

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**

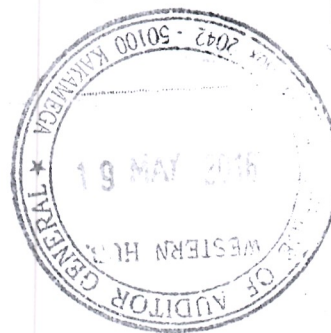
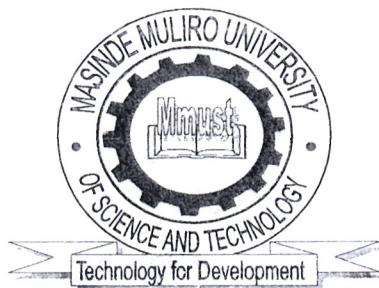
**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY**

**FOR THE YEAR  
ENDED 30 JUNE 2015**

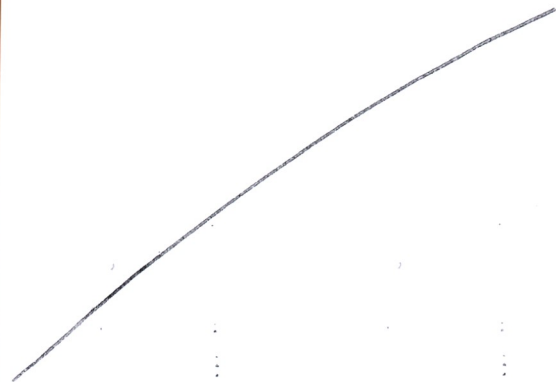


**MASINDE MULIRO UNIVERSITY  
OF  
SCIENCE AND TECHNOLOGY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2015**

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





I.	KEY UNIVERSITY INFORMATION AND MANAGEMENT .....	2
II.	THE OFFICERS OF THE UNIVERSITY .....	4
III.	MANAGEMENT TEAM.....	5
IV.	CHAIRMAN'S STATEMENT .....	7
V.	REPORT OF THE CHIEF EXECUTIVE OFFICER.....	8
VI.	MANAGEMENT REPRESENTATION .....	9
VII.	CORPORATE GOVERNANCE STATEMENT.....	11
VIII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT .....	12
IX.	REPORT OF THE UNIVERSITY COUNCIL .....	13
X.	STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITIES.....	14
XI.	REPORT OF THE INDEPENDENT AUDITORS (KENAO).....	15
XII.	STATEMENT OF FINANCIAL PERFORMANCE .....	16
XIII.	STATEMENT OF FINANCIAL POSITION .....	17
XIV.	STATEMENT OF CHANGES IN NET ASSETS (EQUITY).....	18
XV.	STATEMENT OF CASH FLOWS.....	18
XVI.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	19
XVII.	NOTES TO THE FINANCIAL STATEMENTS .....	20
XVIII.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	39

## I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

### (a) Background information

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

### (b) Principal Activities

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

### RESPONSIBILITY

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

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

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

### AUTHORITY

The 2014/15 accounts were presented to Council and approved on 25<sup>th</sup> September, 2014.

### Key Management

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

- University Senate
- University Management Board and
- The Dean's Committee

### (c) Fiduciary Management

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

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



**(d) Fiduciary Oversight Arrangements**

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

- Audit and finance committee activities
- Parliamentary committee activities
- Development partner oversight activities
- Other oversight activities

**(e) University Headquarters**

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

**(f) University Contacts**

Telephone: (256) 30836  
E-mail: [infor@mmust.ac.ke](mailto:infor@mmust.ac.ke) and [vc@mmust.ac.ke](mailto:vc@mmust.ac.ke)  
Website: [www.mmust.ac.ke](http://www.mmust.ac.ke)

**(g) University Bankers**

1. Kenya Commercial Bank Ltd. (Main)
2. Co-operative Bank Of Kenya Ltd.
3. Barclays Bank of Kenya Ltd.
4. Standard Chartered Bank Ltd.
5. National Bank of Kenya Ltd.
6. Equity Bank Ltd.
7. Family Bank Ltd.







**(h) Independent Auditors**

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

**(i) Principal Legal Adviser**



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

## II. THE OFFICERS OF THE UNIVERSITY



 Chancellor	<p><b>H.E Hon. Mwai Kibaki,</b>            B.A(Makerere),            BSc. Econ (London),            Hon DSC (MMUST),            C.G.H.</p>
 Chairman	<p><b>Dr. David Nyamwaya ,</b>            Ph.D-Medical Anthropology- Cambridge University, UK- 1982            MPhil- Social Anthropology- Cambridge University, UK-1979            Bachelor degree in Education-UON Kenya-1978</p>
 Member	<p><b>Prof Fredrick. A.O Otieno,</b>            FAAS, PhD, FSAICE, MBA</p>
 Member	<p><b>Dr. Somane M. Ismail,</b>            MBA(Strategic Management)-Moi University -            Bachelor of Pharmacy- University of Hacettepe, Ankara,            Turkey-</p>
 Member	<p><b>Arch. Zebedee Maombo Bukania(OGW),</b>            Master of Architecture- University of Nairobi            Bachelor of Architecture- University of Nairobi</p>
 Member	<p><b>Mrs. Getude Muthoni Namu,</b>            MEd- Library and Information Science - Kenyatta University,            Bed- Kenyatta University</p>

*Handwritten signature/initials*






 Member	<b>Mrs. Sophy Kirorei,</b> MA -Management organization and Development- USIU – Nairobi, BEd - UoN
 Member	<b>Mr. Don.R.O. Riaroh,</b> BSc. Universit of Nairobi, B. A (UoN), MBA (Egerton) Msc. University of Leicester (UK)
 Member	<b>Ms Dorothy Kimeu</b> National Treasury Representative
 Member	<b>Mr. David Watene,</b> Representative, Ministry of Higher Education, Science and Technology

### III. MANAGEMENT TEAM

Name	Key profession/academic qualifications	Designation
 Prof. Fredrick A.O Otieno	Bsc, MSc, PhD, FAAS, FSAICE, MBA	Vice Chancellor
 Prof. Joseph K. Rotich	B.Sc. (UoN), M.Sc. (Southampton), Ph.D.(Shanghai)	Deputy Vice Chancellor (Administration & Finance)

*Handwritten signature/initials*

 Prof. Josephine K.W Ngaira	B.Ed. (UoN), M.A, Ph.D. (Moi University), MKNAS	Deputy Vice Chancellor (Academic & Student's Affairs)
 Prof. Egara Kabaji	B.Ed., M.A.,(Kenyatta), Ph.D. (UNISA)	Deputy Vice Chancellor (Planning, Extension & Research)
 Mr. Bruno. N Ogama	BSc (Moi), MBA(UoN), CPA (K) (Strathmore )	Ag. Finance Officer
Dr. Peter Buhkala	BEd. Physical Ed (UoN), Msc Mc Gill Univ Canada, Phd. Progrmme Planning Kenyatta Univ	Ag. Registrar - Administration
Mr. Onyango Odhiambo	B.A (UoN), Dip. HRM	Registrar- Planning , Research & Extension
Dr. Caroline K. Onyancha	BSc Geology (UoN). MSc Eng. Geology, (UoN) , Phd Eng Geology. (UoN)	Ag. Registrar-Academic Affairs

*Handwritten initials/signature*



#### IV. CHAIRMAN'S STATEMENT

It is with profound pleasure that I take this opportunity to present the Final Accounts for the Masinde Muliro University of Science and Technology (MMUST), *the University of Choice*.

During the financial year under review, the University Council undertook to infuse fiscal discipline in the management of both financial and non financial resources at the disposal of the University. Towards this end, the University Council through the University Management instituted a raft of austerity measures to cut down on wastage and improve on efficiency in the utilization of resources. This effort worked out well as is reflected in the results for the 2014/2015 financial year which I will present shortly.

