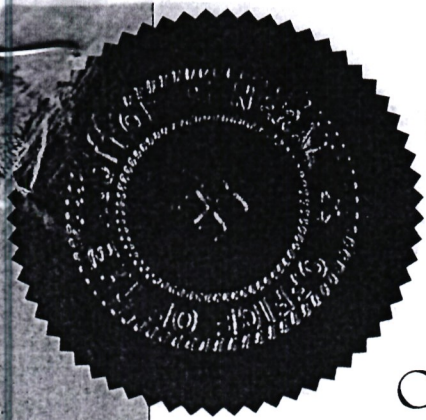


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REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

FOR THE YEAR ENDED 30 JUNE 2016

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**MASINDE MULIRO UNIVERSITY
OF
SCIENCE AND TECHNOLOGY**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

Total

Table of Content

Page

I.	THE OFFICERS OF THE UNIVERSITY COUNCIL.....	6
II.	MANAGEMENT TEAM.....	8
III.	CHAIRMAN'S STATEMENT.....	9
IV.	REPORT OF THE CHIEF EXECUTIVE OFFICER.....	10
V.	MANAGEMENT REPRESENTATION.....	11
VI.	CORPORATE GOVERNANCE STATEMENT.....	13
VII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	14
VIII.	REPORT OF THE UNIVERSITY COUNCIL.....	16
IX.	STATEMENT OF UNIVERSITY COUNCIL'S RESPONSIBILITIES.....	17
X.	STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30TH JUNE 2016.....	18
XI.	STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016.....	19
XII.	STATEMENT OF CHANGES IN NET ASSETS.....	19
XIII.	STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2016.....	21
XIV.	NOTES TO THE FINANCIAL STATEMENTS.....	23
XV.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	40

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016**

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background information

Masinde Muliro University of Science and Technology is a separate Legal University under "Universities Act of 2012 (No 42 of 2012). "The Chairman of council is responsible for the general policy and strategic direction of the University.

(b) Principal Activities

The principal activities of the University are teaching, research, innovation, and extension services.

RESPONSIBILITY

The Council members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), the International Public Sector Accounting Standards (IPSAS), the International Professional Practice Framework (IPPF) and the requirements of the State Corporations Act.

The Council members are of the opinion that the financial Statements give a true and fair view of the state of the University's financial affairs and of its income and expenditure statement.

Nothing has come to the attention of the Council to indicate that the University will not remain a going concern for at least twelve (12) months from the date of this statement.

AUTHORITY

The 2015/16 accounts were presented to Council and approved on 21st September, 2016.

Key Management

Masinde Muliro University of Science and Technology's day-to-day management is under the following key organs:

- University Management Board and
- University Senate
- The Deans' Committee

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Council Chairman	Dr. David Nyamwaya
2.	Vice Chancellor	Prof. Fred A.O.Otieno
3.	Council Member	Dr. Somane M.Ismail
4.	Council Member	Arch. Zebedee Maombo Bukania(OGW)
5.	Council Member	Mrs. Getude Muthoni Namu
6.	Council Member	Mrs. Sophy Kirorei
7.	Council Member	Mr. Don.R.O. Riaroh
8.	Council Member	Ms.Dorothy Kimeu
9.	Council Member	Mr.David Watene

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016**

(d) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- Audit and Finance Committee activities
- Parliamentary committee activities
- Development partner oversight activities
- Other oversight activities

(e) University Headquarters

Masinde Muliro University of Science and Technology
Kakamega-Webuye Road,
P.O Box 190- Kakamega, 50100,
KENYA

(f) University Contacts

Telephone: (256) 30836
E-mail: infor@mmust.ac.ke
Website: www.mmust.ac.ke
vc@mmust.ac.ke

(g) University Bankers

1. Kenya Commercial Bank Ltd. (Main)
P.O. Box 152
Kakamega
2. Co-operative Bank Of Kenya Ltd.
P.O. Box 1511
Kakamega
3. Barclays Bank of Kenya Ltd.
P.O. Box 1815
Kakamega
4. Standard Chartered Bank Ltd.
P.O. Box 6302
Kakamega
5. National Bank of Kenya Ltd.
P.O. Box 1815
Kakamega
6. Equity Bank Ltd.
P.O. Box 2512
Kakamega
7. Family Bank Ltd.
P.O. Box 1486
Kakamega

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY,
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016**

(h) Independent Auditors






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






(i) Principal Legal Adviser

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

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016





I. THE OFFICERS OF THE UNIVERSITY COUNCIL

	<p>H.E Hon. Mwai Kibaki (C.G.H) Hon DSC (MMUST) B.A, Makerere University, BSc (Econ), (University of London).</p>
	<p>Dr. David Nyamwaya, Ph.D-Medical Anthropology- Cambridge University, United Kingdom, MPhil- Social Anthropology- Cambridge University, United Kingdom Bachelor degree in Education-University of Nairobi</p>
	<p>Prof Fred. A.O Otieno, FAAS, FSAICE PhD (Civil Eng), University of New Castle Up on Tyne,, MSc (Civil Eng), University of New Castle Up on Tyne, MBA, University of Durban BSc, University of Nairobi</p>
	<p>Dr. Somane M. Ismail, MBA(Strategic Management), Moi University Bachelor of Pharmacy- University of Hacettepe, Ankara, Turkey-</p>
	<p>Arch. Zebedee Maombo Bukania(OGW), Master of Architecture- University of Nairobi Bachelor of Architecture- University of Nairobi</p>

 Member	Mrs. Getude Muthoni Namu, M.Ed- Library and Information Science- Kenyatta University, B.Ed- Kenyatta University
 Member	Mrs. Sophy Kirorei, Master of Arts -Management organization and Development- USIU Nairobi, Bed - University of Nairobi
 Member	Mr. Don.R.O. Riaroh, MSc. University of Leicester (UK) Bsc. University of Nairobi, B.A (University of Nairobi)
 Member	Ms Dorothy Kimeu, Alternate to PS-National Treasury MA International Studies, University of Nairobi BA political Science (Government) University of Nairobi
 Member	Mr. David Watene, Alternate to PS- Ministry of Education, Science and Technology . M.Ed in Educational Administration and Planning(University of Nairobi) B.Ed Accounting and Economics

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

II. MANAGEMENT TEAM

Name	Key profession/academic qualifications	Designation
 Prof. Fred A.O Otieno	BSc, University of Nairobi MSc (Civil Eng), University of New Castle Up on Tyne, MBA, University of Durban PhD (Civil Eng), University of New Castle Up on Tyne, FAAS, FSAICE	Vice Chancellor
 Prof. Joseph K.A Rotich	B.Sc. (University of Nairobi), M.Sc. (Southampton), Ph.D.(Shanghai) FMKIM	Deputy Vice Chancellor (Administration & Finance)
 Prof. Josephine K.W Ngaira	B.Ed. (University of Nairobi), M.A, (Moi) Ph.D. (Moi), MKNAS	Deputy Vice Chancellor (Academic & Student's Affairs)
 Prof. Egara Kabaji	B.Ed., M.A.,(Kenyatta), PhD. (UNISA)	Deputy Vice Chancellor (Planning, Extension & Research)
Ms.Irine N.Lumatete	B.Com-Accounting(University of Nairobi), MBA-Finance, (University of Nairobi), CPA (K)	Ag. Finance Officer
Mr.Christopher Wafula Noah	B.A (Egerton), M.A(Egerton)	Ag. Registrar - Administration
Dr. Caroline K.Onyanha	B.Sc Geology (University of Nairobi). PhD Eng Geology. (University of Nairobi) M.Sc Eng. Geology, (University of Nairobi)	Ag. Registrar-Academic Affairs

III. CHAIRMAN'S STATEMENT

On behalf of the members of the council, it is my pleasure to present the Final Accounts for the Masinde Muliro University of Science and Technology (MMUST), *the University of Choice*.

During the financial year under review, the University continued to undertake financial austerity measures which resulted in the drop in operating costs.

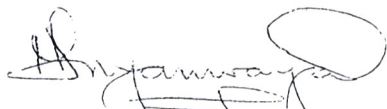
The university, under my stewardship focussed on laying a strong foundation for the recently launched 2015-2019 Strategic Plan by commissioning three projects-Tuition block, Human Anatomy laboratory and an administration block. On completion of these projects, the university will save on rent expenses, centralize administration services which are currently scattered all over the university and be able to start off the school of medicine.

