

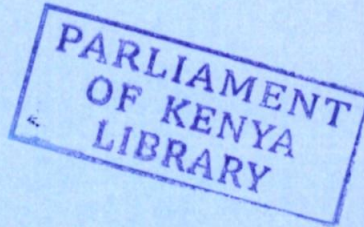
REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

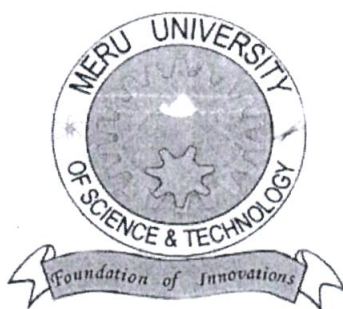


*Paper Laid*  
*by the Leader of*  
*Majority Party on*  
*Wed 26/8/2015*



**REPORT**  
**OF**  
**THE AUDITOR-GENERAL**  
**ON**  
**THE FINANCIAL STATEMENTS OF**  
**MERU UNIVERSITY OF SCIENCE AND**  
**TECHNOLOGY (MUST)**  
**FOR THE YEAR ENDED**  
**30 JUNE 2014**





KENYA NATIONAL AUDIT OFFICE  
EMBU A/C/B

17 JUL 2015

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Tel: 068 - 30260

P. O. BOX 113, EMBU

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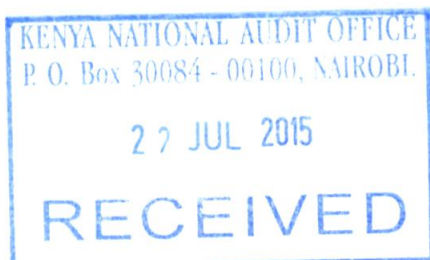
**MERU UNIVERSITY  
OF  
SCIENCE AND TECHNOLOGY**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2014**

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





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## I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

### (a) Background information

The University received its charter on 1 March 2013. The University had been a constituent college of Jomo Kenyatta of University of Agriculture and Technology since 8 July 2008.

### (b) Principal Activities

The principal activity/mission of the University is to:

- a) provide and advance university education and training to appropriately qualified candidates leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing, contribute to labour market needs;
- b) play a leading role in the development and expansion of opportunities for higher education and research in agriculture, forestry, mining, energy, water and environmental sciences on arid and semi-arid lands;
- c) contribute to industrial and technological development through innovations and technology transfer;
- d) contribute to agricultural, industrial and technological development of Kenya in collaboration with industry and other institutions through transfer of appropriate technology;

### (c) Key Management

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

- University Senate
- University Management Board

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name	
1.	Vice Chancellor	Prof. Japhet Magambo	
2.	Deputy Vice Chancellor (Administration, Finance and Planning)	Prof Isaac Kaaria Inoti	(1 July 2013-18 June 2014)
3.	Deputy Vice Chancellor (Academic Affairs)	Prof Gitonga Mburugu Nkanata	
4.	Registrar (Administration and Planning)	Mrs. Margaret Otolo	
5.	Registrar (Administration and Planning)	Prof. Eric Muchiri	
6.	Registrar (Academic Affairs)	Dr. Richard Juma	
7.	Finance Officer	Mr. Nephath Njeru	

**(e) Fiduciary Oversight Arrangements**

**Audit Committee of the Council activities**

The Audit Committee of the Council assist the Council in fulfilling its responsibilities with respect to accounting and management control, and financial reporting. Specifically, the Audit Committee is responsible for overseeing:

- Te internal audit function and the work of external auditor,
- That the system of the management control in the University is robust and effective and protects the assets of the University on a reasonable and economic basis,
- Ensures that financial information is reliable and accurate,
- Monitors compliance with laws and regulations,
- Provides for proper authorization and recoding of transactions,

The standing members of the committee are five.

**(f) University Headquarters**

Meru University of Science and Technology-Main Campus  
Physical Address: Meru-Maua Road, 16 kilometres from Meru Town  
P.O Box 972 – 60200  
**MERU**

**(g) University Contacts**

Telephone: (254) 0712 524 293

E-mail: [info@must.ac.ke](mailto:info@must.ac.ke)

Website: [www.must.ac.ke](http://www.must.ac.ke)

P.O Box 972 – 60200

**MERU**

**(h) University Bankers**

1. National Bank of Kenya – Meru Branch  
P.O Box 1774 – 60200, **MERU**
2. Kenya Commercial Bank Ltd- Meru Branch  
P.O Box – 178 – 60200, **MERU**
3. Equity Bank –Makutano Branch  
P.O. Box 3137 -60200, **MERU**
4. Cooperative Bank- Makutano Branch  
P.O. Box 1328-60200, **MERU**

**(i) Independent Auditors**









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

**(j) Principal Legal Adviser**





Nyaga Nyamu & Co. Advocates  
P.O. Box 2418 - 60200, MERU



**II. THE UNIVERSITY COUNCIL**

<p>1. Prof. Justin Irina, MBS</p>		<p>Prof. Irina is the chairman of the Board. He was born in 1941. He is a professor of Chemistry and Council Member of Post Graduate Studies at Technical University of Mombasa. He began his career as a university don in 1970. He has worked in various universities and held positions such as dean of faculty, principal of a college, deputy vice chancellor and vice chancellor. He was the Secretary, Public Universities Inspection Board and also Commission Secretary, Commission for Higher Education.</p>
<p>2. Ms. Edith Ofwona Adera</p>		<p>Ms. Adera was born in 1968. She holds an M. Sc. Degree in Agricultural Economics and B. Sc. in Agriculture from University of Nairobi. She is a senior program specialist with the International Development Research Centre (IDRC) of Canada. She has worked with IDRC for over 16 years. Before joining IDRC she served in the Ministry of Agriculture for four years as a senior agricultural officer.</p>
<p>3. Prof. Galcano Mulaku</p>		<p>Prof. Mulaku was born in 1955. He is an associate professor in the School of Engineering, University of Nairobi. He began his career as a university don in 1988. He holds M.Sc (Surveying Engineering) degree from University of Calgary, Canada and Ph.D. (Surveying Engineering) from University of Brunswick, Canada.</p>
<p>4. Bishop (Dr.) Lawi Imathiu</p>		<p>Bishop (Dr.) Lawi Imathiu was born in 1932. He is a retired bishop of Methodist Church in Kenya. He was the President of the World Methodist Conference from 1988 to 1992. He is the founder of Kenya Methodist University. He also served as a Member of Parliament between 1975 and 1980.</p>
<p>5. Ms. Caroline Kiragu</p>		<p>Ms. Caroline Kiragu is a health and education consultant at Creta Consultants Limited. Ms. Kiragu holds a Bachelor of Science in Business Administration from State University of New York at Buffalo and a Master in Business Administration from Bentley College, Waltham, Massachusetts.</p>
<p>6. Ms. Vayoda J. Sirma-Koross</p>		<p>Ms. Sirma-Koross was born in 1978. She holds a bachellor of Law degree from Moi University. She is an Advocate of the High Court of Kenya.</p>
<p>7. Ms. Ronnie Mugoiri</p>		<p>Ronnie Nyokabi Mugoiri holds a Bachelor of Arts (education) degree from Egerton University. She represented the Principal Secretary (Ministry of Education, Science and Technology) in the Council</p>
<p>8. Mr. Kenneth Odhiambo</p>		<p>Mr. Kenneth A Odhiambo holds a Bachelor of Arts degree from University of Nairobi. He represented the Principal Secretary (National Treasury) in the Council.</p>
<p>9. Prof. Japhet K. Magambo</p>		<p>Prof. Japhet K Magambo is the Vice Chancellor of the University. He was appointed the first Principal of Meru University College of Science and Technology in the year 2009. He was appointed the first Vice Chancellor of the University in June 2003.</p>

**MANAGEMENT TEAM**

1.	Prof. Japhet K. Magambo		The Vice Chancellor
2.	Prof Isaac Kaaria Inoti		The Deputy Vice Chancellor (Administration, Finance and Planning)
3.	Prof Gitonga Mburugu Nkanata		The Deputy Vice Chancellor (Academic, Research and Student Affairs)
4.	Mrs. Margaret Otolo		Registrar (Administration and Planning)
5.	Dr. Richard Juma		Registrar (Academic, Research and Student Affairs)
6.	Mr. Nephath Njeru		Finance Officer



### III. CHAIRMAN'S STATEMENT

I am pleased to present the annual reports and financial statements of Meru University for the period ended 30 June 2014.

The University mission is to provide quality university education, training and research in science, technology and innovation in order to produce globally competitive graduates. The activities undertaken during the year were aimed at enhancing the access to quality and relevant university education in science and technology. In order to achieve this attention was given to sound financial and human resource management, sustainable physical infrastructural development and positive corporate image and identity.

The management of a university requires a systematic and comprehensive approach; the University Council has continued to provide direction and leadership in this respect.

#### **Challenges and Achievements**

The University was awarded the Charter on 1 March 2013 and has been facing a number of challenges usually faced by newly established universities. The major challenge was inadequate funding for both recurrent and capital expenditure. Despite our efforts to reduce costs, the revenue expenditure still increased by 32% compared to last year. The revenue increased by only 8% from last year as a result of reduced funding by the Government. The government reduced the capital funding by 58% from last year.