The key achievement during the period was the completion of three(3) capital development projects that have changed the landscape of the University. These are the 1,000 bed capacity women's hostel that will immensely increase the number of female students who will get on campus accommodation, the 3,000 sitting capacity multipurpose hall that will increase the capacity of the University to host major events on campus. This will also be used for large classes, workshops and seminars. The third project is the 18 No. low cost lecture rooms constructed with the new interlocking soil block technology that cut the construction cost by one third. This saved the University over **Kshs 30 million** in construction cost. The new lecture block is a major milestone as it will increase the teaching space on campus and cut down on leasing of lecture rooms in Kakamega town. Apart from increasing the overall capacity at the University, these three new buildings will have a major impact on the cash flow of the University.


During the year under review the University took over a section of the Kaimosi Teachers Training College. The Institution was gazetted to be a constituent college of Masinde Muliro University of Science and Technology. The first batch of Government sponsored students was admitted in September of 2014. However during the year under review there was a marked decline in the enrolment of self sponsored students. This was attributed to the rise in the number of Universities and University Colleges nationally that compete for the same students.

Funding for Capital development from the exchequer realized a major decline. The University only received **Kshs 97M** which represent 40% of the amount that had been allocated in the printed estimates. This greatly hampered the level of capital development work that had been planned during the 2014/2015 FY. The University utilized **Kshs 137M** from internal sources to bridge this gap.

During the year under review the University was able to realise a recurrent revenue of **Kshs.2,409,711,604** made up of **Kshs 1,330,021,256** from GOK recurrent grant, **Kshs. 97,200,000** from GOK capital development grant and **Kshs. 982,998,989** from appropriation in aid (A in A). The resultant surplus of **Kshs 202,931,228** from operations was used up to fund ongoing capital development projects to the tune of **Kshs. 137,777,975** and pay deferred tax to the tune of **Kshs. 65.15M**.

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

It is my pleasure to now present the final accounts of the University for the period 2014/2015

  
**Dr. David Nyamwaya,**  
**CHAIRMAN, UNIVERSITY COUNCIL.**

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I have the pleasure to present the 13th Annual Report and Accounts for the year ended 30th June 2015

### The Result

The University recorded a surplus of **Kshs 202,931,828** for the period under review. This was a big improvement from a surplus of **Kshs 1,368,171** reported in the previous year due to stringent financial controls especially on the operations and maintenance activities. This surplus was used to clear part of the deferred PAYE tax and finance ongoing capital development projects. During the period under review the University implemented the scheme of service for the non academic staff. These increased the cost of personal emoluments. Previous deficits were attributed to insufficient allocation of capitation from the exchequer. With improved capitation this financial year, we hope to turn the trend towards surpluses in future as the University continues to implement austerity measures to cut down on wastage and improve efficiency in operations.

The University utilized the surplus to pay tax arrears to the tune of **Kshs. 65.15M** and **Kshs. 137.7M** to finance three ongoing capital projects that have since been completed.

The University took over part of the Kaimosi Teachers Training College (KAFUCO) to become a constituent college of the University. The University spent **Kshs 18M** as start up funds for KAFUCO. It had an initial number of 200 government sponsored students. By close of the 2014/2015 FY the constituent college had been gazette but is yet to get a University council. The constituent college is thus being supported by the main campus.

### Capital Projects

The University has made commendable strides in the area of capital development from as little as **Kshs 110,438,928.00** in net value of its fixed assets in 2004 to **Kshs 2,13,496,125** in the year under review. During the year under review the University completed the 1,000 bed capacity women hostel. This was capitalized and transferred from work in progress (WIP) to buildings at a value of **Kshs 488,718,477.00**. This effectively brings the value of buildings to **Kshs 1,148,090,435.00**. However the capital grant allocation has always been too low to complete any single planned project. The University requires workshops for the Engineering, tuition blocks, more teaching and accommodation space for the rising number of students.

### Staffing

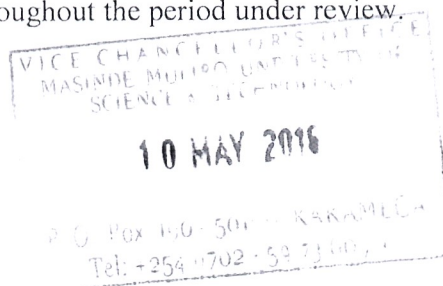
The University is in dire need of teaching staff due to the increased number of Universities and constituent colleges across the country that has pouched a big number of its teaching staff. The University thus we require to aggressively recruit replacements.

### Conclusion

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



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





## VI. MANAGEMENT REPRESENTATION

This representation is provided in connection with the audit of the financial statements of Masinde Muliro University of Science and Technology for the year ended 2014/2015 for the purpose of expressing an opinion as to whether or not the financial statements present fairly, in all material respects, the financial position of Masinde Muliro University of Science and Technology as at 30th June 2015 and the results of its operations and its cash flows for the year then ended in accordance with Section 29 of the Exchequer and Audit Act, Cap 412.

We acknowledge our responsibility for the accuracy of the accounting records and the fair presentation of the financial statements and we confirm, to the best of our knowledge and belief, the following representations given to you in connection with your duties as auditors of Masinde Muliro University of Science and Technology for the year ended 2014/2015.

### 1. Accounting policies

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

### 2. Accounting records and transactions

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

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

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

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

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

2.6 Personnel expenditure represents payments in respect of services which have been rendered to Masinde Muliro University of Science and Technology by 1,060 employees on the payroll of the year 2014/15.

### 3. Assets

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

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

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

3.4 The current assets in the financial statements are expected, in our opinion, to produce at least the amounts at which they are stated. Adequate provision, in our opinion, has been made against all amounts owing to the debtors, which are known and may be expected to become irrecoverable.

#### 4. Liabilities

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

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

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

#### 5. Other Matters

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

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

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

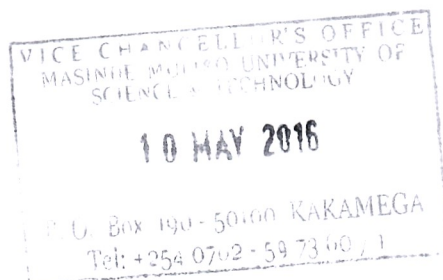
5.4 Except as disclosed in the financial statements, no transactions involving management and others requiring disclosure in the financial statements have been entered into. We confirm the completeness of the information provided regarding the identification of related parties. The identity of, and balances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

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

Yours Faithfully,



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



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

B.N. Ogama BSc. MBA, C.P.A. (K)  
A.G FINANCE OFFICER





## VII. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

The University Council meets at least four times per year and has a number of committees including: an Audit Committee; a Strategy and Finance Committee; a Human Resources Committee; and a Nominations Committee. All of these Committees are formally constituted with terms of reference and are comprised mainly of independent members. Each Committee is Chaired by an independent member. All sub committees review and reflect on their work and provide an annual report to the University Council.

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

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

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



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

## VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Masinde Muliro University of Science and Technology recognizes its obligations to act responsibly, ethically and with integrity in its dealings with staff, customers, neighbours and the environment as a whole. The institution operates in a socially responsible and ethical manner, with high standards of integrity and practice. Key among these are:-

- i. The health and safety of individuals, including staff, students and other stakeholders, impacted by activities is protected;
- ii. The environment is managed sustainably as far as practicable;
- iii. Students, staff and other stakeholders are treated with dignity;
- iv. Community access to, and engagement in, University activities is as wide as practical; and
- v. The University is engaging with, learning from, respecting and supporting the communities and cultures with which it works.

