

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MASENO UNIVERSITY

FOR THE YEAR ENDED
30 JUNE 2016



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI

22 AUG 2017

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MASENO UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

FUNDAMENTAL STATEMENTS OF THE UNIVERSITY

VISION STATEMENT

The University of Excellence in discovery and dissemination of knowledge

MISSION STATEMENT

To discover, harness, apply, disseminate and preserve knowledge for the good of humanity

OBJECTIVES

- To provide directly, or in collaboration with other institutions of higher learning, facilities for University education and research including technological, scientific and professional fields and research.
- To participate in the discovery, transmission, preservation and enhancement of knowledge and to stimulate the intellectual participation of students and staff in the economic, social, cultural, scientific and technological development of Kenya and globally.
- To harness acquired knowledge of the natural, applied and social sciences to manage the environment and to conserve biodiversity.
- To conduct examination for and to grant such academic awards as may be, from time to time, provided for in the statutes
- To determine who may teach, what may be taught and how it may be taught in the University
- To play an effective role in the development and expansion of opportunities for the University Education.

CORE VALUES

Maseno University seeks to uphold the following values: “REEQI”

- **Relevance:** The University is committed to ensuring relevance in its programs and activities.
- **Excellence:** Excellence shall be targeted in outputs of the University
- **Equity:** The University shall ensure that there is equity in all the opportunities within its jurisdiction.
- **Quality:** All outputs and processes of the University shall ensure that quality is maintained.
- **Integrity:** The University shall ensure integrity in all their undertaking.

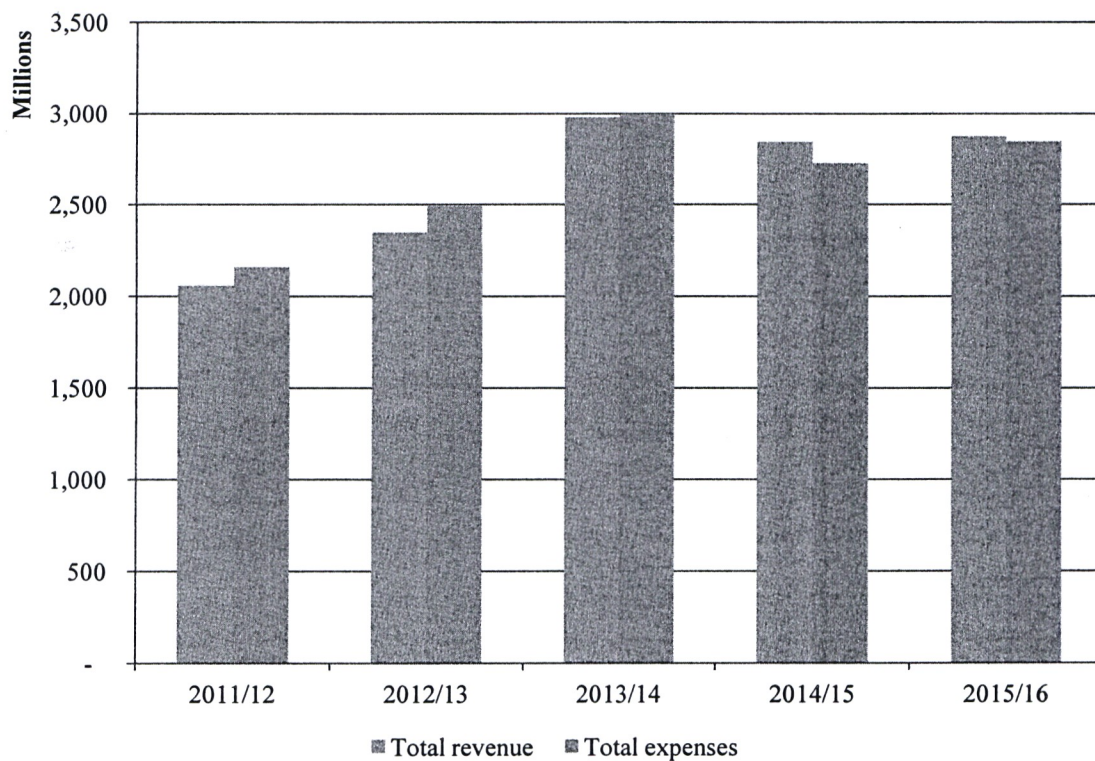
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WHO WE ARE AND WHAT WE DO

Performance at a Glance

	2011/12	2012/13	2013/14	2014/15	2015/16
	Kshs. 'Millions'	Kshs. 'Millions'	Kshs. 'Millions'	Kshs. 'Millions'	Kshs. 'Millions'
Total revenue	2,060	2,350	2,979	2,842	2,874
Total expenses	2,161	2,491	3,000	2,723	2,843

Revenue and expenditure for last 5 financial years



Graduation Statistics	2011/12	2012/13	2013/14	2014/15	2015/16
Honorary Doctorate (<i>Honoris Causa</i>)	1	-	-	2	-
Doctorate Degrees	23	14	23	25	25
Masters degrees	125	237	236	85	112
Postgraduate Diplomas	9	26	22	32	24
Bachelors degrees	1,275	1,318	1,214	1,497	3,301
Diplomas	-	40	142	225	283
Certificates	19	193	110	179	90
	1,452	1,828	1,747	2,045	3,835

Background of Maseno University

Maseno is a Public University created by an Act of parliament. Maseno University's history begun with the merging of Maseno Government Training Institute (GTI) with Siriba Teacher's Training College to form Maseno University College as a Constituent College of Moi University. This led to its subsequent gazetting in October 1990. It became a full-fledged University 11 years later, in 2001 through the Maseno University Act, No. 7 of 2000 (Repealed). The University obtained its Charter in 2012 in line with the Universities' Act 2012.

The University is located in Maseno Township along Kisumu - Busia road, 25 km from Kisumu City and approximately 400 km west of Nairobi the capital city of Kenya. The University shares its boundaries with Vihiga and Kisumu Counties.

Maseno University currently has four Campuses. The Main Campus which hosts central administration is in Maseno Township 25km from Kisumu on the Busia road. Kisumu Campus is within the Central Business District of Kisumu town at the Varsity Plaza; Homa Bay Campus is located at the SONYACO Plaza in Homa Bay town. The eCampus is one of the latest innovations by Maseno University to facilitate online delivery of high quality certificate, diploma and degree programmes to learners in various parts of the country, the East African region and beyond. All programmes offered at the eCampus are primarily delivered through the internet, with students taking sit-in on-campus examinations at the end of each Semester. This campus is housed at the Varsity Plaza in Kisumu.

The University has the following schools;

- a) School of Arts and Social Sciences
- b) School of Education
- c) School of Physical and Biological Sciences
- d) School of Public Health and Community Development
- e) School of Environment and Earth Sciences
- f) School of Development and Strategic Studies
- g) School of Business and Economics
- h) School of Medicine
- i) School of Agriculture and Food Security
- j) School of Mathematics, statistics and Actuarial Science

- k) School of Computing and Informatics
- l) School of Planning and Architecture
- m) School of Graduate Studies

The University has embarked on a mission to develop and deliver academic programmes that not only respond to the needs of industry but also prepare workers for the knowledge economy, in line with the Vision 2030. The programmes offered by Maseno University (referred to as 'With IT' programmes) ensure that all graduates of Maseno are adequately exposed to a knowledge-base that enables them to live, learn and work in a multi-disciplinary setting where ICT is as much a resource for learning and working, as it is a discipline in its own right.

Alongside its academic programmes the University also manages enterprises such as the Kisumu Hotel, Maseno University bookshop and the University farm where it produces agricultural products which are used within the university and the surplus supplied to markets around.

Maseno University continues to strive to be a modern institution of higher learning set to advance teaching, learning, research and development that responds to the emerging socio-economic as well as technological and innovation needs of Kenya and the Eastern African Region.

KEY ENTITY INFORMATION

1. OWNERSHIP AND STRUCTURE

The Institution is 100% owned by the Government of Kenya; the Ministry of Education, Science & Technology being the Parent Ministry.

2. ADDRESS

Maseno University
Head Office - College Campus on Kisumu-Busia Road
Private Bag
MASENO
Tel: 057-351622
Fax: 057-351221

3. BANKERS

Kenya Commercial Bank
Kisumu Branch

Standard Chartered Bank
Kisumu Branch

Equity Bank
Luanda Branch

4. AUDITORS

Office of the Auditor - General
Anniversary Towers, University Way
P O Box 30084-00100
NAIROBI, KENYA

MEMBERS OF THE UNIVERSITY COUNCIL

(Retired on 29th February, 2017)



Prof. Rosalind Mutua
Chairman



Mr. Dan Shem Omino
Vice-Chairman



Dr. Ali Adan Ali
Member



Mrs. Ruth Rukunga
Member



Mr. Archer Arina Omollo
Member (Rep. MoEST)



Mr. Paul Kiagu
Member (Rep. National Treasury)

Ms. Wahu Kaara - *Retired December 2015*

Member

Vacant
Member

MEMBERS OF THE UNIVERSITY COUNCIL

(Appointed effective 10th March, 2017)



Dr. Issa A. Kipera
Chairman



Mr. Edwins Mukabanah
Member



Mrs. Ruth Rukunga
Member



Ms. Lucy A. Osmerah
Member



Mr. Archer Arina Omollo
Member (Rep. PS MoEST)



Mr. Paul Kiagu
Member (Rep. PS National Treasury)



Prof. Julius O. Nyabundi
Vice-Chancellor

Mr. Gerald Kariithi Mira
Member

Ms. Sophia Abdi Hassan
Member

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MEMBERS OF THE UNIVERSITY COUNCIL

(Term expired on 29th February, 2017)

CHAIR OF COUNCIL	Prof. Rosalind Mutua, PhD (Nairobi), OGW
VICE-CHAIRMAN OF COUNCIL	Mr. Daniel Shem Omino, BSc (Nairobi), MBA (Maastricht), OGW
VICE-CHANCELLOR	Prof. Julius O. Nyabundi, PhD (California), OGW
MEMBER	Dr. Ali Adan Ali, PhD (Nairobi)
MEMBER	Mrs. Wahu Kaara, BEd (Nairobi) <i>(Retired December 2015)</i>
MEMBER	Mrs. Ruth Rukunga, BEd (Nairobi), MEd (Leeds)
MEMBER	(Vacant)
ALTERNATE TO PS. STATE DEPT. OF EDUCATION SCIENCE AND TECHNOLOGY	Mr. Archer Arina Omollo, BSc. (Agri. Edu.& Ext.), MSc.(Tech. Econ. & Mgt.) (Representative)
ALTERNATE TO PS. THE NATIONAL TREASURY	Mr. Paul Kiagu, BA (Hons), MEcon (KU) (Representative)

**MEMBERS OF THE UNIVERSITY COUNCIL
(Term began on 10th March, 2017)**

CHAIRMAN OF COUNCIL	Dr. Issa A. Kipera, PhD.
VICE-CHANCELLOR	Prof. Julius O. Nyabundi, PhD (California), OGW
MEMBER	Mr. Edwins Mukabanah, BA (UoN), MSc(UK)
MEMBER	Mrs. Ruth Rukunga, BEd (Nairobi), MEd (Leeds)
MEMBER	Ms. Lucy A. Osmerah, BA(UoN), MA(UoN), Dip. Ed(KU)
MEMBER	Mr. Gerald Kariithi Mira, BA (Moi),MSc(JKUAT)
MEMBER	Ms. Sophia Abdi Hassan, BSc (Sweden), MSc(Sweden)
ALTERNATE TO PS. STATE DEPT. FOR UNIVERSITY EDUCATION	Mr. Archer Arina Omollo, BSc.,MSc. (Representative)
ALTERNATE TO CS. THE NATIONAL TREASURY	Mr. Paul Kiagu, BA (Hons), MEcon (KU) (Representative)

MANAGEMENT TEAM OF THE UNIVERSITY

Top Management



Prof. Julius O. Nyabundi
Vice-Chancellor



Prof. Catherine Muhoma
Deputy Vice-Chancellor,
(AF&D)



Prof. Mary Kipsat
Deputy Vice-Chancellor,
(ASA)



Prof. Joseph Chacha
Deputy Vice-Chancellor,
(PRI)

Profiles of Top Management

Prof. Julius O. Nyabundi

Vice-Chancellor

Prof. Nyabundi is the immediate former Principal of Muranga University College and a former Deputy Vice-Chancellor at Maseno University. He had previously served as the Managing Director, Chemelil Sugar Company. He is a renowned scholar who has published widely in refereed journals and has presented papers in local and international conferences. He earned his PhD from the University of California.

Prof. Catherine A. Muhoma

Deputy Vice-Chancellor (Administration, Finance & Development)

Prof. Catherine Akinyi Muhoma is an Associate Professor of Literature. Prof. Muhoma has served as Acting Director, Kisumu Campus. In January 2014, she was appointed Acting Deputy Vice-Chancellor, Administration, Finance and Development, a position she held until her substantive appointment to the same position in December, 2014.

