard, the Council will continue to maintain a policy direction which facilitates management and staff to work together and engage stakeholders in accordance with the spirit of participation enshrined in our Constitution.

In conclusion, I would like to thank the Government of Kenya for its invaluable support to the University as it continues to deliver on its mandate. I also wish to commend the Management and staff for working tirelessly to achieve the level of growth that we witnessed during the year and the community and other stake holders for their continuous contribution and support in various ways.



DR. SWABAH OMAR, Ph.D
CHAIRMAN OF COUNCIL

V. REPORT OF THE VICE-CHANCELLOR

It gives me great pleasure to present the Annual Report and Financial Statements of the South Eastern Kenya University for the year ended 30th June 2020. The financial year under review saw the Education sector adversely affected by the COVID-19 pandemic which caused disruption of the University programmes. This situation had a huge negative impact on University's operations and financial performance.

The total recurrent revenue for the year amounted to Kshs.1.25 billion composed of Appropriation in Aid of Kshs.253.78 million which translates to 20.3% and recurrent grants of Kshs.996.74 million which translates to 79.7%. The University received a total of Kshs.396.79 million from the Government as capital grants to finance various infrastructure projects.

As part of its strategy to achieve operational sustainability, the University continued to rationalize and manage costs. The total expenditure, inclusive of assets impairment and amortization, amounted to Kshs.1.23 billion with employee costs accounting for Kshs.920.37 million which is 74.9% of the total operational cost.

Through capital grants received from the Government, the University continued to implement key development projects included in its Strategic Plan 2019-2023 namely: College of Humanities, Wote and Kitui campuses. Further, the University has continued to invest in capital assets focused on enhancing its capacity to deliver services by procuring furniture and ICT infrastructure computers for both students and staff. As a result, the total asset base grew from Kshs.3.19 billion to Kshs.3.48 billion during the year under review.

Lastly, I wish to recognize the great contribution of all our stakeholders in making sure that the University achieves its goals and objectives. I sincerely thank all of them and look forward to their continued support.

Thank you.



PROF. GEOFFREY M. MULUVI, Ph.D
VICE-CHANCELLOR

SOUTH EASTERN KENYA UNIVERSITY
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VI. REVIEW OF UNIVERSITY'S PERFORMANCE FOR FY 2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the University's performance against predetermined objectives:

South Eastern Kenya University has five strategic pillars and objectives within its Strategic Plan for the 2019- 2023. These strategic pillars are as follows:

- Pillar 1: Provide Quality University Education and Training
- Pillar 2: Enhance Research, Consultancy and Community Service
- Pillar 3: Enhance Physical Infrastructure
- Pillar 4: Promote Governance and University Image
- Pillar 5: Promote partnerships and enhance resource mobilization

South Eastern Kenya University develops its annual work plans based on the above five pillars. Assessment of the University's performance against its annual work plan is done on a quarterly basis. South Eastern Kenya University achieved its performance targets set for the FY 2019/2020 period under its five strategic pillars, as indicated in the matrix below:

Strategic Pillar	Strategic Objectives (SO)	Activities	Key Performance indicators	Achievement
Pillar 1: Provide Quality University Education and Training	SO1: To produce well educated, skilled, and competent manpower.	1. Develop market driven undergraduate and postgraduate programmes.	Number of senate approved programmes	New programmes developed
		2. Mainstream ethics in academic programmes.	Number of programmes mainstreamed	University programmes mainstreamed
		3. Use ICT in teaching and learning	Number of programmes digitised	All programmes digitised
	SO2: To attract, develop, motivate and retain well qualified and competent staff	1. Expand and improve health care services for staff	Number of staff on health care services	All members of staff covered in medical scheme
		2. Develop and implement a performance management System	Performance management system developed	Staff appraisal conducted
	SO3: To increase access and equity quality education	1. Develop a marketing strategy for academic programmes.	Increased enrolment	Increases enrolment during the year
		2. Promote gender and minority groups parity in all academic programmes.	Proportional representation of gender and minority groups	30% of women and 10% of the minority groups adhered
		3. Strengthen student work study program	Number of students involved in work study	Increased student under work study program
	SO4: Enhance research output and dissemination results	1. Increase research programmes	Number of funded research projects	New research projects funded
		2. Establish partnerships with industry, universities and research organisations	Number of partnerships established	Two MOU's established

SOUTH EASTERN KENYA UNIVERSITY
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Strategic Pillar	Strategic Objectives (SO)	Activities	Key Performance indicators	Achievement
Community Service		3. Disseminate research findings	Number of publications, workshops and seminars	50 publications in the year/ held 2 workshops/seminars
		4. Implement University Research and Innovation Policy	Developed and implemented	University Research and Innovation policy implemented
		5. Train staff on competitive grant writing	Number of staff trained	Research grants funded during the year
		6. Establish a University research fund	Provision of University research budget line	Kes. 0.5 million allocated
	SO6: Enhance consultancy services	1. Mainstream consultancy services	Number of consultancy services awarded	Two consultancies awarded
	SO7: Engage in community outreach and extension services	1. Develop programmes for community outreach	Number of developed programmes	Programmes developed
Pillar 3: Enhance Physical Infrastructure	SO8: Develop ICT infrastructure to support teaching, learning and outreach.	1. Increase the bandwidth	Increased bandwidth	Bandwidth increased by 15 MB
		2. Enhance campus connectivity	Number of buildings having fibre optic connection	All buildings connected to fibre optic
		3. Increase internet hotspots	Number of hot spots on campus	5 hot spots during the year
	SO9: Expand physical facilities for teaching, research, learning and student welfare	1. Develop lecture hall, laboratories and offices	Number of new lecture halls, laboratories and offices built	College of Humanities, Wote and Kitui campus under construction
		2. Develop and expand tree nursery, botanical garden and woodlots	Number of tree species introduced and the acreage of woodlot established	5 acres of woodlot established in the year
Pillar 4: Promote Governance and University Image	SO10: To promote the University image for enhanced visibility.	1. Join and participate in national, regional and international associations	Number of associations joined	Payment of subscription fees for year
		2. Continuously update the University repository	Number of materials posted on the repository	Increased number of materials posted
		3. Disseminate research information	Number of public lectures by staff	Public lectures held
		4. Continuous engagement of staff and students to guarantee harmony	Number of staff and students' engagements per year	one joint event held
	SO11: To promote integrity and ethical behaviour in university governance	1. Institutionalise prudent use of university resources	Compliance with statutory requirements	All statutory and legal requirements complied
		2. Sensitise staff on integrity and ethical behaviour	Number of workshops/seminars held	Staff sensitised on integrity and ethical behaviour
		3. Develop and implement anti-corruption policy	Anti-corruption policy developed and implemented	Zero tolerance to corruption
	SO12: To institutionalise quality systems	1. Develop and implement ISO QMS 9001-2015	QMS developed	ISO-Certification awarded and retained
		2. Develop and implement ISMS	ISMS Developed	ISMS implemented

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Strategic Pillar	Strategic Objectives (SO)	Activities	Key Performance indicators	Achievement
		3. Develop and implement environmental QMS	QMS developed	ISO certification awarded
		4. Ensure that programmes are accredited by professional bodies and benchmarking with other internationally accredited institutions.	Number of programmes accredited	All programmes approved by Senate and requiring accreditation
		5. Implement CUE standards and guidelines	CUE standards and guidelines implemented	All CUE standards and guidelines implemented
	SO13: Enhance Human Resource Development	1. Implement national cohesion and integration principles.	National cohesion and integration principles implemented	Implemented
		2. Develop and implement induction programme for staff	induction policy developed and implemented	Policy Implemented
Pillar 5: Promote partnerships and enhance resource mobilization	SO14: To mobilize adequate resources to sustain and advance university activities.	1. Establish partnerships and Linkages for resource mobilisation	No. of linkages and partnerships established	Two partnerships established



VII. CORPORATE GOVERNANCE STATEMENT

The University derives its authority and accountability from the Universities Act of 2012, the South Eastern Kenya University Charter and the South Eastern Kenya University Statutes which outline the commitment required of members of the Council to discharge their mandate.

These instruments guarantee effectiveness of each member contribution in the governance of the University by ensuring there is independent judgment, where professional competence and ethical standards are highly observed in decision making.

The University is also guided by its core values namely: professionalism, innovation, integrity, freedom of thought, teamwork and respect for and conservation of the environment which, serve as a basis for sound decision making.

The University is in compliance with MWONGOZO Code of Governance for state corporations and underlying principles of good governance. In addition, the University is fully compliant with provisions of, inter alia, the following Acts and regulations; Public Procurement and Disposal Act 2015, Public Finance Management Act 2012 and Regulations 2015. Further, the University attained ISO 9001-2015 Quality Management System certification.

1. Chancellor

Section 12 of the Charter provides that there shall be a University Chancellor who is appointed by the President.

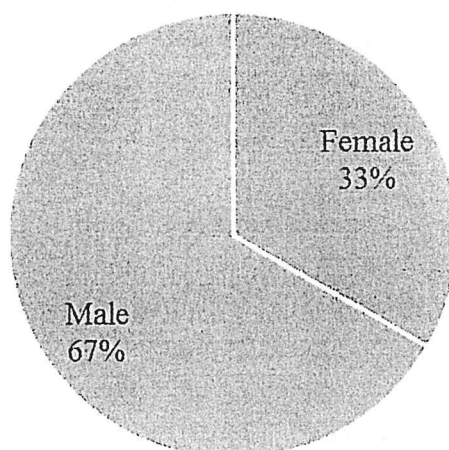
2. Council

Section 18 of the Charter provides that there shall be a University Council. During the period under review the Council consisted of (9) members led by a non-executive and independent chairman, an executive Vice Chancellor and Secretary to the Council, the Principal Secretary National Treasury, Principal Secretary Ministry of Education and five independent and non-executive members.

All the non-executive Council members were independent of management and free from any business or other relationships which could interfere with the exercise of their independent judgment. Members of the University Council are appointed by the Cabinet Secretary for Education.

The tenure of the current Council begun on 1st August, 2017.

Council Diversity



In compliance with the Constitution, the Council composition in terms of male and female Council members was 67% and 33% respectively.