To this end: –

- i. The University is undertaking a greening initiative clarifying its commitment to delivering a net positive impact on the environment.
- ii. The University is proud that its management is recognized through ISO9001:2008 certification
- iii. The University has established a "Talents scholarship" fund through which it supports its social responsibility objectives.
- iv. The University has established an "internship: program to assist young people gain work experience.
- v. The University has MOU with KNUT in which it offers 15% discount on tuition to KNUT member and their dependents.
- vi. The University has a fees waiver of 50% for staff dependent.
- vii. The community liaison office whose activities resonate well with that of the community.
- viii. The University donates management time to promote sustainability both within the industry, within the environmental management profession, and through presentations at schools and lectures at universities.

### Specific Responsibilities and Authorities

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

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

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

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

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

## IX. REPORT OF THE UNIVERSITY COUNCIL

The University Council submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of Masinde Muliro University of Science and Technology's affairs.

### Principal activities

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

### Results

The financial results of the University for the year ended June 30, 2015 are set out on pages 16 to 19.

### University Council

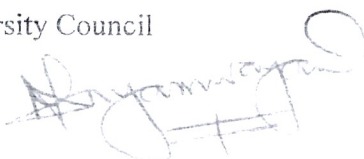
The members of the Board of University Council who served during the year are shown on page 4-5. In accordance with Regulation of the Universities Act 2012. The Chairman and members of the University Council are appointed for a period of 4 years with a possibility of renewal by the Cabinet Secretary; ministry of Education, Science and Technology. Reappointment is done by the Ministry of Education Science and Technology.


### Auditors

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

By Order of the University Council

Dr. David Nyamwaya  
Chairman of Council



  
Prof Fred. A.O Otieno  
Vice Chancellor

Masinde Muliro University of Science and Technology.  
Kakamega.

Date: 25<sup>th</sup> September 2015





## X. STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITIES

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

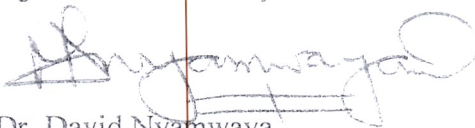
The University Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year (period) ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The University Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The University Council are of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2015, and of the University's financial position as at that date. The University Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The University's financial statements were approved by the Board on 25<sup>th</sup> September 2015 and signed on its behalf by:

  
Dr. David Nyamwaya  
Chairman of Council

  
Prof Fredrick. A.O. Otieno  
Vice Chancellor

VICE CHANCELLOR  
10 MAY 2016



# REPUBLIC OF KENYA

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



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2015

---

#### REPORT OF THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Masinde Muliro University of Science and Technology set out on pages 16 to 41, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. 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

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

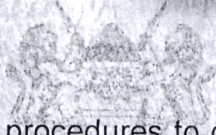
#### Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 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 (ISSAIs). 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.

---

*Report of the Auditor-General on Masinde Muliro University of Science and Technology for the year ended 30 June 2015*





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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks 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**

**1.0 Accuracy and Completeness of the Financial Statements**

The 2014/2015 financial statements opening balances differed by Kshs.92,742,452 from the 2013/2014 certified financial statements closing balances as shown below:-

Item	Certified 2014 Kshs.	Reported 2015 Kshs.	Variance Kshs.
Statement of Financial Performance			
Income - GOK Capital Grants	0.00	79,538,440.00	-79,538,400.00
Expenditure -Capital Development WIP	0.00	-172,280,902.00	172,280,902.00
Differences			92,742,642.00
Statement of Changes in Equity			
Opening balance in accumulated Funds	-451,704,362.00	-544,446,814.00	92,742,452.00

Further, payment vouchers amounting to Kshs.10,829,324 were not posted in the system and therefore were omitted from the financial statements. In addition the financial statements figures differed with the explanatory notes resulting to a cumulative difference of Kshs 235,940,197 as shown below:-



Item	Reported financial statement amount (Kshs.)	Amount Reported in the Notes (Kshs.)	Variance (Kshs.)
IGU Income	12,886,136	12,380,636	505,500
General Expenses	443,103,802	424,284,604	18,819,198
Receivables from Exchange Transactions	110,835,938	185,346,116	(74,510,178)
Accumulated Surplus	(262,630,241)	(361,314,986)	99,203,236
Reserves	2,203,002,970	2,011,080,619	191,922,351
<b>Total</b>	<b>2,507,198,605</b>	<b>2,271,258,408</b>	<b>235,940,197</b>

Also, the trial balance, statement of financial performance, statement of cash flows and statement of financial position generated from the ABNO UniSol Information System of the University were inaccurate.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June 2015 could not be ascertained.

## 2.0 Going Concern

The University posted unconfirmed surplus of Kshs.202,931,828 (2013/2014: Kshs.(91,374,282) before provision for bad debts of Kshs.19,800,000 thereby reducing the accumulated surplus to Kshs.(361,314,986) (2013/2014: Kshs.(544,446,814). The University also operated on a negative working capital of Kshs.393,604,815 (2013/2014 Kshs.565,952,810). Due to unfavorable cash position, the University was unable to meet its financial obligations as and when they fell due. In particular, it failed to pay Privately Sponsored Students Programme (PSSP) arrears of Kshs.135,000,000, Tax arrears of Kshs.257,460,877, other creditors of Kshs.283,415,489 and construction bills of Kshs.18,870,515.

Consequently, the going concern of the University is threatened and its future operations and existence is dependent on continued Government funding and support by its creditors.

## 3.0 Budget and Budgetary Control

The University made revenue collection of Kshs.35,229,300 against a budget of Kshs.140,950,000 resulting to a revenue shortfall of Kshs.105,720,700 (75%). Further, the University incurred an over-expenditure of Kshs.98,998,097 and in addition spent Kshs.40,651,914 on unbudgeted items without approval. As a result, the University failed to comply with the budget and budgetary control during the year ended 30 June 2015.



#### **4.0 Unsupported Cash and Cash Equivalents**

The cash and cash equivalents balance of Kshs.71,944,734 as at 30 June 2015 differed with the bank statement balance of Kshs.311,294,027 resulting to an unreconciled variance of Kshs.239,349,293.

Consequently, the accuracy of the cash and cash equivalents balance of Kshs.71,944,734 could not be confirmed as at 30 June 2015.

#### **5.0 Non-Current Assets**

The non-current assets balance stood at Kshs.2,134,496,125 as at 30 June 2015. However, the property, plant and equipment (PPE) balance of Kshs.2,625,625,741 before depreciation was not supported with an updated fixed assets register (FAR). Further, an undetermined value of intangible assets (software) has been omitted from the financial statements.

In the circumstances, the accuracy and completeness of the non-current assets balance of Kshs.2,134,496,125 could not be confirmed as at 30 June 2015.

#### **6.0 Refundable Deposits and Employee Benefits**

Refundable deposits from customers balance of Kshs.75, 667,654 as at 30 June 2015 was not represented by an equivalent bank balance or security as required. Equally employee benefit obligation of Kshs.67,303,279 was not secured by equivalent bank deposits or fund. The management has not explained how it intends to meet its obligations as and when they fall due.

#### **7.0 Receivables from Exchange Transactions**

The receivables from exchange transactions balance stood at Kshs.110,835,938 as at 30 June 2015. However, note 12 to the financial statements reflects an outstanding balance of Kshs.185,346,116 resulting to an unexplained difference of Kshs74,510,178. Further, the University has eight thousand four hundred and seven (8,407) students in the system expected to pay Kshs.589,637,650 during the year. However, two thousand three hundred and eighteen (2,318) students have not been invoiced resulting in an understatement of student debtors of Kshs.154,258,838 as only Kshs.237,378,812 was captured as receipted and Note 12 also reflects a student's debtors balance of Kshs.198,000,000. In addition, the system had inadequate input and validation controls as fourteen (14) students were defined more than once, seven (7) had incomplete names, eleven had invalid student numbers while several debit and credit notes had no records in the system. Student payments without reference to student numbers or admission numbers were not captured or linked in the system. This scenario reveals gross understatement of university

revenue from its main sources of tuition fees, student accommodation charges and income generating units.