The University is growing. Every year, we receive more students than those leaving, as a result there is heavy pressure on human and other resources. The hostels were not enough to accommodate all the students, the lecture rooms, laboratories and workshops were also not adequate. Other areas of concern were water and sewerage system, and the access road from Meru-Maua Road into the university. The cost of human resources has continued to increase as a result of implementation of Collective Bargaining Agreement between universities unions and the Government. Despite the fact that the University did not have enough workforce, it was difficult to maintain the current number.

Another major challenge was the squatters who are occupying part of the university land thereby hindering development.

#### **Appreciation**

I attribute the success of this year to the support we have received from all our stakeholders. As the Chairman of the Council, I am indebted to my fellow Council members for their valuable insights and support. I also wish to acknowledge the Management team and staff for their valuable support and dedication in making the year a success. Finally, and on behalf of the Council I would like to thank the Government and other donors for their support. May I take this opportunity to thank you all. I am confident that with your continued support, we will steer our institution through another successful year.



**PROF. JUSTIN IRINA, Ph.D, EBS  
CHAIRMAN**

#### IV. REPORT OF THE VICE CHANCELLOR

I have the pleasure to present the annual report for Meru University of Science and Technology (MUST) for the year ended 30 June 2014

##### **Financial Performance**

During the year, the University reported gross income of Kshs 731,993,252. Out of this, Kshs. 483,202,144 was capitation grant from the Government while Kshs. 248,791,108 was generated internally as Appropriation in Aid. The University also received Kshs. 105,970,134 from the Government for development expenditure.

##### **Growth**

The University student population continued to increase during the year. The number of academic programs also increased. The University introduced masters program during the year. Consequently, the University now offers university education at certificate, diploma, graduate, and masters' levels. The plans to introduce doctorate programmes are underway.

There is therefore an urgent need to increase both the personnel and the physical facilities to match with the increase in student and staff population. The University requires more Laboratories, workshops, Lecture halls, hostels, offices, access road, water and sewerage system, sports complex, a hospital and a kitchen. We rely on the Government and other stakeholders for support.

##### **Outlook**

The financial year 2013/2014 was a weaker year for MUST compared to financial year 2012/2013. While the challenge of lack of funds persist and will follow us to the next financial year, our focus will remain on keeping a tight cost base and commitment towards

##### **Appreciation**

On behalf of the management team, I would like to thank the Council for their good counsel; timely guidance and decision making that enabled us succeed in our mission. I also wish to express my appreciation to the entire staff for their dedication and hard work and the Government and all other stakeholders for their support.



**PROF. J. K. MAGAMBO**  
**VICE CHANCELLOR**

**V. CORPORATE GOVERNANCE STATEMENT**

The Council and Management are bound by the highest standards of integrity in carrying out their responsibilities and in the relationship of the University with stakeholders. The Council has overall responsibility for the management of the University. Decisions on operational matters are delegated to senior management and the Council receives presentations from the officers on specific issues. The Chairman of the Council meets separately with the Vice Chancellor regularly and other informal meetings and discussions take place between Council members as appropriate. The Council has four (4) scheduled meetings per annum. Meetings may be convened at other times as and when necessary.

**VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The University has continued in its quest to enrich lives and relationships in the communities. Through Total War Against AIDS (TOWA) project, the University was able to pay fees for over 20 students. The students comprised those who are orphaned or their parents are affected by HIV/AIDS

## **VII. REPORT OF THE UNIVERSITY COUNCIL**

The University Council submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the University's affairs.

### **Principal activities**

The principal activities of the University continue to be provision and advancement of university education and training to appropriately qualified candidates leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate may from time to time determine and in so doing, contribute to labour market needs.

### **Results**

The results of the University for the year ended June 30, 2014 are set out on page 13

### **University Council**

The members of the University Council who served during the year are shown on page 4.

### **Auditors**

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 81 (4) of the Public Finance Management (PFM) Act, 2012.

The Auditor General would carry out the audit of the University for the year ended June 30, 2014.

By Order of the Council



**Prof. Japhet K. Magambo**

**Council Secretary/Vice Chancellor**

**Date: 15 July 2015**

### VIII. STATEMENT OF UNIVERSITY COUNCIL'S RESPONSIBILITIES

Section 81 of the Public Finance Management (PFM) Act, 2012 and section 14 of the State Corporations Act, require the University Council to prepare financial statements in respect of that University, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The 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 ended on June 30, 2014. 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 accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The University Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2014, and of the University's financial position as at that date. The University Council further confirms the completeness of the accounting records maintained by 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 Council on 8 August, 2014 and signed on its behalf by:



Vice Chancellor



Chairman



Council Member



# REPUBLIC OF KENYA

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Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY (MUST) FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Meru University of Science and Technology set out on pages 13 to 38, which comprise the statement of financial position as at 30 June 2014, 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 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

#### **1. Property, Plant and Equipment (Work in Progress)**

##### **(i) Construction of Road Network**

As reported last year, the University paid professional fees amounting to Kshs.1,621,927 to individual consultants from Jomo Kenyatta University of Agriculture and Technology for construction of a road network. However no bids were invited for the professional services as required by the Public Procurement and Disposal Act, 2005.

##### **(ii) Land**

The Property, Plant and Equipment balance of Kshs.1,348,541,141 as at 30 June 2014 includes a land parcel No.LR 27425 measuring 540 acres and valued at Kshs.108,292,000 situated at Nchiru area. Information available indicates that 122 acres of the 540 acres are occupied by squatters. Although there is a pending court case relating to the encroachment of the land, the matter had not been determined as at 30 June 2014. Further, the University bought land parcel LR No. Meru Municipality Block 1/126 at a price of Kshs.20 million though it was valued at Kshs.40 Million by the Ministry of Lands. The tender committee had advised the University management to check whether the parcel of land was or was not in the Ndungu Report before proceeding with the transaction. No evidence was provided for audit verification, to confirm that the tender committee recommendations were implemented.

##### **(iii) Tarmacking of Access Roads**

Included in the Property, Plant and Equipment's balance of Kshs.1,348,541,141 as at 30 June 2014 is work-in progress balance of Kshs. 687,468,597. However, included in the work-in progress are projects for tarmacking of access roads, construction of sewerage drainage and a treatment system at the University, whose advertisement for tendering was done on 20 December 2012.

According to the tender committee minutes of the 74<sup>th</sup> meeting held on 13 February 2013, only one bidder responded with a bid price of Kshs.129,891,865. The committee decided to cancel the tender citing non- responsiveness. It resolved that the two projects be carried out by the University.

During the implementation, the University management changed the use of bitumen as had been advertised to use of cabro blocks on the road works with the reasoning that the cabro blocks are cheaper to construct as opposed to bitumen which requires heavy machinery to construct. This was also given as the reason for the unresponsiveness of the tender. Further, Bill of Quantities (BQ's) for the two projects were prepared based on bitumen road design as opposed to the cabro blocks road design and it was therefore not clear what formed the basis for procurement of goods and services for the two projects. The management did not float fresh tenders based on the new road design and as per the Public Procurement and Disposal Act, 2005.

The accumulated expenditure for the two projects as at 30 June 2014 was Kshs.159,699,548. This amount had exceeded the tendered price of Kshs.129,891,865 by Kshs.29,807,683 as at the same date, and the two projects were still on going. The cost of the project to completion could not be ascertained in absence of BQS or any other form of estimate.

Further, the Project Coordinator hired various machines from a construction company at a cost of Kshs.4,273,000. The procurement of the services was done without the approval of the tender committee or any competitive bidding contrary to the procurement procedures as stipulated by the Public Procurement and Disposal Act, 2005.

In addition, the University awarded tenders for excavation works totaling Kshs.12,399,058.50 to two firms. However, no documents were produced for audit verification to show how the two firms were sourced.

**(iv) Works in Progress with Questionable Bills of Quantities**

Included in the reported balance of Work in Progress of Kshs 687,468,597 as at 30 June 2014 is Kshs.11,683,978 spent during the year and a cumulative balance of Kshs 57,825,615 on four projects and additions as shown below:-

<b>Project</b>	<b>Balance B/F 2013 Kshs.</b>	<b>Additions 2013/2014 Kshs.</b>	<b>Balance C/F Kshs.</b>
a Landscaping	3,213,356	117,000	3,330,356
b Kitchen and D H Extension	11,583,566	2,728,986	14,312,552
c Building Pavilion	1,480,243	1,834,269	3,314,512
d Water project	30,062,472	5,550,261	35,612,733
e Student Eateries	-	806,388	806,388
f Public Ablution Block	-	647,074	647,074
<b>Total</b>	<b>46,339,637</b>	<b>11,683,978</b>	<b>57,825,615</b>

However, the four projects were implemented with Bill of Quantities (BQs) which did not bear the name of the University and the author of the BQs. No explanation has been given for the anomaly.