She holds a Bachelor of Education (Arts) and Master of Arts in Literature degrees, both from Moi University. She obtained her PhD in African Literature from the University of Witwatersrand in South Africa.

Prof. Mary Kipsat

Deputy Vice-Chancellor (Academic & Students Affairs)

Prof. Mary J. Kipsat is an Associate Professor of Agricultural Economics and Resource Management. She served as the Dean, School of Business and Economics at Moi University. Prior to that, she was Head of Department of Agricultural Resource, Economics and Management in Moi University.

She graduated from the University of Nairobi with a Bachelor of Science in Agriculture degree in 1996. Prof. Kipsat obtained her Masters in Agricultural Economics and Resource Management degree in 2002 and Doctorate in Agricultural Economics and Resource Management in 2006, both from Moi University.

Prof. Joseph S. Chacha

Deputy Vice-Chancellor (Planning Research & Innovation)

Prof. Joseph Sarima Chacha is an Associate Professor of Physical Chemistry. Prof. Chacha has held several senior administrative positions within the university system. He is the immediate former Acting Deputy Vice-Chancellor (Academic Affairs) at Maasai Mara University. He has also acted as Vice-Chancellor at the same University. Previously, he was Acting Deputy Principal (Academic Affairs) at the then Narok University College. He also served as the Principal of the then Kisii Campus College of Egerton University.

He holds a Bachelor of Education (Science) and Master of Science (Chemistry) degrees from the University of Nairobi. He obtained his PhD in Electrochemistry from the University of Ottawa in Canada.

Other Members of Management Board

FNANCE OFFICER	Mr. Edward M. Kitati, Msc(UoN), MBA (SEKU), CPA(K)
UNIVERSITY LIBRARIAN	Mr. Raymond E. Ochoggia, BLIS(UK), M.Phil, MLIS(Moi)
REGISTRAR (Administration)	Mr. Mathew O. Onyango, BEd (Nairobi), MEd (Manchester)
DEPUTY REGISTRAR (Academic Affairs)	Ms. Christine A. Achola Dip (Person.Mgt & Industrial Attach.), B. A (Soc. & Anthro.) (UoN), M.A (Social Dev. & Mgt.) (Maseno)
HEAD, MEDICAL SERVICES	Dr Vitalis Ouko Ogilo, MBChB (UoN), MPH (Maseno) (Ag.)
LEGAL OFFICER	Ms. Elizabeth Ayoo, LLB (Moi), Dip Law (KSL), LLM (UNISA)
INTERNAL AUDITOR	
DIRECTOR ICT	
DIRECTOR HR	

Business Performance Summary

The annual financial statements and report for the year ended 30th June, 2016 presents the performance of the University during the period 1st July, 2015 to 30th June, 2016, as represented by the statement of comprehensive incomes, the financial position of the University as at that date.

These statements are prepared in conformity with the International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs). Further, the statements incorporate the requirements of the Public Finance Management Act 2012 (hereinafter, the Act) which came into force in August 2012.

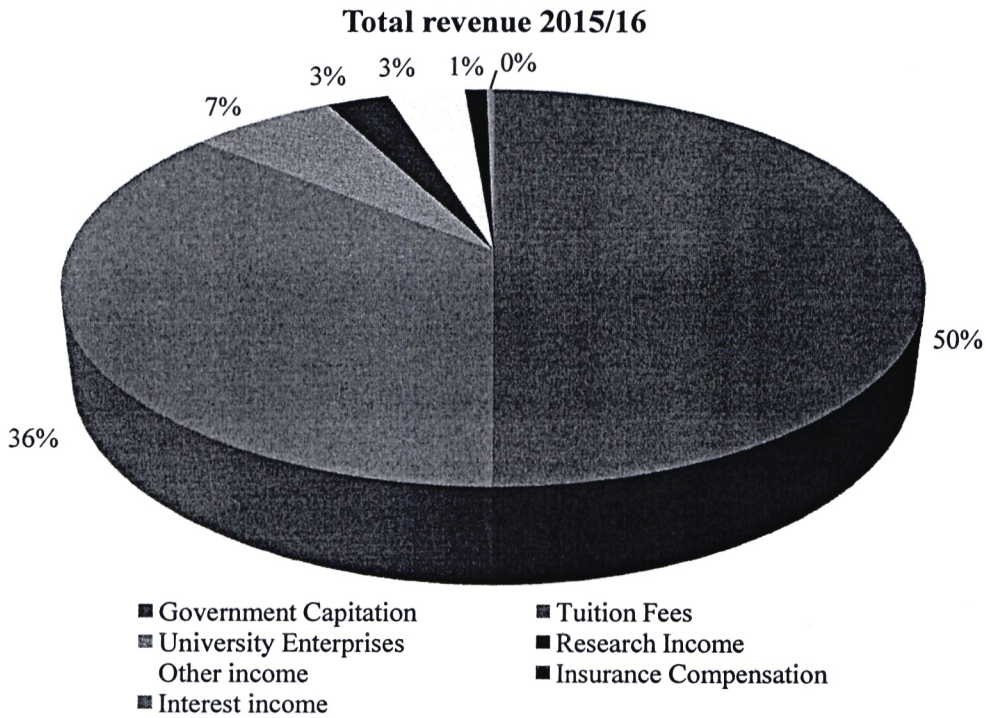
The actual revenue and expenditure items for the period have been presented line by line with those of the last financial year (2014/15) as required by accounting standards.

There have been adjustments to prior year period's figures in circumstances where the new International Public Sector Accounting Standards required a different treatment.

Revenues

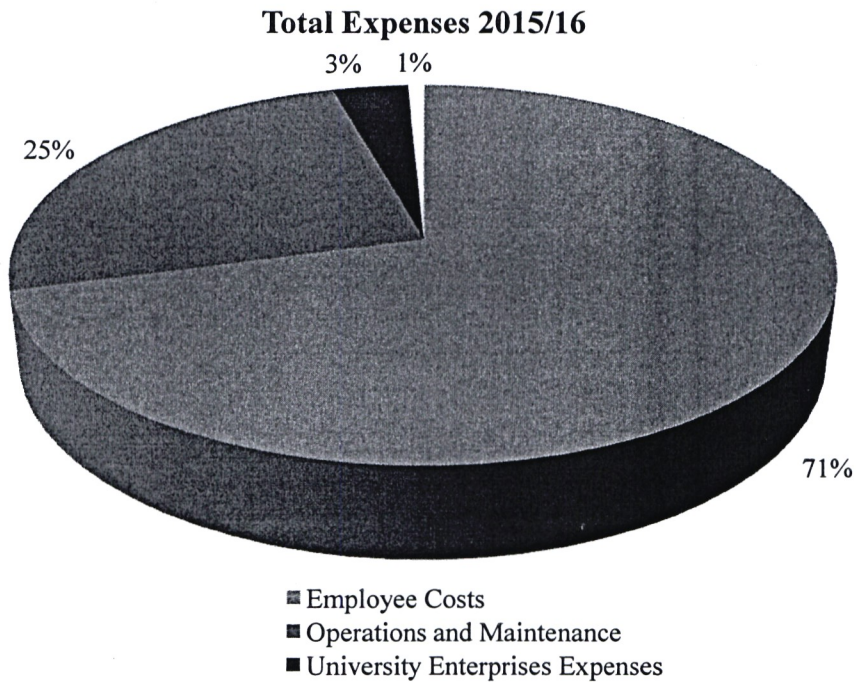
During the year 2015/16, the University received a total of **Kshs. 1,440,176,644** in Capitation grants a 1% decline from the previous year. In the current year the University received **Kshs. 81,093,516** being research grants when compared to **Kshs. 82,673,268** in the previous year

The University collected an additional **Kshs. 1,323,815,388** from tuition fees and its income generating units. This represents a 2% growth from the 2014/15 Financial Year revenue collection of **Kshs. 1,297,922,617**.



Expenses

The University incurred **Kshs. 2,843,119,747** on recurrent expenses for the year 2015/16 a 4% growth from the year 2014/15.



The biggest expenditure item relates to employee costs making up 71% of total expenditure. During the year the University strived to keep its operating expenditures within the budget. Effort is being made to see that this is sustained even in the coming financial years.

The University's revenue from exchange transactions during the year 2015/16 grew by 2% as compared to the previous year. However, due to increase in student numbers and as a result of unremitted funds to provide for the double intake expenses closely matched with the revenue.

Impairment of Property

A section of the University administration block was destroyed by fire during the year. The loss has been fully recognised in this current year and corresponding adjustments made.

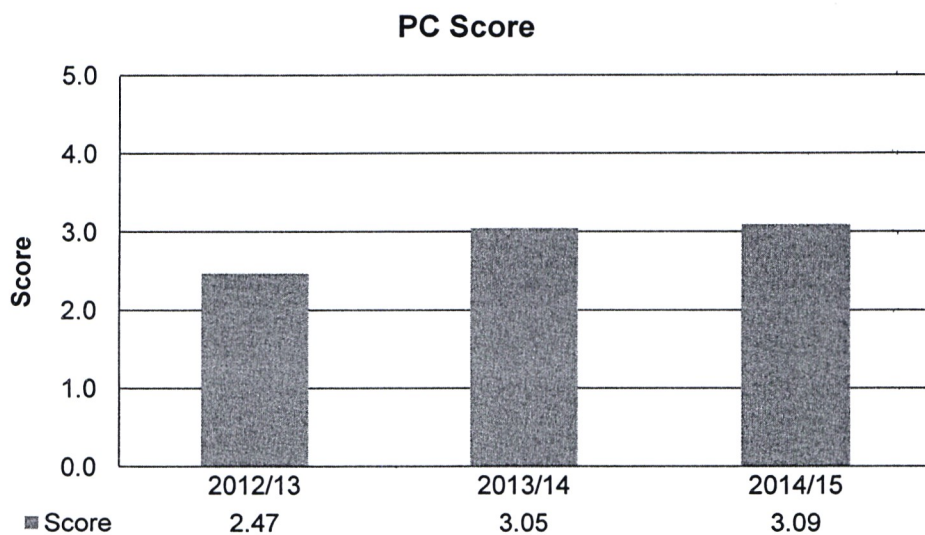
15th Graduation

The University held its 15th Congregation for the award of Certificates, Diplomas and conferment of Degrees at the University graduation square. The graduation was presided over by the Chancellor, Dr. Michael Joseph. There was a total of 3,835 graduands, this number is a significant increase when compared to 2,045 that graduated in the year 2014/15. This was as a result of the double intake group.

Performance Contracting

In its commitment to quality and continuous improvement the University takes seriously its Performance Contracting obligations. At the beginning of every Financial Year the University Council signs a Performance Contract with the Cabinet Secretary, Ministry of Education. The contract targets are then broken down to specific deliverables for the various departments in the University. Planning Finance and Investment Committee of Council undertakes Quarterly monitoring of the Performance Contract to ensure achievement of the targets.

The University has been improving on its Performance Contract score as shown;



In this year, 2015/16 the University is expected to score even better than it did in 2014/15. Going forward the University seeks to continuously improve on its score in its quest to improve quality.

CHAIRMAN'S STATEMENT

I take great pleasure in presenting the financial statements for 2015/2016 of Maseno University. These financial statements have been prepared in conformity with Article 81 of the Public Finance Management Act, 2012 and the National Treasury guidelines with regard to adoption of International Public Accounting Standards.

Maseno University continues to be committed to its Mission and Vision. I am pleased to report that the University has continually focused its attention to quality teaching and research as well as prudent financial management since its inception. The University is in the course of the implementation of the 2011-2017 Strategic Plan. However, a number of projects envisioned have fallen behind schedule. There are plans to review the Strategic Plan in view of the existing economic realities; this will enable prioritisation of projects that are central to the growth of the university and indeed the attainment of Vision 2030. The University Council is intent in promoting Partnerships and Linkages with its peers both locally and internationally and industry; such relationships are central in transforming the University into a truly global University.

This year also marked the second year of the implementation of the *Mwongozo*- The Code of Governance for State Corporations. This framework focuses on addressing matters of effectiveness of Boards, transparency and disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship. The Maseno University Council and indeed the entire University community is committed to the full implementation of the provisions of the *Mwongozo* code, this is in taking cognisance of the importance of good corporate governance and citizenship on the development of the institution and the Community it seeks to serve.

The institution continues to face a number of challenges. These include under capitation which has affected our operations adversely within the University. We look forward to increased funding especially on capital grants to enable us discharge our mandate effectively.

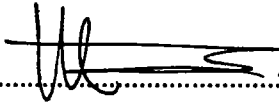
We are confident and satisfied that with continued prudent management of resources and an increase in Government grants and engagement of private sector through (Public Private Partnerships (PPPs), Maseno University will develop into a leading University and a competitive centre of excellence in Kenya.

I wish to thank the Chancellor, Council members, the Vice-Chancellor and the staff for their dedication and support. I would also like to commend the student body for their cooperation and

Maseno University

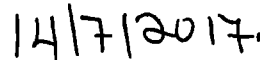
Annual Report and Financial Statements for the Year Ended 30th June, 2016

understanding, which has contributed greatly to the stability and growth of the University. With the support of all stakeholders we look forward to even greater achievements.