In view of the foregoing, the receivables from exchange transaction balance of Kshs.110,835,935 could not be ascertained.

### **8.0 Irregular Other Personal Allowances**

An analysis of payroll data for the period January to June 2015 revealed an earning referred to as other personnel allowances' payment of Kshs.2,687,398. However, the allowances do not conform to any of the allowances contained in the collective bargaining agreement for UASU, KUDHEHIA and KUSU. Further, no guidelines or details on the payments of the allowances were provided for audit review.

In the circumstances, the propriety and authenticity of the other personnel allowances payment of Kshs.2,687,398 could not be confirmed.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of the Masinde Muliro University of Science and Technology as at 30 June 2015, 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 does not comply with the Universities Act, 2012.

### **Other Matter**

I draw attention to the following matters which describe major operational issues within the University.

#### **1. Nugatory Payments for Library System**

The University procured and installed a library security system at a cost of Kshs.8,283,380.65. The system has however, remained nonfunctional with no evidence of after sale service and maintenance. The University has not obtained value for money from the expenditure of the library system.

In the circumstances, the expenditure of Kshs.8,283,381 is nugatory payment.

#### **2. Information Technology (IT) Governance**

The University's IT governance in general and application controls were inadequate. Further, staff handling the system have not been fully trained while all the Enterprise Resource Programme (ERP) twelve (12) modules have not been implemented. The

non-use of specialty modules like for part-time lecturing have led to use of manual procedures in paying part-time lecturers. This increases risk of errors and over payments.

My opinion is not qualified in respect of these matters.



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

Nairobi

21 November 2016



## XII. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2015

	Notes	2015 Shs	2014 Shs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations			
GOK Recurrent Grant	1	1,330,031,256.00	1,184,353,973.15
GOK Capital Grant	2	97,200,000.00	79,538,448.00
<b>Sub-Total</b>		<b><u>1,427,231,256.00</u></b>	<b><u>1,263,892,421.15</u></b>
<b>Revenue from exchange transactions</b>			
Rendering of services	3.a	954,251,896.00	906,800,469.00
IGU Income	3.b	12,886,136.00	8,183,362.00
Other Income	3.c	15,860,957.00	15,130,050.00
<b>Sub-Total</b>		<b><u>982,998,989.00</u></b>	<b><u>930,113,881.00</u></b>
<b>Total revenue</b>		<b><u>2,410,230,245.00</u></b>	<b><u>2,194,006,302.15</u></b>
<b>Expenses</b>			
Bulk purchases of water and electricity	4	(15,168,049.00)	(23,957,066.00)
Employee costs	5	(1,418,930,364.00)	(1,475,530,517.00)
Depreciation and amortization expense	7	(59,062,388.00)	(46,425,003.68)
Repairs and maintenance	8	(24,773,094.00)	(25,884,775.98)
Contracted services	9	(104,857,691.00)	(95,928,410.18)
General expenses	10	(443,103,802.00)	(428,182,703.25)
<b>Sub Totals</b>		<b><u>(2,065,895,388.00)</u></b>	<b><u>(2,095,908,476.09)</u></b>
<b>Third Party Transactions</b>			
Remuneration of council	6	(17,254,865.00)	(17,191,207.00)
<b>Sub Totals</b>		<b><u>(17,254,865.00)</u></b>	<b><u>(17,191,207.00)</u></b>
<b>Capital Development WIP</b>		<b><u>(124,148,164.00)</u></b>	<b><u>(172,280,902.00)</u></b>
<b>Total expenses</b>		<b><u>(2,207,298,417.00)</u></b>	<b><u>(2,285,380,585.09)</u></b>
<b>Other gains/(losses)</b>		<b>Nil</b>	<b>Nil</b>
<b>Surplus for the period</b>		<b>202,931,828.00</b>	<b>(91,374,281.93)</b>
Provision for bad debts		(19,800,000.00)	(20,717,496.20)
Prior year adjustment		Nil	Nil
<b>Attributable to:</b>			
Revenue Reserves		<b><u>183,131,828.00</u></b>	<b><u>(112,091,778.14)</u></b>

**XIII. STATEMENT OF FINANCIAL POSITION**

As at 30 June 2015

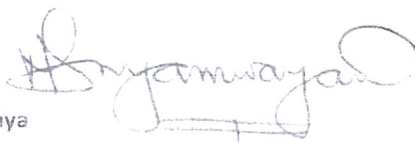
Assets	Note	2015 Shs	2014 Shs
<b>Current assets</b>			
Cash and cash equivalents	11	71,944,734.00	124,779,603.39
Receivables from exchange transactions	12	110,835,938.00	198,305,170.05
Receivables from non-exchange transactions	13	259,335,938.00	-
Inventories	14	<u>13,069,429.00</u>	<u>21,218,792.00</u>
		<b><u>455,186,039.00</u></b>	<b><u>344,303,565.44</u></b>
<b>Non-current assets</b>			
Property, plant and equipment	20	<u>2,134,496,125.00</u>	<u>2,001,180,904.33</u>
<b>Total assets</b>		<b><u>2,589,682,164.00</u></b>	<b><u>2,345,484,469.77</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	16	705,759,921.00	814,174,190.00
Refundable deposits from customers	17	75,667,654.00	17,681,743.00
Employee benefit obligation	18	67,363,279.00	68,271,646.05
Payments received in advance			10,128,796.00
<b>Total liabilities</b>		<b><u>848,790,854.00</u></b>	<b><u>910,256,375.05</u></b>
<b>Equity</b>			
Accumulated surplus		(262,630,241.00)	(451,704,361.00)
Reserves		<u>2,003,002,970.00</u>	<u>1,886,932,455.00</u>
<b>Total Equity (net assets and liabilities)</b>		<b><u>1,740,372,729.00</u></b>	<b><u>1,435,228,094.00</u></b>
<b>Total liabilities &amp; Equity</b>		<b><u>2,589,682,164.00</u></b>	<b><u>2,345,484,469.05</u></b>

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

Dr. David Nyamwaya

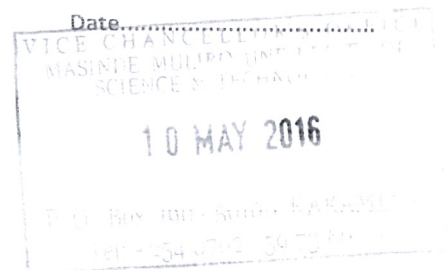
Chairman of Council

Date.....



