

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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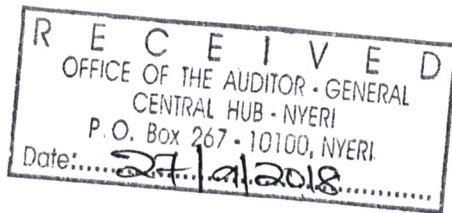
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THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
MURANG'A UNIVERSITY OF TECHNOLOGY

FOR THE YEAR  
ENDED 30 JUNE 2018



*Innovation for Prosperity*

# MURANG'A UNIVERSITY OF TECHNOLOGY

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## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2018

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



MUT IS ISO 9001:2015 CERTIFIED

TABLE OF CONTENTS	PAGE
KEY UNIVERSITY INFORMATION AND MANAGEMENT.....	ii
MANAGEMENT TEAM.....	ix
CHAIRMAN'S STATEMENT.....	xi
REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xiii
CORPORATE GOVERNANCE STATEMENT.....	xv
MANAGEMENT DISCUSSION AND ANALYSIS.....	xix
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....	xxiv
REPORT OF THE COUNCIL.....	xxvii
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xx
STATEMENT OF FINANCIAL PERFORMANCE.....	1
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF CHANGES IN NET ASSETS.....	3
STATEMENT OF CASHFLOWS.....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
NOTES TO THE FINANCIAL STATEMENTS.....	9
APPENDIX I: PROGRESS ON FOLLOW UP ON AUDITOR RECOMMENDATIONS.....	35
APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY.....	35
APPENDIX III: INTER-ENTITY TRANSFERS.....	36
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	37



## KEY UNIVERSITY INFORMATION AND MANAGEMENT

### (a) Background information

Murang'a University of Technology (MUT) is a Public University in Kenya, chartered on 7<sup>th</sup> October, 2016. The University is a successor to Murang'a University College, a former constituent College of Jomo Kenyatta University of Agriculture and Technology (JKUAT), and Murang'a College of Technology based in Murang'a County. The University is strategically located 1.5 km from Murang'a Town, 85 km North East of Nairobi, 70 km South East of Nyeri and 50 km South West of Embu.

The University currently operates under the provision of the Universities Act No. 48 of 2012 of the Laws of Kenya. MUT offers post graduate studies at Master and Doctorate level, undergraduate Degree programs, Diploma and Certificate courses in Engineering, Information Technology, Computing, Business, Commerce, Human Resource Management, Hospitality and Tourism Management, Education, and Pure and Applied Sciences. MUT's academic programs are innovative in design and curricula implementation focuses on the development of graduates with sound knowledge and professional competencies and values that enable them to fit in the job market, both locally and internationally. This would only be achieved through concerted and collaborative efforts in teaching, training, research and innovation, scholarship, entrepreneurship, and consultancy. The University is committed to continuously develop and review courses in order to address changing market demand and thus increase students' enrollment. The University also aims to build technology and innovation into its programmes in line with Vision 2030.

### (b) Principal Activities

The principal activities of the University are derived from the core functions as set out in the Universities Act 2012, amended 2016, and the University Statutes. The mandate of MUT is to provide quality teaching, training, scholarship, entrepreneurship, innovation, and research and consultancy services.



KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

## *VISION*

A Leading University in Technological Innovation, Training, and Research for Socio-economic Development

## *MISSION*

To Advance Knowledge and Learning in Science and Technology through Teaching, Learning, Consultancy, Research and Innovation for Socio-economic Development

## *CORE VALUES*

Innovation and Creativity  
Professionalism  
Teamwork  
Freedom of inquiry  
Integrity  
Fairness and Non-discrimination



**KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

**(c) Key Management**

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

- University Council,
- University Management Board, and
- Senate.

**(d) Fiduciary Management**

The key Management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

No.	Name	Designation
1	Prof. Dickson M. Nyariki	Vice Chancellor
2	Prof. Beatrice W. Mugendi	Deputy Vice Chancellor, Finance and Development
3	Prof. Prisca J. Tuitoek	Deputy Vice Chancellor Academic and Student Affairs
4	Prof. Godrick Bulitia	Registrar (Administration and Planning)
5	Dr. Richard Juma	Registrar (Academic and Student Affairs)
6	CPA Richard Ng'ang'a	Finance Officer (served up to 5 <sup>th</sup> June 2018)
7	CPA Gorret Kairuti	Ag. Finance Officer (served from 6 <sup>th</sup> June 2018)

**(e) Fiduciary Oversight Arrangements**

The fiduciary oversight arrangements of the University are carried out by the Council through the following committees:

- i. Finance, Physical Planning and Development Committee
- ii. Audit, Governance and Risk Management Committee
- iii. Human Resource and General Purposes Committee

The composition and roles of the above committees are explained under Corporate Governance Statement on pages xv to xvii.

**(f) Murang'a University of Technology Headquarters**

Murang'a University of Technology  
P.O Box 75 – 10200  
MURANG'A, KENYA

**(g) Murang'a University of Technology Contacts**

Telephone: (254) 0771463515, (254) 0771370824  
E-mail: [info@mut.ac.ke](mailto:info@mut.ac.ke)  
Website: [www.mut.ac.ke](http://www.mut.ac.ke)



**KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

**(h) Murang'a University of Technology Bankers**

1. Kenya Commercial Bank Limited  
Murang'a Branch  
P.O Box 112 – 10200  
**MURANG'A**
2. Equity Bank Limited  
Murang'a Branch  
CDM Building  
P.O Box 1060 – 10200  
Murang'a
3. Co-operative Bank of Kenya  
Murang'a Branch  
P.O Box 954-10200  
Murang'a

**(i) Independent Auditors**

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



**(j) Principal Legal Adviser**






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







**UNIVERSITY CHANCELLOR AND COUNCIL MEMBERS**



The University governing body comprises the Chancellor and the Council. The Chancellor is the titular Head of the University. The University Council was appointed by the Cabinet Secretary for Education vide gazette notice no.7598 and gazette notice no.7599 of 31<sup>st</sup> July, 2017 for a term of three years with effect from the 1<sup>st</sup> August, 2017.






Name	Date of Birth, Key qualifications and Work experience	Period Served
 <p>Prof. Justin Irina, PhD, EBS</p>	<p style="text-align: center;"><b>University Chancellor</b></p> <p>Date of birth: 1941. PhD (University of Nairobi - 1971) May 2017 to date: Chancellor, MUT 2013 – 2017: Chairman of Council, Meru University of Science and Technology Vice Chancellor, Moi University Council member, Maseno University Council member, Western University College of Science and Technology (WEUCO) Chairman, Board of Governors of the Coast Institute of Technology CEO, Commission for Higher Education (CHE) Principal, Chepkoilel College Secretary to the Public Universities Inspection Board Chairman, Kenya Plant health Inspectorate Service (KEPHIS) Chairman, Kenya Chemical Society</p>	Throughout the Financial Year
 <p>Prof. Joachim Osur, MBChB, PhD</p>	<p style="text-align: center;"><b>Chairman of Council</b></p> <p>Date of Birth: 21<sup>st</sup> June 1971 PhD in Reproductive Health, Kenyatta University, 2012 MSc Public Health, Kenyatta University, 2005 MBChB. Medicine and Surgery, University of Nairobi, 1998 Director of Regional Offices and field offices at AMREF Health Africa Fellow of the European Committee on Sexual Medicine (FECSM) Renowned public and reproductive health specialist with wide experience in health programming in the African.</p>	Throughout the Financial Year

 <p>CPA Eunice M. Juma</p>	<p><b>Council Member</b>  <b>Chairperson-Finance, Physical Planning and Development Council Committee</b>                  Date of Birth: 1983                  MA Project Planning and Management, 2016                  MBA Finance, University of Nairobi, 2013                  B.Com Accounting, Catholic University, 2011</p>	<p>Throughout the financial year</p>
 <p>Dr. Francis K. Sang, PhD</p>	<p><b>Council Member</b>  <b>Chairperson-Human Resource and General Purposes</b>                  Date of Birth: 1973                  PhD Educational Management                  MA Education Administration                  BA Education, Mathematics and Economics</p>	<p>Throughout the financial year</p>
 <p>Mr. Peter M. Kibinda</p>	<p><b>Council Member</b>  <b>Chairperson-Audit, Governance and Risk Management Council Committee</b>                  Date of Birth: 2<sup>nd</sup> February, 1954                  MA Urban Planning, University of Nairobi, 1981                  BA Land Economics, University of Nairobi, 1978</p>	<p>Throughout the financial year</p>
 <p>Ms. Lucy N. Kaburia</p>	<p><b>Council Member</b>                  Date of Birth: 13<sup>th</sup> December, 1974                  MBA Marketing, Strathmore University, 2011                  B.Com Marketing, University of Nairobi, 1999</p>	<p>Throughout the financial year</p>
 <p>Mr. Alfred L. Ejem</p>	<p><b>Council Member</b>                  Date of Birth: 1976                  MBA Strategic Management, Kenyatta University, 2013                  BSc Agriculture, Education &amp; Extension, Egerton University, 2007</p>	<p>From February 2018 to date</p>

 <p>Dr. Meshack Opwora</p>	<p><b>Rep. Permanent Secretary</b> State Department of University Education and Research</p>	<p>From 4<sup>th</sup> June 2018 to date</p>
 <p>Mr. Peter M. Kamau</p>	<p><b>Rep. CS, The National Treasury</b> Date of Birth: 4th August 1965 MSc University of Sunderland UK, 2010 BSc Kenyatta University, 1990 Prince Foundations and Practitioner, 2013</p>	<p>Up to April 2018</p>
 <p>Mr. Paul M. Mwangi</p>	<p><b>Rep. PS, State Department of University Education and Research</b> Date of birth: 19<sup>th</sup> May 1970 Master of Science pure mathematics, Kenyatta University, 2011 B. Ed Science, Mathematics and Chemistry, Egerton University, 1996</p>	<p>Up to April 2018</p>
 <p>Prof. Dickson M. Nyariki, PhD</p>	<p><b>Vice Chancellor and Secretary to the Council</b> Date of Birth: 4<sup>th</sup> December, 1959 PhD Agricultural Economics, University of Reading, United Kingdom, 1997 Feb 2018 to date: Vice Chancellor, Murang'a University of Technology October 2016 to January 2018: Ag. Vice Chancellor, Murang'a University of Technology</p>	<p>Throughout the financial year</p>

MANAGEMENT TEAM

Name	Key profession, Academic qualifications and Work Experience	Area of Responsibility	Period Served
 <p>Prof. Dickson M. Nyariki</p>	<p><b>PhD in Agricultural Economics</b> University of Reading, United Kingdom, 1997</p> <p><b>MSc Agricultural Economics</b> University of Nairobi, 1990</p> <p><b>BSc Range Management</b> University of Nairobi, 1986</p> <p><b>Vice Chancellor, Murang'a University of Technology, February 2018 to date</b></p> <p><b>Ag. Vice Chancellor, Murang'a University of Technology, October 2016 to January 2018</b></p> <p><b>Principal, Murang'a University College, March 2016 to September 2016</b></p> <p><b>Deputy Vice Chancellor (Administration and Human Resource Management), South Eastern Kenya University, March 2013 to February 2016</b></p> <p><b>Deputy Principal (Administration and Finance), South Eastern University (Constituent of Technology of the University of Nairobi), January 2010 to March 2013,</b></p> <p><b>Sub-Regional Coordinator, FAO Initiative on Soaring Food Prices (ISFP), April 2009 to January 2010;</b></p> <p><b>Regional Coordinator, IGAD Water Harvesting Pilot Project for Crop and Livestock Production to Enhance Food Security, February 2005 to December 2008</b></p>	<p>Vice Chancellor</p>	<p>Throughout the financial year</p>
 <p>Prof. Beatrice W. Mugendi</p>	<p><b>PhD in Food Biochemistry,</b> Kenyatta University, 2008</p> <p><b>MBA Strategic Management,</b> Kenya Methodist University, 2015</p>	<p>Deputy Vice Chancellor (Finance and Development)</p>	<p>Throughout the financial year</p>

 <p>Prof. Prisca J. Tuitoek</p>	<p><b>PhD in Human Nutrition, 1995,</b> University of Alberta, Canada</p>	<p>Deputy Vice Chancellor (Academic and Student Affairs)</p>	<p>Throughout the financial year</p>
 <p>Dr. Richard Juma</p>	<p><b>PhD in Development Studies,</b> Victoria University of Wellington, New Zealand, 2009</p>	<p>Registrar (Academic and Student Affairs)</p>	<p>Throughout the financial year</p>
 <p>Prof. Godrick Bulitia</p>	<p><b>PhD in Business Administration,</b> Maseno University, 2014</p>	<p>Registrar (Administration and Planning)</p>	<p>Throughout the financial year</p>
 <p>CPA Richard K. Ng'ang'a</p>	<p><b>MBA Finance,</b> Jomo Kenyatta University of Agriculture and Technology), <b>CPA(K)</b></p>	<p>Finance Officer</p>	<p>Up to 5<sup>th</sup> June 2018. Then went on Compulsory Leave following Presidential directive</p>
 <p>CPA Gorret Kairuti</p>	<p><b>MBA Finance,</b> Chuka University, 2015 <b>B.Com Accounting,</b> Egerton University, 2010 <b>CPA(K)</b></p>	<p>Ag. Finance Officer</p>	<p>From 6<sup>th</sup> June 2018</p>

## **CHAIRMAN'S STATEMENT**

This is the second year since MUT was elevated to a full-fledged University. The University is committed to providing quality education to all its students that will equip them with knowledge and skills to succeed in future studies, employment and entrepreneurship. The University is also positioning itself to develop a distinctive profile as a premier University and to growing its enrolment strategically.

The country's economic growth rate had a positive trend and is projected to continue growing in the medium term as a result of expected stable macroeconomic environment, sustained investments in infrastructural projects by the Government and favourable regulatory policies. The University's performance is highly affected by the general performance of the economy and particularly the performance of the Education sector in Kenya. Being a growing public institution, the University is also highly dependent on Government funding.

The financial year under review has been a difficult one, following changes in the Education Sector that led to reduction in student numbers qualifying for admission to the University amid tight competition for student enrolment from other Public and Private Universities and Technical Institutes.

Since its establishment, the University has increased academic programmes. Currently, the University comprises the following Schools: Business and Economics, Pure and Applied Sciences, Computing and Information Technology, Hospitality and Tourism Management, and Engineering and Technology. Each School offers a variety of Post-graduate and Undergraduate degree, Diploma and Certificate programmes. However, student enrolment was adversely affected by changes in the Education Sector leading to a low number of students qualifying for University admission than expected, hence reducing tuition income. This situation was worsened by a decline in Government funding during the year.

The University has continued to increase the facilities and infrastructure to support its core mandate. During the year, we initiated the construction of a Science Complex which will support learning, research and innovation. Other on-going projects that will support the University's core goals are the construction of Hostels and Tuition blocks, Perimeter Wall and Internal Roads.

Some of the challenges faced by the University include stiff competition from other Universities for self-sponsored students as well as delayed and declining Government capitation. Looking forward, there is uncertainty in student enrolment, with the continued mushrooming of Technical Training Institutes and poor performance in the KCSE. Despite the challenges, the University will look at ways, while maintaining highly quality education, to develop more interdisciplinary courses, embedding opportunities for collaboration and enterprise in the curriculum development and assessment, and exploiting new technology in learning, teaching, research and entrepreneurship.