**(v) Stalled Enterprise Resource Planning (ERP) Project**

Further, included in the reported WIP balance of Kshs.687,468,597 was Kshs.26,032,918 being installation cost of an ERP software. However, the University had entered into a contract with a company, for the installation and commissioning of the ERP software at a contract price of Kshs 29,702,863.17. The contract was signed on 21 January 2014 and was supposed to run for eighteen (18) weeks up to mid-April, 2014.

The University had paid a total of Kshs.28,968,864 which was 97.5% of the project cost as at 30 June 2014. However verification of the project and its status report disclosed that the project was 70% complete and the contractor was not on site.

In the circumstances, it has not been possible to confirm the accuracy, completeness, existence and ownership of the property plant and equipment balance of Kshs.1,348,541,141 as at 30 June 2014.

**2. Personal Emoluments Over-expenditure**

The University spent Kshs.540,501,252 on personal emoluments during the year under review against an approved budget of Kshs.432,763,468. This resulted in a variance of Kshs.107,737,784 The University received an additional funding of Kshs.63,297,652 thereby occasioning an unapproved expenditure of Kshs.44,440,132. No explanation was given for the unapproved expenditure.

**3. Unsupported Operational Expenses**

The University made payments totaling Kshs 2,891,057 during the year under review in respect of rent expense. However, the expenditure was not supported with lease agreements for the rented premises and hence it was not possible to ascertain the actual rent payable. Further, the University did not seek valuation/technical advice from the Estates department of the Ministry of Public Works before leasing the premises.

In addition, the University management paid rent amounting to Kshs.900,000 for Mtuntu Hostels from January 2014 to June 2014 although no students were in occupation of the hostel during that period. The payment of rent for unoccupied premises was a waste of public funds and therefore recovery of Kshs 900,000 should be made from the person/persons who authorized the payment.

In the circumstances, the propriety of the expenditure of Kshs.3,791,057 as at 30 June 2014 could not be confirmed.

**4. Accuracy of the Financial Statements**

The statement of financial performance reflects total expenses of Kshs.787,595,958 instead of Kshs.781,560,672 as at 30 June 2014 resulting in an unexplained difference

of Kshs.6,035,286. Further, the opening balance of total expenses of Kshs.597,408,630 as at 30 June 2013 is understated by Kshs.9,087,500. In addition, the development grant of Kshs.168,847,902 and transfer to capital of Kshs.328,764,245 do not add up to the Government Capital grant of Kshs.486,516,619 by an unexplained difference of Kshs.11,095,528.

In the circumstances, the accuracy of the financial statements as at 30 June 2014 could not be confirmed.

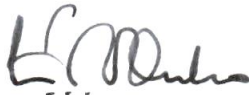
### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the University as at 30 June 2014, and of its financial performance and its cash flow for the year then ended in accordance with International Public Sector Accounting Standards and Comply with the Meru University of Science and Technology Order of 2008.

### **Emphasis of Matter**

I draw your attention to the following emphasis of matter without qualifying my opinion. The University has lost two motor vehicles as disclosed in Note 27 to the financial statements.

However, no adjustments have been made to the financial statements or insurance claim launched for compensation.



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

**Nairobi**

**10 August 2015**

**X. STATEMENT OF FINANCIAL PERFORMANCE**  
**For the Year Ended 30 June 2014**


	Note	2013-2014	2013-2012
			RESTATED
Revenue from non-exchange transactions		Kshs	Kshs
Grants in Aid	3	483,202,144	452,905,213
		<b>483,202,144</b>	<b>452,905,213</b>
<b>Revenue from exchange transactions</b>			
Tuition and other Fees	4	225,372,482	204,166,540
Other Income	5	23,418,587	33,897,105
		<b>248,791,069</b>	<b>238,063,645</b>
<b>Total revenue</b>		<b>731,993,213</b>	<b>690,968,857</b>
<b>Expenses</b>			
Operational Expenses	6	663,907,766	502,768,954
Academic Costs	7	28,483,373	20,975,953
Administration Costs	8	10,710,646	10,171,140
Student Welfare	9	19,745,374	23,017,268
Depreciation	10	58,713,513	49,562,815
<b>Total expenses</b>		<b>787,595,958</b>	<b>597,408,630</b>
<b>Surplus(Deficit) for the period</b>		<b>(49,567,420)</b>	<b>84,472,727</b>


The notes set out on pages 19 to 38 form an integral part of the Financial Statements


**XII. STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2014

Assets	Note	2013-2014	2013-2012 RESTATED
<b>Current assets</b>		<b>Kshs</b>	<b>Kshs</b>
Cash and cash equivalents	11	209,267,023	318,965,489
Prepayments	12	8,129,897	8,275,949
Receivables from exchange transactions	13	24,677,432	2,530,553
Receivables from non exchange transactions	14	36,735,628	33,708,768
Inventory	15	5,901,255	2,692,911
		<b>284,711,235</b>	<b>366,173,670</b>
<b>Non-current assets</b>			
Property, plant and equipment	16	1,348,541,141	1,173,480,561
Biological Assets	17	433,000	-
		<b>1,348,974,141</b>	<b>1,173,480,561</b>
<b>Total assets</b>		<b>1,633,685,376</b>	<b>1,539,654,231</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	18	197,183,326	201,708,210
Provisions	19	3,340,000	870,000
Deferred Income	20	39,683,315	-
<b>Total liabilities</b>		<b>240,206,641</b>	<b>202,578,210</b>
<b>Net assets</b>		<b>1,393,478,735</b>	<b>1,337,076,021</b>
Capital	21	1,540,040,117	1,305,833,023
Reserve Fund	22	(146,561,381)	31,242,998
<b>Total net assets and liabilities</b>		<b>1,393,478,735</b>	<b>1,337,076,021</b>

The Financial Statements set out on pages 13 to 18 were signed on behalf of the University Council by:

  
Mr. Nephath Njeru  
Finance Officer  
Date.15-7-2015

  
Prof. Japhet K. Magambo  
Vice Chancellor  
Date.15-7-2015

  
Prof. Justin Irina, Ph.D, EBS  
Chairman of the Council  
Date. 15-7-2015

**XIII. STATEMENT OF CHANGES IN NET ASSETS**  
**For the year ended 30 June 2014**

<b>Details</b>	<b>Note</b>	<b>Capital</b>	<b>Revenue Reserve</b>	<b>Total</b>
Balance as at 1 July 2012		808,220,877	275,534,515	<b>1,083,755,392</b>
Development Grants		168,847,902	-	<b>168,847,902</b>
Surplus		-	84,472,727	<b>84,472,727</b>
		<b>977,068,779</b>	<b>360,007,242</b>	<b>1,337,076,021</b>
Less: Disposals		-	-	-
		977,068,779	360,007,242	<b>1,337,076,021</b>
Transfers		328,764,245	- 328,764,245	-
<b>Balance as at 30 June 2013</b>		<b>1,305,833,024</b>	<b>31,242,997</b>	<b>1,337,076,021</b>
Balance as at 1 July 2013		1,305,833,024	31,242,997	1,337,076,021
Development Grants		105,970,134	-	<b>105,970,134</b>
Surplus		-	49,567,420	- <b>49,567,420</b>
		<b>1,411,803,158</b>	- <b>18,324,423</b>	<b>1,393,478,735</b>
Transfers		128,236,960	- 128,236,960	-
<b>Balance as at 30 June 2014</b>		<b>1,540,040,118</b>	- <b>146,561,382</b>	<b>1,393,478,735</b>

**Revenue Reserve**

Revenue reserve is a reserve that was created out of the surplus made by the University. The university makes surplus in the normal course of business. The surplus is used for purchase of non-current assets. It is therefore transferred to Capital account.

**Capital**

Capital is composed of:

- the assets inherited from Meru College of Technology in July 2009 less any liabilities.
- The accumulated capital grants from the government of Kenya
- Transfers from Revenue reserve. The capital expenditure over and above the capital receipts from the Government are assumed to have come from the Revenue Reserve. In the Financial Year 2012/2013 the total capital expenditure was Kshs. 486,516,619. The amount of capital expenditure over and above the government capital grant was Kshs. 328,764,245, hence the transfer. During Financial Year 2013/2014 the total capital expenditure was Kshs. 234,207,094, the Capital Grant was Kshs. 105,970,134. Therefore the amount over and above the grant was Kshs 128,236,960, hence the transfer.