.....
Dr. Issa A. Kipera

Chairman of Council



.....
Date

REPORT OF THE VICE-CHANCELLOR

University Performance

Maseno University's performance during the year under review was impressive in the face of the financial constraints faced during the year. The Government capitation still remains as the University's main source of income, followed by tuition fees, research income and other incomes. The government capitation grew marginally, 1% over what was received in 2014/15. The University faces financing challenges in view of expansion in student population, financing of physical facilities as well as human resource capacity and reduced support from the national government. The development grants received in the year were **Kshs. 100,984,527** a significant increase compared to **Kshs. 40,500,000** in 2014/15

The University is actively working to improve the relationship with the students body.

During the year, part of the University administration block was destroyed by fire. The University has worked hard to recover from this tragedy. The insurers gave a compensation of **Kshs. 28,815,333**.

The University has done its best to limit expenditure through a number of strategies. As a result the University realised savings in expenditures on personal emoluments posting a surplus. Some funds have been set aside in the form of a Fixed Deposit; these savings are to be mobilized in the coming year to finance development projects that had stalled as a result of decreased government funding and for implementing new ones.

In the field of research publications and innovations during the year; the University had the following innovations;

- A new Cassava variety from the Maseno University seed Unit
- Breakthrough in mosquito control

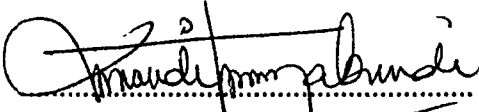
Research being carried out into new varieties of maize and millet are at advanced stages and are expected to be commercially available in the coming year. A number of consultancies were running during the year; key among them was *Funzo-Kenya* partly funded by Ministry of Health; whose goal is to conduct training among health professionals in Western Kenya. This consultancy came to an end in the year.

Conclusion

To address the funding shortfalls the University has put in place measures to improve revenue realization from the existing revenue streams. The University also looks forward to a review of the funding from the Government to match the economic situation and the increased enrolment. In addition the University continues to put in place strategies to improve its resource utilization; this is by ensuring efficiency, economy, effectiveness and thrift in their application in order to get the most value out of its resources.

The University continues to position itself as a University of choice in the face of increased competition both locally and internationally.

I wish to thank the Government, the Council, staff, parents, students, local and international partners and all our stakeholders for their contributions and support during the year. As we go forward we continue to count on your support in our endeavour to transform Maseno University into a world class hub for learning and knowledge generation.


.....
Professor Julius O. Nyabundi

14/07/2017
.....
Date

CORPORATE GOVERNANCE STATEMENT

Introduction

Maseno University is governed by the University Council. The Universities Act 2012 gives the University Council all the necessary powers for the proper performance of its functions under the Act and in particular, without prejudice to the generality of the foregoing, a University Council shall have powers to:-

- Manage, supervise and administer the assets of the university in such a manner as best promotes the purpose for which the university is established;
- Determine the provisions to be made for capital and recurrent expenditure and for reserves of the university;
- Receive any grants, donations or endowments on behalf of the university and make legitimate disbursements therefrom;
- Enter into association, collaboration or linkages with other bodies or organizations within or outside Kenya as the university may consider desirable or appropriate and in furtherance of the purpose for which the university is established; and
- Open a banking account or accounts for the funds of the university.

Corporate Governance Principles

This is the second year of the implementation of *Mwongozo* - The Code of Governance for State Corporations. This code was issued by his His Excellency, The president Hon. Uhuru Kenyatta, C.G.H., in January, 2015. Before the issuance of the code State Corporations did not have a singular document of reference in matters of governance best practice and good corporate citizenship.

The University has strived to adhere to the corporate governance principles as contained in the *Mwongozo* code. The University is happy to report that a number of activities have been undertaken geared towards compliance with the *Mwongozo* Code.

Progress of *Mwongozo* Code implementation

Members of the University Council were trained on the provisions of the code. The Council conducted an evaluation of their performance during the year and this was submitted to State Corporations Advisory Committee. The Board work plan and Board charter were prepared and signed by the Chairman of Council during the year.

Board Size, Composition and Appointment

The Maseno University Council currently is made up of 8 members (1 member resigned) appointed by the Cabinet Secretary for the time being responsible for University Education as follows -

- a) Chairperson;
- b) The Principal secretary in the ministry for the time being responsible for the university education;
- c) The Principal secretary in the ministry for the time being responsible for finance;
- d) Five members appointed by the cabinet secretary through an open process; and
- e) The Vice-chancellor who shall be an ex-officio member of the council.
- f) Any other officer that may be invited as required for a specified task during the meeting

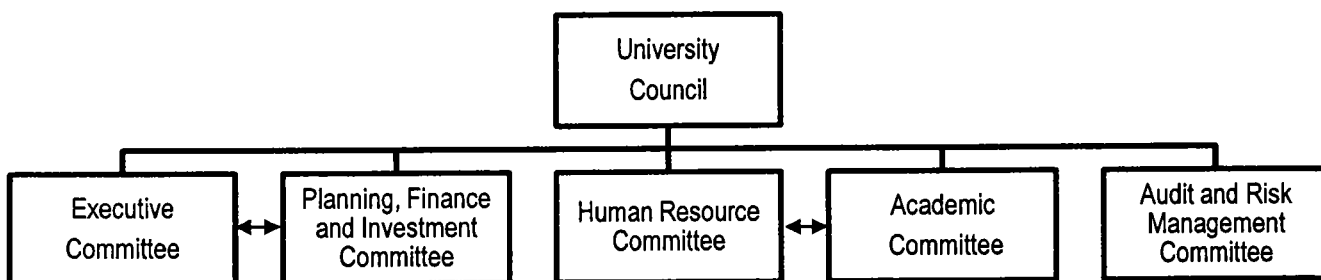
The current Council is composed of members from diverse professional backgrounds. Due to the diversity of the board the University has been able to harness the vast experience of the Board members in promoting good governance.

Board Remuneration

The University Council members other than the Vice-Chancellor do not receive a salary. Instead they are paid a taxable sitting allowance whenever they attend meetings of Council. The Chairman of Council is also paid a monthly Honorarium. In the year 2015/16 the University spent **Kshs. 5,440,000** on sitting allowances to Council members. This is disclosed in **Note 29**

Board Committees and responsibilities

The following are the Committees of Council;



The arrows denote committees of Council that have shared membership.

1. Executive Committee;

The Executive Committee of Council is chaired by the Chairman of Council and has the following terms of reference;

- Deal with urgent and critical issues on behalf of Council as need arises and submit to Council for ratification.
- Receive, consider and recommend the University Statutes and make appropriate recommendations to Council for approval.
- Consider proposal for the application of the University Seal and submit to council for approval
- Consider and submit to Council approvals from Senate on candidates for award of degrees of the University.
- Advertise, interview, and recommend for appointment of the Vice-Chancellor, Deputy Vice-Chancellor, Principals and Deputy Principals of Colleges and Campuses through a competitive process and report to the council for ratification.
- Conduct interviews for employment, appointment and promotion of senior members of faculty and management from grade 14 and above.
- Co-ordinate the agenda and conduct of committees and advice council on their performance
- Develop, execute, monitor and report to council on the performance of Vice-Chancellor, Deputy Vice-Chancellors and Principals of Colleges
- Receive recommendation from Senate of the names of top three applicants for the position of Chancellor, ranked by the alumni association and report to the council for noting and onward transmission to the Cabinet Secretary.
- Receive, consider and / or approve proposal for affiliations, linkages, partnerships and associations and report to the council for ratification
- Transact any other business as directed by Council.

2. Planning, Finance and Investment Committee;

This is the most active committee of Council with the following terms of reference;

- Receive, consider and recommend for Council approval, annual estimates of revenue and expenditure and overseeing compliance of budgetary allocation as approved within its annual budgets.

- Generate and receive proposals for subscription, donations and bequest for onward transmission to Council for consideration
- Oversee proper recording of accounts of the income, expenditure and assets of the University and submission of financial reports as by law required.
- Oversee proper vesting of all immovable property, shares, funds and securities in the name of the University
- Receive and consider for onward transmission to Council proposal for investing University funds subject to legal requirements
- Receive for consideration and onward transmission to Council reports on management and administration of University property
- Receive and consider proposals for University fees and any other charges and recommend to the council for consideration and approval
- Receive recommendation for onward transmission to Council on scholarships, bursaries and other awards
- Receive proposals on opportunities for investments, for processing and onward transmission to council for consideration and approval
- Receive and consider proposals on acquisition of fixed assets and recommend to Council for appropriate action
- Receive reports on performance of University investments and submit proposals for Council consideration oversee the development, review and implementation of the University Strategic Plan in conformity with the medium term fiscal frame work and policy objectives
- Receive, consider and submit for Council approval the annual Procurement Plan of the University;
- Recommend for Council approval the sale, purchase, exchange, lease, or take on of movable and immovable property;
- Subject to the laid down government procedures, to recommend for Council approval the borrowing of money on behalf of the University; Mortgaging or charging all or any part of movable and immovable property.
- Receive for consideration and recommendation to Council opening, and/or closing of bank account(s) for the funds of the University;
- Receive, consider and make recommendation to Council on reports of implementation of the University Master Plan bi-annually;

- Receive, consider and submit for Council approval proposals on new projects;
- Review the performance of all ongoing projects and submit reports to Council on a quarterly basis;
- Transact any other business as directed by Council

3. Human Resource Committee;

The Human Resource Committee has the following terms of reference;

- Oversee the conduct of interviews for employment, appointment and promotion of members of faculty and staff from grade 13 and below and submit reports to council;
- Consider and recommend for approval terms and conditions of service; criteria for recruitment, appointment and promotion of staff;
- Oversee the development and implementation of a Human Resource strategy;
- Receive and consider reports on staff welfare;
- Receive and consider proposals for the provision of Occupational Safety and Health facilities and systems for staff and students;
- Receive, consider and recommend for approval regulations governing students and staff conduct and discipline;
- Receive, consider, discuss and recommend to council proposals on staff establishment of the University;
- Adjudicate on staff and student disciplinary appeals;
- Oversee the mainstreaming into policies and practices on gender balance, equality of opportunities, equalization of persons with disabilities, minorities and other marginalized groups and submit reports to Council;
- Receive reports on gender balance, equality of opportunities, equalization of persons with disabilities, minorities and other marginalized groups;
- Transact any other business as directed by Council.

4. Academic Committee

The academic committee of Council has the following terms of reference;

- Receive and consider reports from Senate and make recommendations to Council on Academic Matters
- Receive and consider reports on students' welfare;

- Oversee the constitution of an Alumni Association and receive reports on their proposals and recommendations
- Transact any other business as directed by Council

5. Audit and Risk Management Committee

The Audit and Risk Management Committee has the following terms of reference;

- Receive, review and recommend internal control mechanisms towards improving efficiency, effectiveness, transparency and accountability;
- Receive and discuss internal and external audit reports and make recommendations to Council;
- Review and oversee the settlement and implementation of recommendations from the Public Accounts and Public Investments Committees (PAC/PIC)
- Review and regularly report to Council on the effectiveness and efficiency of the internal audit function;
- Review Management procedures and make proposals to Council for mainstreaming of Risk Management, Controls and Governance;
- Review and submit proposals to Council on improvement of efficiency and effectiveness of Management systems, including and not limited to high risk areas such as public finance, human resource, academic programs, and general internal controls;
- Review and submit a report to Council on compliance with policies, laws, regulations, procedures, plans, and ethics;
- Initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency;
- Transact any other business as directed by Council.

Attendance of Meetings

The frequency of meetings is provided by article 8 (1a) of the State Corporations Act which states that; “the Board of every state corporation shall meet not less than four times in every financial year and not more than four months shall elapse between the date of one meeting and the date of the next meeting.”

The Maseno University Council meets frequently and additional meetings are held as and when necessary. The Maseno University Council works through its various committees.

Attendance is as shown below;

Board Membership and Attendance of Meetings

Council Member	Date of Appointment/ Reappointment/ Status	Date of Retirement	Responsibility	Membership & Attendance	Council	Executive Planning, Finance and Investment	Audit and Risk	Human Resource and Academic
1 Prof. Rosalind Mutua	March 2013	February 2017	Chair of Council	Membership Attendance	✓ 20	✓ 10		3
2 Mr. Dan Omino	March 2013	February 2017	Vice-Chair of Council	Membership Attendance	✓ 19	✓ 13	✓ 5	✓ 6
3 Dr. Ali Adan Ali	March 2013	February 2017	Chair Audit and Risk Management	Membership Attendance	✓ 16	✓ 6	✓ 5	✓ 4
4 Vacant ¹	March 2013	February 2017	Chair Human Resource Committee	Membership Attendance	*** ***	*** ***	*** ***	*** ***
5 Ms. Ruth Rukunga	March 2013	February 2017	Chair Academic Committee	Membership Attendance	✓ 18	✓ 11	✓ 4	✓ 6
6 Vacant ²	***	***	***	Membership Attendance	*** ***	*** ***	*** ***	*** ***
7 Mr. Archer Arina Omolo	March 2013	February 2017	Representative of PS MoEST	Membership Attendance	✓ 0	✓ 1		
8 Mr Paul Kiagu	March 2013	February 2017	Representative of PS Treasury	Membership Attendance	✓ 12	✓ 8	✓ 4	✓ 5
9 Vice-Chancellor		February 2016	Secretary to Council	Membership Attendance	✓	✓	✓	✓

¹ The member resigned in the year 2015

² The member resigned in the year 2013

Compliance with Legal and Regulatory Requirements

The Council through its Committees has ensured effective, accurate, timely and transparent disclosure of information regarding Maseno University's operations and performance in line with the Constitution, various Acts, regulations and guidelines.