Funding for Capital development from the exchequer remained constant at **Kshs 97.2 Million**. This greatly hampered the level of capital development work that had been planned during the 2015/2016 FY.

During the year under review the University was able to realise revenue of **Kshs.2,653,544,505** made up of **Kshs 1,310,886,725** from GOK recurrent grant, **Kshs. 21,538,693** from Donors in research grants and **Kshs. 1,321,119,088** from appropriation in aid (A in A). This resulted into a surplus of **Kshs 168,387,257** from operations.

The University Council wishes to thank all stakeholders who contributed in one way or another to make the year a success that it was. These include the teaching and non teaching staff, the suppliers, students, the community surrounding the University and most importantly the Government for the continued funding of the University.

It is my pleasure to now present the final accounts of the University for the period 2015/2016



Dr. David Nyamwaya,
Chairman University Council.

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016**

IV. REPORT OF THE CHIEF EXECUTIVE OFFICER

I have the pleasure to present the 14th Annual Report and Accounts for the year ended 30th June 2016

The Result

The University recorded a surplus of **Kshs 168,387,257** for the ended FY 2015/16. During the period under review the University started implementing the 2015-2019 Strategic Plan. The signing and implementation of KUSU and UASU CBAs in the 2015/2016 financial year led to increased personnel emoluments.

The reduction in the surplus from previous year was also attributed to insufficient allocation of capitation from the exchequer since the allocation remained constant as the 2014/2015.

Kaimosi Friends university (KAFUCO), a constituent college of the University still relies on MMUST to fund its operations. The University spent Kshs 18.3M as operating and general costs other than employee costs on KAFUCO. Currently the college has 544 government sponsored students. By close of the 2015/2016 FY the constituent college had been gazette and expected to be funded separately in the 2016/2017 financial year.

Capital Projects

The University has made commendable strides in the area of capital development from as little as Kshs 110,438,928.00 in net value of its fixed assets in 2004 to Kshs 2,380,681,723 in the year under review. During the year under review the University completed one 18 number low cost classrooms. This was capitalized and transferred from work in progress (WIP) to buildings at a value of Kshs 65,625,010.00. This effectively brings the value of buildings to Kshs 1,147,608,306.00. However the capital grant allocation has always been too low to complete any single planned project. The University requires an engineering complex, more teaching and accommodation space for the rising number of students.

Conclusion

I would like to conclude by congratulating all staff and students for the support they have given management throughout the period under review.



**Prof. F.A.O Otieno. Ph.D
VICE CHANCELLOR**

V. MANAGEMENT REPRESENTATION

This representation is provided in connection with the audit of the financial statements of Masinde Muliro University of Science and Technology for the year ended 2015/2016 for the purpose of expressing an opinion as to whether or not the financial statements present fairly, in all material respects, the financial position of Masinde Muliro University of Science and Technology as at 30th June 2016 and the results of its operations and its cash flows for the year then ended in accordance with Section 29 of the Exchequer and Audit Act, Cap 412.

We acknowledge our responsibility for the accuracy of the accounting records and the fair presentation of the financial statements and we confirm, to the best of our knowledge and belief, the following representations given to you in connection with your duties as auditors of Masinde Muliro University of Science and Technology for the financial year ended 2015/2016.

1. Accounting policies

The accounting policies used by Masinde Muliro University of Science and Technology are as stated in the financial statements and are consistent with those of previous years.

2. Accounting records and transactions

2.1 We have made available to you all books of accounts and supporting documentation and all minutes of meetings and no such information has been withheld.

2.2 The financial statements are free of material misstatements including omissions. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

2.3 We have no plans that may alter materially the carrying value or classification of assets and liabilities reflected in the financial statements.

2.4 Except as disclosed in the financial statements, the results of operations for the year were not materially affected by transactions of an extraordinary or abnormal nature or of a sort not usually undertaken by Masinde Muliro University of Science and Technology or items relating to a prior year.

2.5 All transfer payments have been properly and completely accounted for and have been recorded in the proper period.

2.6 Personnel expenditure represents payments in respect of services which have been rendered to Masinde Muliro University of Science and Technology by 1,055 employees on the payroll of the year 2015/16.

3. Assets

3.1 We have no plans or intentions that will result in any excess or obsolete inventory.

3.2 Masinde Muliro University of Science and Technology has satisfactory titles to all assets, and there are no liens or encumbrances on Masinde Muliro University of Science and Technology's assets in favour of third parties.

3.3 All assets were maintained and were stored in good condition during the financial year.

3.4 The current assets in the financial statements are expected, in our opinion, to produce at least

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016**

the amounts at which they are stated. Adequate provision, in our opinion, has been made against all amounts owing to the debtors; which are known and may be expected to become irrecoverable.

4. Liabilities

4.1 Masinde Muliro University of Science and Technology has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

4.2 There have been no events subsequent to period ended that requires adjustment of or disclosure in the financial statements or notes thereto.

4.3 We are not aware of any capital expenditure projects entered into without a legal contract. There were no purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

5. Other Matters

5.1 There have been no irregularities involving management or employees that have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.

5.2 All known, actual or possible, non-compliance with laws and regulations, the effects of which should be considered when preparing financial statements, have been disclosed to the auditors.

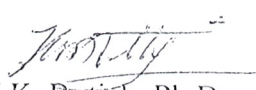
5.3 Masinde Muliro University of Science and Technology has not incurred any unauthorized expenditure during the year under review.

5.4 Except as disclosed in the financial statements, no transactions involving management and others requiring disclosure in the financial statements have been entered into. We confirm the completeness of the information provided regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and, where appropriate, adequately disclosed in the financial statements.

5.5 The required tender procedures have been followed and no commissions have been received by any employee of Masinde Muliro University of Science and Technology

Yours Faithfully,


Prof. F.A.O Otieno, Ph.D
VICE CHANCELLOR


Prof. J.K. Rotich, Ph.D
DEPUTY VICE CHANCELLOR (A&F)


I.N. Lumatete B.Com. MBA, CPA (K)
A.G FINANCE OFFICER

VI. CORPORATE GOVERNANCE STATEMENT

Masinde Muliro University of Science and Technology (MMUST) is committed to demonstrating best practice in corporate governance. The University has a duty to conduct affairs in a responsible and transparent way, and to take into account the requirements of funding bodies and other stakeholders.

This summary describes the manner in which the University has applied the principles of governance in the year and up to the date of the approval of the financial statements.

The University's Council is responsible for ensuring a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which the Council is responsible. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement or loss.

The University Council has adopted a statement of primary responsibilities, which is published on the University's Strategic plan and website. This statement sets out the Council's responsibilities in respect of the proper conduct of public business, strategic planning, monitoring effectiveness and performance, finance, audit, estate management, human resource management, equality and diversity, student welfare, health and safety and the appointment of the University Officers.

The University Council meets at least four times per year and has a number of committees including: Audit, Governance, Risk management and compliance Committee; Strategy, Planning and Development Committee; Human Resources Committee; and Finance and Resource Mobilization. All of these Committees are formally constituted with terms of reference and are comprised mainly of independent members. Each Committee is chaired by an independent member. All standing Committees of Council review and reflect on their work and provide an annual report to the University Council.

The Finance and Resource Mobilization Committee recommends the University's annual budgets to the Council, the Nominations Committee considers nominations for vacancies in the Governing Body membership for approval, the Human Resources Committee monitors health and safety and equality and diversity matters and also meets as the Remuneration Committee annually to determine the remuneration of senior members of staff including the Vice Chancellor. The Audit, Governance, Risk management and Compliance Committee meets three times a year, with internal and external auditors in attendance. This Committee includes two independent co-opted members from the public and private sector who are not members of the Governing Body who provide externality to the Committee's deliberations. The Audit, Governance, Risk management and Compliance Committee considers detailed reports with recommendations for the improvement of systems of internal control and monitors implementation of the recommendations. Prior to every Audit, Governance, Risk management and Compliance Committee meeting, the Committee meets privately with the University's internal and external auditors without University officers present.

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016**

A Register of Interests is maintained and declarations of any conflicts of interest are made at the start of each Committees and Council meeting.

In order to ensure the effectiveness of the system of internal control, in addition to meeting at regular intervals, the Council receives the minutes and a report from the Chair of the Audit, Governance, Risk management and Compliance Committee at each Council meeting which includes steps being taken by the University to manage risks. Audit, Governance, Risk management and Compliance Committee also provides oversight of the University's risk management processes and considers regular reports from the University's independent internal audit, which includes the internal auditor's independent opinion on the adequacy and effectiveness of the University's system of internal control.