The independence of the Council from the University Management was ensured by separation of the functions of the Chairman and Vice Chancellor and a clear definition of their responsibilities. This helped the University in achieving an appropriate balance of power, increased accountability and improved decision making.

3. Responsibilities of the Council

The responsibilities of members of the Council are clearly spelt out in both the University's Act and the Statutes. These include:

- (i) Determining the University's vision, mission and core values
- (ii) Deciding its strategic objectives
- (iii) Ensuring establishment of an organizational structure and procedures to achieve the objectives.

The Council sets out objectives and ensures that procedures and practices are in place to protect the University's assets and reputation. It also reviews the strategic direction of business plans presented by the Management, reviews processes for the identification and management of business risks and compliance with key regulatory and legal issues. It also provides oversight of performance against targets and objectives.

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It ensures ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the Code of Ethics, as well as benchmarks performance against best international practices.

In accordance with the principles of good corporate governance, each member of the Council undertakes to act in the best interest of the University and exercise his/her power in the execution of duties in good faith and act with care and prudence by subscribing to the University's core values.

4. Council Meetings

The Council meets once every three months and has a formal schedule of agenda items for deliberations. Members of the Council are given appropriate and timely information to maintain full and effective control over strategic, financial and operational issues of the University. The Council is not involved in the conduct of day-to-day business as this is a responsibility given to the Vice-Chancellor. It, however, retains responsibility for determining the direction of the University.

5. Council Attendance

The Council held four regular and one special meetings in the year under review. Attendance to the Council meetings was as follows:

No.	Name	Attendance		
		Regular	Special	Total
1	Dr. Swabah Omar (Ph.D)	4	1	5
2	Mr. Paul Mwangi	2	0	2
3	Dr. Kennedy Okong'o (Ph.D)	3	1	4
4	Mr. Martin F. Kinoti	3	1	4
5	Dr. Indeje Wanyama (Ph.D)	2	-	2
6	Mr. Luthers Mose Mokua	4	1	5
7	Mrs. Anna N. Mwaure	4	1	5
8	Ms. Lydia Mwikali Kaleli	4	1	5
9	Dr. Tabby Mungai, Ph.D	1	0	1
10	Prof. Geoffrey M. Muluvi, Ph.D	4	1	5

6. Council Remuneration

In accordance with guidelines provided by the State Corporations Advisory Committee, members of the Council are paid taxable sitting allowance for every meeting attended as well as travel and accommodation allowance while on University duty. The Chancellor and the Chairman are also paid monthly honorarium.

Total Council expense for the year was Kshs 8,830,279.00. The University neither grants personal loans nor gives guarantees to members of the Council.

7. Conflict of Interest and Declaration of Interest

Members of the Council have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the University. Business transactions with all parties, members or their related parties are carried out at arm's length.

Each member is obligated to fully disclose to the Council any real or potential conflict of interest, which comes to his/her attention, whether directly or indirectly.

In every meeting of the Council, an agenda item exists requiring members to make a declaration of any interest they may have in the business to be discussed.

8. Council Committees

The Council conducts its business through committees. The committees and their terms of reference are: -

(i) Finance and General Purposes Committee

(a) To consider and make recommendations to the Council on financial matters

(b) To consider and recommend to the Council matters of general nature

The committee meets on a quarterly basis and as necessary.

(ii) Audit Committee

(a) To review internal and external audit findings, recommendations and propose corrective and preventive action where necessary.

(b) Assist the accounting officer in enhancing internal controls in order to improve efficiency and accountability

The committee meets on a quarterly basis and as necessary.

(iii) Staff Terms and Conditions of Service Committee

(a) To review and make recommendations to the Council on staff Terms and Conditions of Service.

(b) To examine and recommend career structures within the University

(c) To establish and generally oversee Staff Retirement Benefits Pension Scheme.

The Committee meets on a quarterly basis and as necessary.

(iv) Building and Physical Development Committee

(a) To consider and recommend to the Council priority development projects

(b) To receive reports and recommendations of Management on the progress of physical development of the University.

(c) To report to the Council on the progress of physical infrastructure development of the University.

The Committee meets on a quarterly basis and as necessary.

(v) Graduation and Sealing Committee

- (a) To approve University certificates
 - (b) To approve the list of graduands to be issued with certificates
 - (c) To approve sealing of certificates.
- The Committee meets once in a year and as necessary.

(vi) Appeals Committee

Its terms of reference are to hear and determine appeals made to it by staff from decisions of the senior and junior Disciplinary Committees.
The Committee meets as and when necessary.

(vii) Appointments Committee

The terms of reference for the Appointments Committee are to consider appointments for teaching and non-teaching staff in Grades 14 and 15.
The Committee meets as and when necessary.

9. Management Structure

The University Management Board is made up of the Vice Chancellor, Deputy Vice Chancellors, Registrars and the Finance Officer. The Board meets weekly to review the overall performance of the University.

There are various other management committees which advise the Vice Chancellor on specific issues in order to enable him to discharge his responsibilities as the Chief Executive of the University.

10. Internal Controls

The management of the University has put in place a series of internal control mechanisms to ensure reporting of complete and accurate accounting information. Procurement of goods and services is strictly done in accordance with the Public Procurement and Disposal Act, 2015.

11. Authorizations

Expenditure of the University is authorized in accordance with set policies and procedures. There is a budget and a procurement plan which are approved by the Council. The Council receives regular management accounts comparing actual outcomes against budget as a means of monitoring actual financial performance.

12. Internal Audit

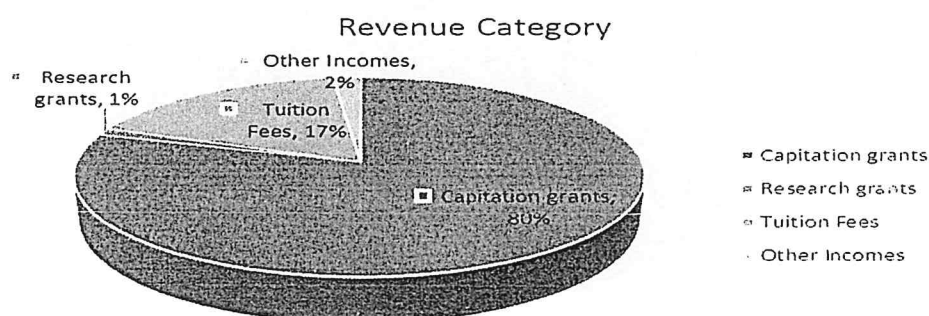
The internal audit function is performed by internal audit department, which is also responsible for monitoring and providing advice on the University's risk management framework. All reports of the internal audit are presented to the Audit Committee of the Council.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

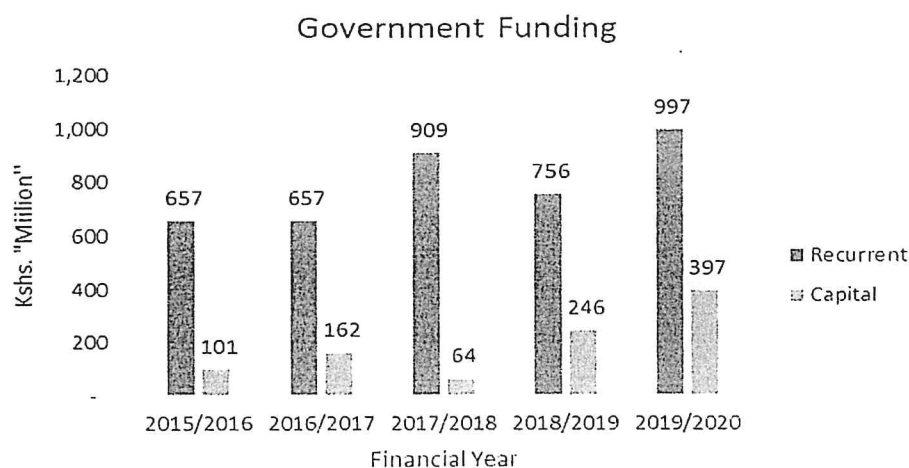
Operational and financial performance of the University

The University Recurrent expenditure is funded by both government support and internally generated funds. The financial performance of the University was adversely affected by COVID-19 pandemic which resulted to suspension of learning and subsequent closure of the university. As a result, the University did not complete the academic programmes for second semester of the 2019/2020 academic year as well as the May intake did not take place as planned thus leading to an overall decline in internally generated revenue for the period under review.

Consequently, revenue from exchange transactions comprising of tuition fees and related charges, rental and other incomes decreased by 23.2% as compared to 2018/2019.



The university receives government funding to finance both recurrent and development expenditure. Over the years, the government funding is still low and has not matched the growth of the University given that the university is relatively young and growing.

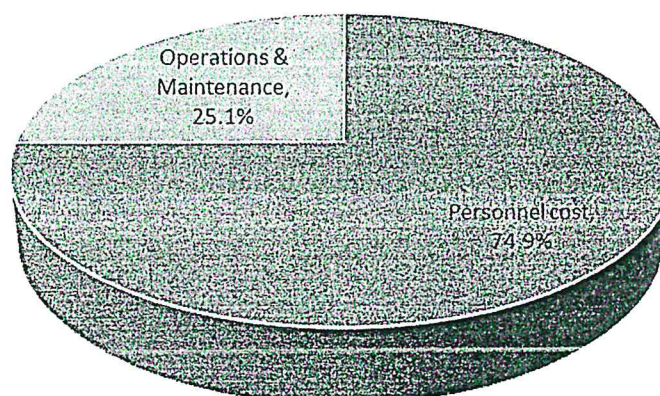


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It is worth noting that trade and other payables from exchange transactions reduced significantly by 24.3%. This is primarily attributed to the deliberate effort and financial prudence applied by the University to clear all the pending bills as well as contain expenditure at manageable levels.

During the period under review, the operational costs increased by 8.7%. This is mainly attributed to the implementation of 2017-2021 CBA and subsequent payment of arrears for the period 1st July 2017 to 30th June 2020. Personnel cost increased by 10.4% compared to 2018/2019 figures thus remaining the major expenditure item accounting for 74.9% of the total operational expenses.