This is in addition to ensuring that the operations of the University adhered with the existing laws and international best practice.

SUSTAINABILITY REPORT

The University considers sustainability in light of the following;

1. Social Sustainability
2. Environmental Sustainability
3. Economic Sustainability

Social Sustainability

Staff Welfare and Development

The University has been identifying and supporting staff for PhD education. In the last five years the university has supported about twenty (20) academic members of staff in training at PhD levels on full time. In addition a number were also granted scholarships through the graduate assistants program.

Gender Mainstreaming

The University has embraced gender equity and has developed a policy for its administration with an appointed committee.

Community Engagement

The University has been engaging the local communities in technology dissemination in public health, enhancing farm productivity and sustainable environment management.

In their third year of study Maseno University medical students undertake a community based attachment. This exercise is important for a number of reasons; it not only helps them in honing their medical skills but also it provides medical services and care that are in short supply in the community and Country in general.

Commissioning of hotspots to allow for full internet access at the University has created an opportunity for staff and students as well as the surrounding community to network, learn, research and outreach all of which advertise the institution and its programmes.

Environmental Sustainability

The University is committed to promoting the physical environment to ensure sustainably for the current and future generations. In line with the increased significance and increased recognition of the responsibility bestowed on us to protect the environment for posterity; the University has developed a policy on the environment. In this regard a number of programmes have been put in place;

- Marking of the World Environment
- Maseno University and environs cleaning day

These are now part of the University calendar and it's hoped with time that they will be inculcated into the psyche of the Maseno University community.

The University is keen to construct a Sewerage Disposal System to replace the existing one as the population of Maseno has grown tremendously. This is planned for the year 2016/17.

Economic Sustainability

Innovations in core operations

The University is ahead of its peers with the running of e-Campus that offers distance learning comfortably. The University also continues to offer undergraduate degree programmes 'with IT'. This is in recognition of the role played by IT not only as a tool at the workplace but as a key resource. The IT skills imparted on the Maseno University graduate are crucial in enabling them stand out at the workplace.

The University supports its post graduate students in their final year of study to conduct research by providing them with funds from the Post-Graduate research fund annual allocation. This initiative has been very popular.

Research and Technology Development

Research and Technology Development is one of the principal missions of a University. It is for this reason that Maseno University has established the Centre for Research and Technology Development (RESTECH Centre). Its primary objective is to enhance the capacity to undertake research and technology development. In doing so, Science and Technology thus has become a powerful tool for fighting poverty, food insecurity and tropical diseases.

Status of ISO certification

The University is committed to continuously improving its processes and systems in line with the ISO certification.

Maseno University

Annual Report and Financial Statements for the Year Ended 30th June, 2016

Income Sustainability

The University is greatly dependent on the Government for its operations this is because government grants make up approximately **51%** of its recurrent income. In addition the government is the only source of development grants.

The University is keen to grow its internally generated revenue from Tuition fees, University Enterprises and partnerships with the private sector to accomplish infrastructure developments.

Going concern status

The University expects to operate as a going concern into the foreseeable future. This assumption is based on the surplus recorded and the positive current ratio **1.8** against the **1.6** recorded in the year 2014/15. The University looks to investing significantly in infrastructure and is not expected to curtail its operations in the coming year.

STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Council to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The Council are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council are also responsible for safeguarding the assets of the University.

The Council are 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 ended on June 30, 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 Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The 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 30, 2016, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

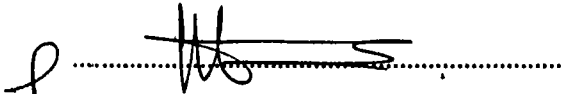
Nothing has come to the attention of the Council to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

Maseno University

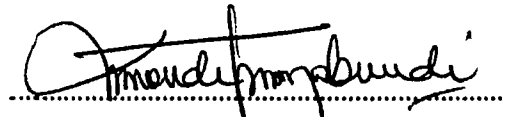
Annual Report and Financial Statements for the Year Ended 30th June, 2016

Approval of the financial statements

The Maseno University's financial statements were approved by the University Council and signed on its behalf by;


.....
Dr. Issa A. Kipera
Chairman, Maseno University Council

14/7/2017.
.....
Date


.....
Professor Julius O. Nyabundi
Vice-Chancellor

14/7/2017.
.....
Date

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MASENO UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Maseno University set out on pages 1 to 38, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

The Council 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 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 control relevant to the entity's preparation 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.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

Basis for Adverse Opinion

1. Cash and Cash Equivalents

1.1. Bank Balances

The Kenya Commercial Bank main account reconciliation cash book balance of Kshs.71,041,124 varied with schedules analysis balance of Kshs.97,784,278 leaving a variance of Kshs.26,743,154 unexplained while the Equity Bank reconciliation cash book balance is Kshs.15,336,805 with unexplained fees income of Kshs.19,474,438 in the reconciliation statement. Further, the Standard Chartered account No.010202401801 with balance of Kshs.974,569 and Standard Chartered account No.0102024018400 with balance of Kshs.5,922,936 as at 30 June 2016 are not supported with bank reconciliation statements. In addition, the cash and cash equivalents balance of Kshs.452,320,219 excludes balances for three KCB bank account Nos. 1131693817, 1179233905 and 1179442237 with balances of Kshs.3,800, Kshs.1,100 and Kshs.19,262 respectively all totalling to Kshs.25,162 as at 30 June 2016.

1.2. Short Term Deposits

Included in the cash and cash equivalents balance of Kshs.452,320,219 is short term deposits of Kshs.209,615,358.25 in Kenya Commercial Bank with interest rates of 6.5% of which no register and analysis for the deposits were availed for audit verification except for the letter of instructions to the bank for short term deposit of three months. Further, the earned interest of Kshs.10,544,242 did not have an analysis of how it was arrived at.

Consequently, it was not possible to confirm that the cash and cash equivalents balance of Kshs.452,320,219 as at 30 June 2016 is fairly stated.

2. Accounts Receivable

2.1. Exchange and Non-Exchange Transactions

The receivables from both exchange and non-exchange transactions balance during the year under review increased from Kshs.256,918,860 in 2015 to Kshs.311,850,546 as per note 20. This represents an overall increase by 21.1%. However an analysis of individual debtors from exchange transactions revealed that the debtors increased from Kshs.82,355,053 (in 2015) to Kshs.239,933,187 as at 30 June 2016. Although, the University made provision for bad and doubtful debt of Kshs.330,111,302, the approval minutes by the Council for the provisions was not availed for audit verification.

2.2. Student Balances

The receivables from exchange transactions balance of Kshs.239,933,187 includes student debtors of Kshs.169,487,162. However, analysis of the student balances as indicated in the Microsoft Navision application system revealed students' pre-payment of

Kshs.151,833,442 as at 30 June 2016 which however was not disclosed in the financial statements.

2.3. Prior Years Adjustment

Recognition of prior year adjustment students debtors of Kshs.499,598,464 reflected under Note 20 to financial statement is contrary to requirement of IPSAS 3 Section 41, whereby fundamental error should be corrected by adjusting the opening balance of accumulated surplus or deficit.

2.4 Outstanding Imprests

Included in the receivables from exchange transactions figure of Kshs.248,407,545 is imprest outstanding balance of Kshs.12,373,330 (Kshs.20,318,686 in 2015). However, examination of the imprest register and the analysis of outstanding imprest revealed a total of Kshs.4,718,434 was issued as additional imprests before surrender of the previous imprest which is in contravention of Section 92(8) of Public Finance Management (National Government) Regulations, 2015.

Consequently, it has not been possible to confirm that the accounts receivables balance of Kshs.311,850,546 as at 30 June 2016 is fairly stated.

3. Trade and Other Payables from Exchange Transactions

The following anomalies were noted in respect to trade and other payables from exchange transactions totalling Kshs.477,664,776;

- (i) Creditors' ~~age analysis~~ and ~~movement schedule~~ as at 30 June 2016 was not availed for audit review and an amount of Kshs.131,804,198 was not supported by suppliers' (creditors) ledger accounts.
- (ii) The trade and other payables from exchange ~~transactions~~ account was credited with Kshs.68,698,152 through passing of a journal voucher that includes ten (10) suppliers' amount of Kshs.17,636,835 not supported by suppliers' invoices and suppliers' ledger accounts, for services and goods provided.
- (iii) Retention on construction contract balance of Kshs.10,183,337 was not supported by requisite documentation such as invoices and suppliers' statements.

Consequently, the validity and propriety of trade and other payables balance of Kshs.477,664,776 as at 30 June 2016 could not be ascertained.

4. Acquisition of Assets

4.1. Buildings

Included in the property, plant and equipment balance of Kshs.2,244,458,690 is transfer to buildings of Kshs.360,387,241 from work in progress comprising of Millennium Lecture Hall of Kshs.58,377,188; extension of Health Centre of Kshs.11,198,888; vet farm hostels of Kshs.238,222,122; medical laboratories of Kshs.39,818,140 and graduation square pavilion of Kshs.12,770,903. However, no certificates of completion for the projects were availed for audit verification. Further, the contract terms and procurement documents for graduation square pavilion were not presented for audit review.

Consequently, the propriety of transfer to buildings figure of Kshs.360,387,241 could not be confirmed as at 30 June 2016.

4.2. Land

Included in the property, plant and equipment balance of Kshs.2,244,458,690 is an expenditure incurred on purchase of a beach plot at Uhanya measuring 0.7 Acres valued at Kshs.2,328,865. However the University has not acquired ownership documents for the land.

Consequently, the ownership of the beach plot of Kshs.2,328,865 could not be confirmed as at 30 June 2016.

4.3. Plant and Equipment

Plant and equipment balance of Kshs.114,325,361 as at 30 June 2016 includes Kshs.6,619,227 in respect of purchase of photocopiers, pumps and computer monitors. However, tender documents for the purchases were not presented for audit verification.

As a result it has not been possible to confirm the propriety of Kshs.6,619,227 for the transaction.

4.4. Sewerage Plant and Graduation Pavilion

Included in the property, plant and equipment balance of Kshs.2,244,458,690 is the work in progress totalling Kshs.376,378,739 which in turn includes sewerage plant of Kshs.39,919,253 and graduation square pavilion of Kshs.12,770,903. However, sewerage plant works stalled since year 2014 at the excavation level while the pavilion contract terms and procurement documents were not availed for audit review.

Consequently, the University may have not received value for money and the propriety of Kshs.52,690,156 as at 30 June 2016 could not be confirmed.

4.5. Fixed Assets Register

The University did not avail detailed fixed assets register indicating value, date of purchase, description nature and location of the assets under its possession as required by Section 143 of the Public Finance Management –National Government Regulations 2015.

In view of the foregoing, the propriety, ownership and validity of property, plant and equipment balance of Kshs.2,244,458,690 could not be confirmed.

5. Revenue

5.1. Receipting of Tuition Fees

The financial statements reflect tuition fees of Kshs.1,364,191,008. However, an analysis of the Microsoft Navision System of students total tuition fees receipts posted against the banking's revealed that there were seven thousand eight hundred and thirty nine (7839) students whose amount receipted in the system was more than the actual amount deposited in the bank accounts. Therefore, the student records were updated with receipts that did not agree with the actual deposits to the University bank accounts resulting uncollected tuition fees Kshs.91,403,205.

In the circumstances, it has not been possible to confirm the correctness of tuition fees of Kshs.1,364,191,008.

5.2. Allocation of Bursaries

During the year under review, it was revealed that bursaries received from various institutions and not credited to students fees accounts amounted to Kshs.54,564,240 and that the amount credited to the students accounts but not received was Kshs.40,154,104 as indicated by the various bursaries accounts for the year ending 30 June 2016. Consequently, the fees receipts account was misstated by a total of Kshs.94,718,344 as analysed below.