We will continuously endeavour to improve quality, overall performance, prudent management of resources and strategic investments, with a view to creating long-term value for our stakeholders for socio-economic development. We shall continue to engage partners as a resource mobilization strategy to boost the University revenue base to support the projects in our Strategic Plan such as Science Complex, Post-modern Library, Administration Block, Science Research Park and modern IT infrastructure, among others.

On behalf of the University Council, I wish to congratulate Prof. Dickson Nyariki on his



*Murang'a University of Technology*

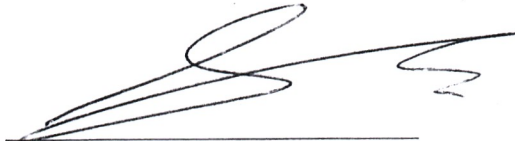
**Annual Report and Financial Statements for the year ended June 30, 2018**

appointment as the pioneer Vice Chancellor of MUT.

I also thank the Government of Kenya for funding our projects during the financial year. My gratitude goes to my fellow Council Members, the Management Team, Staff, Students and all other stakeholders for working diligently to ensure that the University achieves its Strategic Objectives and National Goals.

Lastly, my appreciation goes to the Government of Kenya, through the Ministry of Education, for appointing me as the Chairman of Council of MUT.

Thank you.



**Prof. Joachim Osur, Ph.D.**  
**Council Chairman**



## REPORT OF THE CHIEF EXECUTIVE OFFICER

I am honoured to present the Annual Report and Financial Statements of MUT for the year ended 30th June, 2018. The University has progressed well with its core business of teaching, training and research amidst high competition for student enrolment from other Public and Private Universities, declining Government funding and rising cost of operations.

During the year under review, total revenue rose by Kshs.197.60M (29%) while total expenditure increased by Kshs.114.98M (19%) resulting in a decline in deficit by Kshs.82.65M (82%). The University was allocated Kshs.298.50M as recurrent capitation during the year. Kshs.325.52M was received as recurrent grants. This was slightly higher than the expected due to implementation of the National 2013/17 CBA that resulted in an increase in basic pay and house allowance. In addition, CBA recurrent grants amounting to Kshs.99.70M were received to cater for the 2013/17 CBA arrears. The recurrent budget was mainly utilized in funding recurrent expenditure to the extent of Kshs. 710.69M and Kshs.18.46M in the purchase of plant and equipment.

Approved estimates for Development grants were Kshs.170M. However, the Government revised the approved estimates for development grants to Kshs.30.175M, a reduction of 139.825M. Only Kshs.21.25M of the approved estimate for development grants was received during the year. This slowed down development and University growth during the year. Kshs.77.27M was utilized in funding development projects. Tuition and related income slightly grew by Kshs.29.49M (22%). On the other hand, other incomes declined by Kshs.1.82M (9%) mainly due to reduction in income from the students and staff cafeteria.

Total recurrent expenditure grew by Kshs.114.98M (19%) which is attributable to an increase in personnel emoluments and CBA expense (93.97M). The personnel emoluments went up by 59M (16%). This is due to increase in basic salaries and house allowance after national CBA implementation. In addition, lecturers were competitively recruited to support in teaching of the new academic programmes that were mounted to meet the market needs and the Vice Chancellor was appointed substantively. Further, during the previous year, the Deputy Vice chancellors served for less than a month since they were recruited in June 2017. Their remuneration in total for the previous year was therefore significantly lower than in the current year, where they served for the whole financial period. Board expenses rose slightly by 0.44M (4%). This is because the Chancellor served throughout the financial year as compared to the previous year.

All other expenses dropped during the year. This is because the Management employed tight austerity measures with comprehensive cost management strategies to ensure that the University is able to finance all the budgeted activities without recourse to borrowing amid declined Government funding and student enrolment.

In order to enhance human resource capacity, the University has continued to identify skills gaps in the existing human resource which are bridged by skills enhancement through trainings and workshops. Also, to enhance skills for the existing staff, tuition fee was waived for staff members in academic division who were willing and qualified to undertake Masters or Doctorate degrees in the University. In addition, competitive recruitment and induction of new staff in various posts were carried out during the year.

The process of transitioning from ISO 9001-2008 to ISO 9001-2015 certification has been finalized, but waiting to receive a formal certificate early next financial year. The Library and Computer Laboratory will continually be equipped with relevant materials, computers and internet facilities



*Murang'a University of Technology*

**Annual Report and Financial Statements for the year ended June 30, 2018**

to support teaching and research.

As part of our commitment, the University will continue to share knowledge and research outcomes as widely as possible to inform and inspire the society. The long-term outcome of our mission includes an increased quality of life for our staff and students and to support the aspirations of the youth by demonstrating the value of research, innovation and entrepreneurship.

On behalf of MUT, I wish to take this opportunity to congratulate Prof. Joachim Osur on his appointment as the Chairman of Council and other Council Members on their appointment to the Council of Murang'a University of Technology during the year.

I would like to express my sincere appreciation to the University Council for providing policy and strategic guidance, and to the University staff, students, Government of Kenya and other stakeholders for working meticulously to ensure smooth and successful operations of the University.

Finally, with humility and gratitude, I thank the Council and the Government of Kenya for appointing me as the pioneer Vice Chancellor of Murang'a University of Technology.

Thank You.



**Prof. Dickson M. Nyariki, Ph.D.**  
Vice chancellor / Council Secretary



## CORPORATE GOVERNANCE STATEMENT

Murang'a University of Technology is committed to exhibiting best practices in all aspects of corporate governance. Our structures, policies and procedures are anchored on transparency, accountability, responsibility and fairness, which are the tenets of good governance. The University operates directly under the Ministry of Education. The University gets financing mainly from the National Treasury through the Ministry of Education, which is line Ministry.

The University Corporate Governance role is guided by The Universities Act No.42 of 2012, amended in 2016; Mwogozo Code, 2015; Commission of Universities Education Universities Standards and Guidelines, 2014; Murang'a University Charter, 2016 and Statutes, 2016. The University has three separate internal bodies (the Council, the Management Board and the Senate) as required by the Charter, each with clearly defined functions and responsibilities to oversee and manage its activities as follows:

### **The University Council**

This is the governing body of the University. The Council is constituted taking into account requirements of the sector, diversity of skills, age, value addition, gender, academic qualifications and experience necessary to help achieve the University's goals and objectives. The Council is appointed by the Cabinet Secretary for Education.

### **Appointment of the Council**

During the 2017/18 financial year, a new University Council was appointed by the Cabinet Secretary for Education vide gazette notice no.7598 (Council Chairman) and gazette notice no.7599 (Council members) of 31<sup>st</sup> July, 2017 for a term of three years with effect from the 1<sup>st</sup> August, 2017. The Council members have a mix of skills and competencies necessary for effective University Governance and at least one member is a financial expert as required by the MWONGOZO Code.

### **Size and Composition of Council**

The Council consists of nine members with the right balance of skills, knowledge and experience in a variety of disciplines appropriate for management of the University. All the members participated in effective decision making throughout the year.

### **The Role of the Council**

As guided by the State Corporations Act, Cap 446 and other relevant laws of Kenya, the Council's role is to provide effective leadership and control, in terms of approving the University policies and ensuring best practice of corporate governance. The Council retains full and effective control over the University by monitoring evaluating performance and reviewing management accounts and all expenditure. It reviews processes for the identification and management of risks as well as legal and statutory compliance. As the governing body of the University, the Council has a responsibility of maintaining a sound system of internal controls that support achievement of goals, aims and objectives, whilst safeguarding University resources.

### **The power and authority of the Council**

The University Council is vested with powers and authority by the Charter and the Universities Act, 2012. In discharging its mandate, the Council is guided by the Charter, Mwogozo Code, 2015 and Commission for University Education Standards and guidelines to effectively fulfil its corporate governance responsibility towards its stakeholders.



## **CORPORATE GOVERNANCE STATEMENT (continued)**

The Council is also the executive governing body responsible for the academic and strategic direction of the University, including her external relations and administration of the University. In addition, the Council is responsible for the management of the University's resources in accordance with the Public Financial Management Act, 2012 and Public Financial Regulations, 2015.

### **Council effectiveness**

The independence of the Council from the University's corporate management is ensured by the separation of the functions of the Chairman of Council and the Vice-Chancellor and a clear definition of their responsibilities. The Chairman is primarily responsible for providing leadership to the Council while the Vice-Chancellor is responsible for the day-to-day management of the University. This achieves an appropriate balance of power, increased accountability and improved capacity for decision making.

### **Council Committee and Meetings**

The University Council meets at least once in every quarter unless urgent matters arise which call for a special meeting. The Council oversees the operations of the University using various committees. These committees meet quarterly or as per need. The Council receives reports from the committees of council that will have considered the matters in detail. The recommendations of these committees are formally reported to the Council meeting for approval. These Committees are as follows:

#### **i. Finance, Physical Planning and Development Committee**

The primary responsibility of Finance, Planning and Development Committee is to make recommendations to the Council on the University's financial performance, position and the financial implications. The Committee reviews quarterly and annual financial reports and recommends to the council ways of raising and utilizing the University's funds and the establishment of systems and procedures for efficient financial management.

#### **ii. Audit, Governance and Risk Management Committee**

The scope of this Committee includes risk management, as well as compliance with the regulatory and legal requirements. The Audit Committee broadly oversees the University's standards of integrity and behaviour, reporting of financial information and internal control systems.

#### **iii. Human Resource and General Purposes Committee**

The Mandate of the Committee is to propose and review the terms and conditions of staff, career progression structures, performance management scheme, retirement benefit and pension scheme, University statutes, master plan, policies and regulations governing staff and students and recommends approval to affiliations, linkages, partnership and associations of the University to the Council. The Committee reviews quarterly and annual reports on staff welfare and general University performance and recommends to Council for final direction.

The composition and number of meetings attended by the above committee members during the year were as follows:



	Council Committee	Members	Area of responsibility	No. of meetings
1	Council	i. Prof. Joachim Osur ii. Ms. Eunice M. Juma iii. Dr. Francis K. Sang iv. Mr. Peter M. Kibinda v. Mr. Alfred L. Ejem vi. Ms. Lucy N. Kaburia vii. Dr. Meshack Opwora** viii. Prof. Dickson M. Nyariki ix. Mr. Paul M. Mwangi* x. Mr. Peter M. Kamau*	Chairman Member Member Member Member Member Rep. PS, State Department of University Education and Research Secretary Rep. PS, State Department of University Education and Research Rep. CS, The National Treasury	6 6 5 6 3 5 1 6 4 4
2	Finance, Physical Planning and Development	i. Ms. Eunice M. Juma ii. Dr. Francis K. Sang iii. Mr. Peter M. Kibinda iv. Mr. Alfred L. Ejem*** v. Dr. Meshack Opwora** vi. Prof. Dickson M. Nyariki vii. Mr. Paul M. Mwangi* viii. Mr. Peter M. Kamau*	Chairperson Member Member Member Rep. PS, State Department of University Education and Research Secretary Rep. PS, State Department of University Education and Research Rep. CS, The National Treasury	5 4 5 1 1 5 4 4
3	Audit, Governance and Risk Management	i. Mr. Peter M. Kibinda ii. Mr. Alfred L. Ejem iii. Ms. Lucy N. Kaburia iv. Dr. Meshack Opwora** v. Prof. Dickson M. Nyariki vi. Mr. Paul M. Mwangi* vii. Mr. Peter M. Kamau*	Chairperson Member Member Rep. PS, State Department of University Education and Research Secretary Rep. PS, State Department of University Education and Research Rep. CS, The National Treasury	4 2 4 1 4 3 3
4	Human Resource and General Purposes	i. Dr. Francis K. Sang ii. Ms. Lucy N. Kaburia iii. Ms. Eunice M. Juma iv. Dr. Meshack Opwora** v. Prof. Dickson M. Nyariki vi. Mr. Paul M. Mwangi* vii. Mr. Peter M. Kamau*	Chairperson Member Member Rep. PS, State Department of University Education and Research Secretary Rep. PS, State Department of University Education and Research Rep. CS, The National Treasury	4 3 4 1 4 3 3

**Notes:**

\* The Term for Members representing the Government lapsed in April, 2018

\*\* Member was appointed in June, 2018 to represent the PS, State Department for University Education and Research

\*\*\* Member was incorporated into the Committee with effect from February, 2018.



### **Remuneration of the Council**

In accordance with guidelines provided in the State Corporations Act, the Council members, other than the Vice Chancellor/secretary do not receive a salary. They are however paid a sitting allowance for every meeting attended at the rate of Kshs.20,000 per meeting as well as travel, lunch and accommodation allowance while carrying out their mandate at the University. The Chairman receives a monthly honorarium of Kshs.80,000. The committee members do not receive any remuneration apart from the reimbursement of expenses incurred while on the University duties.

### **Induction and Training for Council Members**

The University management organised an inauguration and handover ceremony held on 19<sup>th</sup> September, 2017 at Murang'a University of Technology, whereby the outgoing Chairman of Council, Prof. Mohamud Jama handed over the instruments of power to the newly appointed Chairman, Prof. Joachim Osur. In response to Mwongozo; Code of Governance for State Corporations, 2015, the new Council attended a retreat for induction on 25<sup>th</sup> to 30<sup>th</sup> August, 2017 at Flamingo Beach hotel, Mombasa.

### **Statement of Compliance**

The Council Members confirm that Murang'a University has throughout the financial year complied with the entire statutory and regulatory requirement and has been managed in accordance with the principles of Corporate Governance.



MANAGEMENT DISCUSSION AND ANALYSIS

a. Financial Performance Highlights

The University is growing, this being the second year after being chartered. The results of operations reflect the University's focus on achieving its mandate at the face of high competition in student enrolment and constrained Government funding, at same time addressing rising need for competitive staff, teaching and research facilities, and operational costs. The University's financial performance recorded an improvement with deficit declining by Kshs.82.65M (82%), total revenue and expenditure rising by Kshs.197.6M (29%) and Kshs.114.98M (19%) respectively, in the year under review.