**XIV. STATEMENT OF CASH FLOWS**

For the year ended 30 June 2014

	NOTE	<u>2013/2014</u> Kshs	<u>2012/2013</u> RESTATED
<b>Cash flows from operating Activities</b>			
Surplus for the year		(49,567,420)	84,472,727
Adjustment for :			
Depreciation Charge	16	58,713,513	49,277,215
<b>Operating surplus before working capital changes</b>		<b>9,146,093</b>	<b>133,749,942</b>
Decrease(increase) in Debtors		(25,027,687)	(37,505,718)
Decrease(increase) in Stocks		(3,208,344)	(710,031)
Increase(Decrease) in Creditors		37,628,431	96,569,148
		<b>9,392,400</b>	<b>58,353,399</b>
<b>Net cash generated from Operating Activities</b>		<b>18,538,493</b>	<b>192,103,341</b>
<b>Cash flows from investing Activities</b>			
<b>Investing Activities</b>			
Land	16	-	(20,292,000)
Buildings	16	(1,110,270)	(5,043,128)
Work In Progress	16	(187,525,087)	(386,769,882)
Furniture & Fittings	16	(4,979,146)	(31,658,626)
Computers	16	(7,701,000)	(7,694,500)
Motor Vehicle	16	-	(19,994,442)
Machinery & Equipment	16	(32,458,591)	(15,064,041)
Biological Asset	17	(433,000)	-
Disposal Of Non-Current Asset		-	-
<b>Net cash flows from investing Activities</b>		<b>(234,207,094)</b>	<b>(486,516,619)</b>
<b>Cash flows from financing Activities</b>			
Grants allocated to Finance Capital Fund	21	<b>105,970,135</b>	<b>168,847,902</b>
Net Increase (Decrease) in cash and cash equivalents		<b>(109,698,466)</b>	<b>(125,565,376)</b>
Cash and cash equivalents at beginning of year		318,965,489	444,530,865
<b>Cash and cash equivalents at end of year</b>		<b>209,267,023</b>	<b>318,965,489</b>
<b>Summary of cash and bank balances</b>			
Cash on hand and balance in banks		209,267,023	318,965,489
<b>TOTAL</b>		<b>209,267,023</b>	<b>318,965,489</b>



**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>
	<b>2013-2014</b>	<b>2013-2014</b>	<b>2013-2014</b>	<b>2013-2014</b>	<b>2013-2014</b>
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Grants in Aid	452,905,213	30,296,931	483,202,144	483,202,144	-
Tuition and other Fees	250,376,700		250,376,700	225,372,482	-25,004,218
Other Income	33,018,341		33,018,341	23,418,587	-9,599,754
Total income	736,300,254		766,597,185	731,993,213	-34,603,972
<b>Expenses</b>					
Personnel Emoluments	432,763,468	48,600,000	481,363,468	549,588,752	-68,225,284
Council Expenses	9,000,000		9,000,000	9,591,392	-591,392
Administrative/Operational	277,209,046		277,209,046	219,576,183	57,632,863
Maintenance Costs	17,100,000		17,100,000	8,839,632	8,260,368
Total expenditure	-736,072,514		-784,672,514	-787,595,958	-2,923,444
<b>Surplus for the period</b>	<b>227,740</b>		<b>-18,075,329</b>	<b>1,519,589,171</b>	

**Tuition and other fees:**

- The University expected to admit more self-sponsored program students during the year. However, the turn-out was very low.

- Further, the University expected to implement increased accommodation fees at the beginning of the year. However, the implementation was done towards the end of the financial year.
- The University started implementing a fee payment policy in September-December 2013 with some caution. It was fully implemented in May-August 2014 semester. The full impact of the policy was not felt during the financial year.

**Other Income:**

- The university expected to generate money from sale of fattened bulls. The university had planned to procure beef cattle at low price from the market, fatten them and sell them as whole animal or as meat. However, the procurement process was too stringent and the venture failed.

**Personnel Emolument:**

- During the year, employees were awarded and paid salary and house allowance increment after successful Collective Bargaining Agreement for the period 2010-2013. The University paid both salaries and house allowances increments and arrears accumulated from July 2010. Further, part-time cost was higher than the budgeted amount.

**Council:**

- The Council held more meetings than the four planned meetings. New members of the Council were appointed this year. The Council met for induction, to interview the deputy vice chancellors and other senior University officers.

**Operational and Maintenance expenses:**

- The University introduced cost cutting and cost reduction programmes in order to contain costs. The efforts paid off by reduction in both operational and maintenance costs.

### **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 indirect 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**

#### **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.

#### *Government Grants and Assistance*

Financial assistance provided by the Government is recognised in the year it was received or when the entitlement for the revenue is established. Most of the government grants and assistance received are considered to be a contribution. A contribution occurs when the University receives an asset without having to give equal value to the other party / parties of the transfer. If the consideration received is in the form of a contribution, the income is to be recognised as revenue when all of the following conditions have been satisfied:

- i. the University obtains control of the contribution or the right to receive the contribution;
- ii. it is probable that the contribution will flow to the University; and
- iii. the amount of the contribution can be reliably measured.

Income is therefore, only recognised when the University has control over the contribution, which is usually achieved through receipt or when entitlement for the revenue is established. If the government contributions are received with conditions attached, and contributions have to be refunded if the conditions are not met, then revenue should not be recognised until all of those conditions are met and treated as income in advance or monies held from the government.

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

The University recognises revenue arising from the following transactions and events:

- student fees and charges;
- the rendering of services; and
- other revenue.

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### *Measurement of Revenue*

Revenue is measured at the fair value of the consideration received or receivable, where in most cases, the consideration is in the form of cash or cash equivalents.

### *Recognition of Revenue*

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the University and specific criteria have been met for each of the following activities as described below.

### *Student Fees and Charges*

Student fees and charges are recognised as revenue in the year which the service is provided to students. Student fees and charges received that relate to the service to be rendered in the future period are treated as income in advance.

### *Rendering of Services*

Revenue recognition based on contracts to provide services require income to be recognised in stages of completion often as a percentage of services performed to the total of services to be provided as stipulated in the contract. Revenue associated with the sale of services is recognised by reference to the stage of completion of the transaction at the reporting date when the outcome of a transaction involving the rendering of services can be estimated reliably. The outcome of a transaction can be estimated reliably when all of the following conditions are satisfied:

- i. the amount of revenue can be measured reliably;
- ii. it is probable that the economic benefits associated with the transaction will flow to the University;
- iii. (iv) the stage of completion of the transaction at the reporting date can be measured reliably; and
- iv. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the University. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

### *Other Revenue*

Other revenue represents miscellaneous income and other grant income not derived from core business and is recognised when it is earned.

## **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 entity 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.

## **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

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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.

### **i) 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.

### **h) 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.

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

The University assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group 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 group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

### **ii) Financial liabilities**

#### **Initial recognition and measurement**

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

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

#### **Loans and borrowing**

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

IPSAS 29

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.

### **i) Inventories – IPSAS 12**

Inventory is measured at cost upon initial recognition. After initial recognition, inventory is measured at the lower of cost and net realizable value.

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

### **j) 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

### ***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.

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

The University creates and maintains reserves in terms of specific requirements. The University has one reserve namely Revenue Reserve. Revenue Reserve is composed of accumulated surplus fewer transfers to the Capital Reserve.

Capital is composed of the following:

- value of non-current assets as at 30 June 2009,
- development grants received from the government from July 2009 to June 2014, and
- transfers from Revenue Reserve. Capital expenditure over and above the development grants from the Government is financed by the Revenue Reserve.

### **l) 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.

### **m) 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 the University pays fixed contributions into a separate University Pension Scheme (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.

### **p) Related parties – IPSAS 20**

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

### **q) 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

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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.

### **r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank

### **s) Comparative figures**

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

### **t) 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.

### ***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:

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

The following are the estimated useful lives of the various assets:

<b>Details</b>	<b>Rate of depreciation</b>	<b>Life</b>
Buildings	4%	25 years
Furniture & Fittings	10%	10 years
Computers	30%	3 years
Machinery & Equipment	10%	10 years
Biological Asset	Not depreciated	
Work In Progress	Not depreciated	

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It is the policy of the University to charge full year's depreciation on the year of purchase and nil depreciation on the year of disposal.

### **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.

### **u) Subsequent events – IPSAS 14**

The University adjusts the financial statement for events after the reporting date together with the appropriate disclosures. The University adjusts the amount recognised in its financial statement to reflect the adjusting events after reporting date. Some examples of adjusting events include:

- i) Settlement after the reporting date of a court case
- ii) The receipt of information after reporting date indicating that an asset was impaired at the reporting date
- iii) Determination after reporting date of the cost of an asset purchased before reporting date
- iv) Discovery of fraud or errors that show that the financial statements were incorrect.

### **v) Policy on Biological Assets**

The University recognises a biological asset or agricultural produce when and only when:

- a) the University controls the asset as a result of past events;
- b) it is probable that future economic benefits associated with the asset will flow to the University; and
- c) the fair value or cost of the asset can be measured reliably.

In agricultural activity, control may be evidenced by, for example, legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning. The future benefits are normally assessed by measuring the significant physical attributes. A biological asset is measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. Cost may sometimes approximate fair value, particularly when:

- a) little biological transformation has taken place since initial cost incurrence or
- b) the impact of the biological transformation on price is not expected to be material

If an active market does not exist, the University uses one or more of the following, when available, in determining fair value:

- a) the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period;
- b) market prices for similar assets with adjustment to reflect differences; and
- c) sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat.