The Council's review of the effectiveness of the system of internal control is also informed by the work of the senior management within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Masinde Muliro University of Science and Technology recognizes its obligations to act responsibly, behave ethically and with integrity in its dealings with students, staff and their families, customers, contact community, partners, society at large and the environment as a whole. The institution operates in a socially responsible and ethical manner, with high standards of integrity and practice. Key among these are:-

- i. The healthy and safety of individuals, including staff, students and other stakeholders, impacted by activities is protected,
- ii. Contribute to the economic development of the quality of life of its students, employees & their families and the communities around us.
- iii. The environment is managed sustainably as far as practicable
- iv. Students, staff and other stakeholders are treated with dignity
- v. Community access to, and engagement in, University activities is as wide as practical; and
- vi. The university is engaging with, learning from, respecting and supporting the communities and cultures

To this end:-

- (i) The University is undertaking a greening initiative clarifying its commitment to delivering a net positive impact on the environment.
- (ii) The University is proud that its management is recognized through ISO 9001:2008.
- (iii) The University has established a Talents scholarship fund through which it supports its social responsibility objectives.
- (iv) The University has established an internship program to assist young people gain work experience.
- (v) The University has MoU with KNUT in which it offers 15 per cent discount on tuition to KNUT members and their dependents.
- (vi) The University has a fees waiver of 50% for staff dependents.
- (vii) The Community Liaison Office activities are integrated with business operations and values of MMUST and resonate well with that of the contact community.

- (viii) The University is in the process of developing a policy to cater for waiver of a proportion of tuition fees for MMUST alumni.
- (ix) The University donates management time to promote sustainability both with the industry, within the environmental management profession, and through presentations at schools and lecturers at universities.

Specific Responsibilities and Authorities:

The Vice Chancellor who is the CEO is responsible for shaping an organizational culture and environment with professional standards that is conducive to achieving the objectives of this policy;

The Community Liaison Officer engagement is responsible for developing, reviewing and implementing policies, procedures and guidelines that specify the University's requirements on matters relating to community engagement.

The DVC, Planning Research and Innovation is also responsible for monitoring that such activities are carried out, as appropriate, in compliance with relevant University policies and procedures;

The Registrar Administration is responsible for developing, reviewing and implementing policies, procedures and guidelines that relate to employee health and safety.

The DVC, Administration and Finance, is also responsible for monitoring that such activities are carried out, as appropriate, in compliance with relevant University policies and Procedures.

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016**

VIII. REPORT OF THE UNIVERSITY COUNCIL

The University Council submit their report together with the audited financial statements for the year ended June 30th, 2016 which show the state of Masinde Muliro University of Science and Technology's affairs.

Principal activities

The principal activities of the University are teaching, research, innovation and extension services.

Financial Performance

The results of the University for the period ended June 30, 2016 are set out on pages 19 to 22. The University recorded a surplus of Kshs. 168,387,257 during the financial year 2015/2016

Council

The members of the University Council who served during the year are shown on page 6 to 7 of this report

Auditors

The Auditor General is responsible for the statutory audit of the Masinde Muliro University of Science and Technology in accordance with the Public Finance Management (PFM) Act, 2012 which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Council

Sign.....

Prof Fred. A.O Otieno, PhD, FAAS
Vice Chancellor/Secretary to Council

Masinde Muliro University of Science and Technology
Kakamega.

Date:21st September 2016

IX. STATEMENT OF UNIVERSITY COUNCIL'S RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the University Council to prepare financial statements in respect of Masinde Muliro University of Science and Technology, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The 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. The University Council is also responsible for safeguarding the assets of the University.


The University Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year (period) ended on June 30th, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The University Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The University Council are of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30th, 2016, and of the University's financial position as at that date. The University Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The University's financial statements were approved by the Board on 21st September 2016 and signed on its behalf by:


Dr. David Nyamwaya
Chairman of Council


Prof Fred. A.O Otieno
Vice Chancellor



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Masinde Muliro University of Science and Technology set out on pages 18 to 44, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of cash flows, and statement of changes in the net assets 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.

Managements Responsibility

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 such 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.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed so as to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparing and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on

the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph however, I am not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1.0 Accuracy and Completeness of the Financial Statements

1.1 Variances between the Financial Statements and Supporting Schedules

Balances reflected in the financial statements as at 30 June 2016 under various items differed with the supporting schedules amounts as shown below:

Item Description	Reported Financial Statement	Supporting schedules	Variance
Research Income	6,757,815.00	35,596,193.00	(28,838,378.00)
Water and Electricity	45,400,492.00	39,587,223.00	5,813,269.00
Production Unit	3,414,134.00	10,034,175.00	(6,620,041.00)
Student Debtors	1,030,655,007.00	1,016,649,576.00	14,005,431.00
Staff Debtors	-	13,975,169.00	(13,975,169.00)
Inventory	46,206,984.00	38,861,670.00	7,345,314.00
Cash Book Balances	288,995,276.00	1,002,301,300.00	(713,306,024.00)

No plausible explanation was provided by management for these discrepancies.

1.2 Un-supported Balances

In addition, the following financial statement balances were not supported with appropriate supporting schedules:

Item Description	Balance Amount (Kshs)
Tax Arrears	177,466,101
PSSP Arrears	273,094,486
Revenue from Exchange Transactions	
• Activity Fees	16,230,650
• Examination Fees	22,139,720
• Field Trips	1,105,050
• Computer Fees	5,126,000

• Other Charges	2,228,790
• Library Levy	30,342,470
• Student Organization Fee	6,477,300
Rendering of Services	1,128,091,814
Caution Money	17,227,450
Retention Money	42,297,867
Donor Funds	7,549,337
Revenue from Non-exchange transactions	1,332,425,417
Prepayments	202,531,211

In view of the foregoing, the accuracy and completeness of the financial statements cannot be confirmed.

2.0 Non-Current Assets

2.1 Fixed Assets Register

As similarly reported in the previous year, the University failed to maintain a fixed assets register and as a result the accuracy, valuation and completeness of the balance of Kshs.1,178,938,900 reflected under property, plant and equipment as at 30 June 2016 cannot be confirmed.

2.2 Non-Supported Adjustments

The non-current assets balance of Kshs1,178,958,900 as at 30 June 2016 (2015:Kshs.2,134,496,125) was adjusted downwards by Kshs.835,370,063 as a prior-period matter. However, no supporting documents were attached to the journal voucher to explain the adjustment.

Further, comparative balances for various items in the statement of financial position tabulated below differ from previously audited closing balances notwithstanding the absence of a note to the financial statements to explain changes effected on the opening balances for the prior period.

Un-explained changes in opening balances

Items	Opening Balances 2015/2016 Kshs	Closing Balances 2014/2015 Kshs.	Un-Explained Changes Kshs.
PPE	2,084,091,062	2,134,496,125	50,405,063
Receivables	179,862,500	110,835,938	69,026,562
Payables	614,886,646	705,759,921	90,873,275

Deposits	22,855,040	75,667,654	52,812,614
Staff Benefits	202,363,279	67,363,279	135,000,000

In the circumstances, it has not been possible to confirm the accuracy of the balances for these accounts reported in the statement of financial position as at 30 June 2016.

2.2 Excluded Fixed Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.1,178,938,900 as at 30 June 2016. However, the University did not include in the financial statements the value of 22.5 ha of land located at Bunyore/Ebunango 11857 which was valued at Kshs.11,119,725. Further, the University acquired library materials valued at Kshs.8,797,333 which were not classified as capital assets but were instead irregularly expensed as recurrent expenditure for the year under review. In addition, the University omitted from the financial statements an undetermined value of intangible assets (software) and licenses which form part of other assets.

In the circumstances, the accuracy, valuation, and completeness of the non-current assets balance of Kshs.1,178,958,900 cannot be confirmed.

3.0 Work in Progress

3.1 Completion of Works for the Multipurpose Hall

The completion work of the Multipurpose Hall Phase I was awarded to M/S Alfatech Contractors Ltd at a contract sum of Kshs.69,987,541 on 29 June, 2011. However, the contract was terminated on 20 January 2014 under Clause 33 of the Contract Agreement after the contractor was paid Ksh.47,179,726 being approximately 67.5% of the contract price.