Table 1: Financial Performance Highlights

Income	2017/ 2018	2016 / 2017	Change in Income	
	Kshs	Kshs	Kshs	%
Exchequer Recurrent Grants	325,518,175	330,928,350	(5,410,175)	-2%
Exchequer CBA Grants	99,720,263	-	99,720,263	
Amortization of granted assets	7,378,184	7,378,184	-	0%
CBA Funds Payable written off	75,653,378	-	75,653,378	
Tuition Income	166,328,897	136,843,800	29,485,097	22%
Other Incomes	17,434,116	19,256,919	(1,822,803)	-9%
<b>Total Income</b>	<b>692,033,013</b>	<b>494,407,252</b>	<b>197,625,760</b>	<b>40%</b>
Expenditure	2017/ 2018	2016 / 2017	Change in Income	
	Kshs	Kshs	Kshs	%
Personnel Emoluments	419,508,172	360,421,796	59,086,375	16%
CBA Expense	93,971,841	-	93,971,841	-
Board Expenses	10,501,251	10,056,794	444,457	4%
Depreciation and Amortization	38,177,408	38,337,809	(160,401)	0%
Students Welfare Expenses	13,525,303	17,929,735	(4,404,432)	-25%
Teaching/Academic Expenses	24,493,714	42,256,610	(17,762,896)	-42%
Repairs and Maintenance	2,741,237	6,574,382	(3,833,145)	-58%
General Operating Expenses	107,488,108	119,849,342	(12,461,472)	-10%
Increase in Provision for Doubtful Debts	280,410	182,835	97,575	53%
<b>Total Expenditure</b>	<b>710,687,443</b>	<b>595,709,541</b>	<b>114,977,902</b>	<b>19%</b>
<b>Surplus /(Deficit) for the year</b>	<b>(18,654,431)</b>	<b>(101,302,289)</b>	<b>82,647,858</b>	<b>-82%</b>

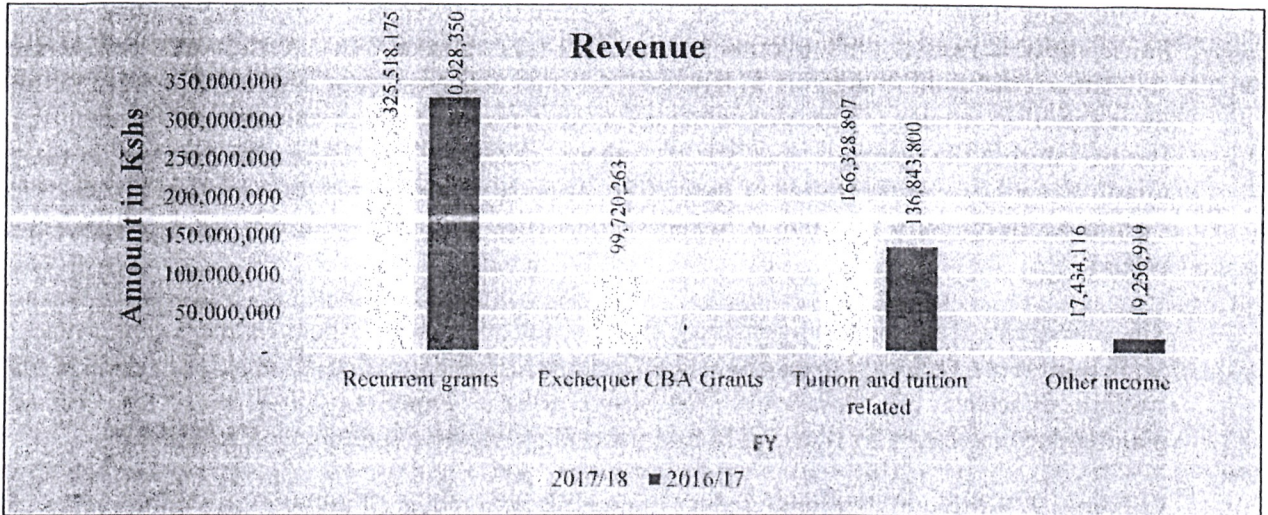
i. Income

Table 1 shows that, exchequer recurrent grants dropped by Kshs.5.41M amidst the rising cost of operations. Total income growth of Kshs.197.6M (40%) was partly attributed to exchequer CBA grants of Kshs.99.72M that was received and CBA grants payable amounting to Kshs.75.65M which were written off and recognized as income during the year. Even though exchequer CBA grants of Kshs.99.7M were received, a comparable amount was paid out to employees as CBA arrears. Amortization of granted assets which is based on straight line method of depreciation and amortization remained constant since no granted assets were capitalized during the year. Tuition and related income grew by Kshs.29.49M (22%) attributable to slight increase in student enrolment



as compared to the previous year while other incomes slightly declined by Kshs1.82M (9%) due to reduction in income from students and staff cafeteria as well as miscellaneous incomes by Kshs.1.85M, 0.15M and 2.42 respectively.

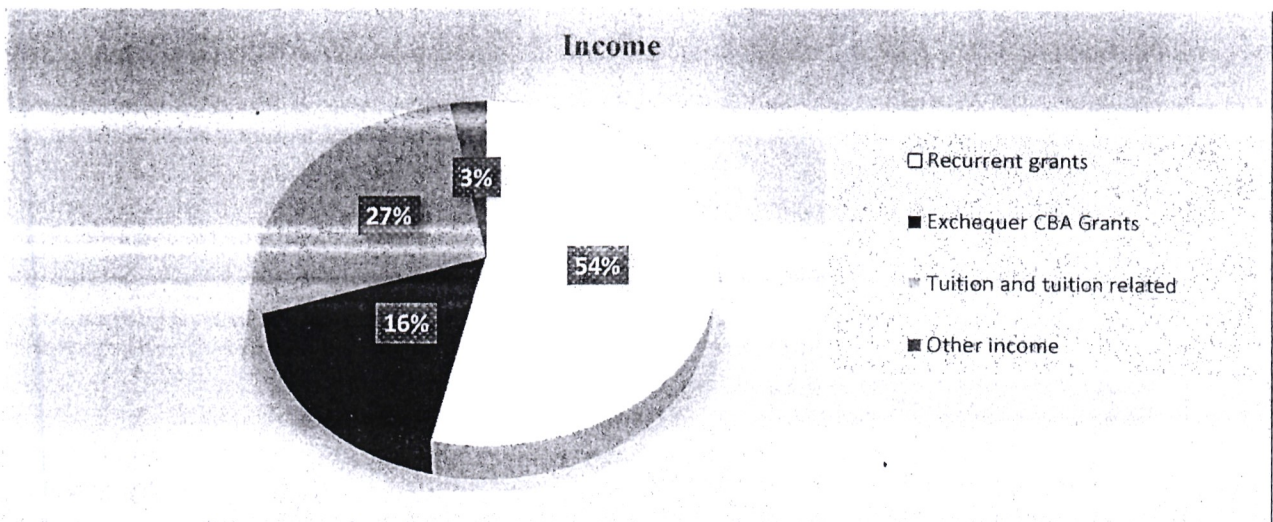
Figure 1: Income 2-year analysis per category



Composition of income during the year

In Figure 2, the exchequer grants were the largest contributor to University income during the year with 54% and 16% for recurrent and CBA grants respectively. Income from tuition and tuition related income contributed 27% while other incomes contributed only 3% of total Income. This is an indication that the University relies heavily on Government funding.

Figure 2: Composition of income during the year



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

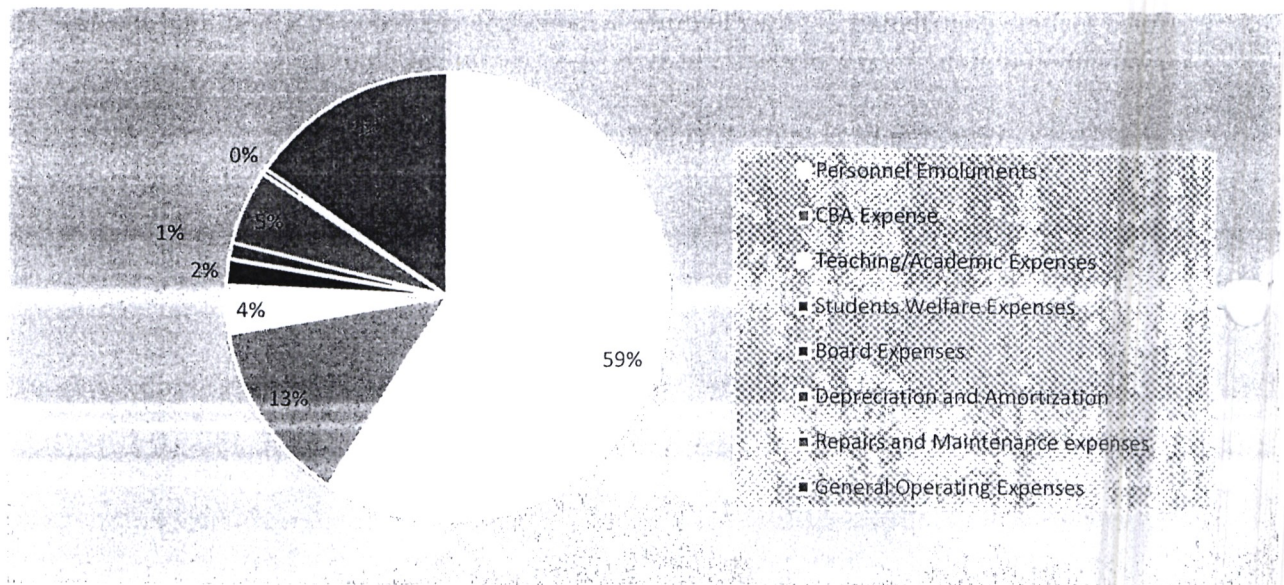
ii. Expenditure

Table 1 indicates that, total recurrent expenditure grew by Kshs.114.98M (19%) which is partly attributable to increased personnel costs and CBA expense during the year. The personnel emoluments rose by Kshs.59M (16%). This was mainly attributed to increase in basic salaries and house allowances after the implementation of 2013-17 national CBA. Additionally, more academic staffs were recruited to support in teaching the new academic programmes that were mounted to meet the market needs. The Vice Chancellor was also appointed substantively during the year. Further, during the previous year, the University's Deputy Vice chancellors served in less than a month since they were recruited in June 2017. Their remuneration in total for the previous year was therefore significantly lower than in the current year, where they served for the whole financial period.

The management employed aggressive cost cutting measures to help manage rising costs at the same time preserve access to quality and affordable higher education. This led to decline in students' welfare expenses by Kshs.4.4M, teaching/academic expenses by Kshs.17.8M, repairs and maintenance expenses by Kshs.3.8M and general operating expenses by Kshs.12.5M.

In Figure 3, personnel emoluments had the largest proportion of expenditure, followed by general operating expense, depreciation, teaching/academic, students' welfare expenses and board expenses.

Figure 3: Composition of Expenditure during the 2017/18 FY



b. Financial Position Highlights

Table 2 shows that receivables from exchange transactions increased by Kshs.5.3M (20%) while receivables from non-exchange transactions increased by Kshs.7.88M (636%) due to development grants receivable during the year. Work in progress grew by Kshs.77.27M (68%) due to undergoing construction of buildings and infrastructure. However, the improvement on receivables were eroded by a drop in Inventory by Kshs.1.06M (38%), Cash and cash equivalents by Kshs.81.69 (63%) and Property, Plant and Equipment by Kshs.19.71M (1.4%). Consequently, total assets declined slightly by Kshs.11.89M (0.7%).

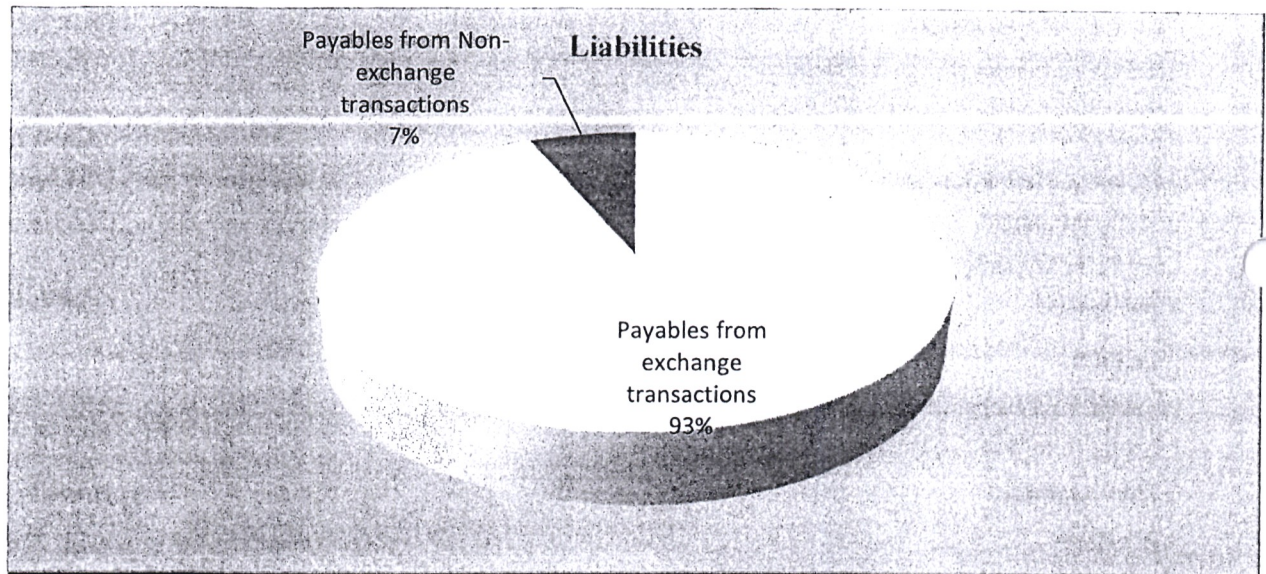


MANAGEMENT DISCUSSION AND ANALYSIS (continued)

ii. Liabilities

In Figure 5, the liabilities comprised payables from exchange (93%) and payables from non-exchange transactions (7%).

Figure 5: Composition of Liabilities during the 2017/18 FY



Payables from exchange transactions rose by Kshs.78.2M (75%) while Payables from non-exchange transactions dropped by Kshs.94.26M (88%) resulting to a drop in total payables by Kshs.16.03M (7.6%). Net assets slightly increase by Kshs.4.14M (0.3%).

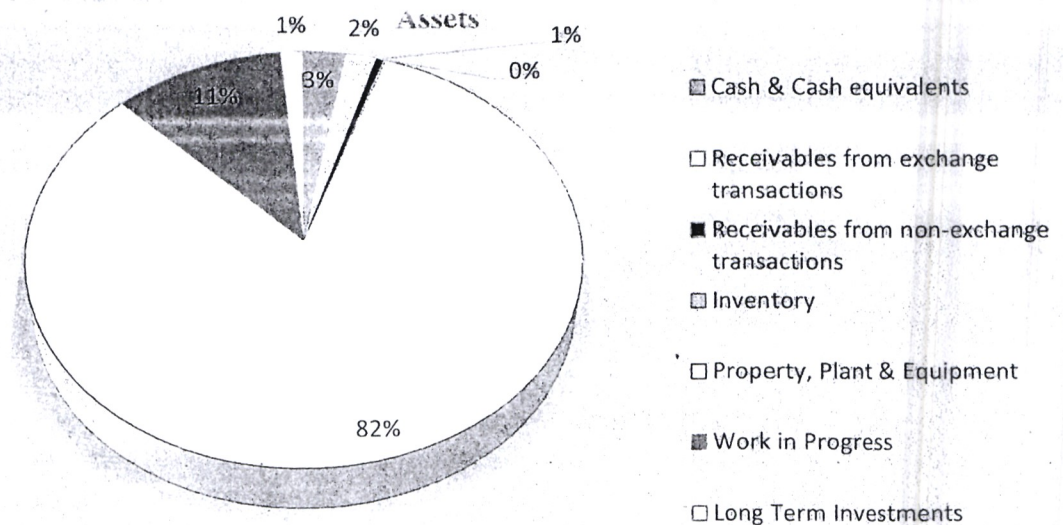
**Table 2: Financial Position Highlights**