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NOTE	VOTE	DETAILS	2013/2014 <u>KSHS</u>	2012/2013 <u>KSHS</u>
<b>3 GOVERNMENT GRANT</b>				
	7001	Grants in Aid	514,104,144	452,905,213
		Less: Refund to IPUCCF	-30,902,000	-
			<b>483,202,144</b>	<b>452,905,213</b>
<b>4 TUITION AND OTHER FEES</b>				
	7004	ID/Registration Fees	624,420	733,770
	7005	Accommodation Fees	6,339,236	8,095,000
	7003	Tuition Fees	212,214,630	186,885,766
	7006	Examination Fees	1,959,471	2,808,160
	7007	Medical Fees	1,118,670	1,437,009
	7011	Activity Fees	334,960	467,806
	7009	Computer fees	481,070	680,690
	7010	Library fees	332,305	476,210
	7026	Application Fee	1,138,650	1,062,154
	7012	Field trips/attachment	829,070	1,519,975
		<b>TOTAL</b>	<b>225,372,482</b>	<b>204,166,540</b>
<b>5 OTHER INCOMES</b>				
	7013	Library Fines	67,611	86,004
	7016	Transport Charges	434,204	859,941
	7018	Hire of Equipment	7,663	19,399
	7019	Students P.A.Y.E	8,826,637	9,004,937
	7020	Cafeteria Sales	5,010,944	3,867,598
	7021	Interest on Deposits	2,929,621	15,245,680
	7022	Miscellaneous Income	1,184,916	1,246,949
	7023	Fines & Surcharges	103,500	34,956
	7024	Donations & Gifts	260,000	-
	7027	Farm Sales	3,011,216	2,359,205
	7028	MUCST Hospital Income	130,750	200
	7029	Car Wash	100	14,000
	7030	Workshop Income	-	11,200
	7032	Disposal of Obsolete Items	-	471,751
	7033	SAFS Income-Greenhouse	84,720	67,745
	7034	Graduation Fee	932,260	512,040
	7035	Hire of Gown-income	160,000	95,500
	7036	Pay in Lieu of Notice	274,484	-
			<b>23,418,626</b>	<b>33,897,105</b>
<b>6 CENTRAL SERVICES</b>				
	<b>a) Personnel Emoluments</b>			<b>RESTATED</b>
	1	Staff Salary	200,335,991	115,550,640

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

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| NOTE                                 | VOTE | DETAILS                         | 2013/2014<br><u>KSHS</u> | 2012/2013<br><u>KSHS</u> |
|--------------------------------------|------|---------------------------------|--------------------------|--------------------------|
|                                      | 12   | Part time Teaching              | 106,859,945              | 117,634,783              |
|                                      | 13   | Gratuity                        | 4,625,332                | -                        |
|                                      | 14   | Pension Contributions           | 27,092,979               | 18,375,174               |
|                                      | 2    | House Allowance                 | 113,108,603              | 76,984,735               |
|                                      | 10   | Other Personal Allowances       | 29,596,790               | 27,884,392               |
|                                      | 20   | Overtime                        | 88,597                   | 598,863                  |
|                                      | 21   | Domestic Work Allowance         | 1,602,000                | 1,710,000                |
|                                      | 22   | Out of Office Allowance)        | 1,800,000                | 1,880,000                |
|                                      | 19   | Work Study                      | 518,400                  | 353,920                  |
|                                      | 8    | Responsibility Allowance        | 4,649,142                | 1,626,790                |
|                                      | 3    | House to Office Allowance       | 17,289,025               | 15,005,154               |
|                                      | 4    | Use of Own Car Allowance        | 16,443,353               | 12,944,043               |
|                                      | 5    | Passage, Baggage                | 242,330                  | 222,695                  |
|                                      | 6    | Leave Allowance                 | 1,392,340                | 1,253,444                |
|                                      |      | <b>SUB-TOTAL</b>                | <b>540,501,252</b>       | <b>401,930,717</b>       |
| <b>b) Maintenance Costs</b>          |      |                                 |                          |                          |
|                                      | 137  | Maintenance of plant/mach/equip | 707,709                  | 364,430                  |
|                                      | 142  | Maintenance of Grounds          | 356,220                  | 999,054                  |
|                                      | 139  | Maintenance of Buildings        | 3,139,767                | 2,583,304                |
|                                      | 140  | Maintenance of Water/Sewerage   | 129,403                  | 253,675                  |
|                                      | 141  | Maintenance of Roads            | -                        | 90,000                   |
|                                      |      | Motor Vehicle Repair &          |                          |                          |
|                                      | 128  | Maintenance                     | 4,506,533                | 2,603,587                |
|                                      |      | <b>SUB-TOTAL</b>                | <b>8,839,632</b>         | <b>6,894,050</b>         |
| <b>c) Council Expenses</b>           |      |                                 |                          |                          |
|                                      | 113  | University Council expenses     | 9,591,392                | 5,395,804                |
|                                      |      | <b>SUB-TOTAL</b>                | <b>9,591,392</b>         | <b>5,395,804</b>         |
| <b>d) Other Operational Expenses</b> |      |                                 |                          |                          |
|                                      | 103  | External Travel                 | 237,310                  | 365,846                  |
|                                      | 104  | Internet                        | 6,357,593                | 4,509,771                |
|                                      | 107  | Electricity                     | 7,364,694                | 7,658,510                |
|                                      | 110  | Postal and Telegram             | 63,070                   | 20,050                   |
|                                      | 111  | Advertising & Publicity         | 12,638,095               | 9,092,643                |
|                                      |      | Conferences, Seminars &         |                          |                          |
|                                      | 114  | Commit                          | 2,673,150                | 1,960,128                |
|                                      | 115  | Pension Scheme Expenses         | 3,000                    | -                        |
|                                      |      | Public Celebrations/Show        |                          |                          |
|                                      | 116  | Expenses                        | 972,200                  | 1,177,219                |
|                                      | 117  | Funeral Expenses                | 1,000                    | 149,604                  |
|                                      | 118  | Farm Production Expenses        | 3,912,304                | 1,114,172                |
|                                      | 120  | Publishing & Printing           | 76,115                   | 16,890                   |
|                                      | 121  | Uniform & Clothing              | 1,737,740                | 485,877                  |
|                                      | 123  | Cleaning Materials              | 2,721,168                | 1,785,873                |

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| NOTE | VOTE | DETAILS   | 2013/2014<br><u>KSHS</u> | 2012/2013<br><u>KSHS</u> |
|------|------|---|--------------------------|--------------------------|
|      | 125  | Contracted Professional Services                        | 1,337,125                | 761,560                  |
|      | 127  | Insurance   | 7,616,691                | 5,186,891                |
|      | 129  | Motor Vehicle Fuel                                      | 5,983,680                | 5,254,901                |
|      | 130  | Bank Charges  | 578,431                  | 412,248                  |
|      | 135  | Library Expenses  | 3,544,501                | 8,587,315                |
|      | 144  | Legal Fee   | 1,255,589                | 440,000                  |
|      | 145  | Audit fees  | 870,000                  | 990,000                  |
|      | 153  | Generator Fuel  | 605,986                  | 521,392                  |
|      | 154  | Electrical Materials                                    | -                        | 248,020                  |
|      | 155  | Security Services                                       | 9,875,664                | 8,679,925                |
|      | 160  | Medical Supplies  | 4,429,231                | 2,323,418                |
|      | 161  | ISO Expenses  | 1,246,115                | 2,490,104                |
|      | 17   | Medical Expenses<br>HIV/AIDS and Drug Abuse<br>Expenses | 7,865,458<br>400,000     | 7,010,769<br>-           |
|      | 179  | Chancellor's Expenses                                   | 1,200,000                | 400,000                  |
|      | 180  | Gender and Disability                                   | -                        | 1,140                    |
|      | 181  | Directorate of Quality Assurance                        | 43,995                   | -                        |
|      | 6264 | Topo-Survey   | -                        | 313,820                  |
|      | 8501 | Disposal of Building<br>Marimba Centre                  | -<br>473,703             | 1,499,400<br>-           |
|      |      | <b>SUB-TOTAL</b>  | <b>104,975,490</b>       | <b>88,548,383</b>        |

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
| <b>TOTAL OPERATIONAL EXPENSES</b> | <b>663,907,766</b> | <b>502,768,954</b> |
|-----------------------------------|--------------------|--------------------|

**7 ACADEMIC COSTS**

|  |     |                              |                   |                   |
|--|-----|------------------------------|-------------------|-------------------|
|  | 102 | Travelling and Accommodation | 1,395,038         | 2,414,558         |
|  | 100 | Field courses & Attachment   | 1,221,300         | 2,061,645         |
|  | 16  | Entertainment                | 973,123           | 708,246           |
|  | 136 | Teaching materials           | 4,422,927         | 4,661,782         |
|  | 122 | Stationery and stores        | 7,020,330         | 5,841,985         |
|  | 108 | Telephone                    | 85,384            | 57,769            |
|  | 109 | Joint Admissions Board       | 120,000           | 19,437            |
|  | 105 | Computer expenses            | 283,015           | -                 |
|  | 101 | Examination expenses         | 2,994,519         | 528,836           |
|  | 132 | Training Academic Staff      | 100,000           | 430,412           |
|  | 173 | Research                     | 996,212           | 178,000           |
|  | 177 | Curriculum Development       | 617,050           | 99,700            |
|  | 178 | Graduation Expenses          | 8,311,073         | 3,973,583         |
|  |     | <b>TOTAL</b>                 | <b>28,539,971</b> | <b>20,975,953</b> |