In the month of June, 2014, a new contractor M/S Eldo Rotsa Contractors was awarded the tender to complete the project and carry out other works omitted in the first tender at a contract sum of Kshs.66,266,161 and was paid Kshs.60,225,514.70 on 30 June 2016. Further, included in the contract sum of Kshs.66,266,101 is provision of Kshs.6,500,000 and Kshs.3,500,000 for electrical and mechanical works respectively which were procured separately. However, no details of the procurement, including advertisement, evaluation and award were provided for audit.

In view of the foregoing, it has not been possible to ascertain whether the University obtained value-for-money from the expenditure of Kshs.107,405,241 incurred on the construction of the Multipurpose Halls over several years.

4.0 Cash and Cash Equivalents

4.1 Unsupported Cash and Cash Equivalents

The statement of financial position reflects a cash and cash equivalents balance of Kshs.288,995,276 as at 30 June 2016. However, the University did not avail for audit the bank statements for all the 16 bank accounts operated during the year under review.

Further, the University did not prepare monthly bank reconciliation statements and as a result it was not clear what methods it applied to manage cash during the year under review. In addition, no Board of Survey was conducted at the close of the financial year to confirm the bank and cash balances of Kshs.288,995,276 as at 30 June 2016.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.288,995,276 as at 30 June 2016 cannot be confirmed.

4.2 Missing Cash Books

The cash books for six (6) bank accounts detailed in the table below were not availed for audit review:

Bank Name	Account No.	Financial Statement Balance Kshs.
Barclays Bank Fee Account	98086269	4,125,327
Standard Chartered Account	01029871-2400	5,613,091
Standard Chartered Account	0102002576500	12,623,877
Family Bank Account	078000012655	18,530,537
Standard Chartered Account	0140098712400	85,785
Bank Clearing – Not Detailed		121,954,008
Total		162,932,625

Consequently, the authenticity and accuracy of the bank balances of Kshs.162,932,625 carried forward in the six (6) bank accounts as at 30 June 2016 cannot be confirmed.

4.3 Unbanked and Unaccounted for Cash

Kaimosi College Catering Unit (IGU) collected cash amounting to Kshs.4,608,998 between the month of March, 2015 and June 2016, out of which Kshs.2,949,939 was spent at source without any authority or approval as required. Further, payment vouchers relating to the expenditure of Kshs.2,949,939 were not made available for audit verification.

As a result, the revenue of Kshs.2,949,939 was unaccounted for as at 30 June 2016.

5.0 Failure to Prepare Journal Vouchers

The University made adjustments in the ledger described as journal voucher and supplier invoice corrections and adjustments involving 446 transactions with accumulative value of Kshs.857,112,285 as indicated below. The adjustments affected expenditure to the equivalent of 33% of the total expenditure of Kshs.2,602,880,539 as at 30 June 2016.

Details	Transactions	Amount Kshs
JE Debits	124	104,288,300
JE Credits	47	49,022,651
Others	275	703,801,734
Totals	446	857,112,685

No adjustment journals were prepared and made available for audit review.

In the circumstances, it has not been possible to ascertain the accuracy and propriety of the adjustments totaling Kshs.857,112,685 made in various ledger accounts as at 30 June 2016.

6.0 Budgetary Control and Performance

The University budgeted for revenue of Kshs.2,764,612,444 while actual receipts were Kshs.2,608,181,672 resulting to an under receipts of Kshs.156,430,772. On the other hand the budgeted expenses were Kshs.2,644,776,934 but actual expenditure was Kshs. 2,531,068,780 resulting to an under-expenditure of Kshs.259,404,928 as analyzed below: -

Comparison of Budget and Actual Amounts			
Item	Final Budget	Actual on comparable basis	Performance Difference
	2015-2016	2015-2016	2015-2016
Revenue	Kshs	Kshs	Kshs
Revenue from Non Exchange Transactions	1,427,231,256	1,408,086,725	19,144,531
Revenue from Exchange Transactions	1,337,381,188	1,200,094,947	137,286,241
Total Revenue	2,764,612,444	2,608,181,672	156,430,772
Expenditure			
Bulk purchase of water and electricity	24,000,000	44,172,155	(20,172,155)
Employee cost	1,701,688,954	1,547,768,765	153,920,189
Repairs and maintenance	19,600,000	34,421,849	(14,821,849)
Total expenditure	2,644,776,934	2,531,068,780	113,708,154

Consequently, the University did not operate within the approved budget and this might have impacted service delivery negatively.

7.0 Failure to Provide Local Purchase Orders (LPOs)

During the year under review, the University failed to account for 10 LPO books out of the total of 19 books in the series of 9501 to 10438 under book reference numbers 170 to 188 as indicated below:

Book No.	LPO Series
171	9551 - 9600
177	9851 - 9900
178	9901 - 9950
179	9951 - 10000
180	10001 - 10050
181	10051 - 10100
182	10101 - 10150
185	10251 - 10300
186	10301 - 10350
187	10351 - 10400

In the absence of these vital accounting documents, it has not been possible to verify what the local purchase orders were used for.

8.0. Irregular Procurements

8.1. Unauthorized Variations

M/S NK Brothers was awarded a tender to construct a hostel for Women Students at a contract sum of Kshs.413,909,101. The total payments however, varied upwards by Kshs.89,277,455. The explanation given was that variation was caused by interest on delayed payments of Kshs.27,143,829 and extended preliminaries of Kshs.62,133,626. However, no prior authority for the variations was given as required by the Public Procurement and Disposal Act, 2005.

8.2 Irregular Lease of University House

The University entered into contract agreement for rent with M/S Foam Mattress Limited, Erick Wafula Wanyonyi and Kyanzari Farmers Co. Limited for the University house at Tudfoam Plaza, Kakuma Campus and Nairobi Campus for monthly rent of Kshs.216,000 and Kshs.559,293 respectively. However, the University did not avail for audit scrutiny the tender documents, evaluation minutes, notification of award, acceptance of offer and the signed lease agreements.

Under the circumstances, it has not been possible to confirm that proper procurement procedures were followed in the identification and eventual award of the lease contracts to the firms.

9.0 Information Technology (IT) Governance

As previously reported, the University's IT governance and general application controls were inadequate. Review of a new Enterprise Resource Planner (ERP) system (ABNO Solution) during the month of March 2017 revealed that some vital modules of the ERP had not been activated while the ones activated had multiple challenges. However, the contract implementation period had expired at the time of the audit.

It was further noted that training was recorded to have been undertaken, but staff knowledge of the system was deficient and most of them had difficulties undertaking tasks using the system.

In addition, the University did not take into consideration the possibility of loss of data or transfer of data with errors during migration of data from the University standalone and manual systems to the ERP as a real risk. Further, no documented ERP risks assessment was done and as such any negative outcome from identifiable risks were not recognized and investigated.

Consequently, the data generated from the system is doubtful and may not be relied upon to generate accurate and complete data for preparing financial statements and management reports.

Disclaimer Opinion

In my opinion, because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



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

Nairobi

14 August 2017

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016**

**X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED
30TH JUNE 2016**

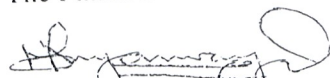
	Note	2016	2015
		Shs	Shs
Revenue from non exchange transactions			
Recurrent Grant(GoK)	3	1,310,886,725	1,330,031,256
Research Grants	4	21,538,692	-
		1,332,425,417	1,330,031,256
Revenue from exchange transactions			
Tuition and Related Charges	5	1,259,948,607	952,251,896
Income Generating Units	6	34,101,089	12,380,636
Other Income	7	27,069,393	15,860,957
		1,321,119,088	980,493,489
Total revenue		2,653,544,505	2,310,524,745
Expenses			
Employee costs	8	1,548,681,858	1,418,930,364
Depreciation and amortization	9	69,610,708	59,062,388
Repairs and Maintenance Expenses	10	34,421,849	24,772,114
Contracted Services	11	95,976,991	104,857,691
General Expenses	12	228,266,971	169,106,975
Academic(Teaching,Research and Extensions)	13	486,372,057	270,345,678
Provision for Bad debts	14	-	19,800,000
Remuneration of Council	15	21,826,814	17,254,865
Total expenses		2,485,157,248	2,084,130,075
Total other gains/(losses)		-	-
Surplus/(Deficit)		168,387,257	226,394,670

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

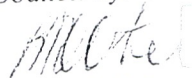
XI. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2016