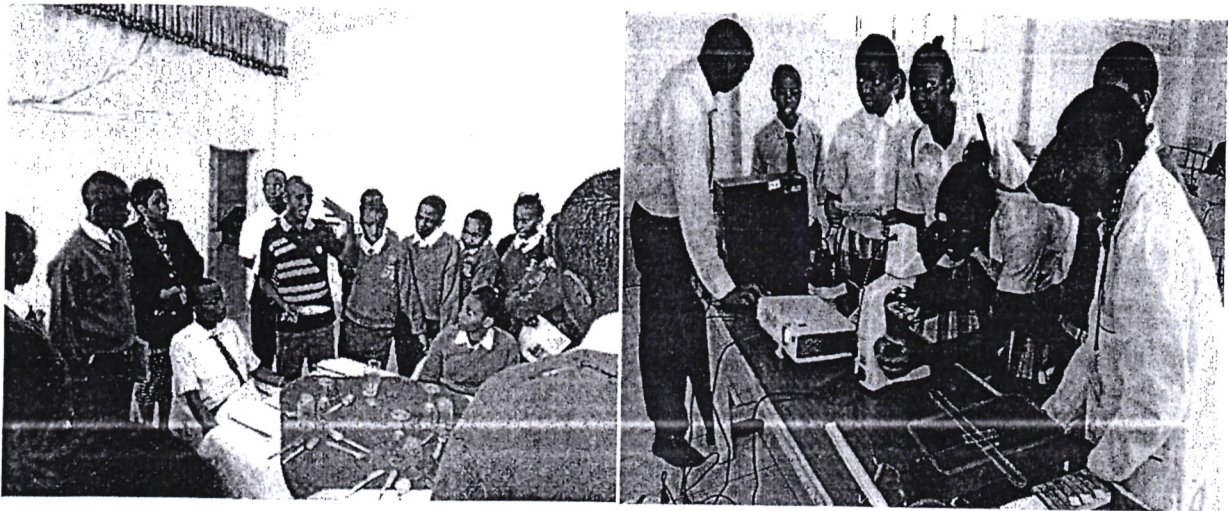
	2017/2018	2016 / 2017	Change in Income	
	Kshs	Kshs	Kshs	%
<b>Assets</b>				
Cash & Cash equivalents	47,518,678	129,112,392	(81,593,714)	-63%
Receivables from exchange transactions	32,113,958	26,786,166	5,327,791	20%
Receivables from non-exchange transactions	9,120,665	1,239,778	7,880,887	636%
Inventory	1,738,398	2,799,151	(1,060,754)	-38%
Property, Plant & Equipment	1,433,015,379	1,452,729,545	(19,714,166)	-1.4%
Work in Progress	190,256,483	112,982,712	77,273,770	68%
Long Term Investments	25,318,800	25,318,800	-	0%
<b>Total Assets</b>	<b>1,739,082,360</b>	<b>1,750,968,544</b>	<b>(11,886,185)</b>	<b>-1%</b>
<b>Liabilities</b>				
Payables from exchange transactions	182,999,394	104,769,252	78,230,142	75%
Payables from Non-exchange transactions	12,950,759.70	107,209,472	(94,258,712)	-88%
<b>Total Liabilities</b>	<b>195,950,154</b>	<b>211,978,724</b>	<b>(16,028,571)</b>	<b>-7.6 %</b>
<b>Net Assets</b>	<b>1,543,132,205</b>	<b>1,538,989,820</b>	<b>4,142,386</b>	<b>0.3%</b>

**i. Assets**

Figure 4 shows that assets comprised of property, plant and equipment (82%), work in progress (11%), cash and cash equivalents (3%), receivables from exchange transactions (2%), receivables from non-exchange transactions (1%), long-term Investments (1%) and Inventory (<1%).

**Figure 4: Composition of Assets during the 2017/18 FY**





*Students from various secondary schools at Murang'a University of Technology Career Day*

## **b. Health and Life Style**

### **i. International Condom Day**

HIV/AIDS and Drug abuse are global disasters and remain key impediment to future human resource capacity generation in realization of Vision 2030. A concerted effort is exerted by the University to ensure that the national policy to prevent increase in spread HIV through education is disseminated and socialized properly to University staff, students and the community. During the year, the University committed resources in supporting seminars and workshops geared towards addressing sexual behaviour, drugs and alcohol abuse and nutrition as part of literacy program. In addition, the University has included HIV/AIDS as a mandatory course in all the programmes.

Murang'a University of Technology hosted the 2018 International Condom Day celebrations which aimed at promoting safer sex awareness in a fun and creative way on 13<sup>th</sup> February, 2018. The event was organized by Murang'a University of Technology and the County Government of Murang'a in collaboration with Aids Health Foundation (AHF) and National Aids Control Council (NACC). The chief guest was the Vice Chancellor of Murang'a University of Technology, Prof. Dickson Nyariki. The theme of the event was '*condomize-usi-compromise*' which sought to promote the use of Condom as a means of preventing unwanted pregnancies and Sexually Transmitted Diseases (STDs). Some of the activities that occasioned the event included: Voluntary Counseling and Testing, Reproductive Health Services, Cancer Awareness, and TB Screening amongst others.

The main beneficiaries of the event were Murang'a University of Technology, Michuki Technical Institute and Murang'a County at large who received various services which include and not limited to VCT Services, Behaviour Change awareness, Reproductive health and TB screening. During the event, a total number of 597 were tested. Out of this, 350 were male and 247 females and a total number of 74,880 condoms were distributed.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Murang'a University of Technology aims to be a local leader in environmental and social responsibility issues. One of our Strategic Goals involves use of knowledge and resources to make a positive and decisive difference to people, organisations and the community. Universities Act No. 42 of 2012 (amended 2016) and Commission for University Education guidelines (CUE, 2014), state that a University shall engage in community service, which may include but not limited to extension, consultancies, public lectures, environmental conservation and promotion of cultural and social life of the society, and disseminate outcomes of research to the community. In order to achieve these objectives and functions, the University has established and developed linkages, extensions and community outreach framework to guide it in the establishment of linkages, extensions and community outreach programmes.

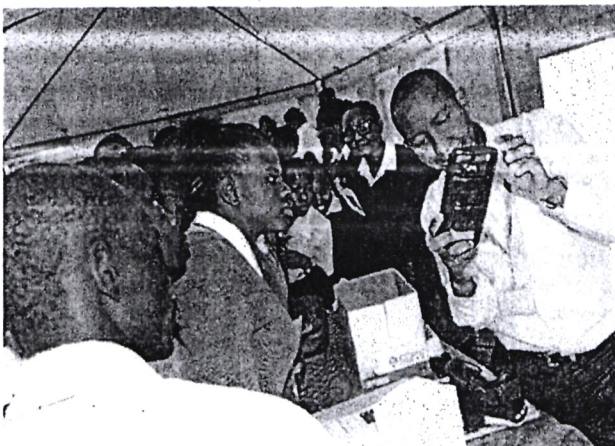
The University spearheaded CSR in the following areas:

### **a. Education and Research activities**

#### **Career Day**

The University relies on the effective interaction of staff to deliver excellent education and quality research to students as well as the local groups and organizations. The university has effectively funded students and staff to carry out research activities geared towards improving the society's wellbeing. The university has endeavoured to produce graduates who will make lifelong professions, social, and economic contributions to the organizations in which they work and the society.

The University hosted various secondary schools' students, teachers and members of the community in an inaugural Career Day that took place on 24th March 2018. The aim was to give Career guidance and showcase research outcomes using staff with expertise in various fields such as Engineering, Agriculture, Information Technology, Sciences, Business and Economics and Hospitality and Tourism. The other objective was to allow potential students interact with a University environment and get answers to pertinent questions they may have as they prepare for their next level of learning after high school. Below are some photographs that capture the Career day activities.



**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (continued)**

**ii. HIV & AIDS Sensitization and Education Forum**

The Aids Control Unit Committee of Murang'a University of Technology organized an HIV/AIDS Sensitization and Education Forum at Murang'a University of Technology. This was done in conjunction with the National AIDS Control Council (NACC) on 14<sup>th</sup> June, 2018 in the University Conference Hall where 65 out of targeted 80 members of staff were sensitized.

**iii. Peer Counsellors /Educators Training**

The training was organized by the University guidance and counselling office on 27<sup>th</sup> and 28<sup>th</sup> January, 2018. Call for applications was done and interviews were carried out where 32 out of 38 applicants (both staff and students) qualified for training. The facilitators for the two days training (Mr. George Warari and Mr. Samuel Githinji) were outsourced by the University.

**c. Environmental Activities**

**i. Tree Planting at Ndaka-ini Dam Water Catchment Area**

To be part of the Government's effort in combating climate change, the University has partnered with the local community to plant trees. During the year the University collaborated with Upper Tana Water Development Fund to provide 2,700 tree seedlings and together with Eco-Safi Carbon Sinking Programme the staff and students of MUT planted the seedlings.

The participants were sensitized on the importance of tree planting and tree growing. The facilitators' were the Deputy Vice Chancellor (Finance and Development), Dean School of Business and Economics and Ag. Director Linkages, Murang'a University of Technology, Ndaka-ini Dam Manager, Upper Tana Nairobi Water Fund Coordinator and the founder of Eco-Safi Carbon Sinking Programme. The University is following-up to ensure the planted trees that dry up are replaced.



MUT staff and students during tree planting at Ndaka-ini Dam water catchment area

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY  
REPORTING (continued)**

**ii. Town Cleaning**

The University in collaboration with the County Government of Murang'a and AMICA Sacco carried out cleaning activities geared towards promoting and maintaining a clean environment in Murang'a Town. The exercise took place on 9<sup>th</sup> March, 2018 and was flagged off by the Chief Guest, the Murang'a County First Lady, Madam Jane Waigwe Mwangi accompanied by the Vice Chancellor, Prof. Dickson Nyariki; CEC Environment, Ms. Cecilia Kibe and Amica CEO among other invited guests.

**d. Safety and Security**

The University carried out a Disaster and Emergency preparedness training to enlighten and encourage the staff and students to prepare for disaster and emergency which can strike at any time and have severe consequences on health and safety. During the training, areas of possible safety and threat in the University were identified and discussed at length. The participants were trained on emergency management tenets, preparedness and response, mitigation and recovery measures.



## REPORT OF THE COUNCIL

The Council submits its report together with the financial statements for the year ended June 30, 2018 which show the state of the University's affairs.

### Principal activities

The principal activities of MUT are to provide quality teaching, training, scholarship, innovation and research and consultancy services in Entrepreneurship, Science and Technology for Socio-economic Development in a dynamic world.

### Results

The results of Murang'a University of Technology for the year ended June 30, 2018 are set out on pages 1 to 8.

### Directors

The members of the Council who served during the year are shown on pages Vii to Viii. During the year, the term for the members representing the PS, State Department of University Education and Research (Mr. Paul M. Mwangi) and CS, The National Treasury (Peter M. Kamau) elapsed. Dr. Meshack Opwora was appointed to represent the PS, State Department of University Education and Research with effect from 4<sup>th</sup> June 2018.

### Auditors

The Auditor General is responsible for the statutory audit of Murang'a University of Technology in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Council



Prof. Dickson M. Nyariki, Ph.D.  
Vice-Chancellor / Council Secretary

Date 07.09.18



Prof. Joachim Osur, Ph.D.  
Council Chairman

Date 7/09/2018



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and sections 14 and 15 (1) of the State Corporations Act, CAP 446 require the Council to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for that year. The Councilmembers are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council members are also responsible for safeguarding the assets of the University.

The Council members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2018. 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The 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, 2018, and of the University's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The University's financial statements were approved by the Council on..... 2018 and signed on its behalf by:

\_\_\_\_\_  
Prof. Dickson M. Nyariki, Ph.D.  
Vice-Chancellor / Council Secretary

Date \_\_\_\_\_

\_\_\_\_\_  
Prof. Joachim Osur, Ph.D.  
Council Chairman

Date \_\_\_\_\_



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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON MURANG'A UNIVERSITY OF TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Murang'a University of Technology set out on pages 1 to 37, which comprise the statement of financial position at 30 June 2018, 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 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Murang'a University of Technology as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, No.12 of 2012 and Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1. Long Term Investments

Disclosed in Note 24 to the financial statements under long term investments is a balance of Kshs.25,318,800 relating to 126,594 shares held in Bamburi Cement. A review of documents held by the University revealed that the shares were registered in the names of trustees of Murang'a Technical College since inception. No explanation was given for delay or failure to transfer the shares in the name of the University.

In the circumstances, the accuracy and existence of the shares investment balance of Kshs.25,318,800 as at 30 June 2018 could not be confirmed.

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*Report of the Auditor-General on the Financial Statements of Murang'a University of Technology for the year ended 30 June 2018*

## **2. Receivables from Exchange Transactions**

### **2.1. Students' Debtors**

Disclosed in Note 20 to the financial statements is a net balance of Kshs.32,113,958 in respect of receivables from exchange transactions after provision for doubtful debts, out of which an amount of Kshs.26,123,401 relates to gross students' debtors. However, examination of student debtors' records revealed that an amount of Kshs.9,854,342 included in the gross students' debtors balance has been outstanding for long and the students owing the amount have since left the University. In addition, no effort appears to have been made by the management to recover these debts.

### **2.2. Long Outstanding Receivables**

Disclosed also under Note 20 to the financial statements are long outstanding receivables amounting to Kshs.4,504,322 in form of house rent debtors of Kshs.107,542, University pension scheme receivable of Kshs.2,198,781 and other debtors balance of Kshs.2,197,999. Records indicate that some of these debtors' date back to 2003, including dues owed by various tea factories and Government Ministries. It was not clear why these debts have taken long to be collected and no documentary evidence were provided for audit review on measures being taken to recover the debts.

As a result, the accuracy and recoverability of the receivables from exchange transactions net balance of Kshs.32,113,958 as at 30 June 2018 could not be confirmed.

## **3. Accounts Payables from Non-Exchange Transactions**

Disclosed in Note 26 to the financial statements is a balance of Kshs.12,950,760 in respect of accounts payables from non-exchange transactions. However, the balance is net of retention money negative balances totalling Kshs.7,787,647 relating to Kamukunji Technical Institute - Kshs.2,070,662 and Kandara Technical Institute - Kshs.5,716,985, which have not been explained.

Further, the retention money account includes opening balances amounting to Kshs.77,280,634 which were not supported with account statements and ledgers.

As a result, the accuracy and completeness of account payables from non-exchange transactions balance of Kshs.12,950,760 as at 30 June 2018 could not be confirmed.

## **4. Unauthorized Write-off of Collective Bargaining Agreement (CBA) Payables**

The payables from non-exchange transactions balance of Kshs.12,950,760 disclosed under Note 26 to the financial statements excludes an amount of Kshs.75,653,378 in respect of Collective Bargaining Agreement funds refundable. A review of records indicates that during the financial year 2012/2013, the University received

Kshs.98,400,000 from the Ministry of Education for Collective Bargaining Agreement (CBA) funding, which was to be refunded to the Ministry. An amount of Kshs.22,746,622 was later refunded leaving a balance of Kshs.75,653,378.

However, the University Council, through a meeting of 12 January 2018 wrote-off the payable without authority from the Ministry of Education, leading to understatement of liabilities owed by the University. The balance of Kshs.75,653,378 has instead been presented as a part of revenue from non-exchange transactions in the statement of financial performance for the year ended 30 June 2018. No explanation was provided for this anomaly.

#### **5. Failure to Disclose Material Uncertainty in Relation to Sustainability of Services**

During the financial year 2017/2018, the University recorded a deficit of Kshs.18,654,431 (2016/2017 – deficit of Kshs.101,302,289), which reduced further the accumulated reserves from Kshs.951,410,432 as at 30 June 2017 to Kshs.932,756,001 as at 30 June 2018. In addition, the University's current liabilities balance of Kshs.195,950,154 exceeded current assets balance of Kshs.90,491,698 resulting in a negative working capital of Kshs.105,458,456 as at 30 June 2018.