**8 ADMINISTRATION COSTS**

|  |     |                              |           |           |
|--|-----|------------------------------|-----------|-----------|
|  | 102 | Travelling and accommodation | 3,812,899 | 4,615,901 |
|  | 108 | Telephone                    | 200,039   | 69,085    |
|  | 16  | Entertainment                | 2,108,981 | 1,728,949 |
|  | 122 | Stationery and stores        | 2,227,746 | 2,564,818 |

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| NOTE | VOTE | DETAILS                     | 2013/2014<br>KSHS | 2012/2013<br>KSHS |
|------|------|-----------------------------|-------------------|-------------------|
|      | 105  | Computer expenses           | 254,545           | 371,248           |
|      | 133  | Training Non-teaching Staff | 656,358           | 821,139           |
|      |      | <b>TOTAL</b>                | <b>10,370,568</b> | <b>10,171,140</b> |

**9 STUDENT WELFARE**

|  |     |                          |                   |                   |
|--|-----|--------------------------|-------------------|-------------------|
|  | 162 | Hostel Expenses          | -                 | 914,375           |
|  | 156 | Cooking Gas and fuel     | 324,100           | 1,000,087         |
|  | 152 | Student Activities       | 2,590,964         | 2,848,055         |
|  | 158 | Food and rations         | 14,355,093        | 17,606,222        |
|  | 157 | Crockery & Kitchen Equip | 2,475,217         | 648,529           |
|  |     | <b>TOTAL</b>             | <b>19,745,374</b> | <b>23,017,268</b> |

**10 DEPRECIATION**

|  |     |                       |                   |                   |
|--|-----|-----------------------|-------------------|-------------------|
|  | 146 | Buildings             | 18,900,299        | 18,855,888        |
|  |     | Furniture & Fittings  | 10,337,683        | 6,787,555         |
|  |     | Computers             | 9,708,004         | 7,397,704         |
|  |     | Motor Vehicles        | 12,215,852        | 12,215,852        |
|  |     | Machinery & Equipment | 7,551,675         | 4,305,816         |
|  |     | <b>TOTAL</b>          | <b>58,713,513</b> | <b>49,562,815</b> |

**11 CASH AND BANK BALANCES**

|  |      |                                |                     |                    |
|--|------|--------------------------------|---------------------|--------------------|
|  | 8101 | Cash in hand                   | 88                  | 88                 |
|  |      | BANK A/C (NBK) Main A/C no.    |                     |                    |
|  | 8102 | 0102139008700                  | 12,832,956          | 29,945,710         |
|  |      | Bank A/C (NBK) KESSP A/C       |                     |                    |
|  | 8103 | no.01021390025800              | 221,639             | 158,685            |
|  |      | Bank A/C (NBK) Recurrent A/C   |                     |                    |
|  | 8104 | no. 0102139852400              | 7,902,652           | 1,938,047          |
|  |      | Bank A/C (NBK) Farm -A/C       |                     |                    |
|  | 8105 | no.0124239008700               | 15,209,064          | 3,716,724          |
|  |      | Bank A/C (NBK) Project A/C     |                     |                    |
|  | 8106 | no.0102140013000               | 10,935,600          | 1,281,725          |
|  |      | Bank A/C (KCB) Fees Collection |                     |                    |
|  | 8107 | 1117775917                     | 86,806,533          | 140,382,224        |
|  |      | Bank A/C (NBK) Sinking Fund -  |                     |                    |
|  | 8108 | A/C no.0124840374000           | 6,489,826           | 52,402,600         |
|  |      | Bank Equity-Fee collection     |                     |                    |
|  | 8109 | account                        | 30,454,329          | 44,887,969         |
|  |      | Bank NBK Economic Stimulus     |                     |                    |
|  | 8110 | Package Account)               | 6,585,577           | 15,113,176         |
|  |      | Bank CO-OP Bank- Fee           |                     |                    |
|  | 8111 | Collection A/c                 | 31,778,685          | 25,310,004         |
|  | 8112 | Bank A/C (NBK) TOWA A/C        | 511                 | 42,813             |
|  | 8113 | NBK-CAD Account                | 14,563              | 3,785,723          |
|  |      | Petty cash                     | 35,000              | -                  |
|  |      | <b>SUB TOTAL</b>               | <b>209,2667,023</b> | <b>318,965,488</b> |

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| <b>NOTE</b> | <b>VOTE</b> | <b>DETAILS</b>  | <b>2013/2014</b>   | <b>2012/2013</b>   |
|-------------|-------------|---|--------------------|--------------------|
|             |             |   | <b><u>KSHS</u></b> | <b><u>KSHS</u></b> |
| <b>12</b>   |             | <b>PREPAYMENTS</b>  | 8,129,897          | 8,275,949          |
|             |             | <b>SUB TOTAL</b>  | <b>8,129,897</b>   | <b>8,275,949</b>   |
|             |             | <b>RECEIVABLES FROM EXCHANGE</b>                                      |                    |                    |
| <b>13</b>   |             | <b>TRANSACTIONS</b>   |                    |                    |
|             | 8216        | Sundry Debtors  | 219,116            | 277,146            |
|             | 8216        | Students Debtors  | 24,098,316         | 1,156,627          |
|             | 8208        | Pledges   | -                  | 9,500              |
|             | 8212        | Imprest Recovery  | -                  | 31,250             |
|             | 8888        | Imprest Control Account   | 360,000            | 1,056,030          |
|             |             | <b>SUB TOTAL</b>  | <b>24,677,432</b>  | <b>2,530,553</b>   |
|             |             | <b>RECEIVABLES FROM NON</b>   |                    |                    |
| <b>14</b>   |             | <b>EXCHANGE TRANSACTIONS</b>  |                    |                    |
|             | 8216        | National Treasury   | 36,735,628         | 33,708,768         |
|             |             | <b>SUB TOTAL</b>  | <b>36,735,628</b>  | <b>33,708,768</b>  |
|             |             | Capitation for June 2014 which had not been received by 30 June 2014. |                    |                    |
| <b>15</b>   |             | <b>INVENTORY</b>  |                    |                    |
|             | 8307        | Finance Store   | 4,392,031          | 816,585            |
|             | 8308        | Catering Store  | 486,504            | 596,985            |
|             | 8316        | Health Centre   | 1,022,720          | 1,279,341          |
|             |             | <b>SUB TOTAL</b>  | <b>5,901,255</b>   | <b>2,692,911</b>   |

**16. PROPERTY, PLANT AND EQUIPMENT**

| <b>RATE</b>                                | <b>LAND<br/>0%</b> | <b>BUILDINGS<br/>4%</b> | <b>WORK IN<br/>PROGRESS<br/>0%</b> | <b>FURNITURE<br/>&amp; FITTINGS<br/>10%</b> | <b>COMPUTERS<br/>30%</b> | <b>MOTOR<br/>VEHICLES<br/>20%</b> | <b>MACHINERY<br/>&amp;<br/>EQUIPMENT<br/>10%</b> | <b>TOTAL<br/>Kshs</b> |
|--|--------------------|-------------------------|------------------------------------|---|--------------------------|-----------------------------------|--|-----------------------|
| Bal b /f 1.7.2012                          | 88,000,000         | 348,969,650             | 261,080,191                        | 36,216,920                                  | 16,964,514               | 41,084,819                        | 27,994,115                                       | 820,310,209           |
| Additions                                  | 20,292,000         | 5,043,128               | 386,769,882                        | 31,658,626                                  | 7,694,500                | 19,994,442                        | 15,064,041                                       | 486,516,619           |
|  | <b>108,292,000</b> | <b>354,012,778</b>      | <b>647,850,073</b>                 | <b>67,875,546</b>                           | 24,659,014               | 61,079,261                        | 43,058,156                                       | 1,306,826,828         |
| Transfers                                  |                    | 117,384,429             | - 117,384,429                      |   | -                        | -                                 | -  | -                     |
| Cost/Valuation 30.6.2013                   | 108,292,000        | 471,397,207             | 530,465,644                        | 67,875,546                                  | 24,659,014               | 61,079,261                        | 43,058,156                                       | 1,306,826,828         |
| Bal b /f 1.7.2013                          | 108,292,000        | 471,397,207             | 530,465,644                        | 67,875,546                                  | 24,659,014               | 61,079,261                        | 43,058,156                                       | 1,306,826,828         |
| Additions                                  | -                  | 1,110,270               | 187,525,087                        | 4,979,146                                   | 7,701,000                | -                                 | 32,458,591                                       | 233,774,094           |
| Transfers                                  |                    |                         | -30,522,134                        | 30,522,134                                  | -                        | -                                 | -  | -                     |
| <b>Bal c /f 30.6.2014</b>                  | <b>108,292,000</b> | <b>472,507,477</b>      | <b>687,468,597</b>                 | <b>103,376,826</b>                          | <b>32,360,014</b>        | <b>61,079,261</b>                 | <b>75,516,747</b>                                | <b>1,540,600,922</b>  |
| Provision for Depreciation                 |                    |                         |                                    |   |                          |                                   |  |                       |
| Provision for Deprec.<br>(1.7.12)          | -                  | 33,644,604              | -                                  | <b>7,957,483</b>                            | 11,011,122               | 24,536,541                        | 6,919,302  | 84,069,052            |
| Depreciation Expense                       | -                  | 18,855,888              | -                                  | <b>6,787,555</b>                            | 7,397,704                | 12,215,852                        | 4,305,816  | 49,562,815            |
| Less: Acc Depreciation<br>Disposal         | -                  | - 285,600               | -                                  | -   | -                        | -                                 | -  | -285,600              |
| Provision for Deprec.<br>(30.6.13)         | -                  | 52,214,892              | -                                  | <b>14,745,038</b>                           | 18,408,826               | 36,752,393                        | 11,225,118                                       | 133,346,267           |
| Provision for Deprec.<br>(1.7.13)          | -                  | 52,214,892              | -                                  | 14,745,038                                  | 18,408,826               | 36,752,393                        | 11,225,118                                       | 133,346,267           |
| Less: Depreciation                         | -                  | 18,900,299              | -                                  | 10,337,683                                  | 9,708,004                | 12,215,852                        | 7,551,675  | 58,713,513            |
| <b>Provision for Deprec.<br/>(30.6.14)</b> | <b>-</b>           | <b>71,115,191</b>       | <b>-</b>                           | <b>25,082,721</b>                           | <b>28,116,830</b>        | <b>48,968,245</b>                 | <b>18,776,793</b>                                | <b>192,059,780</b>    |
| <b>Net Book Value</b>                      |                    |                         |                                    |   |                          |                                   |  |                       |
| NBV As at 30.06.2013                       | 108,292,000        | 419,182,315             | 530,465,644                        | 53,130,508                                  | 6,250,188                | 24,326,868                        | 31,833,038                                       | 1,173,480,561         |
| <b>NBV As at 30.06.2014</b>                | <b>108,292,000</b> | <b>401,392,286</b>      | <b>687,468,597</b>                 | <b>78,294,105</b>                           | <b>4,243,184</b>         | <b>12,111,016</b>                 | <b>56,739,954</b>                                | <b>1,348,541,141</b>  |