Bursary Applied to Students not yet Received

Account No	Account	Closing Balance 30.6.2016 Kshs.
300020	HELB	1,027,774
300022	CDF Bursary	34,578,330
300023	HELB & Bursary upload diff	4,548,000
Total		40,154,104

Bursary Received and Not Applied to Students

Account No	Account	Closing Balance 30.6.2016 Kshs.
300021	Bursary	(54,564,240)

5.3. Kisumu Hotel

Note 8 to the financial statements reflect revenue from University Enterprises Kshs.186,750,402 that in turn includes Kisumu Hotel total income of Kshs.145,677,861 (Kshs.184,122,385 in 2015). However, analysis of the revenue collected and posted in the Microsoft Navision System maintained at the hotel revealed the following anomalies;

- i. The collection for the year was Kshs.116,710,216 while the financial statements had indicated revenue of Kshs.145,677,861 resulting to an unexplained difference of Kshs.28,967,645.
- ii. The customers ledger balance was Kshs.112,035,490 as at 30 June 2016 while the financial statements reflected the balance of Kshs.38,295,292 resulting to an unreconciled difference of Kshs.73,740,198.
- iii. In addition, there were 14,802 hotel customers who had overpaid by Kshs.571,931,500 as at 30 June 2016 which was not disclosed in the financial statements. Further, restaurant sales decreased from Kshs.74.3 million in 2014/15 to Kshs.49 million in 2015/16 while the food purchased increased from Kshs.29 million in 2014/15 to Kshs.37 million in 2015/2016.

However, no explanation was provided for the unsatisfactory situation.

6. Statement of Cash Flows

Included in the statement of cash flows is cash flow from investing activities balance of Kshs.59,658,145 being proceeds from disposal of assets of Kshs.12,000,000 which however was not supported and considering that the only disposal for the year was for only Kshs.4,657,837.

In the circumstances, the accuracy of the statement of cash flows balance for the year ending 30 June 2016 could not be confirmed.

7. Employees Costs

7.1. Payroll Analysis

The employee costs of Kshs.2,010,877,986 was supported by payroll analysis of Kshs.1,661,244,699 and thereby resulting to an unexplained difference of Kshs.349,633,287.

7.2. Irregular Salary Payment

Included in the employee costs of Kshs.2,010,877,986 is Kshs.2,855,123 in respect of eighty (80) employees who earned higher salary due to irregular salary increments during the year and which had not been sanctioned by the University's Council.

7.3. Personnel Cost

The employee cost of Kshs.2,010,877,986 constitute more than 62.7% of University revenue and 71% of total expenses.

Consequently, the propriety of Kshs.2,010,877,986 could not be confirmed.

8. Budget Adjustment

The statement of comparison of budget and actual amounts indicate net adjustments deficit of Kshs.6,526,370 which, was not supported with approval and minutes of the council as required as shown in the table below:

Expenses	Adjustments Kshs.
Employee Costs	(52,621,130)
	2,000,000
Operation expenses	29,256,500
Repairs and maintenance	(400,000)
General expenses	28,290,000
Total	6,526,370

Consequently, the adjustments were irregularly done.

9. Inaccuracies in the Financial Statements

The following items were not adequately supported.

- i. Note 7 to the financial statements tuition fees Kshs.1,364,191,008 includes prior year tuition fees income of Kshs.330,911,302 not supported and is not restated in the statements of changes in net assets as prior year adjustment.
- ii. Note 5 to the financial statements research grants Kshs.81,093,516 excludes Kshs.20,304,180.
- iii. Note 8 to the financial statements revenue from University enterprises Kshs.186,750,402 includes Kshs.3,875,878 not supported while note 25 to the financial statements trade and other payables Kshs.477,664,776 includes Kshs.199,394,243 not supported.
- iv. Further, the revenue from non-exchange transaction schedules balance of Kshs.1,541,181,171 did not agree with the financial statements figure of Kshs.1,550,085,493 leaving unexplained variance of Kshs.8,904,322.

In the circumstance, the accuracy and validity of the financial statements for the year ended 30 June 2016 could not be confirmed.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of Maseno University as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Financial Management Act, 2012 and the Universities Act, 2012.

Other Matter

1.2 Expenditure Budget Analysis				
Expenditure Type	Final Budget Kshs.	Actual Kshs.	Variance	Kshs.
Employee Cost	2,166,707,229.00	2,010,877,986.00	155,829,243.00	
Council Expenses	22,000,000.00	21,910,694.00	89,306.00	
Audit Expenses	930,000.00	950,000.00	(20,000.00)	
Depreciation	99,245,437.00	99,245,437.00	-	
Operations Expenses	517,272,867.00	463,159,765.00	54,113,102.00	
University Enterprises Expenses	106,688,550.00	100,926,863.00	5,761,687.00	
Repairs and Maintenance	37,150,000.00	36,069,109.00	1,080,891.00	
General Expenses	116,830,000.00	109,979,893.00	6,850,107.00	
Total	3,066,824,083.00	2,843,119,747.00	223,704,336.00	

1. Budget Analysis

The budget analysis of Maseno University for the year ended 30 June 2016 are as shown below;

1.1 Revenue Budget Analysis			
Revenue Type	Final Budget Kshs.	Actual Kshs.	Variance Kshs.
Government Capitation Grants	1,461,209,351.00	1,440,176,644.00	(21,032,707.00)
Research Grants	90,000,000.00	81,093,516.00	(8,906,484.00)
Insurance Compensation	-	28,815,333.00	28,815,333.00
Tuition Fees	1,066,589,000.00	1,364,191,008.00	297,602,008.00
Other Income	324,894,825.00	289,735,682.00	(35,159,143.00)
Total	2,942,693,176.00	3,204,012,183.00	261,319,007.00

During the year, the University actual recurrent revenue realized was Kshs.2,873,900,881 excluding unsupported prior year tuition of Kshs.330,911,302 while the budgeted revenue was Kshs.2,942,693,176 resulting to shortfall of Kshs.68,792,295. The actual expenditure was Kshs.2,843,119,747 while the budgeted expenditure was Kshs.3,066,824,083.00 leading to under- expenditure of Kshs.223,704,336. Despite the under collection of revenue of Kshs.68,792,295, the University management did not explain the reason for the shortfall in the revenue beside the under absorption of the budget by a figure of Kshs.223,704336 during the year ended 30 June 2016.

2. Non-maintenance of Audit Logs

The University use Microsoft Navision System, which has main modules of financial management, funds management, academic and human resource. Audit review of the system revealed that, the audit logs for Microsoft Navision Application and SQL Database had not been enabled to record all the activities done by users of the system. Consequently, the users may process unauthorized transactions in the system without a reliable audit trail.

3. Students Data

The main source of revenue at Maseno University is tuition fees collected from students and the unconditional Government grants given for capitation. The analysis of the revenue collected and accounted for by the university revealed that, there were sixty three (63) students who either had invalid or did not have names in the system and the students could therefore not be reliably identified.

Further, there were four thousand four hundred and thirty four (4434) students whose date of registration had not been indicated and therefore it was not possible to determine when they joined the University.

In the circumstance, the management may rely on inaccurately captured student details when making decisions.

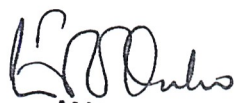
4. Human Resource

Analysis of the human resource bio data and the payroll processed for the period under review revealed the following anomalies:

- i. The data maintained in the human resource master file included records that are incomplete, duplicated and invalid.
- ii. There were four employees without national identification card numbers and another four had similar national identification number.
- iii. During the year, the system incorrectly computed PAYE that led to over-deduction from employees of Kshs.18,205,909 and under-deduction of Kshs.3,244,687 as indicated below;

Month	Overpaid Tax Kshs.	Underpaid Tax Kshs.
Jun-16	1,545,968.00	81,016.00
May-16	1,518,811.00	295,564.73
Apr-16	1,518,829.00	271,756.00
Mar-16	1,600,712.00	374,779.00
Feb-16	1,490,320.00	263,324.00
Jan-16	1,526,123.00	280,017.00
Dec-15	1,503,902.00	288,133.00
Nov-15	1,485,691.00	284,908.00
Oct-15	1,503,315.00	275,766.00
Sep-15	1,495,036.00	270,798.00
Aug-15	1,500,721.00	268,072.00
Jul-15	1,516,481.00	290,553.00
Total	18,205,909	3,244,686

Consequently, the net effect overpayment of Kshs.14,961,222 is due from KRA.



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

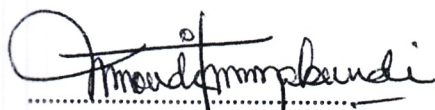
Nairobi

15 November 2017

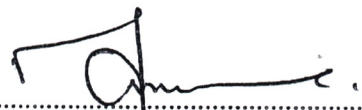
STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30th June 2016

		2015/16	2014/15
Revenue from non-exchange transactions		Kshs	Kshs
Government Capitation Grants	4	1,440,176,644	1,461,209,351
Research Income	5	81,093,516	82,673,268
Insurance Compensation	6	28,815,333	-
		1,550,085,493	1,543,882,619
Revenue from exchange transactions			
Tuition Fees	7	1,364,191,008	1,003,346,887
Revenue from University Enterprises	8	186,750,402	229,422,791
Interest income	9	10,544,242	6,792,166
Other income	10	92,441,038	58,360,773
		1,653,926,690	1,297,922,617
Total revenue		3,204,012,183	2,841,805,236
Expenses			
Employee Costs	12	2,010,877,986	1,913,237,370
Council Expenses	29	22,954,694	18,949,468
Audit Expenses		950,000	950,000
Interest On Loan		-	13,562,936
Depreciation	13	99,245,437	88,091,180
Operations Expenses	14	463,159,765	427,802,860
University Enterprises Expenses	15	100,926,863	101,303,318
Repairs and maintenance	16	36,069,109	40,553,625
General expenses	17	108,935,893	118,312,023
Total expenses		2,843,119,747	2,722,762,781
Other gains/(losses)			
Gain on sale of assets	11	6,307,087	-
Impairment loss	18	(332,524,229)	-
Surplus/(Deficit)		34,675,294	119,042,455



Professor Julius O. Nyabundi
Vice-Chancellor



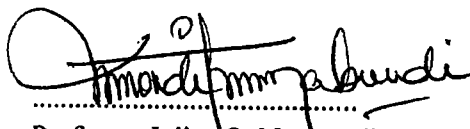
Mr. Edward M. Kitati
Finance Officer

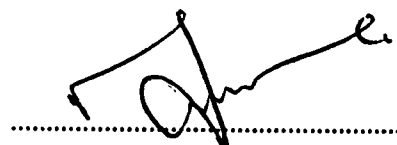
The notes set out on pages 8 to 38 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 30th June 2016

		2015/16	2014/15
	Note	Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	19(i)	452,320,219	132,540,966
Receivables from exchange transactions	20	248,407,545	82,355,053
Receivables from non-exchange transactions	20	63,443,001	174,563,807
Inventories	21	42,955,282	49,936,706
		807,126,046	439,396,532
Non-current assets			
Property, plant and equipment	22	2,244,458,690	2,285,176,456
Intangible Assets	23	17,981,668	-
Biological Assets	24	8,006,500	5,521,000
		2,270,446,858	2,290,697,456
Total assets		3,077,572,905	2,730,093,988
Liabilities			
Current liabilities			
Payables	25	477,664,776	272,256,280
Students Caution Money	26	7,400,000	5,147,600
Provision for Audit Fees	27	1,902,000	952,000
		486,966,776	278,355,880
Non-current liabilities			
Students Caution Money	26	9,008,200	5,800,000
Total liabilities		495,974,976	284,155,880
Net assets		2,581,597,929	2,445,938,108
Capital Fund		2,161,869,092	2,060,884,565
Accumulated Surplus		419,728,837	385,053,543
Total net assets and liabilities		3,077,572,905	2,730,093,988


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Professor Julius O. Nyabundi
Vice-Chancellor


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Mr Edward M. Kitati
Finance Officer

STATEMENT OF CHANGES IN NET ASSETS

As at 30th June 2016

Attributable to the owners of the controlling entity				
	Notes	Capital Fund Kshs	Accumulated Surplus Kshs	Total Kshs
Balance as at 30 JUNE 2014		2,020,384,565	266,011,088	2,286,395,653
Capital grant	4	40,500,000		40,500,000
Surplus/(deficit) for the period			119,042,455	119,042,455
Transfers to/from accumulated surplus		-	-	-
Balance as at 30 JUNE 2015		2,060,884,565	385,053,543	2,445,938,108
Capital grant	4	100,984,527	-	100,984,527
Surplus/(deficit) for the period			34,675,294	34,675,294
Transfers to/from accumulated surplus		-	-	-
Balance as at 30 JUNE 2016		2,161,869,092	419,728,837	2,581,597,929

Nature and Purpose of Reserves

The accumulated surplus comprises of surpluses that have been accumulated over the years. This reserve is not distributable but is used for capital regeneration.