Prof Fred. A.O Otieno

Vice Chancellor



**XIV. STATEMENT OF CHANGES IN NET ASSETS (EQUITY)**

For the year ended 30 June 2015

Reserves	Capital development reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs
<b>Balance as at 30 JUNE 2012</b>	<u>1,507,801,500.00</u>	<u>(141,409,742.00)</u>	<u>1,366,391,758.00</u>
Revenue Reserve for the year	-	(290,945,294.00)	(290,945,294.00)
Capital Development Grants	206,850,053.00	-	206,850,053.00
Increase/Decrease in Equity	<u>206,850,053.00</u>	<u>(290,945,294.00)</u>	<u>(84,095,241.00)</u>
<b>Balance as at 30 JUNE 2013</b>	<u>1,714,651,553.00</u>	<u>(432,355,036.00)</u>	<u>1,282,296,517.00</u>
Revenue Reserve for the year	-	(112,091,778.14)	(112,091,778.14)
Capital Development Grants	172,280,902.00	-	172,280,902.00
Increase/Decrease in Equity	<u>172,280,902.00</u>	<u>(112,091,778.14)</u>	<u>60,189,123.87</u>
<b>Balance as at 30 JUNE 2014</b>	<u>1,886,932,455.00</u>	<u>(544,446,814.14)</u>	<u>1,342,485,640.87</u>
Revenue Reserve for the year	-	183,131,828.00	183,131,828.00
Capital Development Grants	124,148,164.00	-	124,148,164.00
Increase/Decrease in Equity	<u>124,148,164.00</u>	<u>183,131,828.00</u>	<u>307,279,992.00</u>
<b>Balance as at 30 JUNE 2015</b>	<u>2,011,080,619.00</u>	<u>(361,314,986.14)</u>	<u>1,649,765,632.87</u>

**XV. STATEMENT OF CASH FLOWS**

	Note	2014-2015 Kshs	2013-2014 Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1.a	1,330,031,256.00	1,184,353,973.15
Government grants and subsidies	1.b	97,200,000.00	79,538,448.00
Rendering of services	2	954,251,896.00	906,800,469.00
Other income, rentals and agency fees		28,747,093.00	23,313,412.00
<b>Total Receipts</b>		<u>2,410,230,245.00</u>	<u>2,194,173,632.40</u>
<b>Payments</b>			
Compensation of employees	5	(1,418,930,364.00)	(1,475,530,517.00)
Rent paid	9	(68,916,650.00)	(52,654,909.00)
Other payments	6,8,9,10	(536,240,851.00)	(496,342,736.43)
<b>Total Payments</b>		<u>(2,024,087,865.00)</u>	<u>(2,024,528,162.43)</u>
<b>Net cash flows from operating activities</b>		<u>386,142,799.00</u>	<u>169,645,469.97</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	20	(162,537,066.00)	(198,487,374.00)
<b>Net cash flows used in investing activities</b>		<u>(162,537,066.00)</u>	<u>(198,487,374.00)</u>
<b>Net incr/(dec) in cash and cash equivalents</b>		<u>(196,724,337.00)</u>	<u>91,331,381.41</u>
Cash and cash equivalents at 1 July 2014	12	<u>124,779,603.00</u>	<u>33,448,222.00</u>
<b>Cash and cash equivalents at 30/6/ 2015</b>	20	<u>71,944,734.00</u>	<u>124,779,603.00</u>

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS					
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2014-2015	2014-2015	2014-2015	2014-2015	2014-2015
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
<b>Revenue</b>					
Public contributions and donations	2,753,117,215.00	1,423,085,959.00	1,330,031,256.00	1,427,231,256.00	97,200,000.00
Rendering of services	958,947,000.00	(231,406,780.00)	1,190,353,780.00	953,733,315.00	(236,620,465.00)
Sale of goods	48,345,208.00	5,780,208.00	42,565,000.00	28,747,093.00	(13,817,907.00)
<b>Total income</b>	<b>3,760,409,423.00</b>	<b>1,197,459,387.00</b>	<b>2,562,950,036.00</b>	<b>2,410,230,245.00</b>	<b>(152,719,791.00)</b>
<b>Expenses</b>					
Compensation of employees	2,726,583,977.00	1,170,892,358.00	1,555,691,619.00	1,418,930,364.00	136,761,255.00
Goods and services	1,024,570.00	(448,975,430.00)	450,000,000.00	306,061,158.00	143,938,842.00
Rent paid	18,657,172.00	(41,342,828.00)	60,000,000.00	68,916,650.00	(8,916,650.00)
Other payments	1,014,143,704.00	516,885,287.00	497,258,417.00	413,390,245.00	83,868,172.00
<b>Total expenditure</b>	<b>3,760,409,423.00</b>	<b>1,197,459,387.00</b>	<b>2,562,950,036.00</b>	<b>2,207,298,417.00</b>	<b>355,651,619.00</b>
<b>Surplus for the period</b>				<b>202,931,828.00</b>	<b>202,931,828.00</b>



## XVII. NOTES TO THE FINANCIAL STATEMENTS

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

The University'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 University. 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 direct method. The financial statements are prepared on accrual basis.

### 2. Summary of significant accounting policies

#### A) Revenue recognition

##### i) Revenue from non-exchange transactions – IPSAS 23

###### Fees, taxes and fines

The University recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the University and the fair value of the asset can be measured reliably.

###### Transfers from other government entities

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

##### ii) Revenue from exchange transactions – IPSAS 9

###### Rendering of services

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

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

#### **Sale of goods**

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

#### **Interest income**

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

#### **Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the University's right to receive payments is established.

#### **Rental income**

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

### **B) Budget information – IPSAS 24**

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

### **C) Taxes – IAS 12**

#### **Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the University operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which



applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable University and the same taxation authority.

### **Sales tax**

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### **D) Investment property – IPSAS 16**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement 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 property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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.

#### **E) 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 University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.



#### **F) Leases – IPSAS 13**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the University. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The University also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the University will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

#### **G) Intangible assets – IPSAS 31**

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

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

#### **H) Research and development costs**

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

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

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

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

## **I) 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.

#### **Loans and receivables**

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

#### **Held-to-maturity**

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

#### **Impairment of financial assets**

The University assesses at each reporting date whether there is objective evidence that a financial asset or a University of financial assets is impaired. A financial asset or a University of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an "incurred" loss event") and that loss event



has an impact on the estimated future cash flows of the financial asset or the University of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

## **J) Financial liabilities**

### **Initial recognition and measurement**

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

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

### **Loans and borrowing**

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

#### **IPSAS 29.65**

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.

## **K) Inventories – IPSAS 12**

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

#### **L) Provisions – IPSAS 19**

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

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

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

#### **Contingent liabilities**

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

#### **Contingent assets**

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



#### **M) Nature and purpose of reserves**

The University creates and maintains reserves in terms of specific requirements. The University set aside reserves to pay up tax arrears and also to supplement GOK capital development grant. These reserves were used up to clear the outstanding tax liability and also to finalise capital projects thus effectively increasing the equity by a similar margin.

#### **N) 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.

#### **O) Employee benefits – IPSAS 25**

##### **Retirement benefit plans**

The University provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which an University pays fixed contributions into a separate University (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

#### **P) Foreign currency transactions – IPSAS 4**

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

**Q) Borrowing costs – IPSAS 5**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**R) Related parties – IPSAS 20**

The University regards a related party as a person or a University with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. Members of key management are regarded as related parties and comprise the councillors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

**S) Service concession arrangements – IPSAS 32**

The University analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the University recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the University also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**T) Cash and cash equivalents**

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



## U) Comparative figures

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

## V) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

State all judgements, estimates and assumptions made: e.g

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The University based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the University. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

### Useful lives and residual values

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

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

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

**W) 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, 2015.

*Handwritten initials/signature*



Notes to the Financial Report

1. a Public Contribution & Donations

Period	2015 Shs	2014 Shs
July	110,835,938.00	102,140,000.00
July	-	266,200,000.00
August	110,835,938.00	72,627,522.15
September	110,835,938.00	81,570,000.00
October	110,835,938.00	95,173,312.00
November	110,835,938.00	80,991,302.00
Arrears November	-	
December	110,835,938.00	80,991,302.00
January	110,835,938.00	80,991,302.00
February	110,835,938.00	80,991,302.00
March	110,835,938.00	80,991,302.00
April	110,835,938.00	115,803,791.00
May	110,835,938.00	80,991,302.00
June	110,835,938.00	65,952,644.00
Refund of Excess CBA Funds	=	(101,061,108.00)
<b>Sub-Total</b>	<b><u>1,330,031,256.00</u></b>	<b><u>1,184,353,973.15</u></b>
<b>1.b Capital Development Grant - Sub-Total</b>	<b><u>97,200,000.00</u></b>	<b><u>79,538,448.00</u></b>
<b>Total Grant</b>	<b><u>1,427,231,256.00</u></b>	<b><u>1,263,892,421.15</u></b>