Recurrent Expenses
2019/2020



University's key projects or investments decision implemented during the year

Through government support, the University was able to implement three key projects namely: College of Humanities and Social Sciences, Wote and Kitui campuses. The university made substantial progress during the financial year in terms of development. The above ongoing projects are expected to be completed in FY 2020/2021:

The University council is indeed grateful for the financial support received during the year in funding the infrastructural development of the University which has transformed and enhanced the corporate image of the University.

University's compliance with statutory requirements and other financial obligations

The University is in compliance with all the statutory requirements and no foreseeable potential contingent liabilities exist. The University complied with statutory requirements by remitting PAYE, NSSF, NHIF, Pension deductions, HELB and other statutory deductions within the prescribed timelines.

Major risks facing the University

The major risk facing the university is inadequate funding by the Government which may result to inability to support various projected expenditures which may affect delivery the planned university programmes. Underfunding of the key projects implemented by the University may lead to delay in completion of projects which may thus escalate the project costs.

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY REPORTING

South Eastern Kenya University exists to develop and expand opportunities for higher education and research, with emphasis on agriculture, forestry, mining, energy, water, environmental sciences, health and Engineering. This is guided by the University's strategy, which is founded on five pillars namely:

- (i) Pillar 1: Provide quality university education and training,
- (ii) Pillar 2: Enhance research, consultancy and community service,
- (iii) Pillar 3: Enhance physical infrastructure,
- (iv) Pillar 4: Promote good governance and university image,
- (v) Pillar 5: Promote partnerships and enhance resource mobilization.

Below is a brief highlight of University's achievements during the period under review.

1. Sustainability strategy and profile -

To guide its corporate social responsibility initiatives, South Eastern Kenya University put in place a policy framework focusing on:

- (a) Promotion of educational standards particularly in the area it operates.
- (b) Access to water to the immediate neighborhood.
- (c) Access to health care to the community living near or around the University.
- (d) Conservation of environment in the location it operates.

The University further committed to make annual budgetary allocations in support of the corporate social responsibility initiatives. It is expected that this move will enable the University achieve the following critical objectives: -

- (a) Encourage peaceful co-existence with the immediate community.
- (b) Enhance University corporate image and visibility
- (c) Expand linkages with other institutions, which will contribute towards attainment of the University mandate.

2. Environmental performance

South Eastern Kenya University is in the process of developing an environmental policy to guide the institution in management of biodiversity, waste management and reducing environmental impact of its activities, programs, projects and plans. However, one of its core mandates is to play a leading role in the development and expansion of opportunities for learning and research in Agriculture, Forestry, Mining, Energy, Water and Environmental Sciences in arid and semi-arid lands.

To this end, the University has continued to offer academic programmes in these topical areas. In addition, SEKU in its performance indicators 2019/2020 under the core mandate managed to do the following:

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1. *Promotion of Moringa Tree Products for Improved Health and Nutrition*

During the year, the University promoted Moringa tree products for improved health and nutrition by identifying a suitable site, prepared and planted moringa seeds. Further, it carried out water purification tests using moringa seeds.

2. *Development of Centre for Climate Smart Technologies*

During the year, the University developed a Centre for Climate Smart Technologies by identifying and fencing the site, designing basic infrastructure for the centre and developing Bill of Quantities.

3. *Community Service Programs Carried out*

During the year, the University held four (4) community service events. They include cleaning of Kwa Vonza market, tree planting, donating tree seedlings and demonstrating effective dryland tree planting techniques.

3. Employee welfare

The University values its staff members and cares about their social welfare and their future. The university has put in place programmes/modalities that ensure the social welfare of employees are taken care of. Accordingly, the University has established social welfare initiatives that ensure the wellbeing of employees.

Further, the University is committed to ensuring that it conducts its activities in a healthy and safe environment. The University continues to comply with the provisions of the Constitution of Kenya, Occupational Safety and Health Act, 2007 (OSHA, 2007), the Employment Act, 2007 and the Work Injury Benefits Act, 2007 (WIBA) and related legal notices from time to time.

4. Community Engagements-

The University set aside a budget for corporate and social responsibility activities. Among activities implemented during the year include:

- i. Cleaning of Kitui Town by students in support of public health.
- ii. To improve on environment, the University participated in various environmental programmes which include tree planting days in the University and also participating in County and international days.
- iii. The University further, trained two local schools on effective dryland tree planting and also donated seedlings.
- iv. The University also conducts mentorship programmes through Women Student Mentorship Association, Student comedy shows.
- v. Further, the University provided a budget and participated in sports. Among them KUSA sports.

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- vi. The University participated in charity work by visiting a nearby school to support needy students with writing materials, mentoring activities.



X. REPORT OF THE UNIVERSITY COUNCIL

The South Eastern Kenya University Council submits its report together with the unaudited financial statements for the year ended June 30, 2020.

Principal activities

The functions of the University are spelt out in Section 6(1) of the Charter as follows:

- (a) To provide directly, or in collaboration with other institutions of higher learning, facilities for University education including technological, scientific and professional education, the integration of teaching, research and effective application of knowledge and skills to life, work and welfare of the citizens of Kenya.
- (b) To participate in the discovery, transmission and preservation and enhancement of knowledge and to stimulate the intellectual participation of students in economic, social, cultural, scientific and technological development of Kenya.
- (c) To provide and advance University education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing, contribute to manpower development in the Country.
- (d) To conduct examinations for such academic awards as may be provided in the Charter pertaining to the University.
- (e) To examine and make proposals for new faculties, schools, institutes, departments, resource and research Centre degree courses and subjects of study.
- (f) To play a leading role in the development and expansion of the opportunities for higher education and research in agriculture, forestry, mining, energy, water and environmental sciences on arid and semi-arid lands.
- (g) To contribute to industrial and technological development through innovations and technology transfer.
- (h) To develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, innovation, research, consultancy and extension services with emphasis on dry land agriculture and farming systems and their impact and application within and outside Kenya.
- (i) To participate in commercial ventures and other activities to the benefit of the University, the community and stakeholders.
- (j) To contribute to agricultural, industrial and technological development of Kenya in collaboration with industry and other institutions through transfer of appropriate technology.

Results

The results of the University for the Financial Year ended June 30, 2020 are set out on page 1 to pages 36

University Council

The members of the University Council who served during the year are shown on pages vii to xi in accordance with Regulation (12) of the University Charter. The tenure of the serving Council begun on 1st August, 2017.

Auditors

The Office of the Auditor General is responsible for statutory audit and report of the University, within six months after the end of the financial year.

The Auditor-General is mandated to audit the Annual Report and Financial Statements of the University in conformity with guidelines and regulations provided under Article 229 of the Constitution of Kenya and provisions of the Public Audit Act 2015.

In carrying out the audit, the Auditor General is to confirm whether or not public money has been applied lawfully and in an effective way, give assurance on the effectiveness of internal controls, risk management and overall governance as well as satisfy himself that public money has been used and applied towards the purposes intended.

XI. STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITIES

Section 68 of the Public Finance Management (PFM) Act, 2012 requires the University Council to prepare financial statements in respect of South Eastern Kenya University, which give a true and fair view of the state of affairs and the operating results of the University at the end of the financial year. The University Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. Further, the Council is also responsible for safeguarding the assets of the University.

Pursuant to the requirement of the law, the Council is responsible for the preparation and presentation of the University 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. 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) Safe-guarding the assets of the University.
- (v) Selecting and applying appropriate accounting policies and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The University Council accepts 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 Public Financial Management Act and the University Act. The Council is of the opinion that South Eastern Kenya University financial statements give a true and fair view of the state of University transactions during the financial year ended June 30, 2019 and financial position as at that date. The Council further confirms the completeness of the accounting records maintained by the University, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial controls.

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

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Approval of the financial statements

The South Eastern Kenya University's financial statements were approved by the University Council on 29th September 2020 and signed on its behalf by:



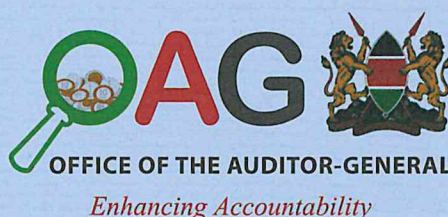
PROF. GEOFFREY M. MULUVI, Ph.D
VICE-CHANCELLOR



DR. SWABAH OMAR, Ph.D
CHAIRMAN OF COUNCIL

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON SOUTH EASTERN KENYA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of South Eastern Kenya University set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the South Eastern Kenya University as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Debtors

As disclosed in Note 18 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance totalling to Kshs.72,865,025. The balance includes an amount of Kshs.14,000,000 owed by Kitui County Government since October, 2018 and an amount of Kshs.475,000 owed by Machakos University since October, 2017. Although the University wrote demand letters to the debtors, the debts have remained outstanding. The balances have not been reclassified to non-performing debtors and the necessary provisions for bad debts disclosed in the financial statements. In the circumstances, the accuracy, completeness and validity of receivables from exchange transactions totalling to Kshs.72,865,025 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

2. Property, Plant and Equipment

As previously reported, as disclosed in Note 15 to the financial statements, the statement of financial position reflects property, plant and equipment balance totalling to Kshs.3,085,222,969. Included in this balance are three (3) parcels of land measuring approximately 6,000 Hectares with a valuation of Kshs.1,036,600,000 which are yet to be registered in the name of the University due to land disputes.

The University is also in possession of five (5) other parcels of land with an undetermined value that have not been incorporated in the financial statements.

In the circumstances, the accuracy, completeness, validity and ownership of the property, plant and equipment balance totalling to Kshs.3,085,222,969 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

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. Delayed Completion of Buildings

1.1 College of Humanities at the Main Campus

The tender for construction and completion of the college of humanities building at the main campus was awarded for a contract sum of Kshs.423,000,000 for a period of two years commencing March, 2017 and completion date of March, 2019 later revised to October, 2020. However, as at the time of audit inspection in November, 2020, the project was incomplete at 87% completion level despite the extended period having lapsed.