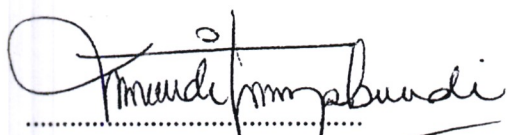
STATEMENT OF CASHFLOWS
For the year ended 30th June 2016

	Note	2015/16 KShs	2014/15 KShs
<u>Cash flow from operating activities</u>			
Surplus/(Deficit) for the year		34,675,294	119,042,455
<u>Adjustments for non-cash and non-operating activities</u>			
Interest Received	9	(10,544,242)	(6,792,166)
Depreciation	13	99,245,572	88,091,180
(Increase)/Decrease in Biological assets	24	(2,485,500)	2,226,525
Provisions - Audit Fees	27	950,000	950,000
Profit on sale of Fixed Assets		(6,307,087)	-
Interest Paid		-	13,562,936
Payment of Audit Fees		-	(928,000)
Operating Profit before working capital changes		115,534,037	216,152,930
<u>Changes in Working Capital</u>			
(Increase) / Decrease in Receivables	20	(54,931,686)	(125,998,362)
(Increase) /Decrease in Inventory	21	6,981,424	(417,150)
Increase /(Decrease) in Payables	25	205,408,496	(35,938,842)
Net changes in working capital		157,458,234	(162,354,354)
Cash Generated from Operations		272,992,271	53,798,576
<u>Cash flow from Investing Activities</u>			
Interest Received	9	10,544,242	6,792,166
Proceeds from disposal		12,000,000	-
Acquisition of Fixed Assets	22	(82,202,387)	(78,077,016)
		(59,658,145)	(71,284,850)
<u>Cash flow from Financing Activities</u>			
Development grants from GOK	4	100,984,527	40,500,000
Loan repayment		-	(150,000,000)
Interest Paid		-	(13,562,936)
Caution Money Refund-Aggregate	26	5,460,600	2,796,300
		106,445,127	(120,266,636)
Increase/(Decrease) in Cash & Cash Equivalent		319,779,253	(137,752,910)

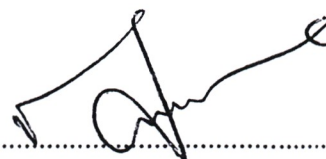
Cash & Cash Equivalent at 1st July 2015		132,540,965	270,293,875
Cash & Cash Equivalent at 30th June 2016	19(i)	<u>452,320,218</u>	<u>132,540,965</u>

Represented by:

Bank balances	19(ii)	242,247,280	33,057,186
Cash balances		457,580	368,970
Cash and cash balances		<u>242,704,861</u>	<u>33,426,156</u>
Short Term Deposits		209,615,358	99,114,810
		<u>452,320,219</u>	<u>132,540,966</u>



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Professor Julius O. Nyabundi
Vice-Chancellor



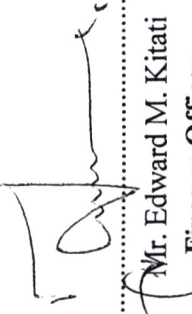
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Mr. Edward M. Kitati
Finance Officer

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the Year Ended 30th June, 2016

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2015-2016	Kshs	2015-2016	Kshs	2015-2016	Kshs	2015-2016	Kshs	2015-2016	Kshs
Revenue										
Government Capitation Grants	1,461,209,351		-		1,461,209,351		1,440,176,644		(21,032,707)	
Research Grants	90,000,000		-		90,000,000		81,093,516		(8,906,484)	
Insurance Compensation	-		-		-		28,815,333		28,815,333	
Tuition Fees	1,066,589,000		-		1,066,589,000		1,364,191,008		297,602,008	
Other income	324,894,825		-		324,894,825		289,735,682		(35,159,143)	
Total income	2,942,693,176		-		2,942,693,176		3,204,012,183		261,319,007	
Expenses										
Employee Costs	2,219,327,359		(52,620,130)		2,166,707,229		2,010,877,986		155,829,243	
Council Expenses	20,000,000		2,000,000		22,000,000		22,954,694		(954,694)	
Audit Expenses	930,000		-		930,000		950,000		(20,000)	
Depreciation	99,245,437		-		99,245,437		99,245,437		-	
Operations Expenses	488,016,367		29,256,500		517,272,867		463,159,765		54,113,102	
University Enterprises Expenses	106,688,550		-		106,688,550		100,926,863		5,761,687	
Repairs and maintenance	37,550,000		(400,000)		37,150,000		36,069,109		1,080,891	
General expenses	86,240,000		28,290,000		114,530,000		108,935,893		5,594,107	
	3,057,997,713		6,526,370		3,064,524,083		2,843,119,747		221,404,336	
Surplus for the period	(115,304,537)		(6,526,370)		(121,830,907)		360,892,437		482,723,343	

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 Professor Julius O. Nyabundi
 Vice-Chancellor



 Mr. Edward M. Kitati
 Finance Officer

Explanations on Variances

1. Government capitation was reduced for the Month of May and June from what was expected as per printed estimates. The difference in capitation has not been considered as a receivable as there is little likelihood of its recoverability.
2. The University received a research grant from the World Bank of **Euro 228,334**
3. The University received Insurance compensation as a result of a claim lodged for offices that were destroyed by fire.
4. The University runs a deficit budget and as a result we have been pursuing cost containment and therefore expenditure is bound to be lower than the budget.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Statement of compliance and basis of preparation - IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest shilling. Cash balances held in foreign currency have been reported using the closing rate. The accounting policies have been consistently applied to all the years presented.

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

Note 2. Significant judgments and sources of estimation uncertainty - IPSAS 1

In the process of applying the University's accounting policies, the management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on the managements' knowledge of current events and actions, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Board's accounting policies, judgments have been made in determining:-

- a) The classification of financial assets;
- b) The going concern
- c) Useful lives and residual values
- d) Provisions (Additional disclosure of these estimates of provisions is included in Note 27)

Note 3. Summary of significant accounting policies

a) Revenue recognition

Revenue from non-exchange transactions - IPSAS 23

Revenues from non-exchange transactions (Government grants) are measured at fair value and recognized on obtaining control of the asset with the exception of cases where from past experience it is more likely than not the University will obtain control of the asset. In such a case the revenue is recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

The University recognizes revenues from non-exchange transactions from other entities (non-government) when the event occurs and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Revenue from exchange transactions - IPSAS 9

Rendering of services- Tuition Fees

The entity recognizes revenue from rendering of services (Tuition Fees) at fair value on obtaining control of the asset.

Other Revenues from Exchange Transactions

The University recognizes revenue from other exchange transactions when the event occurs or by reference to the stage of completion of the service and the asset recognition criteria are met.

b) Budgetary information (IPSAS 24)

The University budget is prepared using cash basis. IPSAS 24 requires disclosure of budget information through the Statement of Comparison of budget. The University Budget is prepared before the beginning of every financial year and is approved by the University Council. Any variations to this approved budget are taken to the University Council for ratification.

c) Investment property - IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes there placement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

d) Property, plant and equipment - IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred.

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

Depreciation is calculated on the straight-line basis to write the cost of its residual values over its estimated useful life, except for Motor Vehicles as below:

Motor Vehicles	- 20% per annum on Cost after allowing for 10% Residual value on the Purchase price.
Plant & Equipment	- 12.5% per annum on Cost
Furniture & Fittings	- 12.5% per annum on Cost
Buildings	- 2.5 % per annum on Cost
Land	- not depreciated as it is deemed to have an indefinite life

Gains and Losses on disposal of property, plant & equipment are determined by reference to their carrying amount and are taken into account in determining the operating profit.

e) Leases - IPSAS 13

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets - IPSAS 31

Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The University has elected to amortize its intangible assets over a useful life of 5 years.

g) Biological Assets - IPSAS 27

Maseno University recognizes a biological asset or agricultural produce when and only when:

- The entity controls the asset as a result of past events;
- It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value or cost of the asset can be measured reliably.

A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell. The fair value of the biological asset is based on its present location and condition.

Livestock are measured at their fair value less costs to sell. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

g) Financial instruments - IPSAS 29

Financial assets

Initial recognition and measurement

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

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are subsequently measured at cost,

less impairment; losses arising from impairment are recognized in the surplus or deficit. The policy on impairment of receivables was developed and approved in January 2017.

The University has elected to give an allowance of 5% of the total trade receivables as an impairment allowance for receivables. Student debtors, however, have been assessed differently (Further disclosures on this are contained in Note 20)

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 Entity 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.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

h) Inventories - IPSAS 12

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

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

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

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

i) Provisions - IPSAS 19

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the 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. Provisions were raised and management determined an estimate based on the information available.

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

j) Changes in accounting policies and estimates - IPSAS 3

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

k) Employee benefits - IPSAS 25

Retirement benefit plans

The University provides retirement benefits for its employees. The University operates a defined contribution retirement benefit scheme for all employees. The 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 assets of the scheme are held in a separate trustee administered fund that is funded by contributions from both the University and the Employees. The University's contributions to this scheme are charged against income in the year in which they become payable. Benefits are paid to retiring staff in accordance with scheme rules.

l) Foreign currency transactions - IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Balances that are in foreign currency are carried in the books of the University at the closing rate.

m) Borrowing costs - IPSAS 5

Borrowing costs have been charged to the statement of financial performance. In the event that borrowing costs relate to funds borrowed for the construction of an asset, then these costs are capitalized.

n) Related parties - IPSAS 20

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

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

p) Comparative figures

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

q) Financial Risk Management

Objectives and Policies

The Audit and Risk Committee of Council has initiated a process that will see the enhancement of risk management. The University has an integrated risk management framework/strategy. The Council's approach to risk management shall be based on risk governance structures, risk management policies, risk identification, measurement, monitoring and reporting. The risk management policies and systems are reviewed regularly to ensure they are in tandem with the micro and macro environment, regulatory guidelines, industry practice, market conditions as well as the services offered.

r) Subsequent events - IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

Note 4. Transfers from Government

	2015/16	2014/15
	KShs.	KShs.
Unconditional grants		
Operational grant- Capitation	1,440,176,644	1,461,209,351
Funds Received to Salary Arrears	-	-
IPUCCF	-	-
	<u>1,440,176,644</u>	<u>1,461,209,351</u>
Conditional grants		
Development grant	100,984,527	40,500,000
	<u>100,984,527</u>	<u>40,500,000</u>
Total government grants and subsidies	<u>1,541,161,171</u>	<u>1,501,709,351</u>
Government grants and subsidies - Capital	100,984,527	40,500,000
Government grants and subsidies - Operating	1,440,176,644	1,461,209,351
Total government grants and subsidies	<u>1,541,161,171</u>	<u>1,501,709,351</u>

The capital grants are conditional grants from the national government; these amounts received from the government are for specific development projects as per the national government printed estimates for the specific year.

Note 5. Research Grants

	2015/16	2014/15
	KShs.	KShs.
Research Grants - DAAD	-	134,000
K-LIP Consultancy Funds	-	6,370,107
Research grants	81,093,516	76,169,161
	<u>81,093,516</u>	<u>82,673,268</u>

Note 6. Insurance Compensation

	2015/16	2014/15
	KShs.	KShs.
Insurance Compensation	28,815,333	-

A section of the University administration block was destroyed by fire during the year and this amount was the compensation by the insurers for the loss.

Note 7. Tuition Fees

	2015/16	2014/15
	KShs.	KShs.
Tuition Fees Incomes		
KUCCPS Tuition Fees	338,301,247	305,047,764
Direct Entry - Tuition Fee	365,868,302	339,652,613
Postgraduate Fees	21,688,486	31,464,576
Prior Periods Tuition Fees Income ¹	330,111,302	-
	1,055,969,337	676,164,953
BBA/BA -Eve - Tuition Fee	94,907,392	100,095,267
M.Ed - Tuition Fee	5,437,850	8,153,496
Master of Arts Tuition Fees	13,707,320	9,062,453
Certificate Courses City Campus	1,098,970	4,526,410
PGDE - Tuition Fees	1,747,150	1,930,300
MPH- Tuition Fees	8,380,113	10,131,670
MSc - Tuition Fees	5,469,550	5,301,950
MBA - Tuition Fees	11,498,350	8,549,260
B.ED Fees City Campus	31,339,840	13,271,803
Bsc. City campus	21,549,602	14,982,613
Urban Planning	7,682,490	-
Diploma Fees City campus	20,754,408	25,064,485
PhD - Tuition Fee	-	-
MITC Receipts	1,836,865	4,599,591.00
Application fees City Campus	2,153,047	1,373,500
Miscellaneous City Campus	-	4,500
Sub-totals: Tuition fees	227,562,947	207,047,298
E-learning	25,582,845	63,121,290
Homabay Tuition Fees	49,407,879	53,398,846
PGDE Homa Bay	-	-
Collaborations (IAT, RIBM, KISE)	5,668,000	3,614,500
	80,658,724	120,134,636
Total Revenue from Tuition Fees	1,364,191,008	1,003,346,887

¹This income relates to recognition of income from prior periods when the University was using cash basis of accounting for Tuition fees. The amount has been assessed as impaired and additional disclosure on this item is provided in Note 20.