2. Rendering of services

Tuition and Related Charges

	2015 Shs	2014 Shs
Tuition Fees (PSSP)	561,736,334.00	638,000,000.00
Tuition Fees (JAB)	187,709,147.00	176,800,000.00
PhD	8,832,000.00	8,800,000.00
Masters	11,102,000.00	11,100,000.00
Diploma	4,500,000.00	5,785,950.00
Cert & Bridging Fees	1,281,000.00	
Attachment Fee	30,870,800.00	30,870,800.00
Thesis	1,644,000.00	1,644,000.00
Identity Cards	941,750.00	941,750.00
Medical Subsidy	22,118,750.00	22,118,750.00
Activity Fees	14,563,000.00	14,563,000.00
Examination Fees	17,828,700.00	17,828,700.00
Registration Fees	1,963,600.00	1,963,600.00
Application	4,359,265.00	4,359,265.00
Amenity	14,262,000.00	14,262,000.00
Supervision	5,162,000.00	5,162,000.00
Field trips	1,864,500.00	1,864,500.00
Students Adminl Fee	5,822,800.00	5,822,800.00
Graduation Fees	9,506,500.00	9,506,500.00
KUCCPS Processing Fee	3,718,500.00	3,718,500.00
ICT levy	19,513,000.00	19,513,000.00
Library Levy	11,721,990.00	11,721,990.00
Practical Fee /Clinical Placements	3,769,500.00	3,769,500.00
Other Charges	9,460,760.00	9,460,760.00
	<b><u>954,251,896.00</u></b>	<b><u>1,019,577,365.00</u></b>

<b>3. a IGU Income</b>	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Catering Unit	6,500,409.00	3,346,605.00
Production Unit	3,821,250.00	3,324,240.00
Farm Unit	-	-
Bookshop	<u>2,058,977.00</u>	<u>251,517.00</u>
<b>Total IGU Income</b>	<b><u>12,380,636.00</u></b>	<b><u>6,922,362.00</u></b>
<b>3. b Other income</b>		
Library	-	560,000.00
Estates	-	680,000.00
MMUST FM	505,500.00	21,000.00
Accommodation Income	13,125,000.00	12,500,000.00
Sale of Tender documents	8,050.00	30,000.00
Sundry income	<u>2,222,407.00</u>	<u>2,600,050.00</u>
<b>Total other income</b>	<b><u>15,860,957.00</u></b>	<b><u>16,391,050.00</u></b>
<b>4. Bulk purchases of water and electricity</b>	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Electricity and water	<u>15,168,049.00</u>	<u>23,957,065.99</u>
<b>Total bulk purchases</b>	<b><u>15,168,049.00</u></b>	<b><u>23,957,065.99</u></b>
<b>5. Employee costs</b>	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Employee related costs - salaries and wages	669,818,966.00	622,863,648.00
Employee related costs - contributions to pensions	138,976,513.00	120,389,176.00
Housing benefits and allowances	366,708,032.00	350,994,798.00
Commuter & Car Allowances	101,073,315.00	110,494,493.00
Other allowances	91,704,691.00	80,189,972.00
Medical aids	37,060,276.00	45,078,178.00
Part time payments	13,588,571.00	44,631,601.00
Salary Arrears	Nil	<u>100,888,651.00</u>
<b>Employee costs</b>	<b><u>1,418,930,364.00</u></b>	<b><u>1,475,530,517.00</u></b>
<b>6. Remuneration of council</b>	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Subsistence Allowance	4,499,415.00	1,323,900.00
Sitting Allowance	4,527,517.00	12,338,432.00
Transport	2,250,000.00	927,910.00
Honoraria	5,057,436.00	2,600,000.00
Meals and Refreshments	<u>920,497.00</u>	Nil
<b>Total Council remuneration</b>	<b><u>17,254,865.00</u></b>	<b><u>17,190,242.00</u></b>
<b>7. Depreciation and amortization expense</b>	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Property, plant and equipment	59,062,388.00	46,425,004.00



<b>Total depreciation and amortization</b>	<b><u>59,062,388.00</u></b>	<b><u>46,425,004.00</u></b>
<b>8. Repairs and maintenance</b>	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Computers	1,084,000.00	1,196,760.00
Plant and equipment	2,604,432.00	4,203,320.00
Buildings	9,219,684.00	2,890,585.00
Playgrounds	700,000.00	885,550.00
Water and Sewerage	1,520,000.00	1,698,000.00
Catering and Hostels	1,144,000.00	833,962.80
Motor Vehicles	<u>8,500,978.00</u>	<u>14,176,598.18</u>
<b>Total repairs and maintenance</b>	<b><u>24,773,094.00</u></b>	<b><u>25,884,775.98</u></b>
<b>9. Contracted services</b>	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Security Services	18,783,360.00	20,564,324.00
Rent	68,916,650.00	52,654,909.00
Insurance	8,519,413.00	16,091,065.45
Legal Services	5,366,401.00	
Cleaning expenses	<u>3,271,867.00</u>	<u>6,618,111.05</u>
<b>Total contracted services</b>	<b><u>104,857,691.00</u></b>	<b><u>95,928,409.50</u></b>
<b>10. General expenses</b>		
<b>The following are included in general expenses:</b>	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Advertising	10,056,346.00	17,145,735.45
Affiliation Fees	4,895,417.00	10,110,309.80
Audit fees	1,160,000.00	1,060,025.60
Bank Charges	1,816,482.00	2,109,391.75
Computer Expenses	3,392,300.00	1,719,804.00
External Examiners	3,079,838.00	3,957,293.00
Examination Materials	3,994,020.00	2,650,000.00
Graduation	9,506,500.00	7,200,000.00
Hire charges ( Transport ,plant and Machinery)	480,000.00	25,500.00
Industrial Attachment	2,732,552.00	14,773,611.00
Thesis Supervision	3,450,000.00	-
Inter university games	3,334,041.00	1,547,920.00
Library Expenses	6,981,758.00	10,195,030.58
Mmust ISO	2,033,483.00	2,386,724.00
Muso Expenses	5,242,000.00	2,482,300.00
New Programmes	3,728,307.00	1,180,116.00
Office Expenses	1,658,050.00	3,238,236.10
Official Entertainment	56,995.00	359,900.00
Postal and Telegrams	497,907.00	830,778.00
PSSP payments	192,392,072.00	200,745,450.00
Public Celebrations and fuels	1,298,650.00	350,500.00
Publishing and Printing	3,627,843.00	5,400,258.00
Purchase of Uniforms	1,443,095.00	1,645,650.00
Purchase of computers & software	27,279,741.00	9,398,904.00
Purchase of Furniture	2,244,255.00	2,406,340.00
Purchase of Plant and Equipment	3,510,000.00	5,550,366.00
Purchase of Motor Vehicles	11,170,536.00	8,850,862.00

Research Programmes	3,369,589.00	2,955,158.45
Robotic	2,320,000.00	72,735.00
School Practice	5,200,000.00	5,700,560.00
Seminars & Conferences	5,831,853.00	5,087,173.97
Senate	1,282,020.00	762,600.00
Shows	4,704,240.00	5,696,551.60
Sports Equipment	611,780.00	273,800.00
Stationery	16,360,149.00	15,377,580.00
Student Expenses	16,431,529.00	14,884,242.00
Students' registration Expenses	2,932,074.00	2,658,000.00
Sundry Expenses	-	650,000.00
Tamasha Festival	2,747,999.00	3,657,049.00
Travel & Accommodation	12,667,543.00	14,672,265.95
Teaching Materials	5,647,587.00	8,280,084.00
Telephone Expenses	12,642,460.00	13,632,144.00
Tender	691,650.00	253,550.00
Training Expenses	4,429,253.00	1,842,514.00
Transport	15,352,690.00	14,405,690.00
<b>Total general expenses</b>	<b>424,284,604.00</b>	<b>428,182,703.25</b>