1.2 Kitui Town Campus

Similarly, the University awarded a tender for the construction and completion of Kitui town campus at a contract sum of Kshs.248,942,307 for a period of two years commencing March, 2017. The contract period was subsequently extended for a period of one and half years to August, 2020. However, as at the time of audit inspection in November, 2020, the project was incomplete with an estimated overall progress of 83%. This is despite the extension period having lapsed.

1.3 Wote Town Campus

The University also awarded a tender for construction of Wote Town Campus at a contract sum of Kshs.256,694,261 for a period of two years commencing March, 2017. The contractor was subsequently granted an extension to November, 2020. However, as at the time of audit inspection in November, 2020 the time of expiry of the extension period, the project was at 88% completion level.

No satisfactory explanation was rendered for the continued delays in completing the three projects which are at the risk of incurring costs escalation.

In the circumstances, I am unable to confirm whether the public will obtain value for money for the above delayed projects for the year ended 30 June, 2020.

2. Non-Compliance with Law on Ethnic Composition

The University's staff database as at 30 June, 2020 had four hundred and ninety (490) officers out of whom two hundred and seventy-four (274) or (56%) were from the dominant ethnic community in the County. This is contrary to provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires that, public entities to ensure that at least thirty percent (30%) of positions be filled by candidates who are not from the dominant ethnic community in the County.

Consequently, Management is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance

about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the University Council

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

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

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

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

The University Council is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the University 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 February, 2022

XIII. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2020

For the year ended 30 June 2020

	Notes	2019-2020 Kshs	2018-2019 Kshs
Revenue from non-exchange transactions			
Recurrent grants	3	996,720,974	756,039,257
Research grants	4	13,705,061	19,988,983
Total revenue from non-exchange transactions		1,010,426,035	776,028,240
Revenue from exchange transactions			
Tuition and other related fees	5	217,788,938	243,057,609
Rental revenue income and other sources	6	11,083,110	47,304,062
Other incomes	7	11,749,259	22,354,333
Total revenue from exchange transactions		240,621,306	312,716,004
Total revenue		1,251,047,341	1,088,744,244
Expenses			
Administration expenses	8	134,697,956	140,554,191
Council expenses	9	8,830,279	6,968,699
Repairs and maintenance, rents & rates	10	19,754,480	23,901,677
Marketing expenses	11	6,076,636	2,358,544
Catering and accommodation	12	13,632,839	20,201,418
Academic services	13	45,118,897	30,652,025
Employee costs	14	920,365,541	833,529,780
Depreciation and amortization expense	15	76,296,374	71,966,191
Audit fees	16	696,000	696,000
Total expenses		1,225,469,001	1,130,828,524
Surplus/Deficit for the period		25,578,340	(42,084,280)

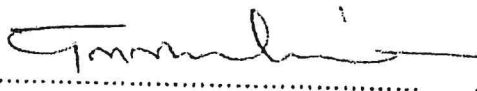
The notes set out on pages 6 to 36 form an integral part of these Financial Statements

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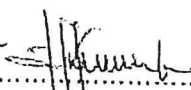
XIV. STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

Assets	Notes	2019-2020	2018-2019
Current assets		Kshs	Kshs
Cash and cash equivalents	17	224,052,077	158,929,470
Receivables from exchange transactions	18	72,865,025	74,689,215
Receivables from non-exchange transactions	19	88,347,122	66,717,158
Inventories	20	6,399,633	4,245,169
Total current assets		391,663,857	304,581,011
Non-current assets			
Biological assets	21	8,127,745	7,446,363
Property, plant and equipment	15	3,085,222,969	2,878,023,194
Total assets		3,485,014,572	3,190,050,568
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	294,644,865	405,410,748
Unexpended research grants	23	34,379,243	45,406,789
Refundable deposits from students-caution money	24	22,757,245	23,459,910
Contingent liabilities	25	3,454,154	3,454,154
Total current liabilities		355,235,506	477,731,601
Net assets			
Revenue reserves	26	(157,421,324)	(178,096,025)
Capital fund	27	2,765,367,685	2,368,582,288
Revaluation reserve	28	521,832,705	521,832,705
Total net assets		3,129,779,065	2,712,318,967
Total net assets and liabilities		3,485,014,572	3,190,050,568

The Financial Statements set out on pages 1 to 36 were signed on behalf of the Council by:



 PROF. GEOFFREY M. MULUVI, Ph.D
 VICE-CHANCELLOR.



 CPA HOSEA KIPROP
 Ag. FINANCE OFFICER
 ICPAK NO. 6707



 DR. SWABAI OMAR, Ph.D
 CHAIRMAN OF COUNCIL

Date... 3/12/2020

Date... 3/12/2020

Date... 4/12/2020

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XV. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2020

	Capital fund Kshs	Revenue reserves Kshs	Revaluation reserve Kshs	Total Kshs
Balance as at 30th June 2018	2,122,992,288	(134,914,865)	489,693,205	2,477,770,628
Deficit for the period	-	(42,084,280)	-	(42,084,280)
Adjustment on previous years student balances	-	(1,096,880)	-	(1,096,880)
Adjust. on depreciation of revalued motor vehicles	-	-	32,139,500	32,139,500
Capital grants received in the year	245,590,000	-	-	245,590,000
Balance as at 30 June 2019	2,368,582,288	(178,096,025)	521,832,705	2,712,318,967
Surplus/Deficit for the period	-	25,578,340	-	25,578,340
Adjustment on previous years student balances	-	(5,323,640)	-	(5,323,640)
Adjust. on depreciation of revalued motor vehicles	-	420,000	-	420,000
Capital grants received in the year	396,785,397	-	-	396,785,397
Balance as at 30 June 2020	2,765,367,685	(157,421,324)	521,832,705	3,129,779,065

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XVI. STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Notes	2019-2020 Kshs	2018-2019 Kshs
Cash flows from operating activities			
Surplus/Deficit for the year	1	25,578,340	(42,084,280)
Increase in net worth of biological assets	7	(681,382)	(1,762,527)
Loss on disposal of asset	8	1,260,000	2,880,000
Adjust. for depreciation	15	76,296,374	71,966,191
Operating surplus/deficit before working capital		102,453,333	30,999,384
Decrease in trade and other receivables	18	1,824,189	(8,949,011)
Increase from non-exchange transactions	19	(21,629,964)	(66,717,158)
Increase/Decrease in inventories	20	(2,154,464)	1,546,397
Decrease in trade and other payables	22	(110,765,883)	(18,753,944)
Increase/Decrease in refundable caution money	24	(702,665)	172,940
Increase/decrease in unexpended research grants	23	(11,027,546)	4,678,365
Net cash in/outflow from operating activities		(42,003,001)	(57,023,028)
Cash flow from investing activities			
Purchase of non-current assets	15	(9,915,187)	(4,910,604)
WIP capitalised	15	3,766,500	-
Work in progress	15	(278,607,463)	(108,344,685)
Net cash flow from investing activities		(284,756,150)	(113,255,289)
Cash flow from financing activities			
Increase /(Decrease) in revaluation reserves	28	-	(32,139,500)
Increase /(Decrease) in revenue reserves	26	(4,903,640)	-
Adjust. on revalued motor vehicles		-	13,561,195
Capital grants received from Government	3b	396,785,397	245,590,000
Net cash flow from financing activities		391,881,758	227,011,696
 Increase/Decrease in cash and cash equivalents		 65,122,606	 56,733,378
Cash and cash equivalents bal. b/f	17	158,929,471	102,196,092
Cash and cash equivalents bal. c/f		224,052,077	158,929,471

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the year ended 30 June 2020

	Original budget FY 2019-2020 Kshs	Adjustments FY 2019-2020 Kshs	Final budget FY 2019-2020 Kshs	Actual FY 2019-2020 Kshs	Performance difference Kshs
Revenue					
Non-exchange transactions					
Recurrent Grants (GoK Capitation)	908,374,000	88,347,000	996,720,974	996,720,974	-
Research Grants	30,000,000	(14,776,000)	15,224,000	13,705,061	(1,518,939)
Exchange transactions					
Tuition and other related fees	254,234,000	(57,698,000)	188,373,026	217,788,938	29,415,912
Internally Generated	63,023,000	(50,624,000)	20,562,000	22,832,369	2,270,369
Total revenue	1,255,631,000	(34,751,000)	1,220,880,000	1,251,047,341	30,167,341
Expenses					
Administration expenses	155,235,000	(9,655,000)	145,580,000	134,697,956	10,882,044
Council expenses	10,000,000	-	10,000,000	8,830,279	1,169,721
Repairs and maintenance, rents & rates	28,250,000	(2,750,000)	25,500,000	19,754,480	5,745,520
Marketing, publicity and advertisement	8,000,000	1,000,000	9,000,000	6,076,636	2,923,364
Catering and accommodation	27,500,000	(12,500,000)	15,000,000	13,632,839	1,367,161
Academic services	67,950,000	(11,755,000)	56,195,000	45,118,897	11,076,103
Employee and part-time lecturers	888,000,000	70,909,000	958,909,000	920,365,541	38,543,459
Depreciation and amortization	70,000,000	(70,000,000)	-	76,296,374	-
Audit fees	696,000	-	696,000	696,000	-
Total expenditure	1,255,631,000	(34,751,000)	1,220,880,000	1,225,469,001	71,707,373
Surplus/Deficit for the period	-	-	-	25,578,340	

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. General information

South Eastern Kenya University is established by and derives its authority and accountability from Universities Act, 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is teaching and learning, research and innovation, outreach and community service.

2. Statement of compliance and basis of preparation – IPSAS 1

The Public Sector Accounting Standards Board (PSASB) was established by the Public Finance Management Act (PFM) No. 18 of 24th July, 2012. The Board was gazetted by the Cabinet Secretary, National Treasury on 28th February, 2014.

Its mandate is to provide framework and set generally accepted standards for the development and management of accounting and financial systems by all state organs and public entities.

In particular, the Board performs the following functions;

- (a) Set generally accepted accounting and financial standards.
- (b) Prescribe the minimum standards of maintenance of proper books of accounts for all levels of Government.
- (c) Prescribe internal audit procedures which comply with the Act.
- (d) Prescribe formats for financial statements and reporting by all state organs and public entities.
- (e) Publish and publicize the accounting and financial standards and any directives and guidelines.
- (f) Perform any other functions related to advancing financial and accounting systems management and reporting in the public sector.