	Note	2016 Shs	2015 Shs
Assets			
Current assets			
Cash and cash equivalents	16	288,995,276	71,944,734
Receivables from exchange transactions	17	1,049,201,954	179,862,500
Receivables from non-exchange transactions	18	25,128,120	259,335,938
Inventories	19	46,206,984	13,069,429
Total Current Assets		1,409,532,334	524,212,601
Non-current assets			
Property, plant and equipment	20	1,178,958,900	2,084,091,062
Total non-current assets		1,178,958,900	2,084,091,062
Total assets		2,588,491,234	2,608,303,663
Liabilities			
Current liabilities			
Trade and other payables	21	399,592,352	614,886,646
Refundable deposits from customers	22	219,809,661	22,855,040
Employee benefit obligation	23	426,123,005	202,363,279
Deferred income	24	7,549,337	8,685,889
Total current liabilities		1,053,074,355	848,790,854
Net assets			
Capital Grants Reserves		2,081,332,455	1,984,132,455
Accumulated Revenue Surplus		(557,035,301)	(224,619,646)
Revaluation Reserves		11,119,725	
Total net assets		1,535,416,879	1,759,512,809
Total net assets and liabilities		2,588,491,234	2,608,303,663

The Financial Statements set out on pages 19 to 22 were signed on behalf of the University Council by:


Dr. David Nyamwaya
 Chairman of Council

Date: 21st September 2016


Prof Fred. A.O Otieno
 Vice Chancellor

Date: 21st September

XII. STATEMENT OF CHANGES IN NET ASSETS

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

	Capital Development Reserve	Accumulated Revenue Surplus	Revaluation Reserves	Total
	Kshs	Kshs		Kshs
Balance as at 1st JULY 2014	1,886,932,455	-544,446,814		1,342,485,641
Revenue Reserve for the year	-	226,394,670		226,394,670
Capital Development Grants	97,200,000			97,200,000
Grants for Special projects				
Revaluation Reserves		93,432,498		
Balance as at 30 JUNE 2015	1,984,132,455	-224,619,646	0	1,666,080,311
Balance as at 1ST JULY 2015	1,984,132,455	-224,619,646		1,759,512,809
Revenue Reserve for the year	-	168,387,257		168,387,257
Capital Development Grants	97,200,000			97,200,000
Grants for Special projects				0
Revaluation Reserves		-500,802,912	11,119,725	-489,683,187
Balance as at 30 JUNE 2016	2,081,332,455	-557,035,301	11,119,725	1,535,416,879

XIII. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 Kshs	2015 Kshs
Cash and cash equivalents at the beginning of the quarter			
Cash flows from operating activities			
Surplus		168,387,259	226,394,670
Add: Depreciation	9	69,610,708	59,062,388
Operating surplus before working capital changes		237,997,965	285,457,058
Working capital changes			
Increase/(decrease) in inventories		(33,137,555)	8,149,363
Increase/(decrease) in trade and other receivables		635,131,636	(246,376,884)
Increase/(decrease) in trade and other payables		204,283,501	(61,465,521)
Net cash flows from operations		806,277,582	(299,693,042)
Net cash flows from operating activities		1,044,275,548	(14,235,984)
Cash flows from investing activities			
Purchase of property, plant and equipment		(144,656,097)	(162,537,066)
Proceeds from sale of property, plant and Equipment			
Net cash flows used in investing activities		(144,656,097)	(162,537,066)
Cash flows from financing activities			
Capital grants receipts	25	97,200,000	97,200,000
Net cash flows used in financing activities		97,200,000	97,200,000
Net increase/(decrease) in cash and cash equivalents		996,819,451	(79,573,050)
Adjustment for Bank reconciliation Suspense		(728,274,489)	
Adjustment for Bank Clearing		(121,954,008)	
Unreconciled effects		70,459,588	26,738,181
Cash and cash equivalents at the beginning of the year		71,944,734	124,779,603
Cash and cash equivalents at end of the quarter		288,995,276	71,944,734

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

BUDGET AND ACTUAL VARIANCE ANALYSIS				
ITEM	BUDGET	ACTUAL	VARIANCE	%TAGE VARIANCE
	KSHS	KSHS	KSHS	
REVENUE				
Non exchange transacstions				
GoK recurrent grant	1,330,031,256	1,310,886,725	19,144,531	-1%
Capital development grant	97,200,000	97,200,000	0	
Exchange transactions				
Rendering of services	1,191,227,188	1,128,091,814	63,135,374	-5%
Income generating units	100,000,000	38,315,085	61,684,915	-62%
Other income	46,154,000	33,688,048	12,465,952	-27%
TOTAL REVENUE	2,764,612,444	2,608,181,672	156,430,772	-27%
EXPENDITURE				
Bulk purchase of water and electricity	24,000,000	44,172,155	-20,172,155	-84%
Employee cost	1,701,688,954	1,547,768,765	153,920,189	9%
Depreciation and amortization	70,000,000	69,610,708	389,292	1%
Repairs and maintenance	19,600,000	34,421,849	-14,821,849	-76%
Contracted services	89,584,000	92,875,411	-3,291,411	-4%
General expenses	716,441,708	720,393,078	-3,951,370	-1%
Remuneration of council	23,462,272	21,826,814	1,635,458	7%
TOTAL EXPENDITURE	2,644,776,934	2,531,068,780	113,708,154	4%
SURPLUS/(DEFICIT)	119,835,510	77,112,892		

XIV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

a) Basis of Preparation

The financial statements are prepared in accordance with International Public Sector Accounting standards as may be issued by the respective standard setting bodies from time to time. The financial statements are prepared under the historical cost convention.

2. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Government Recurrent Grants and Donors Research Grants

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Student's fees

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

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 entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016**

require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. 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 calculated on the straight-line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

Description	Annual Rate
Buildings	2.5%
Plant, machinery and equipment	20%
Office equipment	20%
Computer equipment	33.3%
Motor vehicles	25%
Furniture and fittings	12.5%
Crockery & Utensils	33.5%
Library Books	25%

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

Intangible assets shall be amortised over their useful life on a straight line basis. Subsequent expenditures on intangible assets shall be recognized as an expense for the period that it is incurred.

e) Research and development costs

All research costs are expensed as incurred.

Development costs are capitalised only after technical and commercial feasibility of the resulting product or service have been established. All other treatments relating to research and development shall be as permitted by the standards.

f) Financial instruments

i) Financial assets

Initial recognition and measurement

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016**

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

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The University determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process as permitted by the standards.

g) Inventories

Inventories are stated at the lower of cost and current replacement cost. Cost is determined by the first-in, first-out (FIFO) method. Current replacement cost represents the cost the entity would incur to acquire the asset on the reporting date.

h) Provisions

Provisions are recognized when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent liabilities

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

Contingent assets

The University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016**

i) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

j) Changes in accounting policies and estimates

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

k) Employee benefits

The University provides retirement benefits for its employees. Defined contribution plans are postemployment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The University also contributes to National Social Security Fund (NSSF) a statutory defined contribution scheme registered under the NSSF Act, 2013.

l) Foreign currency transactions

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

m) 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. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and cash at bank net of bank overdrafts.

n) Comparative figures

The comparative prior year figures are shown against every item in the financial statements. Consistent accounting methods have been applied and changes made will be reported and the effect on reported results disclosed.

o) Significant judgments and sources of estimation uncertainty

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

p) Subsequent events

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2014.

q) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums on borrowings, and amortisation of ancillary costs incurred in the arrangement of borrowings. Borrowing costs incurred on qualifying assets will be treated as permitted by the IPSAS using the appropriate model.

r) Leases

A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership of an asset are passed to the lessee. All other leases are classified as operating leases. The University shall charge all the payments on operating leases to the surplus or deficit on a straight line basis over the period of the lease.

s) Investment Property

Investment property is land or buildings held (whether by the University or under a finance lease) to earn rentals or for capital appreciation or both, rather than production or sale in the ordinary course of operations. Investment property shall be recognized as permitted by the IPSAS using the appropriate recognition model.

t) Segment Reporting

The University will look at its organisational structure and internal reporting system for the purpose of identifying its service segments and geographical segments with a view to issue segment reports as permitted by the IPSAS

u) Impairment of cash generating assets

An impairment loss of a cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss shall be recognized immediately in surplus or deficit for the year and all other treatments shall be as permitted by the IPSAS

v) Impairment of Non-cash generating assets

An impairment loss of non-cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount. An impairment loss shall be recognized immediately in surplus or deficit for the year and all other treatments shall be as permitted by the IPSAS

w) Agriculture

All biological assets (including those acquired biological assets through non exchange transaction) are measured at fair value less costs to sell, unless fair value cannot be measured reliably. Any change in the fair value of biological assets during a period is reported in surplus or deficit.