**17 BIOLOGICAL ASSET**

| <b>RATE</b>                                   | <b>BIOLOGICAL<br/>ASSET</b> |
|---|-----------------------------|
|   | <b>0%</b>                   |
| <b>COST</b>                                   |                             |
| Bal B/f Cost/Valuation 1.7.2013               | -                           |
| Additions                                     | 433,000                     |
| <b>Bal c /f 30.6.2014</b>                     | <b>433,000</b>              |
| <b>Provision For Accumulated Depreciation</b> |                             |
| Bal B/f Provision for Depreciation (1.7.13)   | -                           |
| Depreciation Expense                          | -                           |
| <b>Provision for Depreciation (30.6.14)</b>   | <b>-</b>                    |
| <b>Net Book Values</b>                        |                             |
| <b>Net Book Value as at 30.06.2014</b>        | <b>433,000</b>              |
| Net Book Value as at 30.06.2013               | -                           |

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|   | 2013/2014          | 2012/2013          |
|---|--------------------|--------------------|
| <b>18 TRADE AND OTHER PAYABLES</b>        |                    |                    |
| 8206 Pension - Mandatory                  | -                  | 218                |
| 8215 UASU                                 | -                  | 4                  |
| 8217 HELB-PAYROLL                         | -                  | 1                  |
| 8220 NBK Loan                             | -                  | 1                  |
| 8223 Cooperative Bank Loan                | -                  | 9                  |
| 8229 MUCST SACCO                          | -                  | 1                  |
| 8230 Miscellaneous Deductions             | -                  | 40                 |
| 8304 Caution Money                        | 3,500              | 3,500              |
| 8305 MUST Student Union                   | 33,613             | 320,863            |
| 8313 Sundry Creditors                     | 140,567,852        | 135,211,272        |
| 8401 Cystic Echnococcosis-Prof Magambo    | 12,061,171         | 21,791             |
| 8402 Ms Edith Adera Bursary Fund          | 472,992            | 260,238            |
| 8403 Prof J Magambo Bursary Fund          | 38,250             | 38,250             |
| 8404 Research Project-Guyo                | -                  | 5,000              |
| 8405 KAPAP Grant Fund- Thambura           | -                  | 280,600            |
| 8406 Research Project- Siringi            | -                  | 39,000             |
| 8407 TOWA project (Kshs. 700,000)         | 301                | 42,801             |
| 8408 Dr Gachoka Kennedy-Research Project  | 242,458            | 267,980            |
| 8409 Phylis Mwenda-Research Project       | 478,210            | 1,190,000          |
| 8410 Dr. Eunice Marete- Research Project  | 132,950            | 936,505            |
| 8411 Economic Stimulus P (Creditor)       | 6,585,577          | 15,113,176         |
| 8412 TOWA Project (Kshs. 2 Million)       | 3,190              | 271,450            |
| 8413 MUST Alumni Association              | 838,500            | 293,075            |
| 8414 Research Project-Dr Zablon Njiru     | 14,526             | 3,785,723          |
| 8415 Research Administration Fund         | 657,021            | 657,021            |
| 9102 HELB Control Account                 | 108,000            | 44,000             |
| 9103 Retention Money for Projects         | 34,945,215         | 33,838,190         |
| <b>SUB TOTAL</b>                          | <b>197,183,326</b> | <b>201,708,210</b> |
| <b>19 PROVISIONS</b>                      |                    |                    |
| 9008 Provision for Audit Fee              | 1,740,000          | 870,000            |
| 9009 Provision for Chancellor's allowance | 1,600,000          | -                  |
| <b>SUB TOTAL</b>                          | <b>3,340,000</b>   | <b>870,000</b>     |
| <b>20 DEFERRED INCOME</b>                 |                    |                    |
| Deferred Income                           | 39,683,315         | -                  |
| <b>SUB TOTAL</b>                          | <b>39,683,315</b>  | <b>-</b>           |

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| <b>21 CAPITAL</b> |                                      | <b>RESTATED</b>      |                      |
|-------------------|--------------------------------------|----------------------|----------------------|
| 6248              | Capital B/F                          | 1,305,833,023        | 808,220,877          |
|                   | Additional Capital during the year   | 97,138,206           | 162,799,214          |
|                   |                                      | <u>1,402,971,229</u> | <u>971,020,091</u>   |
|                   | Add: Economic Stimulus Project       | 8,831,928            | 6,048,687            |
|                   |                                      | <b>1,411,803,157</b> | <b>977,068,778</b>   |
|                   | Add: Transfers from Revenue Reserves | 128,236,960          | 328,764,245          |
|                   | <b>Capital C/F</b>                   | <b>1,540,040,117</b> | <b>1,305,833,023</b> |

| <b>22 REVENUE RESERVE</b> |                                    |                      |                    |
|---------------------------|------------------------------------|----------------------|--------------------|
| 6247                      | Revenue Reserve B/F                | 31,242,998           | 275,534,516        |
|                           | Surplus for the Year               | - 49,567,420         | 84,472,727         |
|                           |                                    | <b>- 18,324,422</b>  | <b>360,007,243</b> |
|                           | Less: Transfers to Capital Account | - 128,236,960        | - 328,764,245      |
|                           | <b>Revenue Reserves C/F</b>        | <b>- 146,561,381</b> | <b>31,242,998</b>  |

**23. WORK IN PROGRESS**

| <b>Analysis of Work in Progress as at 30.6.2014</b> |                           |                    |                    |                    |                    |                    |
|---|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   |                           | <b>30.6.2012</b>   |                    | <b>30.6.2013</b>   |                    | <b>30/6/2014</b>   |
| <b>No</b>   | <b>Details</b>            | <b>Balance C/F</b> | <b>Additions</b>   | <b>Balance C/F</b> | <b>Additions</b>   | <b>Balance C/F</b> |
| 1   | Road Project              | -                  | 91,331,141         | 91,331,141         | 31,145,760         | 122,476,901        |
| 2   | Sewerage Project          | -                  | 34,274,271         | 34,274,271         | 2,948,376          | 37,222,647         |
| 3   | Engineering Workshops     | -                  | 15,027,714         | 15,027,714         | 30,425,379         | 45,453,093         |
| 4   | Landscaping               | -                  | 3,213,356          | 3,213,356          | 117,000            | 3,330,356          |
| 5   | Standard Hostel           | -                  | 100,000            | 100,000            | 38,435,557         | 38,535,557         |
| 6   | Kitchen and D H Extension | 5,456,537          | 6,127,029          | 11,583,566         | 2,728,986          | 14,312,552         |
| 7   | Food Science Lab          | 7,644,785          | 9,289,061          | 16,933,846         | 8,831,928          | 25,765,774         |
| 9   | Engineering Complex       | 22,100,683         | 123,458,697        | 145,559,380        | 25,657,099         | 171,216,479        |
| 10  | Graduation Pavilion       | -                  | 1,480,243          | 1,480,243          | 1,834,269          | 3,314,512          |
| 11  | Electrification Project   | -                  | 39,100             | 39,100             | 1,876,465          | 1,915,565          |
| 12  | Water project             | 13,340,330         | 16,722,142         | 30,062,472         | 5,550,261          | 35,612,733         |
| 13  | Electricity Distribution  | 5,480,335          | -                  | 5,480,335          | -                  | 5,480,335          |
| 14  | Fence                     | 7,447,771          | -                  | 7,447,771          | -                  | 7,447,771          |
| 15  | Hospital                  | 4,903,675          | 3,989,079          | 8,892,754          | -                  | 8,892,754          |
| 16  | Library Block             | 39,744,895         | 17,262,748         | 57,007,643         | -                  | 57,007,643         |
| 17  | Sports Field              | -                  | 951,500            | 951,500            | -                  | 951,500            |
| 18  | Tuition Block             | 53,820,591         | 20,618,032         | 74,438,623         | 6,456,901          | 80,895,524         |
| 19  | ERP Project               | -                  | -                  | -                  | 26,032,918         | 26,032,918         |
| 20  | Student Eateries          | -                  | -                  | -                  | 806,388            | 806,388            |
| 21  | Public Ablution Block 1   | -                  | -                  | -                  | 647,074            | 647,074            |
| 22  | Power House               | -                  | -                  | -                  | 150,520            | 150,520            |
|   | <b>TOTAL</b>              | <b>159,939,602</b> | <b>343,884,113</b> | <b>503,823,715</b> | <b>183,644,882</b> | <b>687,468,597</b> |