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

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The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The statement of cash flows has been prepared using the indirect method. The financial statements are prepared on accrual basis.

3. Summary of significant accounting policies

a) Revenue recognition

Revenue measurement, recognition and disclosure has been made as follows:

i) Revenue from non-exchange transactions – IPSAS 23

Revenue

The University recognizes revenues when the event occurs and the asset recognition criteria is met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the University and the fair value of the asset can be measured reliably.

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.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

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.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable. Tuition fee income is recognized when students admitted by the University report and not when they pay.

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 other party.

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Rental income

Rental income arising from operating leases on investment properties is recognized based on signed agreements with specific periods of leases, where upon rent is due in advance in every month of the lease.

b) Budget information – IPSAS 24

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 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.

Statement of comparison of budget and actual amounts:

Recurrent Grants

The Government allocated the University Kshs. 996,720,974.00 This amount was duly received in the financial year.

Tuition and other related fees

The University initially projected to collect Kshs. 254,234,000.00 in the financial year. However, due to COVID 19 pandemic and subsequent closure of the university caused a decline of the forecasted amount to Kshs. 217,788,938.00

Administration expenses

The University management continued to rationalize and manage costs. Greater focus was put on information and communication technology to enhance capacity to deliver on the University mandate. Cost associated with information technology, therefore, went up substantially.

Employee costs

The Management continued to recruit key members of staff guided by approved staff establishment.

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Revision of the budget

Unexpected decrease or increase in some of the budget line items necessitated a realignment of the expenditure. This was approved by the University Council on 18th June, 2020.

c) Biological assets – IPSAS 27

- (i) The University biological assets portfolio included cattle, pigs, poultry, goats and a donkey. These were measured, on initial recognition, at purchase price and at subsequent reporting dates at fair values less costs to sell with adjustments being made for purchases and disposal made in the years.
- (ii) Gain or loss that arose on initial recognition of biological assets and from subsequent changes in fair values during the period, were reported in the Statement of Financial Performance.
- (iii) Biological assets have been classified as non-current assets because they are held for business purposes as an income generating activity.

Movement to changes in fair values of the biological assets is as shown below:

Biological assets

Category	Balance as at 1st July 2019 Kshs	Addition Kshs	Disposal Kshs	Total	Revaluation gain/loss Kshs	Balance as at 30th June 2020 Kshs
Cattle	2,419,080	-	(169,920)	2,249,160	105,720	2,354,880
Poultry	131,075	-	(104,250)	26,825	153,320	180,145
Goats	3,894,568	-	(349,080)	3,545,488	752,952	4,298,440
Pigs	989,640	-	(107,640)	882,000	400,280	1,282,280
Donkey	12,000	-	-	12,000	-	12,000
Total	7,446,363	-	(730,890)	6,715,473	1,412,272	8,127,745

Revaluation of biological assets is based on the following assumptions:

- a) Live weight of biological assets determined by chest/heart girth measurement increased in the course of the year.
- b) Prevailing market rates per asset had increased by end of the year.

d) Property, plant and equipment – IPSAS 17

Property, plant and equipment under construction has been valued on the basis of expenditure incurred and certified work certificates up to 30th June, 2020.

Work in Progress is not depreciated. The total cost of a project will be transferred to the relevant asset class on completion and then depreciated.

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Property, plant and equipment items 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 is satisfied. All other repair and maintenance costs are recognized as expense and accounted for through the statement of financial performance.

Land improvements - include fencing, landscaping, parking lots, walkways and internal roads. These facilities are estimated to have a lifespan of twenty (20) years

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially measured at its fair value.

Depreciation is provided for at annual rates estimated to write off the assets over their expected useful lives.

The annual rates are as follows:

Furniture & Equipment	-	15% on straight line basis
Motor vehicles	-	25% on straight line basis
Buildings	-	2% on straight line basis
Computers & Accessories	-	25% on straight line basis
Land improvements	-	5% on straight line basis
ICT Infrastructure	-	15% on straight line basis

Software amortization

Amortization: Costs are to be amortized over the expected useful life of the system. The University typically uses five (5) years for major system implementation

The purpose of amortization is to allocate the costs of the system to the periods for which benefits from the system's service is derived. Amortization is to begin when the software is ready for its intended use and placed in-service (system of record), which is after signing off and commissioning. The system software in place was still being implemented hence no amortization was done.

Land ownership

The ownership of land- parcels reference L.R. No. 209/10350 (Nairobi), L.R No. 13529 (Kitui) and L.R. No. 12970 (Emali) which is the land amounting to Kshs. 1,036,600,000 included in the Plant, Property and Equipment schedule have not been registered in the name of the University as a result of land disputes.

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There are several cases pending in court with both the University Management and lawyers making efforts to have them registered in the name of the University.

The University also has interest in other parcels of land which, will be recognized and disclosed in financial statements after processing ownership documents and valuation. These include:

(i) Land in Mwingi/Nzeluni/1970 and Mwingi/Mwingi/5713

The University has physical possession and title deeds over the land which was received as a donation on 13th July, 2015 and 22nd September, 2015 respectively.

(ii) Land in Kitui

This land was awarded to the University by the then Municipal Council of Kitui through the Town Planning Committee in a meeting held on 2nd March, 2011. Ownership documents have been forwarded to the Director of Physical Planning for verification and approval of allotment which will pave way for processing of title deed.

(iii) Land in Wote town

The University received 30 acres of land via a letter dated 27th July, 2016 from the County Government of Makueni. The National Land Commission has directed the Director of Land Administration to process title in favour of the University.

(iv) Land in Mtito-Andei

The University has a certificate of ownership for plot number 3756 Mangelete Settlement Scheme measuring 20 acres from the District Land Adjudication & Settlement Officer, Ministry of Lands, Kibwezi District dated 29th July, 2013. It is currently processing ownership documents of the land.

Fully depreciated assets

Included in the net book value of motor vehicles is revaluation resulting from vehicles which had been depreciated to zero. The net carrying amount as at 30th June 2019 was Kshs. 60,596,000 after depreciation on revaluation by Automobile Association of Kenya. This form part of motor vehicles cost and was depreciated at 25% p.a. on straight line basis.

A motor vehicle VOLKSWAGEN. Passat 1.8 -Saloon -KBL336G had an accident in the year 2019/2020 and was written off by the Insurance company. As at the close of the financial year the carrying value of the Motor vehicle was Kshs. 1,260,000.00 which was written off in the books. The university is yet to receive compensation from insurance company.

Financial instruments

Financial assets and liabilities are initially measured at fair value plus transaction costs.

Foreign currency transactions are translated into the local currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from

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the settlement of such transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance.

e) 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:

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

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

Unexpended research grants

This represents unspent external grants and donations for sponsored research and other restricted purposes. The balance has decreased from the previous year due to the timing of research expenditures. This amounted to Kshs.34,379,243.00 which is recognized as unexpended research grants.

Expenditure on research initiatives is recognized as an expense through the statement of financial performance through the unexpended research grants.

A corresponding amount is recognized as revenue in the statement of financial performance through the unexpended research grants.

f) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

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

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(i) Raw materials: Purchase cost using the weighted average cost method

(ii) Finished goods and work in progress: Cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the University.

g) Provisions – IPSAS 19

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 was presented in the statement of financial position net of any reimbursement as follows:

(i) Contingent liabilities

The University had a potential liability relating to penalty and interest due to delayed payment of tax expense (PAYE) lost through fraud for the month of June 2015. This amount of Kshs.3,454,154.00 is recognized as a contingent liability in the statement of financial position pending determination of a petition written to Kenya Revenue Authority for its write off.

(ii) 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



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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. No such contingent assets existed in the year under review.

h) Changes in accounting policies and estimates – IPSAS 3

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

i) Foreign currency transactions – IPSAS 4

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 in 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. During the year under review, some transactions were done through euros and dollars and were treated as aforementioned.

j) 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.

k) Deferred Income tax

Pursuant to section 26 of the Income Tax Act CAP. 470. the University is exempted from paying income tax. However, income from employment or from services rendered to the University and paid to the individuals is subjected to Pay as You Earn and remitted to the Government.

Similarly, no deferred tax arises from University operations.

l) Comparative figures

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

m) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the University 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, there was no uncertainty about these assumptions and estimates that could result in outcomes that require a material adjustment to the carrying amount of any asset or liability likely to be affected in future periods.

n) 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:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured by 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.

o) Related party disclosures– IPSAS 20

The University is wholly owned by the Government of Kenya.

Related party transactions: -

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party organization and another are subject to common control.

During the year the following transactions were carried out with related parties:

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(i) Members of the University Management Board

Members of the University Management Board include the Vice Chancellor, the Deputy Vice Chancellors, Registrars and the Finance Officer. They are paid salaries.

During the year under review, members of the University Management Board were paid salaries which were included in the employee cost.

(ii) The Council

The Chancellor and the Chairman of the University Council are paid monthly honoraria as per Government guidelines. Except for the Vice-Chancellor, members of the Council are paid sitting allowance for every meeting attended. – Council member's emoluments in the year were as follows:

Council Allowances	2019-2020	2018-2019
	Kshs.	Kshs.
Sitting allowance	2,810,000	2,631,673
Travelling and accommodation allowances	5,060,279	3,645,034
Training Expenses	-	120,000
Honorarium	960,000	571,991
Total council expenses	8,830,279	6,968,699

p) Financial risk management objectives and policies- IPSAS 30

Exposure to credit, rate and currency risk arise in the normal course of University business. The main aim of financial risk management is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the University financial performance. The University risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and at the same time ensuring adherence to laid down limits.

Risk management is carried out by the University Management Board under the supervision of the University Council. Management in conjunction with the Council Audit Committee then identifies, evaluates and addresses risks accordingly abiding to policies approved by the Council. They also review market trends and information available to evaluate the potential exposures and then arrive at strategies to mitigate against market risks.

