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THE AUDITOR-GENERAL

ON

MASENO UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2019**



MASENO UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2019**

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



FUNDAMENTAL STATEMENTS OF THE UNIVERSITY

VISION STATEMENT

The University of Excellence in discovery and dissemination of knowledge

MISSION STATEMENT

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

OBJECTIVES

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

CORE VALUES

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

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background of Maseno University

Maseno is a Public University created by Maseno University Act 2000 and now operates under the Universities Act 2012. The precursor, Maseno University College, was established through the merging of Maseno Government Training Institute (GTI) with Siriba Teacher's Training College as a Constituent College of Moi University.

b) Principal Activities

Principal Activity of Maseno University is to discover, harness, apply, disseminate and preserve knowledge. The University has embarked on a mission to develop and deliver academic programmes that not only respond to the needs of industry but also prepare workers for the knowledge economy, in line with the Vision 2030.

c) Key Management

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

1. The Maseno University Senate
2. The University Management Board.

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2019 and who had direct fiduciary responsibility were:

Name	Designation
1. Prof. Julius O. Nyabundi	Vice-Chancellor
2. Prof. Catherine A. Muhoma	Deputy Vice-Chancellor(A,F&D)
3. Prof. Mary J. Kipsat	Deputy Vice-Chancellor(ASA)
4. Prof. Joseph S. Chacha	Deputy Vice-Chancellor(PRI)
5. Mr. Edward M.Kitati	Finance Officer

e) Fiduciary Oversight Arrangements

Planning, Finance and Investment Committee of the University Council reviewed quarterly financial statements before they were recommended to the University Council for approval.

Audit and Risk Committee of the University Council - Reviewed the reports from the internal audit department.

The University Council - Approved the Budget for FY2018/19 and approved Quarterly Financial Statements before they were submitted to The National Treasury at the end of every quarter of FY2018/2019.

f) Maseno University Headquarters

Private Bag, MASENO

Maseno University Head Office - College Campus on Kisumu-Busia Road

MASENO, KENYA

g) Maseno University Contacts

Private Bag MASENO

Tel: 057-351622

FAX: 057-351221

email: vc@maseno.ac.ke

Website: www.maseno.ac.ke

h) Maseno University Bankers

Kenya Commercial Bank Ltd

Kisumu Branch

Standard Chartered Bank Ltd

Kisumu Branch

Equity Bank Ltd.

Luanda Branch

i) Independent Auditors




Office of the Auditor - General

Anniversary Towers, University Way

P O Box 30084-00100

NAIROBI, KENYA

II. MEMBERS OF THE UNIVERSITY COUNCIL

<p>CHAIRMAN OF MASENO UNIVERSITY COUNCIL</p>  <p>Prof. Abdullah Naji Said BSc(UoN), MSc(UoN), Ph.D.</p>	<p>Prof. Abdullah Naji Said is a Professor of Animal Production system. He is the immediate former Chairman of Council, Laikipia University and has also served on the Egerton University Council. He is also the current chairman of Malindi Museum Society.</p>
<p>MEMBER</p>  <p>Mr. Edwins Mukabanah BA (UoN), MSc (Westminster)</p>	<p>Mr. Edwins Mukabanah works in the transport industry. He has specialised in transport planning, operation and management.</p>
<p>MEMBER</p>  <p>Ms. Sophia Abdi Hassan, BSc ((Malardem), MSc ((Malardem)</p>	<p>Ms. Sophia Abdi Hassan works in the banking industry, she is specialised in investment, portfolio management and liquidity management.</p>

MEMBER



Mr. Gerald Kariithi Mira
BA (Moi), MSc (JKUAT)

Mr. Gerald Kariithi Mira is a practising insurance professional with specialization in Entrepreneurship.

MEMBER



Ms. Lucy A. Osmerah
Dip. Ed(KU), BA(UoN), MA(UoN)




Ms. Lucy A. Osmerah is a consultant and trainer in Financial Management Programmes for women.

MEMBER



Mrs. Ruth Rukunga
BEd (Nairobi), MEd (Leeds)

Mrs. Ruth Rukunga is a Career Educator

<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Mr. Andrew Rukaria BA(UoN), MBA(Moi) Rep. Principal Secretary Ministry of Education</p>	<p>Mr. Andrew Rukaria works in the Ministry of Education as Director of Administration in the State Department of Early Learning and Basic Education is a career Public Administrator. His experience is in Public Administration.</p>
<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Mr. Samuel Kiptorus BA(UoN), M.A(DAR) Rep. Cabinet Secretary National Treasury</p>	<p>Mr. Samuel Kiptorus works in the National Treasury as a senior Deputy Director Intergovernmental Fiscal Relations. His experience is in Economic Planning and Strategic Management.</p>
<p style="text-align: center;">VICE-CHANCELLOR AND SECRETARY TO THE UNIVERSITY COUNCIL</p>  <p style="text-align: center;">Prof. Julius O. Nyabundi, OGW BSc.(UoN), MSc.(UoN), Ph.D.(California, Davis),</p>	<p>Prof. Nyabundi is the immediate former Principal of Muranga University College and a former Acting Deputy Vice-Chancellor (A&F) at Maseno University. He had previously served as the Managing Director, Chemelil Sugar Company. He is a renowned scholar who has published widely in refereed journals and has presented papers in local and international conferences. He earned his Ph.D. from the University of California.</p>

III. MANAGEMENT TEAM OF THE UNIVERSITY





Prof. Julius O. Nyabundi, OGW
BSc.(UoN), MSc.(UoN), Ph.D.(California, Davis),
Vice-Chancellor

Prof. Julius O. Nyabundi Ph.D., OGW is the Vice-Chancellor of Maseno University. He is the Academic and Administrative Head of Maseno University.