Note 8. Revenue from University Enterprises

	2015/16	2014/15
	KShs.	KShs.
Bookshop sales	4,833,892	4,254,269
Farm Sales	1,951,886	4,706,408
Farm Catering(Bamboo)Sales	-	402,322
Kisumu Hotel Restaurant sales	49,632,490	74,361,711
Kisumu hotel bar sales	15,452,046	17,755,109
Hotel and Stationery sales	-	-
Kisumu Hotel equipment Hire	796,493	1,113,000
Kisumu Hotel Laundry Charges	149,178	124,790
Kisumu Hotel- Hall Hire	9,645,700	13,857,927
Kisumu Hotel swimming pool charges	1,562,635	1,480,185
Kisumu Hotel Pool Bar sales	-	-
Kisumu hotel Tel, fax, internet & Airtime Sales	1,108,319	2,267,813
Kisumu Hotel - Room Income	67,331,000	73,161,850
Ksm Hotel Kitchen salvage	-	-
Varsity Plaza Restaurant	3,232,831	3,014,022
City Campus cafeteria	5,003,880	2,644,905
Catering Food Sales	12,422,013	13,114,963
I.G.A. - Tent Food Sales	2,285,489	2,914,815
Varsity Plaza rental	11,342,550	14,248,702
Total of University Enterprises Income	186,750,402	229,422,791

Note 9. Interest Income

	2015/16	2014/15
	KShs.	KShs.
Interest Income (On Short Term Deposits)	10,544,242	6,792,166

The University earned **Kshs. 10,544,242** from two Term deposits held with KCB. Further disclosures on this can be found in **Note 17**.

Note 10. Other Incomes

	2015/16	2014/15
	KShs.	KShs.
Accommodation Fees	36,920,700	26,054,000
Student fines and damages	25,118,100	-
Convocation Fees	10,223,800	6,860,950
Direct Entry Form Sales	952,500	724,900
House Rent Income	4,252,200	4,420,910
Imprest Recovery	852,454	634,017
Imprest Under Exp.	3,354,417	3,284,601
Staff Surcharge/Fines	26,249	395,407
Tender Document Sales	3,000	52,500
Library Fines & Books Disposal	186,405	143,271
Misc Income	-	10,738
Water Sales	207,500	230,500
Misc.Income-Health	48,440	118,180
Shuttle Income	148,300	183,000
Sale of Postgrad. Forms	154,500	297,000
Photocopying - Library	19,434	4,000
Other Incomes	1,720,812	862,283
Insurance Rebates	1,715,507	13,183,069
T.P. Lesson Plan	-	744,400
Library Binding Services	371,530	38,180
Cyber Cafe Income	-	118,867
Disposal Catalogue	2,708,500	-
Ethical Review Charges	971,190	-
Gain on Biological Assets	2,485,500	-
Total revenue from Other incomes	92,441,038	58,360,773
Total revenue from exchange Transactions	1,653,926,690	1,297,922,617

Note 11. Gain on Sale of Assets

	2015/16	2014/15
	KShs.	KShs.
Administration Building - Deemed disposal	6,307,087	-

This is a gain from the deemed disposal of a section of the University administration block that was destroyed by fire during the year.

Not 12. Employee costs

	2015/16	2014/15
	KShs.	KShs.
Basic Emoluments	830,824,841	848,623,201
House Allowance	448,728,032	449,711,940
Car Allowance + non use of official car	19,711,187	19,588,231
Entertainment allowance	18,033,936	17,601,848
Responsibility Allowance	18,762,393	18,769,815
Telephone Allowance	7,799,904	7,704,399
Water & Electricity Allowance	5,198,929	4,849,956
Non-practicing allowance	13,505,345	9,892,988
Book Allowance	4,697,596	4,900,000
Leave Allowance	7,588,150	5,881,556
Commuting allowance	164,873,978	155,900,325
Risk Allowance	6,072,067	5,529,033
Passage and Baggage allowance	825,479	553,503
Gratuity & Retirement Benefits	189,405,102	196,726,192
Part-time Teaching Payments	214,728,533	107,715,707
Examination coordination	484,000	470,000
Thesis Examination	5,566,000	6,921,417
Domestic workers	2,955,000	2,765,986
Research/Book Allowance	-	19,600
Casual Wages	91,875	1,236,529
Other Allowances- Extraneous allowance	30,977,131	27,521,812
eLearning Module Devt	4,721,500	12,345,870
Call Allowance	8,206,008	5,490,226
MUERC Allowances	422,500	452,000
Insurance Relief	-	7,235
Project Examination	328,000	1,124,000
Project Supervision	1,014,000	934,000
eCampus Facilitation	4,956,500	-
Management Support Allowance	400,000	-
Total Employee Costs	2,010,877,986	1,913,237,370
Interest on Loan	-	13,562,936
Audit Fees Expenses	950,000	950,000

Note 13. Depreciation and amortization expense

	2015/16	2014/15
	KShs.	KShs.
Buildings	51,527,026	42,776,114
Motor Vehicles	1,807,362	3,635,213
Plant and Equipment	35,828,980	36,746,285
Furniture and Fittings	5,586,719	4,933,569
Management Information System - Amortization	4,495,417	-
Total depreciation and amortization	99,245,504	88,091,180

Not 14. Operations expenses

	2015/16	2014/15
	KShs.	KShs.
Stationery & Stores	25,731,247	11,146,481
Travelling & Accommodation	12,815,086	9,210,879
Teaching materials	5,155,112	13,273,581
Computer Materials	6,367,745	3,717,520
Committee Expenses	230,000	-
Office Entertainment	955,000	1,108,645
Field Trips/Industrial Attach.	16,373,602	16,206,777
Supply of Electricity	33,367,337	33,063,022
Students Welfare & Games	3,202,150	4,940,880
Students Activity	18,731,550	16,263,886
Purchase of Cleaning Materials	2,739,191	3,104,331
Telephone Expenses	3,413,054	4,288,661
Legal Expenses & Fees	2,945,784	942,813
Advertising & Publicity	24,496,226	17,302,479
Contingency Fund	2,241,500	168,354
Senate Expenses	66,000	-
Postal & Telegram Expenses	172,290	600,303
Transport Operating- Fuel & Generator fuel	18,879,288	14,396,563
Transp. Oper. Exp-Tyres	3,732,483	-
External Travel	667,424	430,732
Rent & Rates	5,461,008	6,007,848
Insurance Related Expenses	14,164,602	18,860,898
Water Bill Charges	9,561,809	6,805,695
Laboratory Reagents	6,889,512	1,739,230
Fuel for Boilers & Generators	-	484,184
Cooking Fuel/Gas	4,832,304	4,886,830
Bank Charges	1,393,001	999,420
Security services	3,469,516	-
Hired Security Services	47,500,613	44,319,560
Sanitary Expenses	3,502,810	2,354,474
Purch. of TextBooks	-	-
Examination Material	10,876,343	6,709,250
Teaching Practice Expenses	3,433,440	12,363,350
Purch. of Library Books	831,699	458,196
Purch. of Periodicals	736,020	841,580
Library Management System license renewal	1,020,000	300,530
Post Graduate Expenses	3,574,200	3,855,000
Research Programme	69,537,489	87,370,791
Admission Related Expenses	923,025	200,560
Bindery Material	37,400	-

External Examiners	7,057,422	7,396,762
Uniforms & Clothing	452,000	4,411,195
Licences & Fees	1,170,810	1,598,435
IGA - Purch of Food	48,179,778	31,671,324
Course Development Expenses	66,150	2,323,200
Offshore Moodle Hosting	-	1,362,720
Renewal of Driving Licence	12,450	8,900
e- Campus Expenses	4,439,292	2,852,950
Internet Services	24,849,031	22,561,732
Tender committee expenses	1,130,000	1,554,000
Calibration Of equipment	127,052	146,740
Broadcasting Frequency - License	60,000	30,000
Community Health Attachment	2,578,000	1,184,600
RIBM Expenses	168,100	324,000
KISE Expenses	749,200	1,161,500
IAT Expenses	2,093,620	491,500
	463,159,765	427,802,860

Note 15. University Enterprises Expenses

	2015/16	2014/15
	KShs.	KShs.
Animal Feeds	6,701,242	7,046,070
Livestock Drugs	606,535	-
Crop Inputs and Land preparation	-	-
Purch. of Beef Cattle	-	5,195,930
Purch. of Chicken	2,362,000	286,000
Purch of Farm Tools/	-	-
Farm Maintenance	3,778,842	1,332,658
Vertinery Services	-	-
Casual Wages - Farm	1,033,175	1,989,686
Kisumu Hotel Purch. of Food	36,962,788	29,028,543
Ksm Hotel Bar Purchases	5,494,097	7,567,096
Kisumu Hotel Card Costs	-	220,355
Kisumu Hotel Accommodation Transfers	6,241,730	5,363,206
Purchase of Cutlery	9,890	431,960
Catering Levy - Kisumu Hotel	2,229,487	2,204,145
Kisumu Hotel - Expenses	30,339,289	32,491,820
Bookshop purchases	1,969,507	6,325,852
Bookshop Marketing	46,583	-
Bookshop Point of Sale Software Maintenance	-	116,000

Varsity Restaurant Expenses	3,151,698	1,703,998
	100,926,863	101,303,318

Note 16. Repairs and maintenance

	2015/16	2014/15
	KShs.	KShs.
Maint. of Office Equipment	1,494,834	2,330,049
Maint-Water Supply/Sewerage	1,708,315	943,210
Maintenance Of Laboratory Equipment	-	-
Maint-Office Buildings	11,857,250	9,532,378
Maintenance of Grounds	-	16,000
Repair & Maintenance of boilers	-	265,168
Repair & Maintenance of Generator	-	181,656
Minor Works & Construction	10,577,121	10,181,416
Maint. of Hostels	1,422,184	8,940,400
Main. Of Plant & Equip.	270,887	56,840
Transport Oper. Exp. Repairs	5,449,213	5,325,608
Lecture Halls Maintenance	500,000	-
Lift Maintenance	2,789,306	2,780,900
Total repairs and maintenance	36,069,109	40,553,625

Note 17. General expenses

The following are included in general expenses:

	2015/16	2014/15
	KShs.	KShs.
Purchase of Drugs	21,794,152	16,136,309
Payment of Medical Bills.	36,321,612	34,746,825
Dental Optical Services	9,986,545	8,292,405
Staff Developments	2,116,139	684,400
Recruitment Expenses	37,188	30,000
Seminars & Conferences	2,451,167	574,152
Shows & Exhibitions	2,628,305	961,586
Publishing & Printing	964,166	-
Staff Welfare - Misc	913,451	1,723,479
Student Work Study Programme	1,095,822	908,500
Environmental Awareness	10,000	-

Graduation Expenses	14,828,659	5,076,616
Kenya Music Festival	964,800	1,500,000
PGDE- Teaching Expenses	1,133,440	-
Planning Studio	602,300	371,500
KUCCPS Expenses	-	4,305,000
Development of new programmes	153,300	587,500
Subscriptions & Journal	1,975,438	1,863,966
Varsity Plaza - Expense	44,488	661,874
Disposal Expenses	400,000	-
ICT Development	6,046,694	4,003,743
ISO Certification	64,750	1,004,033
Strategic Plan Certification	-	-
Penalties and Fines	-	27,837,191
Professional Membership Fees	161,600	182,920
Network Access & Expansion	1,299,600	-
Cuisine Day	400,000	-
Performance Contract Expenses	1,331,000	1,008,500
Monitoring & Evaluation	179,000	-
Tom Mboya Setup Costs	1,653,164	-
Software Development & Licence	-	-
Loss on Biological Assets	-	4,807,525
Total general expenses	108,935,893	118,312,023

Note 18. Impairment Loss

	2015/16	2014/15
	KShs.	KShs.
Allowance for Impairment loss on receivables	332,524,229	-

Further disclosures on this item are in Note 20.

Note 19. Cash and cash equivalents

	2015/16	2014/15
	KShs.	KShs.
Bank Balances and Guarantee	242,247,280	33,057,186
Cash	457,580	368,970
Short term Deposits at KCB	209,615,358	99,114,810
Total cash and cash equivalents	452,320,219	132,540,966

Note 19. (i) Summary of Bank Balances and Bank Guarantee (Additional Details in Note 30)

	2015/16	2014/15
	Kshs.	KShs.
Cash held in;		
Equity Bank Kenya	15,336,805	12,860,734
Standard Chartered Bank	18,130,282	25,071,564
Kenya Commercial Bank	205,780,193	(8,075,112)
Bank Guarantee with KCB	3,000,000	3,200,000
Total Cash in Bank	242,247,280	33,057,186

Cash balances held in foreign currency have been reported using the closing exchange rate by Central Bank and respective banks.

Note 20. Receivables

(i) From exchange transactions

	2015/16	2014/15
	KShs.	KShs.
Current Trade receivables		
Kisumu Hotel Debtors	38,295,292	38,904,162
Varsity Plaza Rent Debtors	8,595,825	12,950,470
Bookshop Debtors	1,367,421	2,031,686
	48,258,538	53,886,318
Less: Impairment Allowance (5%)	(2,412,927)	-
	45,845,611	53,886,318
Student Debtors	499,598,464	-
Less: Impairment Allowance	(330,111,302)	-
Student Debtors	169,487,162	-
Total trade receivables	215,332,773	53,886,318

Impairment assessment has been done on trade debtors and an allowance of 5% of total receivables outstanding provided.