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

	2016	2015
	Shs	Shs
3 Recurrent Grant(GoK)		
July	110,835,938	110,835,938
August	110,835,938	110,835,938
September	110,835,938	110,835,938
October	110,835,938	110,835,938
November	110,835,938	110,835,938
December	110,835,938	110,835,938
January	110,835,938	110,835,938
February	110,835,938	110,835,938
March	110,835,938	110,835,938
April	110,835,938	110,835,938
May	101,263,675	110,835,938
June	101,263,675	110,835,938
Sub total	1,310,886,725	1,330,031,256
4 Research Grants		
	21,538,692	
Sub total	21,538,692	
5 Tuition and Related Charges		
Tuition Fees	957,911,563	775,160,481
Student Opening Balances	7,198,879	9,460,760
Registration fees	3,643,200	5,822,800
ID charges	1,615,765	941,750
Activity fees		

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

	16,225,650	14,563,000
Amenity fees	15,717,500	14,262,000
Medical fees	27,096,430	22,118,750
Students Organizational Fee	6,475,300	
Examination fees	21,636,760	17,828,700
ICT levy	50,086,450	19,513,000
Teaching Practice	33,565	
Field Trips	955,050	1,864,500
Thesis	16,020,000	1,644,000
Supervision	26,026,500	5,162,000
Professional Insurance Indemnity	234,000	
Library Fees	30,202,750	11,721,990
Graduation Fees	20,263,620	9,506,500
Skill Laboratory Fee	263,800	
KUCCPS Processing Fee	5,523,000	3,718,500
Hospital Consumables	1,859,500	
Medical Insurance	154,000	
Appraisal Forms	51,200	
Psychiatry Case Presentation Forms	27,400	
Practical Fee /Clinical Placements	1,793,300	3,769,500
Attachment	38,263,715	30,870,800
Computer Laboratory Costs	2,672,000	
Laboratory Fees	2,448,000	
Board (KNDI)	4,000	
Training Fees	55,900	
Referral/Supplementary	379,005	
Damages	702,020	
Application fees	3,612,350	4,359,265
Extended Supervision (Fee)	5,000	

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

	Examination For Revised Thesis	105,330	
	Lesson Plan	338,305	
	Supplementary Exam Fee	4,800	
	Examination Fee - PHD	78,500	
	Old students Receipts	114,500	
	Field work fee	150,000	36,400
	Total	1,259,948,607	952,251,896
6.	Income Generating Units		
	Farm income	400	
	Catering	16,427,226	6,500,409
	Mmust Fm	207,500	
	Book Shop	201,063	2,058,977
	Workshop & Conferences	504,220	
	Rental Estate Income	74,100	
	Library Income	127,720	
	Estate sell of Grass	53,850	
	Sale from production unit	16,208,810	3,821,250
	Hire of Venues / Trappers/ Equipment	296,200	
	Short courses/Consultancies		
	Sub total	34,101,089	12,380,636
7.	Other Income		
	Accommodation	18,744,910	13,125,000
	Fines & Penalties	8,600	
	Misc. Income	1,381,482	2,727,907
	Sale of Tender Documents	29,000	8,050
	Insurance Agency Fees	100,000	
	Research Income	6,757,815	
	Prize and Awards	28,000	
	Interest income	19,585	

*MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016*

8. Employee costs		
Basic salaries	693,551,936	669,818,966
Pension contribution	149,087,679	138,976,513
House Allowances	376,282,250	366,708,032
Car Allowances	86,794,227	101,073,315
Passage and Baggage Allowances	2,269,183	
Casual Workers	5,640,545	
Telephone Allowance	4,829,091	
Risk Allowance	3,522,932	
Commuter Allowance	54,878,097	
Acting Allowance	903,630	
Extraneous Allowance	15,457,401	
Salary Arreas/Increment	1,289,439	
Responsibility Allowance	12,696,329	
Emergency Call Allowance	240,000	
Leave Allowance	9,222,302	
Entertainment Allowance	13,558,255	
Special Duty Allowance	528,055	
Domestic servant and Gardener	560,000	
Maintenance Subsidy	566,000	
Overtime Pay	617,359	
Provision for Arrears	724,016	
Other Personal Allowances	34,183,255	91,704,691
Disturbance and Settlement Allowance	1,001,000	
Stipend	3,916,361	
Gratuity expenses	27,990,317	
Medical Expenses	48,372,199	37,060,276
Part Time Expenses		13,588,571

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

	Sub-Total	1,548,681,858	1,418,930,364
9.	Depreciation expense		
	Depreciation of Buildings	28,690,208	
	Depreciation of Computers and appliances	11,173,776	
	Depreciation of Furniture and Fittings	9,689,834	
	Depreciation of Motor vehicles	7,759,653	
	Depreciation on Plant and equipment	10,209,335	59,062,388
	Library Books & Journals	2,087,903	
	Total depreciation and amortization	69,610,708	59,062,388
10.	Repairs and maintenance		
	Maintenance of Catering and Hostel Facilities	2,385,984	1,144,000
	Repair and Maintenance of Motor vehicles	18,542,044	8,500,000
	Maintenance of Plant, Furniture and Equipment	7,107,619	2,604,432
	Maintenance of Computers	6,386,202	1,084,000
	Maintenance of Buildings		9,219,682
	Maintenance of Water supply & Sewerage		1,520,000
	Maintenance of Play Grounds and Parks		700,000
	Total repairs and maintenance	34,421,849	24,772,114
11.	Contracted services		
	Security Services	22,892,421	18,783,360
	Rent and Rates	53,913,945	68,916,650
	Insurance Expenses	4,646,076	8,519,413
	Legal Expenses	1,397,228	5,366,401
	Cleaning Services	13,127,322	3,271,867
	Total contracted services	95,976,991	104,857,691
12.	General expenses		
	Transport Operating Expenses	12,317,252	15,352,690
	Traveling and Accommodation		

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

	13,127,322	3,271,867
Total contracted services	95,976,991	104,857,691
12. General expenses		
Transport Operating Expenses	12,317,252	15,352,690
Traveling and Accommodation	20,692,848	12,667,543
External Travelling and Accommodation Expenses	2,476,522	
Postal and Courier Expenses	703,092	497,907
Telephone Expenses	1,176,075	12,642,460
Office Stationery	32,031,863	16,360,149
Audit fee	1,215,226	1,160,000
Show and Exhibitions	2,062,800	4,704,240
Official entertainment	8,148,710	56,995
Training and Staff Development Expenses	4,509,571	4,429,253
Office Expenses	4,185,519	1,658,050
Affiliation fees	16,585,409	4,895,417
Advertising and Publicity Expenses	17,007,761	10,056,346
Sports Equipment	850,480	611,780
University Choir	2,453,230	
Inter-University Games	5,858,221	3,334,041
Careers week	656,251	
MMUSO	4,743,970	5,242,000
Couching and Mentoring	401,500	
UMB EXPENSES	356,509	1,282,020
Special Projects	883,500	480,000
Tamasha	2,112,400	
Public Celebrations and Funerals	5,791,389	1,298,650
Electricity	20,325,405	15,168,049
Water and Conservancy	25,155,087	
Purchase of Uniforms and Clothing	960,808	1,443,095

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

Purchase of computers and softwares	169,997	27,279,741
Purchase of Plant and Equipment	190,556	3,510,000
Purchase of Furniture	:	2,244,255
Purchase of Motor Vehicle		11,170,536
Hire of Transport, plant and equipment	1,020,920	
Publishing and printing	2,262,396	3,627,843
Tender Expenses	922,550	691,650
Bank Charges	1,943,698	1,816,482
Bank charges currency (Dollars \$)	213	
CATERING EXPENSES	24,681,108	
Production unit	3,414,134	
Computer Expenses		3,392,300
ISO Expenses		2,033,483
Total general expenses	228,266,971	169,106,975
13. Academic(Teaching, Research and Extensions)		
Teaching Practice and Field Attachment	45,717,806	13,184,626
University Collaborations and Exchange Programmes	63,400	
External examiners expenses	2,110,480	3,079,838
Internet connectivity expenses	11,582,814	
Seminars and Conferences	9,485,800	5,831,853
Graduation Expenses	9,618,449	9,506,500
Research Expenses	29,945,001	3,369,589
Teaching Material	10,971,003	5,647,587
New Programmes	2,664,860	3,728,307
PSSP Expenses	320,434,163	192,392,072
Examination Expenses	3,255,612	3,994,020
Thesis Supervision Expenses	7,895,912	3,450,000
Student Governing Council Expenses	834,300	
Student Expenses		