In addition, the University has an independent internal audit department which reports directly to the Council Audit Committee. This department is responsible for the independent review of risk management and the control environment.

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The University generates income from fees billed to students, budgetary support from the Government of Kenya, donations from donors and development partners and returns from various income generating activities. These activities expose the University to a variety of financial risks, including credit risk and foreign currency risks.

Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the University functional currency.

The functional currency of the University is Kenya shillings. The University had bank accounts denominated in euros and dollars and some transactions were done through these currencies. Foreign exchange differences arising from settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, were recognized as income or expenses in the period.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the University. The University has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The University also operates prepaid refundable deposits to further minimize credit risk. The University uses publicly available information and its own records to rate its major customers. The credit risk exposure to the University is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counter parties.

Financial assets, which potentially subject the University to concentrations of credit risk, consist principally of cash, short-term deposits and trade receivables. The University cash and cash equivalents are placed with high credit quality financial institutions. Trade receivables are presented net of an allowance for doubtful receivables.

The University's largest customers were students. There were, however, no significant concentrations of credit risk as at the end of the reporting period.

There has been no significant change during the financial year, or since the end of the reporting period, to the University's exposure to credit risk in the approach to the measurement or the objectives, policies and processes for managing this risk.

The maximum exposure to credit risk represents a worst-case scenario of credit risk exposure to the University at the comparative period end dates, without taking account of

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any collateral held or other credit enhancements attached. For assets in the statement of financial position, this exposure is based on net carrying amounts as reported.

Classification of credit risk bearing assets

The table below shows the ageing profile of trade receivables:

The credit risk exposures are classified in three categories as follows:

- (1) Fully performing
- (2) Past due
- (3) Impaired

Credit risk

As at 30 June 2020

	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs
Students debtors	55,800,082	-	-
General debtors	15,323,430	-	-
Internal debtors	30,000	-	-
GoK Recurrent grant	88,347,122	-	-
Bank balances	224,052,077	-	-
Total	383,552,710	-	-

As at 30 June 2019

	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs
Students debtors	54,418,922	-	-
General debtors	18,297,737	-	-
GoK Recurrent grant	66,717,158	-	-
Bank balances	158,929,470	-	-
Total	298,363,287	-	-

The parties under the fully performing category are paying their debts as and when they fall due. Past due amounts are those beyond the maximum established credit period and represents slow but paying customers. The receivable balance continues to be serviced even though this is not done on the contractual dates. The finance department is actively following up on these receivables. The amounts that are impaired have been fully provided for. All the financial assets, as analyzed here above, were fully performing as at the end of the reporting period.

Liquidity risk

Liquidity risk is the risk that the University will encounter difficulties in meeting its maturing obligations attributable to financial liabilities. The University's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

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The ultimate responsibility for the liquidity risk management rests with the University Council, which has established an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements.

The University manages liquidity risk through continuous monitoring of forecast and actual cash flows. The University also maintains a balanced budget and produces quarterly management accounts to monitor performance. An annual procurement plan is drawn at the beginning of every financial year to guide on commitments to be made in the year taking into account the resources envelop.

The University ensures that it has sufficient funds on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The table below provides a contractual maturity analysis of the University's financial liabilities:

Liquidity risk

As at 30 June 2020	6 months Kshs	6-12 months Kshs	1> years Kshs	Total Kshs
Capital Creditors	527,743	-	-	527,743
Recurrent creditors suppliers	627,083	-	-	627,083
Contractor's retention	14,884,698	43,380,106	14,460,036	72,724,840
Commissioner of domestic taxes (Withholding tax)	186,459	-	-	186,459
Withholding tax (VAT)	1,908,271	-	-	1,908,271
Refundable customer deposits	8,975	71,813	-	80,788
Total	18,143,229	43,451,919	14,460,036	76,055,184

As at 30 June 2019	6 months Kshs	6-12 months Kshs	1> years Kshs	Total Kshs
Capital Creditors	15,242,594	-	-	15,242,594
Recurrent creditors suppliers	16,122,812	4,972,882	-	21,095,694
Contractor's retention	43,380,106	14,460,036	-	57,840,142
Commissioner of domestic taxes (Withholding tax)	500,295	166,765	-	667,060
Withholding tax (VAT)	2,404,947	801,649	-	3,206,596
Refundable customer deposits	71,813	23,938	-	95,750
Total	77,722,567	20,826,655	-	98,147,836

q) Disclosure of new and revised standards and interpretations not yet adopted.

IPSAS 33 provides transitional exemptions to organizations that are adopting accruals basis IPSASs for the first time. The aim of the standard is to provide relief to entities where the cost of complying with IPSASs would likely exceed the benefits to users of financial statements. The standard also enables first-time adopters to report their transition to accrual basis IPSASs transparently.

It provides participants with a thorough understanding of the requirements, covering all the transitional arrangements and disclosure requirements relating to the first-time adoption of accruals basis IPSASs.

The transitional exemption did not affect the fair presentation of the financial statement neither the ability to assert compliance with accrual basis International Public Sector Accounting standards.

IPSAS 34 Prescribes the accounting and disclosure requirements for investment in controlled entity, joint venture and associate when it elects, or is required to prepare separate financial statements.

IPSAS 35 Consolidated financial statements-The standard requires that control be assessed having regard to benefits and power. Definition of control focuses on an entity's ability to influence the nature and amount of benefits through its power over another entity.

To reduce unnecessary differences between IPSASs and Government Finance Statistics reporting guidelines, the IPSASB has aligned the principles in IPSAS 35 with the Government Finance Statistics Manual 2014.

IPSAS 36 explains the application of the equity method of accounting, which is used to account for investments in associates and joint ventures. Equity accounting must now be used when accounting for joint venture and does not permit a different accounting treatment for temporary investments.

IPSAS 37 Establishes requirements for classifying joint arrangements and accounting for those different types of joint arrangements. Joint arrangements are classified as either joint operations or joint ventures. In a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement.

It requires that an entity account for its interest in a joint operation by recognizing its share of the assets, liabilities, revenue, and expenses of the joint arrangement and that joint ventures be accounted for using the equity method.

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IPSAS 38 Introduces new disclosure requirements, including those related to structured entities that are not consolidated and controlling interests acquired with the intention of disposal.

IPSAS 39 replaced IPSAS 25 Employee Benefits.

Changes include:

- 1) Removing an option that allows an entity to defer the recognition of changes in the net defined benefit liability
- 2) Introducing the net interest approach for defined benefit plans
- 3) Amending certain disclosure requirements for defined benefit plans and multi-employer plans.
- 4) Simplifying the requirements for contributions from employees or third parties to a defined benefit plan when those contributions are applied to a simple contributory plan that is linked to service and removing requirements for composite social security programmes.

IPSAS 40 specifically addresses the needs of the public sector when accounting for combinations of entities and operations by providing two types of public sector combinations as amalgamations and acquisitions.

For amalgamations, the standard requires use of the “modified pooling of interests” method of accounting in which the amalgamation is recognized on the date it takes place.

Use of the “acquisition” method of accounting is recommended for acquisitions which is supplemented with additional guidance for public sector specific situations.

r) Subsequent events – IPSAS 14

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, 2020

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2020 (continued)

	2019-2020 Kshs	2018-2019 Kshs
3 Transfer from Ministries, Departments and Agencies		
(a) Recurrent grants		
Bank statement date		
08/08/2019	75,697,821	58,615,825
29/08/2019	75,697,821	58,615,825
27/09/2019	75,697,821	58,615,824
01/11/2019	75,697,821	58,615,825
29/11/2019	75,697,821	55,098,875
27/12/2019	75,697,821	51,581,926
04/02/2020	75,697,821	58,615,825
03/03/2020	75,697,821	58,615,825
03/04/2020	75,697,821	55,098,874
08/05/2020	75,697,821	58,615,825
05/06/2020	75,697,821	58,615,825
26/06/2020	75,697,821	58,615,825
06/07/2020	88,347,122	66,717,158
Total recurrent grants	996,720,974	756,039,257
These are non-conditional funds received from the Government to support recurrent expenditure of the University.		
(b) Capital grants		
21/11/2019	147,000,480	66,968,546
16/03/2020	249,784,917	44,040,331
	-	25,754,202
	-	42,500,000
	-	11,786,123
	-	20,151,172
	-	34,389,626
Total capital grants	396,785,397	245,590,000
These are conditional funds received from the Government to support development expenditure of the University.		
4 Research grants		
GCFSI Project	-	533,741
ASALI Project (Tarc)	-	11,255,242
KALRO Research Fund	-	8,200,000
NABWIG	1,339,431	-
NRF	9,736,052	-
RUFORUM	2,629,578	-
Total research grants	13,705,061	19,988,983



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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2020 (continued)

	2019-2020 Kshs	2018-2019 Kshs
5 Tuition and other related fees	120,530,640	141,983,542
Tuition fees	170,000	484,000
Application fees	5,641,610	6,515,700
Registration fees	2,500	66,375
Student identification card fees	5,545,550	6,281,000
Activity fees	11,748,921	13,617,850
Student medical fees	16,953,650	19,735,375
Examination fees	10,052,000	10,863,650
Library fees	66,000	204,000
Supervision fees	302,500	352,000
Field trips/attachment fees	161,000	126,000
Thesis fees	884,500	645,902
Project fees	16,431,613	18,545,500
Computer fees	6,878,292	1,078,562
Teaching practice fees	5,000	292,875
Clinical Placement Fee	22,415,162	22,265,278
Accommodation fees	217,788,938	243,057,609
Total tuition and other related fees		

Students' union and subscription fees were accounted for as a liability since this belongs to South Eastern Kenya University Students Association. The University only offers facilitation in collecting these dues as part of fees.