This precarious financial position is an indication of the existence of a material uncertainty which may cast a significant doubt on the University's ability to sustain its services and to meet its obligations as and when they fall due. The financial statements have been prepared on a going concern basis on the assumption that the University will continue to receive financial support from the Government and creditors. However, this material uncertainty in relation to sustainability of services and any mitigating measures put in place by the University management to reverse the undesirable precarious financial position have not been disclosed in the notes to the financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Murang'a University of Technology in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness

in Use of Public Resources sections, I have determined that there are no key audit matters to communicate in my report.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Recruitment of Staff**

Paragraph 1.2, Section 6 of the University's Human Resources Policy requires that all non-teaching vacancies in the University be advertised and candidates interviewed before appointment is done. However, contrary to this requirement, six employees who had been appointed on temporary basis were confirmed on permanent and pensionable terms after two years of service without subjecting the staff to competitive and transparent recruitment process. The University's management did not give satisfactory explanations for the failure to adhere to the recruitment process as stipulated in the Human Resource Policy.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, management is responsible for assessing the ability of Murang'a University of Technology to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with

Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

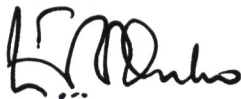
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Murang'a University of Technology to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**19 February 2019**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2017/ 2018 Kshs	2016 / 2017 Kshs
<b>Revenue from Non-Exchange Transactions</b>			
Exchequer Recurrent Grants	6	325,518,175	330,928,350
Exchequer CBA Grants	7	99,720,263	-
Amortization of granted assets during the year	8	7,378,184	7,378,184
CBA Funds Payable written off		75,653,378	-
<b>Total Revenue from non-exchange transactions</b>		<b>508,270,000</b>	<b>338,306,533</b>
<b>Revenue from Exchange Transactions</b>			
Tuition Income	9	166,328,897.00	136,843,800
Other Incomes	10	17,434,116.16	19,256,919
<b>Total Revenue from exchange transactions</b>		<b>183,763,013.16</b>	<b>156,100,719</b>
<b>Total Revenue (a)</b>		<b>692,033,012.76</b>	<b>494,407,252</b>
<b>Expenditure</b>			
Personnel Emoluments	11	419,508,172	360,421,796
CBA Expense		93,971,841	-
Board Expenses	12	10,501,251	10,056,794
Depreciation and Amortization	13	38,177,408	38,337,809
Students Welfare Expenses	14	13,525,303	17,929,735
Teaching/Academic Expenses	15	24,493,714	42,256,610
Repairs and Maintenance expenses		2,741,237	6,574,387
General Operating Expenses	16	107,488,108	119,949,586
Increase in Provision for Doubtful Debts	17	280,410	182,835
<b>Total Expenditure (b)</b>		<b>710,687,443</b>	<b>595,709,541</b>
<b>Surplus / Deficit for the Year (a-b)</b>		<b>(18,654,431)</b>	<b>(101,302,289)</b>

The notes set out on pages 9 to 39 form an integral part of these Financial Statements

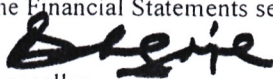
*Murang'a University of Technology*  
Annual Report and Financial Statements for the year ended June 30, 2018

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

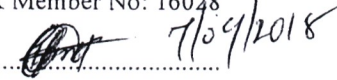
	Note	<u>2017/ 2018</u> Kshs	<u>2016 / 2017</u> Ksh.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash equivalents	18	47,518,678	129,112,392
Inventory	19	1,738,398	2,799,151
Receivables from exchange transactions	20	32,113,958	26,786,166
Receivables from non-exchange transactions	21	9,120,665	1,239,778
<b>Total Current Assets</b>		<b>90,491,698</b>	<b>159,937,487</b>
<b>Non- Current Assets</b>			
Property, Plant & Equipment	22	1,433,015,379	1,452,729,545
Work in Progress	23	190,256,483	112,982,712
Long Term Investment	24	25,318,800	25,318,800
<b>Total Non-Current Assets</b>		<b>1,648,590,662</b>	<b>1,591,031,057</b>
<b>Total Assets</b>		<b>1,739,082,360</b>	<b>1,750,968,544</b>
<b>Current Liabilities</b>			
Payables from exchange transactions	25	182,999,394	104,769,252
Payables from Non-exchange transactions	26	12,950,760	107,209,472
<b>Total Current Liabilities</b>		<b>195,950,154</b>	<b>211,978,724</b>
<b>Total Liabilities</b>		<b>195,950,154</b>	<b>211,978,724</b>
<b>Net Assets</b>		<b>1,543,132,205</b>	<b>1,538,989,820</b>
<b>Equity Funds &amp; Reserves</b>			
Accumulated Surplus		932,756,001	951,410,432
Deferred Development Grants	27	610,376,204	587,579,388
<b>Total Equity &amp; Reserves</b>		<b>1,543,132,205</b>	<b>1,538,989,820</b>
<b>Total Equity, Reserves &amp; Liability</b>		<b>1,739,082,359</b>	<b>1,750,968,544</b>

The notes set out on pages 9 to 39 form an integral part of these Financial Statements


The Financial Statements set out on pages 1 to 6 were signed on behalf of the Council by:

  
Vice Chancellor  
Prof. Dickson M. Nyariki, Ph.D.

Date: 07.09.18

  
Ag. Finance Officer  
CPA Gorret Kairuti Clement  
ICPAK Member No: 16028

Date: 7/09/2018

  
Chairman of the Council  
Prof. Joachim Osur, Ph.D.

Date: 7/09/2018



**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Accumulated Surplus Kshs	Development Grants Kshs	Total Accumulated Fund Kshs
<b>2016/17 FY</b>			
Balance at July 1, 2016	1,044,749,026	376,851,022	1,421,600,048
Surplus (deficit) for the Year	(101,302,289)	-	(101,302,289)
Deferred Development Grants for the Year		226,070,244	226,070,244
Less: Amortization of granted assets during the year	-	(7,378,184)	(7,378,184)
Prior years adjustment: Amortization of granted assets up to June 2016	7,963,694	(7,963,694)	-
<b>Balance as at June 30, 2017</b>	<b>951,410,432</b>	<b>587,579,388</b>	<b>1,538,989,820</b>
<b>2017/18 FY</b>			
Balance at July 1, 2017	951,410,432	587,579,388	1,538,989,820
Surplus (deficit) for the Year	(18,654,431)	-	(18,654,431)
Deferred Development Grants for the Year	-	30,175,000	30,175,000
Less: Amortization of granted assets during the year		(7,378,184)	(7,378,184)
<b>Balance as at June 30, 2018</b>	<b>932,756,000.97</b>	<b>610,376,204.35</b>	<b>1,543,132,205.32</b>

**Note:**

**Amortization of Granted Assets**

Amortization of Granted assets is calculated on straight line basis for fixed assets purchased or constructed through funding from development grants. In this case, amortization of granted assets relates to completed and capitalized Buildings which construction was funded by development grants.

**STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2017/ 2018 Kshs.	2016 / 2017 Kshs.
Surplus (deficit) for the Year		(18,654,431)	(101,302,289)
<b>Adjustments for Non-cash items in the Income Statement:</b>		-	-
Amortization of Deferred Development Grants income	8	(7,378,184)	(7,378,184)
Depreciation and Amortization charge for the year	13	38,177,408	38,337,809
Increase / decrease in provision for doubtful debts	17	-	-
		<b>12,144,793</b>	<b>(70,342,664)</b>
<b>Working Capital Adjustments</b>		-	-
Decrease / (Increase) in receivables from exchange transactions		(5,327,791)	530,382
Decrease / (Increase) in receivables from non-exchange transactions		(7,880,887)	23,955,887
Decrease / (Increase) in Inventory		1,060,754	459,073
Increase in Payables from exchange transactions		78,230,142	40,046,489
Decrease in Payables from non-exchange transactions		(94,258,712)	6,095,009
<b>Net cash flows used in Operating Activities (a)</b>		<b>(16,031,702)</b>	<b>744,176</b>
<b>Cash flows from Investing Activities</b>			
Increase in Property, Plant & Equipment	22	(18,463,242)	(112,950,408)
Increase in Work in Progress	23	(77,273,770)	(56,541,948)
<b>Net cash flows used in Investing activities (b)</b>		<b>(95,737,012)</b>	<b>(169,492,356)</b>
<b>Cash flows from Financing Activities</b>			
Development Grants	27	30,175,000	226,070,244
<b>Net cash flows used in Financing Activities ( c)</b>		<b>30,175,000</b>	<b>226,070,244</b>
<b>Net increase/(decrease) in cash and cash equivalents (a+b+c)</b>		<b>(81,593,713)</b>	<b>57,322,064</b>
Cash and cash equivalents balance brought Forward	18	129,112,392	71,790,327
<b>Cash and cash equivalents at 30 June 2018</b>		<b>47,518,678</b>	<b>129,112,391</b>

**Note:**

- Statement of Cash flow has been prepared using the indirect method of presentation.
- Net cash flows used in operating activities was negative 16.03M during the year. This was attributed to increase in receivables from exchange transactions by 5.33M (mainly due to increase in students' debtors by 3.68M and imprest debtors by 1.92M) and receivables from non-exchange transactions (development grants receivable by 7.88M). In addition, payables from exchange transactions increased positively by 78.23M (mainly due to increase in students related payables by 5.62M, net pay by 24.87, MRUC pension scheme 22.98M, external research fund 16.18M and provision for General expenses by 8.57M. However, the positive change in payables from exchange transactions was eroded by a decline in payables non-exchange transactions of 94.23M mainly attributable to CBA funds payable written off (75.65M) and, decline in Kamukunji TTI (9.05M) and Kandara TTI (9.18M fund payables.
- Net cash flows used in investing activities was negative 95.74M due to acquisition of property, plant and equipment (18.46M) and payment of construction work in progress (77.27M).
- Cash flow from financing activities was positive due development grants during the year.

The notes set out on pages 9 to 39 form an integral part of these Financial Statements

*Murang'a University of Technology*  
 Annual Report and Financial Statements for the year ended June 30, 2018

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
 FOR THE YEAR ENDED 30 JUNE 2018**

	2017/2018				Actual	Performance Difference
	Original Budget Kshs	Adjustment Budget Kshs	Final Budget Kshs	on Comparable Basis on Comparable Basis Kshs	Final Budget vs Actual Kshs	%
<b>I. RECURRENT BUDGET</b>						
<b>A INCOME</b>						
Revenue from Non-exchange Transactions						
Exchequer Recurrent Grants	298,516,732	-	298,516,732	325,518,175	27,001,443	9%
Exchequer CBA Grants	-	-	-	99,720,263	99,720,263	-
Total Revenue from Non-exchange Transactions	298,516,732	-	298,516,732	425,238,438	126,721,706	42%
Revenue from Exchange Transactions						
Tuition income and tuition related	202,400,000	-	202,400,000	166,328,897	(36,071,103)	-18%
Other Incomes	15,000,000	-	15,000,000	17,434,116	2,434,116	16%
Total Revenue from Exchange Transactions	217,400,000	-	217,400,000	183,763,013	(33,636,987)	-15%
Total Income	515,916,732	-	515,916,732	609,001,451	93,084,719	18%
<b>B EXPENDITURE</b>						
Recurrent Expenditure						
Personnel Emoluments	458,000,000	-	458,000,000	419,508,172	38,491,828	8%
CIA Expense				93,971,841	(93,971,841)	-
Board Expenses	15,000,000	-	15,000,000	10,501,251	4,498,749	30%
Students Welfare expenses	28,000,000	1,700,000	29,700,000	13,525,303	16,174,697	54%
Teaching/Academic Expenses	44,000,000	-	44,000,000	24,493,714	19,506,286	44%
Repairs & Maintenance	8,000,000	(1,100,000)	6,900,000	2,741,237	4,158,763	60%
General Operating Expenses	178,500,000	(600,000)	177,900,000	107,488,108	70,411,892	40%
Total Recurrent Expenditure	731,500,000	-	731,500,000	672,229,626	59,270,374	8%
Surplus/Deficit (A-B)	(215,583,268)	-	(215,583,268)	(63,228,175)	33,814,345	

**Mu'ang'a University of Technology**  
**Annual Report and Financial Statements for the year ended June 30, 2018**

2017/2018

	Original Budget Kshs	Adjustment Budget Kshs	Final Budget Kshs	Actual on Comparable Basis Kshs	Performance Difference Final Budget vs Actual Kshs	Performance Difference %
<b>C. CAPITAL EXPENDITURE</b>						
Purchase of Plant and Equipment	3,500,000	-	3,500,000	617,386	2,882,614	82%
Purchase of Teaching Equipment	5,000,000	-	5,000,000	652,540	4,347,460	87%
Purchase of Furniture and Fittings	10,000,000	-	10,000,000	1,084,109	8,915,891	89%
Purchase of Computers and networking	7,500,000	-	7,500,000	1,167,207	6,332,793	84%
Telephone infrastructure	6,000,000	-	6,000,000	-	6,000,000	100%
Motor Vehicles	19,000,000	-	19,000,000	14,942,000	4,058,000	21%
ERP and teaching Software	15,000,000	-	15,000,000	2,209,525	12,790,475	85%
<b>Total Capital Expenditures</b>	<b>66,000,000</b>	<b>-</b>	<b>66,000,000</b>	<b>20,672,767</b>	<b>45,327,233</b>	<b>69%</b>
<b>Total Expenditure</b>	<b>797,500,000</b>	<b>-</b>	<b>797,500,000</b>	<b>692,902,393</b>	<b>104,597,607</b>	<b>13%</b>

**2. DEVELOPMENT BUDGET**

	Original Budget Kshs	Adjustment Budget Kshs	Final Budget Kshs	Actual on Comparable Basis Kshs	Performance Difference Final Budget vs Actual Kshs	Performance Difference %
<b>D. SOURCE OF FUNDS</b>						
Exchequer Development Grants	170,000,000	(139,825,000)	30,175,000	21,250,000	(8,925,000)	-30%
<b>E. Development Expenditure</b>						
Hotel Phase 1 Wing 2	80,000,000	-	80,000,000	24,700,449	55,299,551	69%
Hotel Block Phase 3	80,000,000	-	80,000,000	33,019,529	46,980,471	59%
Tuition Block-Phase 2	-	-	-	2,544,225	(2,544,225)	-
Road works and sports field	-	-	-	2,431,868	(2,431,868)	-
Per meter wall	-	-	-	12,368,175	(12,368,175)	-
Science Complex Phase 1	80,000,000	-	80,000,000	-	80,000,000	100%
Asbestos Removal	10,000,000	-	10,000,000	-	10,000,000	100%
<b>Total Development Expenditure</b>	<b>250,000,000.0</b>	<b>-</b>	<b>250,000,000.0</b>	<b>75,064,245.3</b>	<b>174,935,754.8</b>	<b>70%</b>

## Budget Notes

### 1. Budget Adjustment

#### i. General operating expenses

The University outsources security services to boost security. The prior contract with security provider expired in the month of August 2017 and a new contract was signed in which the contract price was higher than the previous contract. At this time of the contract, the budget process for 2017/18 FY had already been completed; hence, the additional cost of outsourced security services had not been factored in the budget. This resulted to borrowing of 2.00M from travel and subsistence vote head to support hiring of security services.