**24. RELATED PARTY DISCLOSURE****a) Government**

The Government of Kenya is the largest single sponsor of the University. During the year, the University received Kshs. 620,074,278 from the Government for Recurrent and Capital expenditure.

|           |                    |
|-----------|--------------------|
| Recurrent | 514,104,144        |
| Capital   | 105,970,134        |
|           | <b>620,074,278</b> |

**b) Council**

The following eight individuals served as Council members during the year ended 30 June 2014. They were paid allowances amounting to Kshs. 9,772,805 as shown below:

|   | Name of Payee        | Sitting          | Telephone     | Mileage        | Accommodation    | Honorarium     | Air Fare       | Travel         | TOTAL            |
|---|----------------------|------------------|---------------|----------------|------------------|----------------|----------------|----------------|------------------|
| 1 | Bishop Lawi Imathiu  | 720,000          | -             | 213,609        | 204,900          | -              | 19,125         | 46,125         | <b>1,203,759</b> |
| 2 | Mr. Kenneth Odhiambo | 620,000          | -             | 163,494        | 263,500          | -              | 23,193         | 63,267         | <b>1,133,454</b> |
| 3 | Ms Vayonda Koross    | 200,000          | -             | -              | 84,600           | -              | -              | 3,000          | <b>287,600</b>   |
| 4 | Ms. Caroline Kiragu  | 700,000          | -             | 130,310        | 310,300          | -              | 19,125         | 24,531         | <b>1,184,266</b> |
| 5 | Ms. Edith Afwona     | 180,000          | -             | 48,173         | 91,000           | -              | -              | 3,000          | <b>322,173</b>   |
| 6 | Ms. Ronnie Mugoiri   | 720,000          | -             | -              | 310,300          | -              | 23,193         | 24,000         | <b>1,077,493</b> |
| 7 | Prof Galcano Mulaku  | 620,000          | -             | 166,419        | 323,300          | -              | 19,125         | 41,820         | <b>1,170,664</b> |
| 8 | Prof. Justin Irina   | 720,000          | 93,300        | 20,599         | 939,676          | 960,000        | 656,821        | 3,000          | <b>3,393,396</b> |
|   | <b>TOTAL</b>         | <b>4,480,000</b> | <b>93,300</b> | <b>742,604</b> | <b>2,527,576</b> | <b>960,000</b> | <b>760,582</b> | <b>208,743</b> | <b>9,772,805</b> |

**25. CONTINGENT LIABILITIES**

About 122 acres of the University land were occupied by squatters. The University had taken the squatters to court in a bid to stop them from further encroaching on the land and eventually have them evicted from the land. The case had not been determined by 30 June 2014. Since the University holds the title to the land, the chances of the University losing any part of the land are slim.

**26. FINANCIAL RISKS**

The University is faced with a number of financial risks. The Board has come up with various strategies to mitigate against the risks

**27. SUBSEQUENT EVENTS**

- i) **Part-time payments:** Part-time payments for May and June 2013 amounting to Kshs. 9,087,500 were paid in the FY 2013-2014 but treated as expenses for the FY 2012-2013. Consequently, the accounts for FY 2012/2013 have been restated to reflect the true picture.

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- ii)** In FY 2012/2013, an amount of Kshs. 1,785,000 was erroneously deducted twice from Buildings ledger. Buildings which had been valued at that amount were condemned and demolished during the year. Journal entries to update the Disposal account, Buildings account, and Accumulated Depreciation account were prepared. However, when preparing the asset schedule, Kshs. 1,785,000 was deducted from Buildings and Capital. The amounts have been added back to both ledgers.
  
- iii)** On 3<sup>rd</sup> July 2014, the third and fourth years students who were on their first semester during May-August 2014 semester went on rampage and burnt down a saloon car KBJ 012U and a Toyota Prado car KBG 312C. Nevertheless no adjustments were made in the financial statements for the year ended 30 June 2014.



**XVII. 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 | Status: (Resolved / Not Resolved) | Timeframe: |
|--|--|---|---|-----------------------------------|------------|
| 2.1  | Failure to prepare contract documents                              |   | Procurement Officer                     | Resolved                          | -          |
| 2.2  | Variations of contracts  |   | Procurement Officer                     | Resolved                          | -          |
| 2.3  | Transfer from WIP to Buildings                                     |   | Procurement Officer                     | Resolved                          | -          |
| 3.1  | Non-responsive of tender for road network and sewerage system      |   | Procurement Officer                     | Resolved                          | -          |
| 3.2  | Single sourcing of materials                                       |   | Procurement Officer                     | Resolved                          | -          |
| 3.3  | Non-adherence of budgetary provisions                              |   | Procurement Officer                     | Resolved                          | -          |
| 3.4  | Engagement and payment of Consultants from JKUAT                   |   | Procurement Officer                     | Resolved                          | -          |
| 4.0  | Acquisition of land for Meru Town Campus                           |   | Procurement Officer                     | Resolved                          | -          |
| 5.0  | Irregularity in Procurement:                                       |   | Procurement Officer                     | Resolved                          | -          |
| (a)  |  |   | Procurement Officer                     | Resolved                          | -          |
| (b)  |  |   | Procurement Officer                     | Resolved                          | -          |
| (c)  |  |   | Procurement Officer                     | Resolved                          | -          |
| 5.6  |  |   | Procurement Officer                     | Resolved                          | -          |
| 5.7  |  |   | Procurement Officer                     | Resolved                          | -          |
| 6.0  | Non-Current assets   |   | Finance Officer                         | Resolved                          | -          |
| (i)  |  |   | Finance Officer                         | Resolved                          | -          |
| (ii)                                       |  |   | Finance Officer                         | Resolved                          | -          |
| (iii)                                      |  |   | Finance Officer                         | Resolved                          | -          |
| (iv)                                       |  |   | Finance Officer                         | Resolved                          | -          |
| 7.0  | Cash and Bank  |   | Finance Officer                         | Resolved                          | -          |
| (i)  |  |   | Finance Officer                         | Resolved                          | -          |
| (ii)                                       |  |   | Finance Officer                         | Resolved                          | -          |
| (iii)                                      | Cash Survey was not conducted at close of business on 30 June 2014 | Cash survey was conducted and evidence was provided.    | Finance Officer                         | Resolved                          | -          |
| 8.0  | Fixed Deposit Placement without Council approval                   | Council approval will be sought in future.              | Finance Officer                         | Resolved                          | -          |
| 9.0  | Trade and Other Payables   | Trade creditors and other creditors were fully resolved | Finance Officer                         | Resolved                          | -          |

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|          |   |  |                 |          |   |
|----------|---|--|-----------------|----------|---|
|          | not analysed  |  |                 |          |   |
| 10.0     | Trade and Other Receivables: The figure for sundry debtors in the financial statements and in the ledger had a difference of Kshs. 1,156,628. | The figure for Sundry Debtors was inclusive of students' debtors. The ledger for students' debtors amounting to Kshs. 1,156,628 was availed. | Finance Officer | Resolved | - |
| 11.0 (a) | Differences between Ledgers Balances and Financial Statements   | The financial statements had been revised. Ledgers for the revised financial statements were provided.                                       | Finance Officer | Resolved | - |
| 11.0 (b) | Staff Allowances Paid Outside Payroll   | No allowance was paid outside the payroll. Payroll print-outs were provided.   | Finance Officer | Resolved | - |
| 12.0     | <b>Capital Account:</b> The figure for Capital in the balance sheet was different from figure in the notes                                    | The figure for Capital in the notes was corrected to read Kshs. 1,304,048,023 same as in the balance sheet                                   | Finance Officer | Resolved | - |



Vice Chancellor

Date 15 July, 2015



Chairman of the Council

Date 15 July, 2015