**11. Cash and cash equivalents**

	2015	2014
	Shs	Shs
11.a Bank and Cash Balance	71,944,737.96	124,779,603.39
Total	<u>71,944,737.96</u>	<u>124,779,603.39</u>

**11.b Details of bank accounts and balances**

S/No	BANK NAME	ACCOUNT NO.	Amt- Kshs	Amt -USD
1	KCB -MAIN ACC	1101811269	1,873,498.62	
2	KCB-PSSP ACC	1101922109	1,474,460.62	
3	KCB-SEMINARS ACC.	1101922370	59,572.40	
4	KCB-CAPITAL DEV.	1101923210	126,148.12	
5	STD-FEES ACC.	102002-57-6500	753,531.20	
6	STD -RESEARCH ACC.	1029871-2400	3,560,491.40	
7	EQUITY ACC.	50029463-6103	1,401,449.45	
8	BBK-FEES ACC.	98086269	2,233,112.30	
9	BBK-IGU ACC	98080317	5,980,446.90	
10	CO-OP-FFFS ACC.	112903399-9900	4,219,932.45	
11	NBK FEES ACC.	100307055-4000	1,804,720.78	
12	STD-RESAERCH IN US \$ ACC	870209871-2400	-	122,384.97
13	KCB Payment Account	1101811331	28,088,079.00	
14	MMUST-KIAMOSI CAMPUS	1164385291	2,196,669	
15	BBK -WECO Fees A/C	0091001438	523,903.5	
16	Family Bank	7800001-2655	4,675,964.95	
<b>Total</b>			<b>58,971,931.14</b>	<b>122,384.97</b>

US Dollar was exchanged at 106 KES to 1 US \$



Current receivables

Receivables from exchange transactions

	2015	2014
	Shs	Shs
12. Current receivables		
Students debtors	198,000,000.00	207,174,962.00
Staff debtors	5,483,616.00	10,035,204.25
Prepayments and Accrued Income	1,574,000.00	1,574,000.00
Sundry Debtors	88,500.00	238,500.00
Unbanked cash	3,726,000.00	3,726,000.00
Provision for bad debts	(19,800,000.00)	(20,717,496.20)
Provision for unbanked Cash	<u>(3,726,000.00)</u>	<u>(3,726,000.00)</u>
<b>Total current receivables</b>	<b><u>185,346,116.00</u></b>	<b><u>198,305,170.05</u></b>

13. Inventories

	2015	2014
	Shs	Shs
	13,069,429.00	21,218,792.00
Total inventories at the lower of cost and net realizable value	<u>13,069,429.00</u>	<u>21,218,792.00</u>
<b>Total Receivables from exchange contracts</b>	<b><u>198,415,545.00</u></b>	<b><u>219,523,962.05</u></b>

14. Receivables from non-exchange contracts

	2015	2014
	Shs	Shs
GOK Capitation	110,835,938.00	-
GOK Capital development Grant	148,500,000.00	-
<b>Total Receivables from non-exchange contracts</b>	<b><u>259,335,938.00</u></b>	<b>-</b>
<b>Total Receivables</b>	<b><u>457,751,483.00</u></b>	<b><u>219,523,962.05</u></b>
<b>Total Assets</b>	<b><u>529,696,217.00</u></b>	<b><u>344,303,565.44</u></b>

15. Trade & other payables from exchange transactions

	2015	2014
	Shs	Shs
Sundry Creditors	283,415,489.00	
Tax Arrears	257,460,877.00	400,899,556.00
Construction Bills	18,870,515.00	92,697,454.00
PSSP Arrears	135,000,000.00	48,124,319.00
Prepaid Fees	9,813,040.00	29,813,040.00
Audit Fees	<u>1,200,000.00</u>	<u>1,000,000.00</u>
<b>Total trade and other payables</b>	<b><u>705,759,921.00</u></b>	<b><u>831,855,933.00</u></b>

16 Refundable deposits from customers

	2015	2014
	Shs	Shs
Caution money	13,042,000.00	13,642,000.00
Retention Money	53,939,765.00	47,076,698.70
Donor Funds	<u>8,685,889.00</u>	<u>7,552,947.35</u>
<b>Total deposits</b>	<b><u>75,667,654.00</u></b>	<b><u>68,271,646.05</u></b>

<b>17. Employee benefit liability</b>	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
CBA salary arrears	Nil	10,128,796.00
June 2014 payroll	67,363,279.00	Nil
<b>Total employee benefit liability</b>	<b><u>67,363,279.00</u></b>	<b><u>10,128,796.00</u></b>
<b>Total liability</b>	<b><u>848,790,854.00</u></b>	<b><u>910,256,375.05</u></b>

<b>18. Cash generated from operations</b>	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
<b>Surplus for the year before tax</b>	<b>202,931,828.00</b>	<b>{91,374,281.93}</b>
Adjusted for:		
Depreciation	(59,062,388.00)	46,425,003.68
<b>Working capital adjustments:</b>		
Decrease in inventory	8,149,363.00	7,688,716.35
Increase in receivables	(238,227,520.95)	179,862,578.00
Increase in payables	<u>61,465,521.05</u>	<u>{44,084,135.05}</u>
<b>Net cash flows from operating activities</b>	<b><u>{24,743,196.90}</u></b>	<b><u>98,517,881.04</u></b>

<b>19. Capital Grant</b>	<b>2015</b>	<b>2014</b>
	<b>Shs</b>	<b>Shs</b>
Received for the period	<u>97,200.00</u>	<u>79,538,448</u>

*[Handwritten signature]*



20. Plant, Property and Equipment		Details										Total	
A. Cost		Land and Buildings	Work in Progress	M/Vehicles	Plant and Equipments	Furniture	Computers	Total		Total			
		Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs		
At 1 July 2012		608,966,896	1,028,431,791	89,432,460	172,194,704	75,239,854	51,548,504				2,025,814,209		
Additions		-	162,757,455	6,866,913	6,776,971	5,286,285	6,694,406				188,382,030		
At 30 June 2013		<b>608,966,896</b>	<b>1,191,189,246</b>	<b>96,299,373</b>	<b>178,971,675</b>	<b>80,526,139</b>	<b>58,242,910</b>				<b>2,214,196,239</b>		
Additions			172,280,902	8,860,862	5,550,366	2,406,340	9,398,904				198,487,374		
Transfer from WIP to Buildings		50,405,062	(50,405,062)										
At 30 June 2014		<b>659,371,958</b>	<b>1,363,470,148</b>	<b>105,150,235</b>	<b>184,522,041</b>	<b>82,932,479</b>	<b>67,641,814</b>				<b>2,412,683,613</b>		
Additions			124,148,164	11,170,536	3,510,000	2,244,255	21,464,111				162,537,066		
Transfer from WIP to Buildings		488,718,477	(488,718,477)										
At 30 June 2015		<b>1,148,090,435</b>	<b>998,899,835</b>	<b>116,320,771</b>	<b>188,032,041</b>	<b>85,176,734</b>	<b>89,105,925</b>				<b>2,625,625,741</b>		
<b>B. Depreciation</b>													
At 1 July 2012		(58,571,553)	-	(70,595,630)	(127,989,064)	(34,894,636)	(41,008,532)				<b>(333,059,415)</b>		
Depreciation		(12,179,330)	-	(7,913,938)	(12,378,143)	(7,904,305)	(8,784,673)				(49,160,389)		
At 30 June 2013		(70,750,883)	-	(78,509,568)	(140,367,207)	(42,798,941)	(49,793,205)				(382,219,804)		
Depreciation		(13,187,431)	-	(9,458,809)	(11,419,814)	(7,862,847)	(7,918,524)				(49,847,425)		
At 30 June 2014		(83,938,315)	-	(87,968,377)	(151,787,021)	(50,661,787)	(57,711,728)				<b>(432,067,228)</b>		
Depreciation		(22,961,801)	-	(6,722,078)	(10,770,439)	(6,667,754)	(11,940,316)				(59,062,388)		
At 30 June 2015		<b>(106,900,116)</b>	-	<b>(94,690,455)</b>	<b>(162,557,460)</b>	<b>(57,329,541)</b>	<b>(69,652,044)</b>				<b>(491,129,616)</b>		
<b>C. Net book values</b>													
At 30 June 2012		550,395,343	1,028,431,791	18,836,830	44,205,640	40,345,218	10,539,972				1,692,754,794		
At 30 June 2013		538,216,013	1,191,189,246	17,789,805	38,604,468	37,727,198	8,449,705				1,831,976,435		
At 30 June 2014		575,433,643	1,363,470,148	17,181,858	32,735,020	32,270,692	9,930,086				1,980,616,385		
At 30 June 2015		<b>1,041,190,319</b>	<b>998,899,835</b>	<b>21,630,316</b>	<b>25,474,581</b>	<b>27,847,193</b>	<b>19,453,881</b>				<b>2,134,496,125</b>		