In addition, the University signed a new contract for outsourced cleaning services. The contract price was as well higher than the previous contract resulting to an additional cost that was not factored in the budget since the budget process had been completed. Consequently, for sustained normal operations of the University, Kshs.1.10M was borrowed from travel and subsistence vote head. The adjustment was therefore as a result of vote head budget re-allocations.

#### ii. Student Welfare expenses

Kshs. 0.60M and Kshs.1.10M was borrowed from general operating expenses (travel and subsistence) and repairs and maintenance vote heads respectively to support additional cost of Kshs.1.70M for students' placement payments to KUCCPS. The adjustment was therefore as a result of vote head budget re-allocations.

### 2. Explanation of Variances

#### a. Revenue from non-exchange transactions

##### Exchequer Recurrent Grants

Included in Recurrent Grants for the year is an amount of Kshs.27,001,443 (3,857,349 \* 7 months) relating to an additional grant from the Government of Kenya to cater for basic salaries and house allowances increment that arose from 2013-2017 CBA implementation. Since the amounts were not budgeted for during the period, the actual recurrent grants were higher than budget expectations hence resulted in a favourable variance. A positive cumulative variance of 42% for total revenue from non-exchange transactions is as a result of Kshs.99,720,263 received with respect to 2013-2017 CE arrears which were not expected at the time the budget was prepared. A comparable amount was paid out to employees as CBA arrears expense.

#### b. Revenue from Exchange Transactions

Tuition and Tuition related Income had unfavourable variance of 18%. Revenues especially from self-sponsored programmes significantly reduced due to low number of student enrolment during the year. Student enrolment into Universities was adversely affected by poor performance of students in KCSE which reduced the number of students qualifying to join University.

Other income recorded a favourable variance of 16% due to increase in Sales from MUT Workshops services and Income from disposal of assets which was not expected during the year.

#### c. Expenditure

CBA expense of Kshs.93.97M was paid during the year. After 2013/17 CBA negotiations were successfully completed, the basic salaries and house allowances increased a situation that was not presumed during budgeting process

Board expenses were estimated to be high during the year. This is because 2018 graduation ceremony

was expected to take place in July 2018. Therefore, board meetings for preparations of the graduation ceremony were expected to be held during the last quarter of 2017/18 FY. However, the 2018 graduation ceremony will take place in August 2018; hence most of the Board meetings will now be held in the first quarter of 2018/19 FY.

The University resources have become more constrained and the Management is making inevitable cost-cutting efforts to manage the limited resources and budget deficit without affecting the quality of its core services. As a result, the actual expenses for students' welfare expenses, teaching/academic expenses, repairs and maintenance, and general operating expenses were lower than expected during the year.

For the similar reason stated above, all capital expenditure items fell far below the expectations except for telephone infrastructure which delivery and installation of office telephones (IP-PBX) for office communication was done but invoice was to be raised within 90 days after commissioning. The commissioning was done in July 2018 after the closure of financial year.

#### **d. Development Budget**

Approved estimates for Development grants were Kshs.170M. However, the Government revised the approved estimates for development grants to Kshs.30.175M, a reduction of Kshs.139.825M. Only, Kshs.21.25M of the revised approved estimate for development grants was received during the year. This slowed construction of projects during the year.

### **3. Reconciliation of difference between Statement of Comparison of Budget and Actual Amounts and Finance Performance**

<b>Reconciliation of Statement of Budget Comparison and the Statement Financial Performance</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Actual on Comparable Basis as per Recurrent Budget in the Statement of Budget Comparison</b>		
Surplus/Deficit during the year		(63,228,174.97)
<b>Add:</b>		
Non-cash income in the Financial Performance not in Statement of Budget comparison		
Amortization of granted assets during the year		
CBA Funds Payable written off		83,031,561.85
<b>Less:</b>		
<b>Non-cash expenses in the Financial Performance not in Statement of Budget comparison</b>		
Depreciation and Amortization	(38,177,407.51)	
Increase in Provision for Doubtful Debts	(280,410.06)	(38,457,817.57)
<b>Surplus / Deficit for the year as per the Statement of Financial Performance</b>		<b>(18,654,430.69)</b>

Amortization of granted assets relates to straight line amortization of completed and capitalized buildings which construction was funded by development grants.

The CBA funds written off relate to CBA grants owed amounting to Kshs.75,653,378 which were written off and recognized as income during the year.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

Murang'a University of Technology is established by and derives its authority and accountability from Universities Act. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is to provide quality teaching, training, scholarship, entrepreneurship, innovation and research, and consultancy services.

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 13.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and Universities Act, and International Public Sector Accounting Standards (IPSAS).

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted have been consistently applied to all the years presented.

#### **a. Revenue recognition**

Generally, revenue is recognized when it can be reliably measured; when the inflow of future economic benefits is probable and when specific criteria have been met. There are two categories of revenue namely revenue from exchange non-transactions and revenue from exchange transactions.

#### **i. Revenue from non-exchange transactions**

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

#### **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 entity and can be measured reliably.

Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Fines and Penalties**

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

**ii. Revenue from exchange transactions**

Exchange transactions are those in which university sells goods or provides services in exchange of a consideration.

***Rendering of services***

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

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

***Sale of goods***

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

**Dividends**

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

**Rental income**

Rent income arising from students accommodates in the hostels and staff members who occupy University's houses, is recognized when the event occurs and the revenue recognition criterion is met.

**b. Property, plant and equipment**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

All other assets are depreciated using straight line method and the applicable rates by asset class are as follows:

<b>Asset Class</b>	<b>Percentage Depreciation Rate</b>
Buildings	2%
Plant and Equipment	10%
Office Equipment	10%
Teaching Equipment	30%
Furniture and Fittings	10%
Motor vehicles	20%
Computer hardware and Computer peripherals	30%

Freehold land is not depreciated as it is deemed to have an infinite life.

**c. Intangible assets – IPSAS 31**

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

Computer software is amortized on straight line basis at the rate of 30%.

**d. Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity 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.

**e. Financial instruments**

***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 Entity determines the classification of its financial assets at initial recognition.

***Loans and receivables***

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

***Held-to-maturity***

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

***Impairment of financial assets***

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

***Impairment of financial assets (Continued)***

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

***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.

**f. Inventories**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

**g. Provisions**

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

***Contingent assets***

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**h. Nature and purpose of reserves**

The University creates and maintains reserves in terms of specific requirements.

Nature of Reserves	Purpose of the Reserves
1 Capital Fund	This was the initial capital for the University which should grow through annual surpluses from operations. However, the deficit from the statement of financial performance has resulted to the reduction of the fund.
2 Development Grants	This caters for the annual development capitation that the University receives from the Government. The development projects once completed are amortized as they continue being used.
3 Accumulated Fund	This is the sum of the total funds of the University comprising of the capital, revaluation reserves and development grants.

**i. Employee benefits**

The University provides a defined contribution retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The University maintains a defined contribution plan whereby the employee contributes 10% of basic pay and University contributes 20% of employee's basic pay. The pension scheme is registered with independent trustees.

**j. Foreign currency transaction**

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

**k. Related parties**

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. Government of Kenya, Members of key management are regarded as related parties and comprise the Council, the Vice Chancellor and University Management Board members.

**l. Cash and cash equivalents**

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

**m. Budget information**

The original budget for 2017-2018 FY was approved by the Council. Subsequent re-allocations or virement were made to the approved budget in accordance with specific approvals from the University Council. The virement are adjusted to the original budget by the University upon receiving the respective approvals in order to conclude the final budget.

The University's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 8 of these financial statements.

**n. Taxes**

The Income Tax Act, 2012 provides a provision for the exemption of the income of certain entities upon satisfying the criterion that; it is established solely for purposes of the relief of poverty or distress of the public; or it is established for the advancement of religion or education. This is upon satisfying the commissioner that the income is to be expended either in Kenya or in circumstances in which the expenditure of that income is for purposes which result in the benefit of the residents of Kenya.

Murang'a University is a public institution of higher learning, established under the Universities Act No. 42 of 2012. By the nature of its establishment and operations, the University is a public entity that is not subject to income tax. The University does not engage in any unrelated trade or business, and is exempted from taxation under the first schedule section 10 of the income tax Act Cap 470. Therefore, no income taxes have been reported in the University's financial statements. Consequently, no provision for income taxes is required.

**o. Comparative figures**

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

**p. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

**4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

future periods.

### Estimates and assumptions

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

### Useful lives and residual values

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

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

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 17.

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. It is a University policy to make a provision for doubtful debts at 5% of the total receivables except receivables from Government grants.

## 5. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognized in capital fund. Kshs	Total grant income during the year 2017-18 Kshs
State Department of Education and Research	325,518,175	-	21,250,000	346,768,175
State Department of Education and Research	99,720,263	-	-	99,720,263
<b>Total</b>	<b>425,238,438</b>	<b>-</b>	<b>21,250,000</b>	<b>446,488,438</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 6. EXCHEQUER RECURRENT GRANTS

**Recurrent Grants for the financial year 2017/2018**

Month in which Grants relates	Parent Ministry	Kshs.
Jul-17	Ministry of Education	24,876,394
Aug-17	Ministry of Education	24,876,394
Sep-17	Ministry of Education	24,876,394
Oct-17	Ministry of Education	24,876,394
Nov-17	Ministry of Education	24,876,394
Dec-17	Ministry of Education	28,733,743
Jan-18	Ministry of Education	28,733,743
Feb-18	Ministry of Education	28,733,743
Mar-18	Ministry of Education	28,733,743
Apr-18	Ministry of Education	28,733,743
May-18	Ministry of Education	28,733,743
Jun-18	Ministry of Education	28,733,747

**Total exchequer recurrent grants for the year** **325,518,175**

**Recurrent Grants for the financial year 2016/2017**

	Parent Ministry	Kshs.
10-Aug-16	Ministry of Education	27,577,363
26-Aug-16	Ministry of Education	52,773,027
30-Sep-16	Ministry of Education	2,381,699
9-Nov-16	Ministry of Education	55,154,725
13-Dec-16	Ministry of Education	27,577,362
9-Feb-17	Ministry of Education	27,577,362
15-Mar-17	Ministry of Education	55,154,726
2-May-17	Ministry of Education	27,577,362
2-Jun-17	Ministry of Education	27,577,362
27-Jun-17	Ministry of Education	27,577,363

**Total Exchequer Recurrent Grants for the year 2016-17** **330,928,350**

**Note:** From December 2017, the recurrent grants increased to cater for increase in basic salaries and house allowance after 2013/17 CBA negotiations were completed and implemented.

## 7. EXCHEQUER CBA GRANTS

Description	2017 / 2018 Kshs
July 2013-June 2017 CBA Arrears	80,433,516
July 2017 to Nov 2017 CBA Arrears	19,286,746
<b>Total Exchequer CBA Grants</b>	<b>99,720,263</b>

### 8. AMORTIZATION OF GRANTED ASSETS

Description	2017 / 2018	2016 / 2017
	Kshs	Kshs
Capitalized granted assets	368,909,192	368,909,192
<b>Amortization:</b>		
2% of Capitalized granted assets	7,378,184	7,378,184
Prior years' adjustment (2% of Capitalized granted assets up to June 30, 2016)	-	7,963,694

**Note:** Amortization is based on straight line method and the 2% rate applicable is the depreciation rate of buildings.

### 9. TUITION INCOME AND TUITION RELATED

Description	2017 / 2018	2016 / 2017
	Kshs	Kshs
Tuition Fees	88,727,147.00	80,228,023
Registration fees	2,718,020.00	2,034,857
Medical fees	11,965,156	9,073,101
Internal Examination	20,810,163	15,463,860
University ID card	733,100	714,990
Activity fees	4,674,530	3,540,460
Internet fees	5,738,400	4,213,040
Computer fees	7,423,743	5,634,585
CUE Quality Assurance	1,421,000	1,321,000
KUCCPS Placement Fee	1,930,100	1,504,500
Industrial Attachment Fees	6,809,960	5,176,250
Examinations Materials Fee	2,800	1,400
Application fees	456,500	492,630
Fines & penalties	21,269	50,099
Students Damages/Surcharges	63,570	2,400
Graduation fee	2,674,403	250,000
Library fees	9,399,036	7,142,605
Thesis Supervision fee	760,000	-
<b>Total Tuition and tuition related Income</b>	<b>166,328,897</b>	<b>136,843,800</b>

### 10. OTHER INCOMES

Description	2017 / 2018	2016 / 2017
	Kshs	Kshs
Accommodation/Hostel Fees	4,758,760	4,524,000
Rent Income	323,000	256,000
Sale of Tender Documents	4,800	20,000
Students Administration Fees	48,006	-
Sale of Food & Beverages - Students' Cafeteria	4,088,249	5,937,574
Sale of Food & Beverages - Staff Cafeteria	1,753,045	1,902,670
Sale of Food & Beverages - Hospitality & Tourism cafeteria	16,350	35,633

Description	2017 / 2018	2016 / 2017
	Kshs	Kshs
Hire of Facilities - MUT Services	267,240	67,950
Miscellaneous Incomes	713,259	3,133,855
Administration Fees	173,114	160,009
Sales - MUT workshops services	4,643,008	3,165,541
Income from disposal of assets	645,285	
Hire of Facilities -General	-	29,600
Bookshop Sales - MUT Workshops Services	-	17,438
Farm sales - MUT services	-	6,650
<b>Total Other Incomes</b>	<b>17,434,116</b>	<b>19,256,919</b>

**11. PERSONNEL EMOLUMENTS**

Description	2017 / 2018	2016 / 2017
	Kshs	Kshs
Basic Salaries	193,378,059	158,806,325
House Allowance	100,348,375	93,883,863
MUT Pension Scheme Employer Contribution	28,761,929	24,767,403
Responsibility Allowance	4,703,113	3,270,601
Telephone Allowance	3,365,399	2,744,774
Acting Allowance	998,182	1,931,676
Special Duty Allowance	188,418	155,369
Management Allowance	22,475,318	18,775,464
BOG and Other Gratuities	7,924,580	7,191,671
Leave Travel Allowance	2,137,036	2,007,700
Commuter Allowance	18,918,109	17,837,841
Car Allowance	12,146,691	12,292,231
Non-use of Official Car	840,000	1,071,000
Entertainment Allowance	5,253,301	3,894,111
Electricity and Water Benefit Allowance	3,130,184	2,363,933
Passage and Baggage Allowance	414,928	154,774
Domestic Workers Allowance	827,231	2,069,866
Risk Allowance	126,000	126,000
Extraneous Allowance	3,151,821	2,868,252
Coordinating Allowance	787,434	895,032
Research Allowance	460,000	160,000
Book Allowance	300,000	60,000
Non-Practice Allowance	180,000	180,000
Council Secretariat Allowance	264,000	264,000
Professorial Allowance	1,493,000	1,082,263
NSSF Employers Contribution-expense	324,500	-
Academic Allowance	1,131,177	-
Security Allowances	439,677	-
Gratuity & Other Pensions Employer Contribution	3,186,753	1,567,224
National Industrial Training Authority charges	282,641	-

*Murang'a University of Technology*

Annual Report and Financial Statements for the year ended June 30, 2018

Description	2017 / 2018 Kshs	2016 / 2017 Kshs
Health Service Allowance	720,000	-
Emergency Call Allowance	60,000	-
Adjunct Lecturers Lump-sum Salary	767,816	-
Stipend for Interns	22,500	-
<b>Total Personnel Emoluments</b>	<b>419,508,172</b>	<b>360,421,796</b>