	2019-2020 Kshs	2018-2019 Kshs
6 Rental income and other sources	8,291	7,060
Library fine	-	7,379,500
Graduation fees	667,200	7,600
Hire of academic gowns	-	101,500
Tender fees	1,960,401	1,443,075
General fines-keys and others	1,812,032	1,526,901
Miscellaneous income	493,806	-
Gain on foreign exchange	795,500	26,528,863
Consultancy fee	-	11,600
Hire of conference facilities	990,513	920,094
Rent income	-	69,600
Income from computer science	7,675	65,795
Milk and dairy products	2,353,600	2,997,895
Accommodation receipts guest house	1,407,612	3,901,385
Food sales- income generating activities	28,500	675,000
Gain on disposal of asset	557,980	784,604
Farm proceeds	-	883,589
Insurance Claim	-	-
Other grants and donations	11,083,110	47,304,062
Total rental income and other sources		

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2020 (continued)

	2019-2020	2018-2019
	Kshs	Kshs
7 Other incomes		
Increase in net worth of biological assets	681,382	1,762,527
Students mess sales-Pay as you eat	11,067,877	20,591,806
Total other incomes	11,749,259	22,354,333
	2019-2020	2018-2019
	Kshs	Kshs
8 Administration expenses		
Student bursaries	546,345	8,416
Student sponsorship	-	-
Guest house and Cafeteria	2,044,348	2,619,318
Staff travelling and subsistence	9,318,522	8,502,265
Passage, baggage and leave days	-	-
External travel and accommodation	581,298	1,789,843
Staff training and development	140,329	450,768
Staff and dependent fees waiver	393,750	443,912
Medical insurance cover and staff hospitalization expenses	39,068,525	43,476,745
Staff performance appraisal and reviews	-	33,250
Staff funeral expenses	-	-
Postage and courier services	31,416	71,715
Electricity expenses	11,507,439	10,532,674
Water expenses	9,171,175	9,367,588
General insurances - properties and others	5,885,604	4,955,911
Professional, Legal and other fees	10,170,127	3,423,191
Official entertainment	434,228	781,893
Conference and seminars	9,000	426,300
University subscription to other bodies	402,461	40,755
Internet and ICT infrastructure	14,053,398	20,121,535
Office running	1,648,030	2,297,755
Management, Senate and other internal committee	706,550	1,975,465
Cleaning and Sanitary Services	10,207,282	7,629,671
Performance contracting	431,050	942,951
Telephone	176,487	181,068
Farm	1,480,579	1,949,834
Transport operating	5,777,438	7,180,319
Security services	8,358,686	7,557,101
Loss on foreign exchange	253,421	319,835
Loss on Motor vehicle	1,260,000	-
Loss on vandalized fence	-	2,880,000
HIV/AIDS Control unit	142,300	88,500
Corporate Social Responsibility	-	20,000
Consultancy/Training Services	2,700	-
Bank charges, commissions and errors	495,469	485,612
Total administration expenses	134,697,956	140,554,191



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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2020 (continued)

	2019-2020 Kshs	2018-2019 Kshs
9 Council expenses		
Sitting allowance	2,810,000	2,631,673
Travelling and accommodation allowances	5,060,279	3,645,034
Training Expenses	-	120,000
Honorarium	960,000	571,991
Total council expenses	8,830,279	6,968,699
10 Repairs and maintenance, rents & rates		
Repairs and maintenance of motor vehicles	3,436,114	3,735,730
Repairs and maintenance of buildings	3,690,171	4,224,237
Repairs and maintenance equipment & machinery	2,339,532	2,745,259
Rent and rates	9,595,901	13,182,550
Land improvement expenses	692,763	13,900
Total repairs and maintenance, rents and rates	19,754,480	23,901,677
11 Marketing Expenses	Kshs	Kshs
Printing and publishing	54,120	541,374
Marketing, Publicity & advertising	6,022,516	1,817,170
Shows and exhibitions	-	-
Total marketing expenses	6,076,636	2,358,544
12 Catering and accommodation	13,632,839	20,201,418
Catering and accommodation		
This is expenditure incurred to purchase food stuff for students at the University.		
13 Academic services		
Teaching materials expenses	2,019,021	2,225,136
Graduation expenses	9,352,789	2,494,723
Sports expenses	1,615,463	1,392,050
Teaching practice & field attachment	4,464,300	4,855,336
Academic field trips	367,200	989,650
Research expenses	24,732,607	15,310,618
Subsistence allowance - external examiners	1,467,510	1,236,106
Student activities	381,897	1,221,994
Library expenses	718,110	825,613
Internally funded research	-	100,800
Total academic services	45,118,897	30,652,025

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2020 (continued)

	2019-2020	2018-2019
	Kshs	Kshs
14 Employee costs		
Basic pay	366,427,687	368,510,644
House allowance	183,257,119	186,355,835
Commuting allowance	66,197,983	67,594,474
Entertainment allowance	8,719,480	9,234,305
Hardship allowance	51,212,160	51,892,862
Professorial allowance	300,000	407,267
NSSF-employer contribution	272,400	1,576,330
Pension-employer contribution	58,536,806	56,575,711
Acting allowance	483,511	326,582
Leave travelling allowance	2,123,873	2,171,323
Responsibility allowances	14,618,637	15,598,854
Allowances arrears	1,597,450	1,213,472
Uniform expense	30,000	183,192
Book Journal/ICT allowance	1,810,000	1,747,500
Gratuity and pensions contributions	10,275,385	14,704,374
Passage, baggage and leave days	89,580	65,868
Teaching claims - part time lecturers	43,487,186	9,946,606
Casual labour expenses	11,429,520	10,225,320
Telephone allowances	5,171,293	5,491,544
Time tabling allowances	257,903	360,000
Facilitation allowance	299,806	300,000
Extraneous allowances	5,284,432	4,533,795
Security guard allowances	2,064,000	2,144,000
Water and electricity allowances	2,388,166	2,466,333
Risk allowances	426,050	364,100
Other employee allowances	18,557,698	19,539,488
Salary Arrears (2017-2021 CBA)	65,047,415	-
Total employee costs	920,365,541	833,529,780

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2020 (continued)

15	Property, Plant and Equipment Description	Land Kshs	Land improvements Kshs	Buildings Kshs	Furniture, plant & equipment Kshs	Motor vehicles Kshs	Computers Kshs	Work in Progress Kshs	Soft ware Kshs	Total Kshs
	Cost									
	At 1 July 2018	1,036,600,000	220,033,881	621,752,359	163,459,267	79,027,195	43,862,843	901,914,027	11,701,490	3,078,351,062
	Additions	-	-	-	4,910,604	-	-	108,424,395	-	113,334,999
	Disposal	-	(2,880,000)	-	-	(3,190,000)	-	-	-	(6,070,000)
	Capitalization	-	3,997,200	309,584,835	3,766,500	-	-	(313,582,035)	-	3,766,500
	Adjustment on Revaluation	-	-	-	-	(13,561,195)	-	-	-	(13,561,195)
	As at 30 June 2019	1,036,600,000	221,151,081	931,337,194	172,136,371	62,276,000	43,862,843	696,756,386	11,701,490	3,175,821,366
	Additions	-	-	-	1,183,687	5,000,000	480,400	278,607,463	3,251,100	288,522,650
	Disposal	-	-	-	-	(1,680,000)	-	-	-	(1,680,000)
	Capitalization	-	3,577,880	-	11,566,990	-	-	(18,911,370)	-	(3,766,500)
	Adjustment on Revaluation	-	-	-	-	-	-	-	-	-
	As at 30 June 2020	1,036,600,000	224,728,961	931,337,194	184,887,048	65,596,000	44,343,243	956,452,480	14,952,590	3,458,897,516
	Depreciation									
	At 1 July 2018	-	(22,003,388)	(53,026,677)	(110,210,610)	(64,459,695)	(40,591,306)	-	-	(290,291,676)
	Depreciation	-	(11,057,554)	(18,626,744)	(25,820,456)	(15,569,000)	(892,437)	-	-	(71,966,191)
	As at 30 June 2019	-	(33,060,942)	(71,653,421)	(136,031,066)	(15,569,000)	(41,483,743)	-	-	(297,798,172)
	Depreciation	-	(11,236,448)	(18,626,744)	(27,733,057)	(16,399,000)	(2,301,125)	-	-	(76,296,374)
	Accum Depr. Disposal M/V	-	-	-	-	420,000	-	-	-	420,000
	As at 30 June 2020	-	(44,297,390)	(90,280,165)	(163,764,123)	(31,548,000)	(43,784,868)	-	-	(373,674,546)
	Net book values									
	As at 30 June 2020	1,036,600,000	180,431,571	841,057,029	21,122,925	34,048,000	558,375	956,452,480	14,952,590	3,085,222,969
	As at 30 June 2019	1,036,600,000	188,090,139	859,683,773	36,105,305	46,707,000	2,379,100	696,756,386	11,701,490	2,878,023,194

SOUTH EASTERN KENYA UNIVERSITY
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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2020 (continued)

	2019-2020	2018-2019
	Kshs	Kshs
15 Depreciation and amortization expense	76,296,374	71,966,191
Depreciation is only charged on completed projects based on applicable depreciation rates. No depreciation charge is made on work in progress.		
16 Audit fees	696,000	696,000
This is fee paid to the Office of the Auditor General for services rendered of auditing the University annual report and financial statements.		
17 Cash and cash equivalents		
(i) Current accounts		
NBK Fees collection A/C No.01021052862000	5,183,396	804,546
NBK Development A/C No.01021053129200	171,495,323	47,146,629
NBK Income generating units A/C No.01021053129100	627,788	1,268,070
NBK Research A/C No.01021053302500	35,713,661	43,993,455
NBK Dollar A/C No.02020052862000	3,022,691	394,342
NBK Euro A/C No.03020052862000	4,657,307	15,103,677
NBK Payment A/C No.01020088710300	910,848	25,853,452
NBK Catering and accom. A/C No.01020088710400	30,341	78,421
NBK Caution money A/C No.01020017462300	469,178	4,074,878
KCB Fees collection A/C No.1127693166	509,701	1,365,360
Co-op. Bank fees collect. A/C No.01129300544600	783,162	6,846,636
Equity Bank fees collect. A/C No.0720295920757	159,344	3,370,540
Barclays Bank fees collect. A/C No.2021558152	445,919	1,539,870
Total of current accounts	224,008,660	151,839,874
(ii) Others		
M-PESA Fees payment account	-	5,381,511
M-PESA IGU payment account	43,417	1,708,085
Total of others	43,417	7,089,596
Total cash and cash equivalents	224,052,077	158,929,470
18 Receivables from exchange transactions		
Students debtors	55,800,082	54,418,922
General debtors	15,323,430	18,297,737
Internal debtors	30,000	60,000
Other current assets		
BOC cylinders deposits	211,000	211,000
KPLC co ltd. deposits	110,000	110,000
Prepaid rent	-	201,042
Rent deposits	1,390,514	1,390,514
Total receivables from exchange transactions	72,865,025	74,689,215