N/B. Included in the PPE are fully depreciated a valued at as indicated in the table below.

Asset	Value
M/Vehicles	84,336,134
Plant & Equipments	118,002,580
Furniture	34,045,513
Computers	32,876,504
<b>Total</b>	<b>269,260,731</b>

### XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0 Accuracy and completeness of the Financial statements (FS)	1.1 The University FS had several casting errors and the opening balances varied with the last audited FS.	This arose due to rounding of the cents in the areas that the casting errors were observed. This has been noted for subsequent workings.	Bruno N.Ogama -Ag Finance Officer	Resolved	15 <sup>th</sup> May 2015
	1.2 The ledgers and support workings schedules for some balances in the FS were not made available for audit review	These were subsequent provided. Delay had been caused by the nature of filling payment vouchers which has since been changed to be alpha numeric for ease of retrieval.	Nixon Apwoka -Accountant	Resolved	15 <sup>th</sup> May 2015
	1.3 The budget information was presented in compliance with IPSAS 24	At the time of preparation of the FS the new requirement had not been communicated to the University. This has since been addressed.	Bruno N.Ogama -Ag Finance Officer	Resolved	15 <sup>th</sup> May 2015
2.0 Non Current Assets	2.1 The FS Note No. 19 reflects PPE of Kshs. 2,001,180,904.00 as at 30 <sup>th</sup> June 2014 whereas the various classes of non-current assets from the general ledger amounts to Kshs. 1,853,325,512.16 resulting to unexplained overstatement of Kshs. 147,855,391.84	The variance in the FS and the general ledger is because the workings for PPE are maintained out of the general ledger. These workings were presented to the auditor for review.	Bruno N.Ogama -Ag Finance Officer	Resolved	15 <sup>th</sup> May 2015
	2.2 The University did not maintain an updated Fixed Assets Register for its PPE of Kshs. 2,001,180,904.00.	The University only maintained an asset inventory that was not comprehensive. This has since	Nixon Apwoka -Accountant	Resolved	15 <sup>th</sup> May 2015



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		been rectified and a comprehensive fixed asset register compiled.			
	2.3 Consequently the location and security of the PPE could not be confirmed.	The location and security of the PPE can now be verified and confirmed.	Nixon Apwoka -Accountant	Resolved	15 <sup>th</sup> May 2015
3.0 Current Liability	3.1 The FS had creditors figure of Kshs. 259,321,564.00 out of which Kshs.219,310,361.00 could not be confirmed as the detailed analysis were not availed for verification. 3.2 Schedules to support Kshs. 10,128,796.00 and Kshs. 7,522,947.00 for CBA salary arrears and donor funds respectively were not provided.	The schedule and analysis was subsequently provided to the auditor for review.	Bruno N.Ogama -Ag Finance Officer	Resolved	15 <sup>th</sup> May 2015
4.0 Receivable from exchange transactions	4.1 Schedule/ workings for Student debtors of Kshs 207,174,962.00 4.2 1 Schedule/ workings for Staff debtors of Kshs 2,198,068.00 4.3 1 Schedule/ workings for Imprest of Kshs 3,128,204.75 4.4 1 Schedule/ workings for Overpaid allowances Kshs 4,708,931.00 5.1 Sundry income of -Kshs. 15,130,050.00 not supported by schedule/ workings	The schedule were subsequently provided to the auditor for review The schedule was made available to the auditor for review The schedule was subsequently provided The schedule was subsequently provided The schedule was subsequently provided The schedule was subsequently provided -	Maria Mtimba -Accountant assistant -Payroll section Nixon Apwoka -Accountant Nixon Apwoka -Accountant Nixon Apwoka -Accountant Nixon Apwoka -Accountant Nixon Apwoka -Accountant	Resolved Resolved Resolved Resolved Resolved Resolved Resolved Resolved	15 <sup>th</sup> May 2015 15 <sup>th</sup> May 2015 15 <sup>th</sup> May 2015 15 <sup>th</sup> May 2015 15 <sup>th</sup> May 2015 15 <sup>th</sup> May 2015 15 <sup>th</sup> May 2015 15 <sup>th</sup> May 2015
5.0 Revenue from exchange transactions 6.0 Employment cost	6.1 Composition of Salary arrears of -Kshs. 100,888,651.00 not provided	The schedule was subsequently provided	Maria Mtimba -Accountant assistant-Payroll	Resolved	15 <sup>th</sup> May 2015
7.0 Weak Budget Control	7.1 Revenue shortfall of Kshs.518,035,691	This was occasioned by declines in number of privately sponsored students during the period. This decline in of expected students numbers has been taken into	Bruno N.Ogama -Ag Finance Officer	Resolved	15 <sup>th</sup> May 2015

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		consideration in future revenue budgets			
	7.2 Under expenditure of Kshs.122,345,353.00	This was occasioned by less than planned expenditure in employment and other payments costs during the period.	Bruno N.Ogama -Ag Finance Officer	Resolved	15 <sup>th</sup> May 2015
	7.3 Over expenditure of Kshs.421,624,094.00 without approval of council	The remarks by the auditor was noted and taken into consideration to have any future overspending to be with the approval of council	Bruno N.Ogama -Ag Finance Officer	Resolved	15 <sup>th</sup> May 2015
8.0 Un-vouched expenditures	8.1 Kshs.100,258,545.31 incurred on repair and maintenance and general expenditure were not supported by payment vouchers and related documents.	The relevant payment vouchers and related documents were subsequently provided to the auditor for review.	Nixon Apwoka -Accountant	Resolved	15 <sup>th</sup> May 2015
	8.2 Kshs.4,051,981,74 on water, electricity and conservancy lacked support documents.	The relevant support documents were subsequently provided to the auditor for review	Nixon Apwoka -Accountant	Resolved	15 <sup>th</sup> May 2015
9.0 Unsupported Contract variation	9.1 Supply of library security system at Kshs. 5,699,997.79 with unexplained contract variation of Kshs. 683,902.09. No tender committee minutes for variation availed to auditors.	The relevant support documents were subsequently provided to the auditor for review	Rhoda Mombu -Procurement officer	Resolved	15 <sup>th</sup> May 2015

*MO*  
*MA*