**12. BOARD EXPENSES**

Description	2017 / 2018 Kshs	2016 / 2017 Kshs
Council Expenses	8,429,754	10,056,794
Chancellor Expenses	2,071,498	-
<b>Total Board Expenses</b>	<b>10,501,251</b>	<b>10,056,794</b>

**13. DEPRECIATION AND AMORTIZATION**

Description	2017 / 2018 Kshs	2016 / 2017 Kshs
Buildings	15,831,782	15,831,782
Plant & Equipment	3,515,690	3,453,951
Office Equipment	804,240	804,240
Teaching Equipment	2,064,883	1,869,121
Furniture & Fittings	2,892,712	2,784,301
Motor Vehicles	9,394,866	6,406,466
Computer Hardware and Networking	3,673,235	7,187,948
<b>Total Depreciation &amp; Amortization</b>	<b>38,177,408</b>	<b>38,337,809</b>

**14. STUDENT WELFARE EXPENSES**

Description	2017 / 2018 Kshs	2016 / 2017 Kshs
Purchase of Gas, Charcoal and firewood	191,900	1,321,877
Purchase of Foodstuff	6,758,882	9,567,844
Purchase of Utensils and cutlery	22,000	523,009
Sports Activities	2,066,462	2,539,058
Students Work Study	492,696	147,336
Students Placement Charges	3,547,000	2,833,500
Purchase of Drugs & other Health unit	446,363	997,111
<b>Total Students Welfare expenses</b>	<b>13,525,303</b>	<b>17,929,735</b>

**15. TEACHING /ACADEMIC EXPENSES**

Description	2017 / 2018 Kshs	2016 / 2017 Kshs
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Purchase of Teaching Materials	813,225	1,601,592
Curriculum and Development	385,132	1,835,863
Academic Trips	61,030	2,700
Part-Time Teaching Costs	20,038,500	35,314,984
Examination Materials	1,295,436	1,371,147
External Examiners	1,074,100	667,165
Industrial Attachment Expenses	826,290	1,463,159
<b>Total Teaching/Academic Expenses</b>	<b>24,493,714</b>	<b>42,256,610</b>

**16. GENERAL OPERATING EXPENSES**

<b>Description</b>	<b>2017 / 2018</b>	<b>2016 / 2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Travel & Subsistence	7,311,093	15,769,754
Fuel & Oils for Motor Vehicles	2,145,937	2,160,600
Maintenance of Vehicles	1,149,918	1,388,679
Vehicle Insurance	994,093	782,385
Office Stationery	2,016,725	4,700,512
Printing & Publishing	317,425	725,810
Advertising and Publicity	1,822,220	2,381,361
Research & Development	192,900	1,033,680
Marketing Activities	360,071	260,940
Expenses of Board and Committees	852,920	569,720
Governance Expenses	4,476,683	2,169,606
Conferences	507,337	667,777
Staff Development, Seminars & Workshop	1,091,823	388,400
Seminars & Workshops	-	378,640
Staff Welfare Expenses	117,389	281,230
Staff Medical Expenses	24,000,000	21,815,836
Benevolent Expense	193,865	35,000
Professional Subscription	4,500	-
Purchase of Uniforms	123,110	107,870
Consultancy and Professional Services	61,850	94,800
Telephone & Postage Expenses	165,854	437,321
Internet Charges	6,595,290	4,890,536
Books, Journals and Magazines	970,013	5,551,946
ISO & SP Expenses	1,180,585	4,291,573
Bank Charges	85,744	177,803
Electricity Expenses	4,521,441	4,742,533
Water and Conservancy	6,727,528	6,700,425
Cleaning and Fumigation	11,152,512	11,061,015
Tender and Procurement expenses	-	370,028
Software License Renewal	-	457,855
Hire of Security Services	11,988,300	7,772,190
Casual Wages	2,588,690	1,825,830
Branding	15,150	350,204
Inauguration Expenses	-	3,351,172

*Murang'a University of Technology*  
Annual Report and Financial Statements for the year ended June 30, 2018

Description	2017 / 2018	2016 / 2017
	Kshs	Kshs
linkages Expenses	122,034	20,000
Workshops unit expenses	1,228,860	4,171,247
Legal Fees	128,600	-
General Insurance	490,797	1,029,967
Corporate Social Responsibility Donations	267,076	141,794
Inauguration and Graduation Expenses	8,143,951	3,995,689
Shows & Exhibitions	497,230	949,794
WIBA	1,491,396	1,251,920
Chancellor Expenses	2,071,498	-
Staff and Dependents' Tuition Fees waiver	691,200	-
Audit Fees	696,000	696,000
<b>Total General Operating Expenses</b>	<b>107,488,108</b>	<b>119,949,580</b>

#### 17. PROVISIONS FOR DOUBTFUL DEBTS

Description	2017 / 2018	2016 / 2017
	Kshs	Kshs
Balb/f 1st July	1,409,799	1,226,964
Increase /(Decrease) in provision during the period	280,410	182,835
<b>Balance as at 30th June</b>	<b>1,690,209</b>	<b>1,409,799</b>

#### 18. CASH & CASH EQUIVALENTS

Description	2017 / 2018	2016 / 2017
	Kshs	Kshs
KCB Collection Account -1107198356	13,763,552	94,560,617
KCB Paying Account -1142192814	2,542,113	7,925,731
Equity Enterprise Account -0290131328	5,538,970	2,423,484
Equity Collection Account-0220273636188	8,796,831	-
KCB Kamukunji TTI Project-1178472396	2,211,127	10,289,369
KCB Kandara TTI Project-1178627896	283,375	7,572,788
KCB Gatanga TTI Project- 1167683390	955,453	6,340,951
Co-operative Bank Research Fund Account No.01141573999200	13,427,257	-
Cash in Hand - KCB	-	(51)
Cash in Hand - Equity	-	(1)
Cash in Hand - Float	-	(497)
<b>Total Cash &amp; Cash Equivalents</b>	<b>47,518,678</b>	<b>129,112,392</b>

**Note:** All the cash at bank were in Current accounts held with Kenya Commercial Bank, Equity bank and Cooperative Bank of Kenya as shown in Note 18 as shown above.

#### 19. INVENTORY

Description	2017 / 2018	2016 / 2017
	Kshs	Kshs
Central Stores- Stationery	741,876	1,125,250

*Murang'a University of Technology*

**Annual Report and Financial Statements for the year ended June 30, 2018**

<b>Description</b>	<b>2017 / 2018</b>	<b>2016 / 2017</b>
	<b>Kshs</b>	<b>Ksh</b>
Maintenance department	124,830	56,095
Catering /hospitality department	45,057	270,288
Electrical department	153,718	228,511
House Keeping /Accommodation department	32,035	81,212
Health Unit department	640,882	1,037,795
<b>Total Inventory</b>	<b>1,738,398</b>	<b>2,799,151</b>

**20. RECEIVABLE FROM EXCHANGE TRANSACTIONS**

<b>Description</b>	<b>2017 / 2018</b>	<b>2016 / 2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Students Debtors	26,123,401	22,438,573
House Rent Debtors	107,542	107,542
Imprest Debtors	3,176,443	1,253,000
MRUC Pension Scheme Receivable	2,198,781	2,198,781
Other Debtors	2,197,999	2,197,999
<b>Total Receivables from Exchange Transactions</b>	<b>33,804,166</b>	<b>28,195,965</b>
Less: Impairment/Provision for Doubtful Debts	(1,690,208)	(1,409,798)
<b>Net Receivables from Exchange Transactions</b>	<b>32,113,958</b>	<b>26,786,166</b>

**21. RECEIVABLE FROM NON -EXCHANGE TRANSACTIONS**

<b>Description</b>	<b>2017 / 2018</b>	<b>2016 / 2017</b>
	<b>Kshs</b>	<b>Ksh</b>
Recurrent Grant Receivable	195,665	195,665
Development Grants Receivable	8,925,000	1,044,113
<b>Total Receivable from Non-exchange transactions</b>	<b>9,120,665</b>	<b>1,239,778</b>

*Murang'a University of Technology*  
Annual Report and Financial Statements for the year ended June 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**22. PROPERTY, PLANT & EQUIPMENT**

Particulars	Free-Hold Land	Buildings	Plant & Equipment	Office Equipment	Teaching Equipment	Furniture & Fittings	Motor Vehicle	Computers & Networking	Totals
RATES	-	0.02	0.10	0.10	0.30	0.10	0.20	0.30	
FY 2016/2017									
COST									
Cost/Value at Bal. b/f 1 July 2016	650,000,000	696,129,758	32,389,883	8,042,395	2,632,545	21,594,198	32,032,330	18,465,065	1,461,286,173
Additions during the year	-	95,459,346	2,149,627	-	3,597,858	6,248,815	-	5,494,761.92	112,950,408
W.I.P Capitalized during the year	-	-	-	-	-	-	-	-	-
Cost/Value Bal c/d at 30 June 2017	650,000,000	791,589,104	34,539,510	8,042,395	6,230,403	27,843,012	32,032,330	23,959,827	1,574,236,581
ACCUMULATED DEPRECIATION									
Acc. Dep. Bal. b/f 1 July 2016	-	33,324,488	8,476,789	2,412,720	789,764	5,467,685	18,431,932	14,265,850	83,169,228
Depreciation Charge for the year	-	15,831,782	3,453,951	804,240	1,869,121	2,784,301	6,406,466	7,187,948	38,337,809
Acc. Dep. Bal c/d 30 June 2017	-	49,156,270	11,930,740	3,216,959	2,658,884	8,251,986	24,838,398	21,453,798	121,507,036
Net Book value at 30 June 2017	650,000,000	742,432,834	22,608,770	4,825,436	3,571,519	19,591,026	7,193,932	2,506,028	1,452,729,545
FY 2017/2018									
COST									
Cost/Value at Bal. b/f 1 July 2017	650,000,000	791,589,104	34,539,510	8,042,395	6,230,403	27,843,012	32,032,330	23,959,827	1,574,236,581
Additions during the year	-	-	617,386	-	652,540	1,084,109	14,942,000	1,167,207	18,463,242
W.I.P Capitalized	-	-	-	-	-	-	-	-	-
Cost/Value Bal c/d at 30 June 2018	650,000,000	791,589,104	35,156,896	8,042,395	6,882,943	28,927,121	46,974,330	25,127,034	1,592,699,823
ACCUMULATED DEPRECIATION									
Acc. Dep Bal. b/f 1 July 2017	-	49,156,270	11,930,740	3,216,959	2,658,884	8,251,986	24,838,398	21,453,798	121,507,036
Depreciation Charge for the year	-	15,831,782	3,515,690	804,240	2,064,883	2,892,712	9,394,866	3,673,235	38,177,408
Acc. Dep Bal c/d 30 June 2018	-	64,988,052	15,446,430	4,021,199	4,723,767	11,144,698	34,233,264	25,127,034	159,684,444
Net Book value at 30 June 2018	650,000,000	726,601,052	19,710,466	4,021,197	2,159,176	17,782,423	12,741,066	-	1,433,015,379

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. WORK IN PROGRESS

Description	2017 / 2018 Kshs	2016 / 2017 Kshs
Balance b/f	112,982,712	56,440,764
<b>Additions:</b>		
Hostel Block Phase 1, Wing 2	24,700,449	16,836,019
Hostel block-Phase 3	33,019,529	37,529,370
Tuition Block-Phase 2	2,544,225	40,560,878
Road works and sports field	2,431,868	43,039,7
Perimeter wall	12,368,175	
ERP Software (intangible work in progress)	2,209,525	14,036,000
<b>Total Additions to Work in Progress</b>	<b>190,256,483</b>	<b>208,442,058</b>
<b>Less:</b>		
<b>Work in Progress Capitalized to Buildings</b>		
Tuition Block Phase II	-	95,459,346
<b>Total Work in progress capitalized</b>	<b>-</b>	<b>95,459,346</b>
<b>Total Work in Progress Balance at the end of the year</b>	<b>190,256,482.63</b>	<b>112,982,712</b>

24. LONG TERM INVESTMENT

Description	2017 / 2018 Kshs	2016 / 2017 Kshs
Bamburi Shares	25,318,800	25,318,800
<b>Total Long Term Investments</b>	<b>25,318,800</b>	<b>25,318,800</b>

The University has invested in Bamburi Cement shares worth Kshs.25,318,800. The total number of shares is 126,594 with an average market price of Kshs.200.00 per share.

25. PAYABLES AND ACCRUALS FROM EXCHANGE TRANSACTIONS

Description	2017 / 2018 Kshs	2016 / 2017 Kshs
<b>a. Student related payable and prepayments</b>		
Student Fees Prepayments	20,175,906	15,652,597
HELB Loan & Bursaries	1,406,519	1,933,930

*Murang'a University of Technology*

**Annual Report and Financial Statements for the year ended June 30, 2018**

Description	2017 / 2018	2016 / 2017
	Kshs	Kshs
CDF/Sponsorships	1,681,513	954,617
Students Caution Money	271,622	271,622
External Examinations – KNEC	2,631,104	2,868,079
Student Union Payable	292,162	294,192
Unallocated Receipts	1,136,132	-
<b>Sub-total</b>	<b>27,594,958</b>	<b>21,975,037</b>
<b>b. Payroll deductions payable</b>		
NSSF	1,000	-
NHIF	21,600	12,100
UASU	22,108	2,300
KUSU	6,318	1,434
KUDHEIHA	2,400	1,500
HELB Staff deductions	5,726	5,726
Net Pay	37,839,119	12,966,771
Wages Payables	418,466	418,466
Sacco Deductions	209,474	29,746
Bank Loan Deductions	47,303	138,073
MRUC Staff Welfare Deductions	3,700	1,000
MRUC Benevolent Fund	1,200	-
MRUC Workshops deductions	128,794	111,411
MRUC Pension Scheme	23,123,755	144,225
Other Pension Schemes	600	-
Former BOG employees gratuity	6,916,100	6,916,100
Imprest recoveries	252,522	195,638
<b>Sub-total</b>	<b>69,000,185</b>	<b>20,944,490</b>
<b>c. Other payables and provisions from exchange transactions</b>		
Recurrent Creditors	15,609,507	16,662,156
Sundry Creditors	2,361,657	2,344,353
JKUAT Payables	1,123,526	1,123,526
External Research	16,578,270	400,000
Chinese Project	4,345,640	4,345,640
Provision for Audit fees	2,784,000	2,088,000
Provision for General expenses	8,825,838	256,576
Contractors' retentions (10%)	34,775.813	34,629,475

*Murang'a University of Technology*

Annual Report and Financial Statements for the year ended June 30, 2018

Description	2017 / 2018 Kshs	2016 / 2017 Kshs
Sub-total	86,404,251	61,849,726
Total Payables and accruals from exchange transactions	182,999,394	104,769,252

**26. PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Description	2017 / 2018 Kshs	2016 / 2017 Kshs
PAYE Deductions	11,486,721	10,641,119
VAT Withholding (6%)	1,400,521	2,543,353
Income Tax Withholding (5%)	459,600	8,500
Income Tax Withholding (3%)	1,010,541	1,692,052
VAT Withholding clearing	-	445,664
Gatanga Technical Institute Fund	6,381,022	5,781,022
Kamukunji Technical Institute Fund	(2,070,662)	6,980,960
Kandara Technical Institute Fund	(5,716,985)	3,463,424
CBA Funds Refundable	-	75,653,378
<b>Total Payables from Non-Exchange Transactions</b>	<b>12,950,760</b>	<b>107,209,472</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. DEVELOPMENT GRANTS

Description	2017 / 2018 Kshs	2016 / 2017 Kshs
Bal b/f 1 <sup>st</sup> July	587,579,388	376,851,022
Development grants received during the year	21,250,000	225,026,131
Development grants receivable	8,925,000	1,044,113
<b>Total</b>	<b>617,754,388</b>	<b>602,921,266</b>
<b>Less: Amortization of granted assets</b>		
Amortization during the year	(7,378,184)	(7,378,184)
Prior years' adjustment	-	(7,963,694)
<b>Balance as at 30th June</b>	<b>610,376,204</b>	<b>587,579,388</b>

28. FINANCIAL RISK MANAGEMENT

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The University does not hedge any risks and has in place an integrated risk management framework which is based on risk governance structures, risk management policies, risk identification, measurement and reporting. The risk management framework focuses on the unpredictability of environmental factors, to set appropriate risk limits and controls, and to monitor risks and seeks to minimize potential adverse effects on the financial performance and position of the University.