The University has done a first time recognition of student debtors of **Kshs. 499,598,464** and a provision for bad debts of **Kshs. 330,111,302** made for the amounts which was doubtful as the students having the balances are absconded, dropped out, deferred, suspended or did not report as indicated in the table below;

	Kshs.
Student Debtors as Reported	499,598,464
Less:	
Students in Collaborating Institutions	21,815,800
Students who absconded	26,694,005
Deferred JAB / Direct	11,365,612
Dropped out JAB / Direct	8,744,500
Did not report JAB / Direct	10,370,600
Suspended Students	3,815,945
Students who joined in 2016	4,499,249
Students appearing twice	5,790,600
Past students with doubtful debts	237,014,991
	330,111,302
Current student debtors	169,487,162

	2015/16	2014/15
	KShs.	KShs.
Current Non-Trade receivables		
Sundry Debtors	6,374,897	5,754,011
Prepaid Rent - Homabay	2,396,416	2,396,416
Prepaid insurance	6,113,774	-
Imprest Outstanding	12,373,330	20,318,308
Advances to MURBS	127,477	-
Advances to Tom Mboya University	5,688,878	-
Total non-trade receivables	33,074,772	28,468,735
Total Receivables from Exchange Transactions	239,933,187	82,355,053

Reconciliation of allowance for impairment of receivables

	Current Receivable		Non-Current	Total
	Trade	Student	Receivable	
	Receivables	Receivables		Total
	KShs.	KShs.	KShs.	KShs.
At 1 July 2014	-	-	-	-
Charge for the Year	-	-	-	-
Utilized	-	-	-	-
Unused amounts reversed	-	-	-	-
At 30 June 2015	-	-	-	-
Charge for the Year	2,412,927	330,111,302	-	332,524,229
Utilized	-	-	-	-
Unused amounts reversed	-	-	-	-
At 30 June 2016	2,412,927	330,111,302	-	332,524,229

(ii) From non-exchange contracts

	2015/16	2014/15
	KShs.	KShs.
Current receivables		
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	52,796,361
Capitation Grants Receivable	-	121,767,446
	51,799,015	174,563,807
Other Assets		
Deposit with High Court from Court Judgement	11,643,986	-
	63,443,001	174,563,807
Total Receivables	311,850,546	256,918,860

The University paid a deposit of **Kshs. 11,643,986** as a result of a High Court judgment entered against the University. The judgment was entered for M/s Bubble Engineering Ltd a construction company that was initially engaged in the Library project. The parties had agreed to mutually terminate the contract.

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No te21. Inventories

	2015/16	2014/15
	KShs.	KShs.
Farm Stocks	524,635	191,463
Bookshop Stores	221,694	229,933
Stationery Stocks	3,755,440	7,423,896
Catering Stores	1,399,395	2,772,885
Medical Stores	3,967,129	4,528,498
Maintenance Stores	17,238,890	18,729,536
Hostel Stores	2,732,463	2,363,482
Kisumu Hotel Store	9,542,522	9,583,433
Games Store	1,640,650	1,640,650
Varsity Plaza Store	1,932,464	2,472,930
TOTAL	42,955,282	49,936,706

Note 22. Property, Plant and Equipment

	LAND KSHS	BUILDINGS KSHS	MOTOR VEHICLE KSHS	PLANT & EQUIPMENT KSHS	FURNITURE & FITTINGS KSHS.	W.I.P KSHS.	TOTAL KSHS
COST/VALUATION							
As at 30.06.2014	215,922,317	1,711,044,550	94,289,199	589,491,419	72,336,616	644,688,989	3,327,773,090
Additions	-	-	-	9,375,227	460,685	68,241,104	78,077,016
Transfers/adjustments	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
As at 30.06.2015	215,922,317	1,711,044,550	94,289,199	598,866,646	72,797,301	712,930,093	3,405,850,106
Additions	-	-	10,040,900	16,251,692	9,596,823	46,312,972	82,202,387
Transfers/adjustments	-	360,387,241	-	-	-	(382,864,326)	(22,477,085)
Disposals	-	(10,350,750)	-	-	-	-	(10,350,750)
As at 30.6.2016	215,922,317	2,061,081,041	104,330,099	615,118,338	82,394,124	376,378,739	3,455,224,658
DEPRECIATION							
As at 30.06.2014	-	474,459,547	81,225,066	428,217,712	48,680,145	-	1,032,582,470
Disposals	-	-	-	-	-	-	-
Charge for the year	-	42,776,114	3,635,213	36,746,285	4,933,569	-	88,091,180
As at 30.06.2015	-	517,235,661	84,860,279	464,963,997	53,613,714	-	1,120,673,650
Disposals	-	(4,657,837)	-	-	-	-	(4,657,837)
Charge for the year	-	51,527,026	1,807,362	35,828,980	5,586,719	-	94,750,087
As at 30.6.2016	-	564,104,850	86,667,641	500,792,977	59,200,433	-	1,210,765,900
NET BOOK VALUE							
As at 30.6.2015	215,922,317	1,193,808,889	9,428,921	133,902,649	19,183,587	712,930,093	2,285,176,456
As at 30.6.2016	215,922,317	1,496,976,191	17,662,459	114,325,361	23,193,691	376,378,739	2,244,458,758

Note 22. (i) Analysis of WIP

	As at 01/07/15	Additions	Transfers	As at 30/06/16
	Kshs.	Kshs.	Kshs.	Kshs.
Millennium Lecture Halls	58,377,188	-	(58,377,188)	-
Sewerage Project	39,919,253	-	-	39,919,253
Extension Of Health Centre	11,198,888	-	(11,198,888)	-
Management Information System	22,477,085	-	(22,477,085)	-
Vet Farm Hostels	238,222,122	-	(238,222,122)	-
Library Construction	251,237,748	37,347,046	-	288,584,794
Road Construction	12,381,068	-	-	12,381,068
Medical Laboratories	39,818,140	-	(39,818,140)	-
Graduation Square Pavilion	12,770,903	-	(12,770,903)	-
Microbiology Lab	26,527,696	2,947,521	-	29,475,217
Master Plan	-	1,577,600	-	1,577,600
Ablution Blocks	-	4,440,805	-	4,440,805
	712,930,091	46,312,972	(382,864,326)	376,378,737

Note 23. Intangible Assets - Management Information System

	KSHS.
COST/VALUATION	
As at 30.06.2014	-
Additions	-
Transfers/adjustments	-
Disposals	-
As at 30.06.2015	-
Additions	-
Transfers/adjustments	22,477,085
Disposals	-
As at 30.6.2016	<u>22,477,085</u>
AMMORTIZATION	
As at 30.06.2014	-
Disposals	-
Charge for the year	-
As at 30.06.2015	-
Disposals	-
Charge for the year	4,495,417
As at 30.6.2016	<u>4,495,417</u>
NET BOOK VALUE	
As at 30.6.2015	-
As at 30.6.2016	<u>17,981,668</u>

The transfers / adjustments of Kshs. 22,477,085 done during the year relates to capitalization of the Management Information System being used by the University. Previously this item was being reported under Work in Progress in Note 21. (i)

Note 2. Biological assets

	2015/16	2014/15
Reconciliation of Biological Assets	KShs.	KShs.
Carrying amount at 1 July	5,521,000	7,747,525
Gain/(Loss) on biological assets	2,485,500	(2,226,525)
Carrying amount at 30 June	8,006,500	5,521,000

The University owns biological assets which are mainly livestock. The biological assets are measured at fair value less costs to sell; the fair value is established from quoted market prices less costs to sale. The gain on biological asset of Kshs.2,485,500 arose from increases in fair values as a result of physical changes.

Note 25. Trade and other payables from exchange transactions

	2015/16	2014/15
	KShs.	KShs.
PAYE	32,894,432	24,949,927
NHIF	1,730,600	1,439,593
NSSF	241,500	-
Pension & Gratuity	17,004,763	31,406,660
Benevolent Fund	2,659,800	1,700,050
HELB Loan Repayments	283,707	381,991
Union Dues	1,103,312	1,079,481
Other Loans	33,128,631	45,547,996
Maseno Univ. Sacco	3,281,624	7,980,781
Other SACCOS	2,052,989	894,456
Part-time Teaching Claims	74,018,582	-
Pension Plots	135,781	132,149
Bookshop Recoveries	117,065	942,061
Hotel Recoveries	49,412	46,619
Returned Salary	138,927	384,829
Insurances	288,761	88,861
SOMU Activities	475,301	-
University Fees Prepaid	151,833,442	-
Vat Payable	-	169,360
Withholding Tax	247,546	674,868
Retention on Construction contracts	10,183,337	2,730,990
Contractors Pending Certificates	-	19,901,410
Trade Payables	140,795,264	131,804,198
Siaya County Advances	5,000,000	-
Total trade and other payables	477,664,776	272,256,280

Note 26. Refundable Deposits (Caution Money)

	2015/16	2014/15
	KShs.	KShs.
Caution Money	16,408,200	10,947,600
Less: Total current portion of caution money	(7,400,000)	(5,147,600)
Total non-current portion of caution money	9,008,200	5,800,000

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Note 27. Current provisions - Audit Fees

	2015/16	2014/15
	KShs.	KShs.
Balance at the beginning of the year	952,000	930,000
Additional provisions raised	950,000	950,000
Provision utilized	-	(928,000)
Transferred from non-current provisions	-	-
Balance as at 30 June 2015	1,902,000	952,000

Note 28. Contingent Liabilities

The University paid a deposit of **Kshs. 11,643,986** as a result of a High Court judgment entered against the University. The judgment was entered for M/s Bubble Engineering Ltd a construction company that was initially engaged in the Library project. The parties had agreed to mutually terminate the contract.

As at the reporting date, the outcome of the appeal is not known.

Further, the University is a defendant in five (5) other civil cases whose claims amount to **Kshs. 20,649,462**. The outcomes of these cases are not known and the amount of the obligation cannot be measured with sufficient reliability.

Note 29. Related Party Disclosures

a) Nature of relationships

Related party is an entity that is related to that is preparing its financial statement. An entity is related to the reporting entity if the other entity has control or significant influence or member of key management personnel of the reporting entity. The related parties of Maseno University include;

- i) National government
- ii) Key management
- iii) Members of the University Council
- iv) Tom Mboya University College (A constituent of Maseno University)
- v) Maseno University Retirement Benefit Scheme

b) Related party transactions

Refers to transfer of resources, services or obligations between a reporting entity and the related party regardless of whether a price is charged.

	2015/16	2014/15
	KShs.	KShs.
Total grants received from government	1,541,161,171	1,501,709,351

c) Due from related parties

	2015/16	2014/15
	KShs.	KShs.
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	52,796,361
Monthly capitation for June 2016	-	121,767,446
Maseno University Retirement Benefit Scheme	127,477	-
Tom Mboya University College	5,688,878	-
	57,615,370	174,563,807

d) Key management remuneration

	2015/16	2014/15
	KShs.	KShs.
Council Members sitting allowances	5,920,000	4,620,000
Subsistence Allowance	5,698,000	
Travelling Expenses	4,098,069	14,329,468
Refreshments and Lunches	5,476,351	
Stationery and other Materials for meetings	718,274	
Chairman Honoraria	1,044,000	1,044,000
Total Council Expenses	22,954,694	19,993,468

Notes 30. Detailed Cash and Bank Balances

	2015/16 Kshs.	2014/15 KShs.
1 Main Campus Fee Collection Account (1120297065141)	15,336,805	12,860,734
Equity Bank Kenya	15,336,805	12,860,734
2 Main Current Account	97,784,278	(21,298,488)
3 Capital Development Account	53,252,272	93,173
4 SGS / IRPS Account	13,550,938	4,274,159
5 Kisumu Hotel Account	6,425,690	2,002,561
6 City Campus Fee Collection	7,216,788	2,354,155
7 IGA Account	6,114,032	3,468,667
8 Bookshop Account	905,236	568,862
9 KLIP Savings Account	2,107,113	461,799
10 KCB Flood Disaster Management AC - Kshs	8,260,725	-
11 KCB Flood Disaster Management AC - Euro	9,687,820	-
12 Student Activity KCB S/A (1102264946)	170,060	-
13 Student Welfare KCB S/A (1102265055)	207,896	-
14 Student Activity KCB Current (1108266207)	97,345	-
Kenya Commercial Bank	205,780,193	(8,075,112)
15 Standard Chartered 8752524018401 (RES. USD)	2,685,810	14,437,542
16 Standard Chartered 9352524018401 (RES. EURO)	3,587,244	120,090
17 Standard Chartered 0102024018401 (RES. KSH)	974,569	26,510
18 Standard Chartered 8752524018400 (BSU USD)	4,959,723	527,299
19 Standard Chartered 0102024018400 (BSU KSH)	5,922,936	9,960,123
Standard Chartered Bank	18,130,282	25,071,564
Bank Guarantee	3,000,000	3,200,000
Total Cash in Bank	242,247,280	33,057,186