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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2020 (continued)

	2019-2020	2018-2019
	Kshs	Kshs
19 Receivables from non-exchange transactions	88,347,122	66,717,158
Total receivables	<u>161,212,147</u>	<u>141,406,372</u>
This denotes a commitment from the Government on account of recurrent grants due in the year of which were received after the year end on 8th July 2019.		
20 Inventories	5,527,947	3,442,056
Central store inventory	133,452	235,385
Cleaning materials	57,054	22,924
Food stuffs inventory	339,499	233,486
Medical drugs	-	168,630
Purchases for sale IGU	341,681	142,688
Farm inventory	<u>6,399,633</u>	<u>4,245,169</u>
Total inventories		
21 Biological assets	2,354,880	2,419,080
Cattle	180,145	131,075
Poultry	4,298,440	3,894,568
Goats	1,282,280	989,640
Pigs	12,000	12,000
Donkey	<u>8,127,745</u>	<u>7,446,363</u>
Total biological assets		

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2020 (continued)

	2019-2020	2018-2019
	Kshs	Kshs
22 Trade and other payables from exchange transactions		
Capital creditors	527,743	15,242,594
Recurrent creditors suppliers	627,083	21,095,694
Retention-contractors	72,724,840	57,840,142
Commissioner of domestic taxes (Withholding tax)	186,459	667,060
Withholding VAT	1,908,271	3,206,596
Customer deposits (refundable)	80,788	95,750
Customer prepayment	31,645	23,342
Insurance and investments	116,838	311,922
Net outstanding salaries	4,375,481	30,332,818
Pay as you earn tax	-	112,469,413
SEKU Sacco deductions	-	4,285,732
SEKU pension scheme	799,798	7,377,963
Staff unions-COTU	-	3,900
Kudheihwa workers union	-	30,384
Other societies deductions	-	2,733,946
Kenya Univ. and Colleges Placement Services fee	345,100	3,874,500
Staff bank loan deductions	112,912	10,075,202
Kenya Universities Staff Union	668,138	90,192
UASU	-	318,971
Student pre-paid fees	61,791,945	59,585,664
Provision for part-time claims	58,605,692	49,680,604
Provision for audit fees	696,000	696,000
HELB-Loan	10,362,731	9,129,031
CDF- Constituency Development Fund	4,010,870	6,622,017
HELB-loan repayment	-	165,837
Other pensions scheme	-	118,677
National Hospital Insurance Fund	-	653,500
National Social Security Fund	-	186,000
Imprest recoveries refund	294,893	197,573
SEKU-general recoveries	1,979,893	1,097,247
Payroll fees payment	523,989	138,467
Other sponsors	1,309,101	1,239,964
Un-identified direct banking	2,097,019	3,580,723
Students Union membership and subscription fees	2,996,722	1,241,322
Quality Assurance Fee	2,423,500	1,002,000
National Industrial Training Authority	-	-
CBA Salary arrears (2017-2021)	65,047,415	-
Total	294,644,865	405,410,748



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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2020 (continued)

	2019-2020 Kshs	2018-2019 Kshs
23 Unexpended research grants		
Balance at the beginning	45,406,789	40,728,424
Research grants received during the year (2019/2020)	13,705,061	19,988,983
Research grants paid during the year (2019/2020)	(24,732,607)	(15,310,618)
Balance at the end	<u>34,379,243</u>	<u>45,406,789</u>
This constitutes the unspent money on account of funds received for various research projects		
24 Refundable deposits from students-caution money		
Balance at the beginning	23,459,910	23,286,970
Caution money collected in financial year 2019/2020	3,110,670	2,675,620
Caution money paid and reversed in 2019/2020	(3,813,335)	(2,502,680)
Balance at the end	<u>22,757,245</u>	<u>23,459,910</u>
This a provision in recognition of money paid by students on account of caution money which is refundable on upon completion of studies or transfer to other institutions.		
25 Contingent liabilities		
Tax penalty and interest	<u>3,454,154</u>	<u>3,454,154</u>
The penalty arose as a result of payment of PAYE in 2015/2016 financial year. Kenya Revenue Authority has been petitioned to write it off.		
26 Revenue reserve		
This constitutes the accumulated surplus and deficits over the period the University has been in existence		
The figures are made up as follows:		
Balance at the beginning	(178,096,025)	(134,914,865)
Deficit/Surplus for the period	25,578,340	(42,084,280)
Adjustment on depreciation on disposal of revalued motor vehicles	420,000	-
Adjustment on previous years student balances	(5,323,640)	(1,096,880)
Balance at the end	<u>(157,421,324)</u>	<u>(178,096,025)</u>
27 Capital fund		
Balance at the beginning	2,368,582,288	2,122,992,288
Capital grants received in the year	396,785,397	245,590,000
Balance at the end	<u>2,765,367,685</u>	<u>2,368,582,288</u>

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2020 (continued)

	2019-2020 Kshs	2018-2019 Kshs
28 Revaluation reserves		
Balance at the beginning	521,832,705	489,693,205
Motor vehicles revaluation	-	32,139,500
Adjustment of depreciation on revalued motor vehicles	-	-
Balance at the end	<u>521,832,705</u>	<u>521,832,705</u>

These reserves relate to recognition of carrying amounts of items either donated to the University or whose future economic benefits have been re-determined based on their probable extended economic lifespans. Subsequent depreciation on re-valued amount is charged against the reserves and an entry is passed to the revenue reserves.

29. Events after the reporting period

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

30. Ultimate and holding entity

The entity is a chartered public University under the Ministry of Education. Its ultimate parent is the Government of Kenya.

31. Currency

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


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APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of the issues raised by the external auditor and management comments that were provided to the auditor.

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

Note: The University is yet to receive the final audit report for 2018/2019 financial year.


PROF. GEOFFREY M. MULUVI (Ph.D)
VICE-CHANCELLOR

Date 31/12/2020

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APPENDIX II: PROJECTS IMPLEMENTED BY UNIVERSITY
Projects

Projects Implemented by the University funded by the government (GoK)

	Project title	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Construction of Wote Campus	GoK	4 Years	N/A	N/A	Yes
2	Construction of Kitui Campus	GoK	4 Years	N/A	N/A	Yes
3	Construction of College of Humanities and Social Sciences.	GoK	4 Years	N/A	N/A	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction of Wote Campus	303,981,760.00	247,516,209.72	81.42%	185,000,000	87,884,196.96	GoK
2	Construction of Kitui Campus	292,924,686.00	181,632,249.40	62.01%	84,522,000	63,806,269.08	GoK
3	Construction of College of Humanities and Social Sciences.	423,000,000.00	267,899,904.02	63.33%	127,264,000	126,929,319.95	GoK

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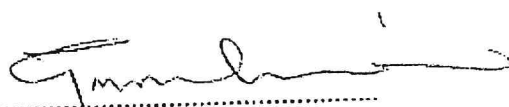
APPENDIX III: INTER-ENTITY TRANSFERS

Entity Name: South Eastern Kenya University				
Break down of Transfers from State Department for University Education and Research				
	FY 2019/2020			
a.	Recurrent Grants			
		Bank Statement date	Amount (Kshs.)	Financial Year the amount relates
		08/08/2019	75,697,821	2019/2020
		29/08/2019	75,697,821	2019/2020
		27/09/2019	75,697,821	2019/2020
		01/11/2019	75,697,821	2019/2020
		29/11/2019	75,697,821	2019/2020
		27/12/2019	75,697,821	2019/2020
		04/02/2020	75,697,821	2019/2020
		03/03/2020	75,697,821	2019/2020
		03/04/2020	75,697,821	2019/2020
		08/05/2020	75,697,821	2019/2020
		05/06/2020	75,697,821	2019/2020
		26/06/2020	75,697,821	2019/2020
		06/07/2020	88,347,122	2019/2020
		Total	996,720,974	
b.	Development Grants			
		Bank Statement date	Amount (Kshs.)	Financial Year the amount relates
		21/11/2019	147,000,480	2019/2020
		16/03/2020	249,784,917	2019/2020
		Total	396,785,397	

PROF. GEOFFREY M. MULUVI, Ph.D
VICE-CHANCELLOR

HEAD OF ACCOUNTING UNIT
MINISTRY OF EDUCATION

Sign



Sign.....



**SOUTH EASTERN KENYA UNIVERSITY
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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others
Ministry of Education	08/08/2019	Recurrent	75,697,821	75,697,821	-	-	-	-
	29/08/2019	Recurrent	75,697,821	75,697,821	-	-	-	-
	27/09/2019	Recurrent	75,697,821	75,697,821	-	-	-	-
	01/11/2019	Recurrent	75,697,821	75,697,821	-	-	-	-
	29/11/2019	Recurrent	75,697,821	75,697,821	-	-	-	-
	27/12/2019	Recurrent	75,697,821	75,697,821	-	-	-	-
	04/02/2020	Recurrent	75,697,821	75,697,821	-	-	-	-
	03/03/2020	Recurrent	75,697,821	75,697,821	-	-	-	-
	03/04/2020	Recurrent	75,697,821	75,697,821	-	-	-	-
	08/05/2020	Recurrent	75,697,821	75,697,821	-	-	-	-
	05/06/2020	Recurrent	75,697,821	75,697,821	-	-	-	-
	26/06/2020	Recurrent	75,697,821	75,697,821	-	-	-	-
	06/07/2020	Recurrent	88,347,122	88,347,122	-	-	-	-
	21/11/2019	Development	147,000,480	-	147,000,480	-	-	-
	16/03/2020	Development	249,784,917	-	249,784,917	-	-	-
Total			1,393,506,371	996,720,974	396,785,397	-	-	-
								1,393,506,371