The university is exposed to financial risks classified as Credit risk, Liquidity risk and Market risk. The University's financial risk management objectives and policies are detailed below:

**i. Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents which include short-term deposits held with banks, as well as trade and other receivables and available-for-sale financial investments. The University receives fees from students, rent from staff and advances imprest to the staff which further exposes it to credit risk. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk is made up as follows:

**Murang'a University of Technology**  
**Annual Report and Financial Statements for the year ended June 30, 2018**

	Total amount Kshs	Fully Performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2018</b>				
Bank balances	47,518,678	47,518,678	-	-
<b>Receivables from exchange transactions</b>				
Imprest receivables	3,176,443	2,776,443	-	400,000
Students Debtors	26,123,401	12,000,000	14,123,401	-
House Rent receivables	107,542	-	-	107,542
MRUC Pension Scheme	2,198,781	-	-	2,198,781
Other receivables	2,197,999	-	-	2,197,999
<b>Total Receivables from exchange transactions</b>	<b>33,804,166</b>	<b>14,776,443</b>	<b>14,123,401</b>	<b>4,904,322</b>
<b>Receivables from non-exchange transactions</b>				
Recurrent Grants receivable	195,665	-	-	195,665
Development Grants receivable	8,925,000	8,925,000	-	-
<b>Total Receivables from non-exchange transactions</b>	<b>9,120,665</b>	<b>8,925,000</b>	-	<b>195,665</b>
<b>At 30 June 2017</b>				
Bank Balances	129,112,392	129,112,392	-	-
<b>Receivables from exchange transactions</b>				
Imprest Receivables	1,253,070	494,370	358,700	400,000
Students Debtors	22,438,573	22,438,573	-	-
House Rent Receivables	107,542	-	-	107,542
MRUC Pension Scheme	2,198,781	-	2,198,781	-
Other Receivables	2,197,999	-	2,197,999	-
<b>Total Receivables from exchange transactions</b>	<b>28,195,965</b>	<b>22,932,943</b>	<b>4,755,480</b>	<b>507,542</b>
<b>Receivables from non-exchange transactions</b>				
Recurrent Grants receivable	195,665	-	195,665	-
Development Grants receivable	1,044,113	1,044,113	-	-
<b>Total Receivables from non-exchange transactions</b>	<b>1,239,778</b>	<b>1,044,113</b>	<b>195,665</b>	-

The customers under the fully performing category are paying their debts as they continue getting services from the University. Impairment arises when there is adequate evidence that University will

*Murang'a University of Technology*  
**Annual Report and Financial Statements for the year ended June 30, 2018**

not collect the full amount due. As at year end, the university had no impaired receivables, however, it is a University tradition to make a provision for doubtful debts at 5% of the total receivables.

The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on past due and impaired.

**ii. Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the University's Council, who has built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the University under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Total Amount Kshs	Less than 1 Month Kshs	Between 1-3 Months Kshs	Over 3 Months Kshs
<b>At 30 June 2018</b>				
<b>Payables from exchange transactions</b>				
Students related payables	27,594,958	27,323,336	-	271,622
Payroll deductions payables	69,000,185	36,872,526	13,569,899	18,557,760
Other payables and provisions	86,404,251	18,303,730	23,126,504	44,974,017
<b>Total</b>	<b>182,999,394</b>	<b>82,499,592</b>	<b>36,696,403</b>	<b>63,803,399</b>
<b>Payables from Non-Exchange</b>				
	12,950,760	6,450,760	2,000,000	4,500,000
<b>Total Payables</b>	<b>195,950,154</b>	<b>88,950,351</b>	<b>38,696,403</b>	<b>68,303,399</b>
	Total amount Kshs	Less than 1 month Kshs	Between 1-3 months Kshs	Over 3 months Kshs
<b>At 30 June 2017</b>				
<b>Payables from exchange transactions</b>				
Students related payables	21,975,037	21,703,415	-	271,622
Payroll deductions payables	20,944,490	20,526,024		418,466
Other payables and provisions	61,849,726	24,526,146	5,665,911	31,657,669
<b>Total</b>	<b>104,769,252</b>	<b>66,755,585</b>	<b>5,665,911</b>	<b>32,347,757</b>
<b>Payables from Non-Exchange</b>				
	107,209,472	31,556,094	-	75,653,378
<b>Total Payables</b>	<b>211,978,724</b>	<b>98,311,679</b>	<b>5,665,911</b>	<b>108,001,135</b>

**iii. Market risk**

The Council has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the possibility that the institution might incur financial losses arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the

entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The University's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

**a. Interest rate risk**

Interest rate risk is the risk that the University's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the University to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the University's deposits. The University is not exposed to the risk of falling interest rates since it had no fixed deposit amounts where interest is earned. As a result, changes in interest rates do not have an impact on the carrying amounts of the financial assets of the University.

**Management of interest rate risk**

The University Management has endeavoured to bank with institutions that offer favourable interest rates. The University would manage risk associated with the fixed deposits and other investments by ensuring that the interest rate is negotiated prior to investing and is constant throughout the investment period. In case of investments, the University places its investments with the qualifying commercial banks that quote the highest interest rate over a given period.

**b. Foreign currency risk**

The entity has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. The currency exposure to the University transactions is mitigated as receipts and payments are made in local currency with very few cases where suppliers quote in foreign currency mostly in US dollars. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The University receives revenue from fees, grants and other sources in functional currency and no other currencies. All the assets of the University were denominated in Kenya shillings which is the functional currency used in these financial statements. Therefore, for the year ended June 30, 2018, currency exposure has minimal impact on financial status of the university. There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

**29. RELATED PARTY BALANCES**

Entities and other parties related to the University include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include the National Government of Kenya, the Council Members, key Management personnel, their associates and close family members.

**i. The National Government of Kenya**

Murang'a University is a Public University hence the National Government of Kenya is the principal owner of the University. The Government of Kenya has appointed the University Chancellor, the Council Members, Vice Chancellor and Deputy Vice Chancellors.

Government grants comprises the major proportion of University funding.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Other related parties include:

**ii. The Ministry of Education**

The Ministry of Education is the University's parent ministry. The University's operations are partially funded and University Development Projects are fully funded by the Government of Kenya through the Ministry of Education.

**iii. The University Chancellor**

The Chancellor is the titular head of the University.

**iv. The Council**

The Council provides effective leadership and control in terms of approving the University's strategies and policies and best practice of corporate governance.

**v. The University Management Board**

The Vice Chancellor is the head of the University Management Board (UBM). The UBM is the in charge of day to day operations of the University.

**Transactions with related parties**

	2018 Kshs	2017 Kshs
<b>a) Grants from the Government</b>		
<b>Grants from National Gov't</b>		
i. Recurrent Grants	325,518,175	330,928,350
ii. CBA Grants	99,720,263	-
iii. Development Grants Received	21,250,000	225,026,131
iv. Development Grants Receivable	8,925,000	1,044,113
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	<b>455,413,438</b>	<b>556,998,594</b>
<b>b) Expenses incurred on behalf of related party</b>	-	-
<b>c) Key management compensation</b>		
i. Chancellor expenses	2,071,498	-
ii. Council expenses	8,429,754	10,056,794
iii. Compensation to University Management Board	49,598,980	38,740,272
<b>Total</b>	<b>60,100,232</b>	<b>48,797,066</b>

**30. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

**Contingent liabilities**

	2017-2018 Kshs	2016-2017 Kshs
Court case against the University	-	-
a. Manyota ltd vs Murang'a University of Technology	-	-
b. Woodcrest and three others vs Murang'a University of Technology	-	-

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Manyota Ltd vs Murang'a University of Technology**

This plaintiff's claim is for interest on delayed contractual payments.

**31. CAPITAL COMMITMENTS**

<b>Capital commitments</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Authorised for</b>		
1 Science Complex Phase 1	80,000,000	-
2 Asbestos Removal	10,000,000	-
<b>Authorised and contracted for and on-going</b>		
1 Hostel Block Phase 1, Wing 2	24,700,449	16,836,019
2 Hostel block-Phase 3	33,019,529	37,529,370
3 Tuition Block-Phase 2	2,544,225	40,560,878
4 Road works and sports field	2,431,868	43,039,027
5 Perimeter wall	12,368,175	-
6 ERP Software	2,209,525	14,036,000
<b>Total</b>	<b>77,273,770</b>	<b>152,001,294</b>

**32. EVENTS AFTER THE REPORTING PERIOD**

The approved rationalized estimate for development grants from the Government was Kshs. 170,000,000 for the 2017/18 FY. However, only Kshs. 21,250,000 was received during the year. The Government reduced the approved estimates for development grants but the communication was made on The National Treasury and Planning website after the end of the financial period together with the approved estimates for 2018/19 Budget. Government grant is recognized only when there is reasonable assurance that the grant will be received (IPSAS 23). Since the approved estimates for development grants were revised, there was reasonable assurance that Kshs.170,000,000 will not be fully disbursement to the University in the subsequent period. It therefore, led to adjustment of the approved estimates for development grants after the end of the year to reflect the Government revised approved estimates of Kshs.30, 175,000.

**33. ULTIMATE AND HOLDING ENTITY**

Murang'a University of Technology is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

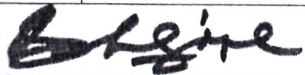
**34. CURRENCY**

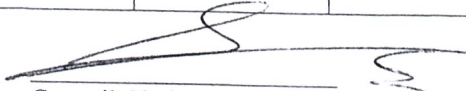
The financial statements are presented in Kenya Shillings (Kshs).

**35. APPENDIX 1: 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. Focal persons have been nominated to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Long Term Investments (Ownership of Bamburi Shares). Transfer process of shares to the University not been completed	Follow up being made by Management through the legal office	Trustees	Not Resolved	2018/2019
2	Failure to capitalize library books	Books were donated to the University during the year whose value had not been established by the end of the year. Valuation of assets will be carried out to facilitate capitalization.	Management	Not Resolved	2018/2019
3	Accuracy of Opening Balances for 2012/2013 Statements due to non-existence of Asset Register in prior years	Valuation was done. Follow up being done with auditor for further guidance	The Management and Auditor General	Not Resolved	2018/2019
4	Long Outstanding Payables	The Management has written to the council to advice on further course of action. The Council will discuss and deliberate before the end of Quarter one of FY 2018/19	The Management and the Council	Not Resolved	2018/2019
5	Long Outstanding Receivables	A committee was appointed by the Vice Chancellor to investigations the validity of debts and write a report on the findings which will be tabled to the Council to discuss and deliberate on further course of action in the next FY 2018/19	The Management and the Council	Not Resolved	2018/2019

  
 Vice-Chancellor  
 Prof. Dickson M. Nyariki, Ph.D.  
 Date **07.09.18**

  
 Council Chairman  
 Dr. Joachim Osur, Ph.D.  
 Date **07.09.18**

**APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY**

**Projects**

Projects implemented by the University Funded by development partners

	Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	N/A	N/A					
2	N/A	N/A					

**Status of Projects completion**

	Project title	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	N/A	N/A					
2	N/A	N/A					

**APPENDIX III: INTER-ENTITY TRANSFERS**

ENTITY NAME:		MURANG'A UNIVERSITY OF TECHNOLOGY			
Break down of Transfers from the State Department of Education					
FY 2017/18					
		Bank Statement Date	Amount (Kshs)	The FY to which the amounts relate	
A.	Recurrent Grants	01-Aug-17	24,876,394	2017/2018	
		04-Sep-17	24,876,394	2017/2018	
		03-Oct-17	24,876,394	2017/2018	
		03-Nov-17	24,876,394	2017/2018	
		01-Dec-17	24,876,394	2017/2018	
		02-Jan-18	24,876,394	2017/2018	
		02-Jan-18	3,857,349	2017/2018	
		08-Feb-18	24,876,394	2017/2018	
		08-Feb-18	3,857,349	2017/2018	
		13-Mar-18	24,876,394	2017/2018	
		13-Mar-18	3,857,349	2017/2018	
		06-Apr-18	24,876,394	2017/2018	
		06-Apr-18	3,857,349	2017/2018	
		02-May-18	24,876,394	2017/2018	
		02-May-18	3,857,349	2017/2018	
		11-Jun-18	24,876,394	2017/2018	
		11-Jun-18	3,857,349	2017/2018	
		28-Jun-18	24,876,398	2017/2018	
		28-Jun-18	3,857,349	2017/2018	
	<b>Total</b>		<b>325,518,175</b>		
B.	CBA Recurrent Grants	<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>The FY to which the amounts relate</b>	
		03-Jul-17	38,407,004	2017/2018	
		19-Jul-17	42,026,512	2017/2018	
		01-Dec-17	19,286,746	2017/2018	
		<b>Total</b>	<b>99,720,263</b>		
C.	Development Grants	<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>The FY to which the amounts relate</b>	
		04-Jul-17	1,044,113	2016/2017	
		17-Apr-18	21,250,000	2017/2018	
		<b>Total</b>	<b>22,294,113</b>		
D.	Technical Training Funds	<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>The FY to which the amounts relate</b>	
		Kamukunji	06-Jul-17	600,000	2016/2017
		Technical Training Funds	08-Dec-17	5,125,962	2017/2018
		<b>Total</b>	<b>5,725,962</b>		
	Kandara Technical Training Funds	06-Jul-17	600,000	2016/2017	
		08-Dec-17	4,554,534	2017/2018	
<b>Total</b>		<b>5,154,534</b>			

*Murang'a University of Technology*  
 Annual Report and Financial Statements for the year ended June 30, 2018

**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Education	Refer to Appendix III	Recurrent Grants	325,518,175	325,518,175	-	-	-	-	325,518,175
Ministry of Education	Refer to Appendix III	CBA Recurrent Grants	99,720,263	99,720,263	-	-	-	-	99,720,263
Ministry of Education	Refer to Appendix III	Development Grants	21,250,000	-	21,250,000	-	-	-	21,250,000
Ministry of Education	30 June 2017	Recurrent Grant Receivable	195,665	-	-	-	195,665	-	-
Ministry of Education	30 June 2018	Development Grants Receivable	8,925,000	-	8,925,000	-	8,925,000	-	-
<b>Total</b>			<b>455,609,103</b>	<b>425,238,438</b>	<b>30,175,000</b>		<b>9,120,665</b>		<b>446,488,438</b>