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

		9,678,049	16,431,529
	performance contracting	1,977,651	
	Disability Mainstreaming expenses	534,784	
	Library expenses	824,390	6,981,758
	Mmust scholarship	3,191,100	
	KNUT-Mmust Scholarship expenses	5,358,725	
	Alumni expenses	1,069,479	
	Staff Tuition Deduction Payments		
	practical/clinical placement expenses	7,051,360	
	DRAMA Festivals	1,417,500	2,747,999
	Student refund expenses	332,250	
	Total Academic Expenses	486,372,057	270,345,678
14.	Provision for Bad debts		
	Closing Student Debtors	1,030,655,007	198,000,000
	Impaired Debts(Specific Provision)		
	General Provision		19,800,000
	Total Provision for Bad debts		19,800,000
	Closing Student Debtors	1,030,655,007	178,200,000
15.	Remuneration of directors		
	Honoraria		5,057,436
	Sitting Allowances	1,247,525	4,527,517
	Transport		2,250,000
	Subsistence allowances	382,350	4,499,415
	Council Expenses	20,196,939	
	Official entertainment		920,497
	Total director emoluments	21,826,814	17,254,865
16.	Cash and cash equivalents		
	MMUST KCB 1101811269 (Deposit Recurrent)	785,934,540	1,873,498
	Mmust Kcb Payments 1101922109(Tuition)	66,115,503	1,474,460
	Mmust Kcb 1101922370(Seminar)		

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

		118,072	59,572
	Mmust Kcb 1101923210 (Capital)	62,922,679	126,148
	Mmust BBK 8080317 IGU	550,263	5,980,447
	Mmust BBK 8086269 (Tuition)	4,125,327	2,233,112
	Mmust NBK 0100370554000 (Tuition)	-	1,804,721
	Mmust Standard Bank 0102002576500 (Tuition)	12,623,877	753,531
	Mmust Coop Bank 01129033999900 (tuition)	4,396,431	4,219,932
	Mmust Equity Bank 050029463103	-	1,401,449
	Mmust Family Bank 078000012655	18,530,537	4,675,965
	Mmust Kcb 1101811331 (payment)	171,261,836	28,088,029
	Mmust Standards Bank 0102098712400(research grants KES)	5,613,091	3,560,491
	Mmust Standard Bank 8702098712400(Research grants USD)	-	
	Mmust BBK 0091001438 Collection Account	491,991	523,904
	Mmust Equity 1650264152539 Kakuma	1,728,450	
	KCB SEMINARS AND CONFERENCES	-	
	Mmust Standard Bank 0140098712400 KSHS (CALL DEPOSIT)	85,785	
	MMUST-KAIMOSI CAMPUS	-	
	Bank clearing account	74,610	2,196,669
	Unreconciled Differences(Opening Bal suspense)	-	
		723,474,489	12,972,805
	Total cash and cash equivalents	288,995,276	71,944,734
17	Receivables from exchange transactions	Shs	Shs
	Student Debtors	1,030,655,007	178,200,000
	Prepaid Expenses	1,574,000	1,574,000
	IGU Receivable	11,015,002	
	Old Students Debts	111,354	
	Sundry Debtors	88,500	88,500
	Provision for unbanked cash	5,758,092	
	Total receivables from exchange transactions	1,049,201,954	179,862,500
18	Receivables from Non-exchange transactions		

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

19	Inventories		
	Lab Chemicals and Equipment	2,320,574	
	Games and Sports Materials	200,270	
	Book Shop Stock	1,144,711	
	Dry Food Stock	7,540,501	
	Clinical Drugs Stocks	11,586,983	
	Consumables Materials	22,057,636	
	Estate Building Materials	348,650	
	Stationery Central Stores	798,769	
	Production Unit Stocks	208,890	
	Electrical And Communications Engineering Stocks		13,069,429
	Total inventories at the lower of cost and net realizable value	46,206,984	13,069,429
20.	Property, Plant and Equipment - See separate note		
21.	Trade and other payables from exchange transactions		
	Accounts Payable		
	Accounts recurrent Payables	165,414,337	283,415,489
	Part time Payable Expenses	12,882,940	
	Construction Payables	509,356	18,870,515
	Tax Arrears	177,466,101	257,460,877
	Provision for Audit Fees	1,021,750	
	Other payables		1,200,000
	Retention Money	42,297,867	53,939,765
	Total trade and other payables	399,592,352	614,886,646
22.	Refundable deposits from customers		
	Prepayments	202,531,211	9,813,040
	Caution Money	17,278,450	13,042,000
	Total Refundable deposits from customers	219,809,661	22,855,040
23.	Employee Benefit Obligations		
	Payroll Net pay		

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

	Cdf Control	897,784	
	Kusu Mmust Chapter	139,107	
	Uasu Mmust Chapter	714,526	
	Kudheiha Mmust Chapter	79,048	
	Insurance Claim		
	Helb Control	7,571,169	
	With Holding Tax Payables	16,448,683	
	Nssf		
	Nhif	1,350,300	
	Paye	79,124	
	STAFF PENSION CONTRIBUTIONS	60,102,630	
	Other Staff Deductions	21,153,587	
	Staff Tuition Deductions	60,000	
	PSSP Arrears	273,094,486	135,000,000
	CBA Arrears	30,190,575	67,363,279
	HELB LOAN DEDUCTIONS	294,022	
	Gratuities	13,912,964	
	Customer Prepayments	35,000	
	Total Employee Benefit Obligations	426,123,005	202,363,279
		Shs	Shs
24.	Deferred income(Research Grants)		
	Donor Funds(research Grants)	7,549,337	8,685,889
	Total deferred income	7,549,337	8,685,889
25.	Capital Development Grants	97,200,000	97,200,000

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH
JUNE 2016

	Kshs.	Kshs.
26. Contingent Liabilities		
The University had a number of cases that were pending in court touching on various issues.		
The University discloses these contingent liabilities herein for proper information.		
Midland Emporium Vs MMUST	7,000,000	
Alfatech Contractors Limited	21,864,172	
Lydia Omwoha	47,000,000	
Kotecha Properties	1,035,000	
UASU	24,727,083	
Henry Mutange	1,136,930	
Kopar Agencies	1,465,924	
Leah Mbira		
Humphrey Ayiro		
Martha Kogonya		
Total	104,229,109	

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016
XV PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0 Non Current Assets	<p>1.1 Note 20 in the financial statements reflects a figure of ksh. 2,603,560,910 as non-current assets. However, the reported figure in the statement of financial position was ksh. 2,114,842,430 resulting in un-explained difference of ksh. 488,718,478</p> <p>1.2 Additions in the current year under WIP as reflected under note 20 amounted to ksh. 105,624,349. However, on review of project file and payment vouchers revealed that works amounting to ksh. 124,148,164.43 were certified during the period resulting to an understatement of ksh. 18,523,815.43</p>	<p>The difference of Ksh. 488,718,478 was the amount in work in progress capitalized to buildings in respect of proposed design and build of 1000 number women hostels. Correction effected on note 20 in the financial statements.</p> <p>After matching the costs to the reporting period certificates worth Ksh. 124,148,164.43 were found to have been incurred in the reporting period.</p>	Nixon Apwoka -Accountant,	Resolved	2 nd February 2016
2.0 Receivables from Non-exchange contracts	<p>2.1 Bank statement in relation TO GOK capitation indicating that an amount of ksh. 110,835,938 was not received by the end of the financial year was not availed for review.</p> <p>2.2 Bank statement in relation to GOK capital development grant indicating that an amount of ksh. 148,500,000 was not received by the end of the financial year was not availed for review.</p>	<p>The bank statement was availed and receivable confirmed as at 30th June 2015</p> <p>The University was allocated ksh. 97,200,000 in the reporting period, and this was received in full. Therefore, the ksh. 148,500,000 was not receivable by 30th June 2015</p>	Nixon Apwoka -Accountant,	Resolved	2 nd February 2016
3.0 Receivables from exchange	<p>3.1 Schedules supporting student debtors amounting to ksh. 198,000,000 were not</p>	<p>Revenue</p> <p>Accountant</p>	Resolved	2 nd February 2016	

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
contracts	<p>availed for review.</p> <p>3.2 No schedules were provided to support the reported staff debtors' balance of ksh. 5,483,616.</p>		Expenditure Accountant		
4.0 Trade and other payables	<p>4.1 Supporting schedules for sundry creditors was ksh. 71,775,074.70 against the reported value of ksh. 283,415,488 resulting in unexplained variation of ksh. 211,640,413.30</p> <p>4.2 Supporting schedules for tax arrears was ksh. 257,460,871 against the reported value of ksh. 258,299,556 resulting in unexplained variance of ksh. 836,679</p> <p>4.3 Supporting schedules for construction bills was ksh. 18,870,514.63 against the reported value of ksh. 21,928,689 resulting in unexplained variance of ksh. 3,058,174.37.</p> <p>4.4 No supporting schedules were provided for PSSP arrears and prepaid fees totalling to ksh. 135,000,000 and ksh. 9,813,040 respectively.</p>	<p>The reported figure of tax arrears was adjusted to Ksh. 257,460,871 as per the supporting schedules.</p> <p>The reported figure had been overcast. The reported figure corrected as per supporting schedules</p>	Nixon Apwoka -Accountant	Resolved	2 nd February 2016
5.0 Revenue from exchange transactions	<p>5.1 Account number 1101811331 was omitted. However, the bank reconciliation certificate as at 30th June 2015 revealed that the reconciled cash and bank balances was ksh. 28,088,029 resulting in unexplained understatement of the cash and bank by ksh. 28,088,029</p> <p>5.2 The bank reconciliation for the accounts indicated in Appendix 1 were not availed for audit. Thus it was</p>	<p>Schedule estimates for PSSP arrears and prepaid fees were later provided to the auditors.</p>	Payroll Accountant	Resolved	2 nd February 2016

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	impossible to confirm the accuracy of the balance of ksh. 41,665,658 stated in the financial statement.				
6.0 Refundable deposits from customers	6.1 While the financial statement reported a figure of ksh. 75,667,654 as the refundable deposits from customers, no bank account or cash book reflected a closing balance of the same figure was availed.	The University management has taken note of the concerns raised by the auditor. Management will set aside a separate bank account where 3 rd party funds will be deposited for ease of tracking and disbursement. The consolidated bank and cash balances at close of period under review were ksh. 73,796,298.86 resulting in a variance of ksh. 1,871,355.14 representing only 2.27%. This variance amount is considered not to be material			
7.0 Income balance	7.1 Schedules provided for certain income balances were not tallying with the reported balances in the statement of comprehensive income as analysed in appendix II 7.2 Supporting schedules for various receipts of tuition and related charges amounting to ksh. 177,442,165 in Appendix III were not availed. It was therefore not possible to verify the authenticity and accuracy of the amounts stated in the statements 7.3 The bank statements in relation to public contributions and donations amounting to ksh. 1,330,031,256 were not availed for review. 7.4 An amount of ksh. 105,624,349				
		Ksh. 97,200,000 was received in	Nixon Apwoka	Resolved	2 nd February

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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	<p>received and spent in respect of capital projects from the national government. However, the bank statements were not availed to confirm receipt. The receipt was also not recognised as an income in the statement of comprehensive income.</p> <p>7.5 The financial statement balance of ksh. 13,125,000 on accommodation had no receipt vouchers availed for audit.</p>	<p>respect of capital development grant from the national government, and this was later recognised as an income in the statement of comprehensive income.</p>	Accountant		2016
8.0 Employee Costs	<p>8.1 The schedules provided for certain employee costs were not tallying with the reported balances in the statement of comprehensive income as analysed in Appendix IV</p>				
9.0 Irregular Procurement of ABNO system- Ksh. 7,429,741.00	<p>9.1 Tender documents not availed for audit, thus impossible to confirm authenticity and propriety of the expenditure.</p>	<p>Tender documents were later availed to the auditors to confirm authenticity and propriety of expenditure.</p>		Resolved	
10.0 Payment for non-functional library system- Ksh. 8,283,380.65	<p>10.1 Payments totalling to ksh. 8,283,380.65 have been incurred so far in procuring and use of a library security system as detailed in appendix V. However, upon visit the system was found not functioning as intended. Few correspondences have been obtained from the user to confirm that the system is not functioning properly, but regardless of this, the supplier has been fully paid including retention money. Further, cartridge ribbons, book tags and RFID enabled student cards have also been procured from the same supplier without following any procurement procedures as</p>	<p>The management has noted the observations of the auditors and will ensure that in future proper due diligence on any system acquired is done and final payment only made upon satisfactory completion certification.</p>			

MASINDE MULLIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

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11.0 Doubtful expenditure on repair of motor vehicles- ksh. 1,400,676.50	11.1 The University incurred Ksh. 1,400,676 towards repair of motor-vehicles as analysed in a appendix VI. However the detailed pre and post repair inspection reports for the repaired vehicles were not availed for audit. It was thus not possible to ascertain authenticity and propriety of the expenditure.	The management has noted the observations of the auditors and will ensure that in future proper procedures are put in place to address the observed internal weakness and has put in measures to address this. This will include immediate hire of mechanic			
12.0 Payments Posting discrepancies	12.1 Payments totalling ksh. 10,829,324.78 as analysed in appendix VII were not posted in the ledgers, thus an understatement of balances in the financial statement	The management has noted the observations of the auditors on the area of mispostings. Management has put in place mechanism to address this through end of month closure procedures. This will ensure that all postings are done.			
13.0 Unvouched payments- Ksh. 40,804,568.81	12.2 Further, payments totalling ksh. 715,000 in respect of catering costs as analysed in appendix VII were posted to repairs and maintenance 13.1 Payment vouchers totalling Ksh. 40,804,568.81 as analysed in appendix VIII were not availed for audit	The vouchers were later availed to the auditors.			

20. Property, plant and equipment											
	Land	Buildings	Work In Progress	Motor vehicles	Fixture and fittings	Computers	Plant and Equipmen	Library Books	Total		
	0	0.025		0.25	0.125	0.3	0.125	0.25			
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost											
At 1 July 2014	67,180,000	592,191,958	1,313,065,086	105,150,235	82,932,479	67,641,814	184,522,041		2,412,683,613		
Additions			124,148,164	11,170,536	2,244,255	21,464,111	3,510,000		162,537,066		
Disposals											
Transfers/adjustments		488,718,477	488,718,477								
At June 2015	67,180,000	1,080,910,435	948,494,773	116,320,771	85,176,734	89,105,925	188,032,041		2,575,220,679		
At 1 July 2015	67,180,000	1,080,910,435	948,494,773	116,320,771	85,176,734	89,105,925	188,032,041		2,575,220,679		
Additions	11,119,725		65,128,700		41,464,857	6,382,905	12,208,299	8351611	144,656,097		
Disposals											
Transfers/adjustments		66,697,871	920,622,953	4,150,300						849,774,782	
At June 2016	78,299,725	1,147,608,306	93,000,520	120,471,071	126,641,591	95,488,830	200,240,340	8,351,611	1,870,101,994		
Depreciation and impairment											
At 1 July 2014		83,938,314		87,968,377	50,661,788	57,711,729	151,787,021		432,067,229		
Depreciation		22,961,801		6,722,078	6,667,754	11,940,316	10,770,439		59,062,388		
On Disposals											
Impairment											
At 30 June 2015		106,900,115		94,690,455	57,329,542	69,652,045	162,557,460		491,129,617		
At 1 July 2015		106,900,115		94,690,455	57,329,542	69,652,045	162,557,460	0	491,129,617		
Depreciation		28,690,208		7,759,553	9,889,834	11,173,776	10,209,335	2,087,903	69,610,708		
On Disposals	0	28,690,208	0	30,117,768	15,830,199	28,646,649	25,030,043	2,087,903	130,402,768		
Impairment											
Transfer/adjustment		164,280,530	0	132,567,876	82,849,575	109,472,470	197,796,838	4,175,805	691,143,094		
At 30 June 2016		983,327,776	93,000,520	12,096,805	43,792,016	13,983,640	2,443,503	4,175,805	1,178,958,900		
Net book values	78,299,725	983,327,776	93,000,520	12,096,805	43,792,016	13,983,640	2,443,503	4,175,805	1,178,958,900		
At 30 June 2016	67,180,000	974,010,320	948,494,773	21,630,316	27,847,192	19,453,880	25,474,581		2,084,091,062		