Prof. Catherine A. Muhoma,
BEd.(Maseno), M.A, (Maseno) Ph.D.,
Deputy Vice-Chancellor(A,F&D)

Prof. Catherine A. Muhoma, Ph.D is the Deputy Vice-Chancellor in charge of Administration, Finance and Development.

 <p>Prof. Mary Kipsat, BSc(UoN), MSc.(UoN), Ph.D.(Moi) Deputy Vice-Chancellor (ASA)</p>	<p>Prof. Mary Kipsat, PhD. is the Deputy Vice-Chancellor in charge of Academic and Student Affairs.</p>
 <p>Prof. Joseph Chacha, BSc(UoN)., MSc(UoN).,Ph.D(Ottawa)., Deputy Vice-Chancellor (PRI)</p>	<p>Prof. Joseph Chacha, Ph.D. is the Deputy Vice- Chancellor in charge of Partnership, Research, and Innovations.</p>



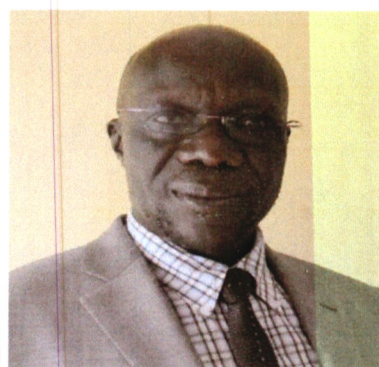
Mr. Mathew O. Onyango,
BEd (UoN), MEd (Manchester)
REGISTRAR (Administration)

Mr. Mathew O. Onyango is the Registrar in charge of Administration and Central Services.



Ms. Christine A. Achola,
B.A(UoN), M.A (Maseno)
REGISTRAR (Academic & Student Affairs)

Ms. Christine A. Achola is the registrar in charge of Academic and Student Affairs.



Mr. Raymond E. Ochoggia,
BLS (Loughborough), M.Phil, (Moi) MKLA
UNIVERSITY LIBRARIAN

Mr. Raymond E. Ochoggia is the University Librarian.



Mr. Edward M. Kitati,
BSc.(UoN), Msc (UoN), MBA (SEKU), CPA(K)
FINANCE OFFICER

Mr. Edward M. Kitati is the University Finance Officer.



Dr. Vitalis Ouko Ogilo,
MBChB (UoN), MPH (Maseno)
HEAD, MEDICAL SERVICES

Dr Vitalis Ouko Ogilo, is the Chairman Health services in the University



Ms. Joy A. Akinyi
LLB (Moi), PGD (KSL), Dip (KIM), MBA(UoN)
LEGAL OFFICER

Ms. Joy Akinyi is the head of legal services

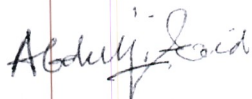
IV. CHAIRMAN'S STATEMENT

I am pleased to present the annual report and financial statements of Maseno University for the year ended 30.06.2019. Maseno University has continually focused on quality teaching, research and outreach activities in fulfilment of its Vision and Mission. The University is on track in the implementation of the 2017-2022 Strategic Plan. The University reviewed the Strategic Plan to align it to the national development priorities provided in the Vision 2030, Medium-Term Plan III and also the "Big four" Agenda in view of the existing economic realities. This enabled prioritisation of projects that are critical to the growth of the University. The University Council is intent in promoting Partnerships and Linkages with its peer institutions and industry; such relationships are central in transforming the University into a truly global institution.

The year 2018/19 marked the fourth year of the implementation of the *Mwongozo*- The Code of Governance for State Corporations. This framework focuses on addressing matters of effectiveness of the Council, transparency and disclosures, accountability, risk management, internal controls, ethical leadership and good corporate citizenship. The Maseno University Council and management is committed to the full implementation of the provisions of the *Mwongozo* code, which takes cognisance of the importance of good corporate governance and citizenship on the development of the Institution and the Community it seeks to serve.

While the University has made great strides in the pursuit of its priorities, it continues to face challenges in terms of constrained financial resources as a result of reduced Government funding and declining pool of Self-Sponsored students. In response, the University operates on a highly constrained budget with little capacity to respond to emerging budgetary dynamics which may challenge continued optimisation of University operations.

On behalf of the University Council, I thank the Government for the support. I also wish to thank the Management and staff for their continued dedication and commitment. I wish to commend the student body for their cooperation and understanding, which has contributed greatly to the stability and growth of the University. Finally, I would take the earliest opportunity to thank our stakeholders for their continued support. With the support of all stakeholders, we look forward to even greater achievements in the coming financial year.



Prof. Abdullah Naji Said, Ph.D.

Chairman of Maseno University Council

V. REPORT OF THE VICE-CHANCELLOR

It is my great pleasure to once again present the annual report and financial statements of Maseno University for the financial year 2018/2019. Maseno University is committed to its vision and mission as contained in the Strategic Plan 2017-2022.

University Financial Performance

Maseno University's financial performance during the year was stable despite the constraining financial environment in which the University operated. The Government capitation still remains the University's main source of income contributing 55% of the University revenue, followed by Appropriation in Aid at 42% and research grants at 3%. The Government recurrent capitation in FY2018/2019 was **Kshs.1,456,316,287**. The Government in July 2019 released **Kshs.204,326,033**. Although the University posted a deficit of **Kshs. 507,119,137**, the management is confident that the next financial year will witness improved financial performance. This is because the University has been allocated higher number of government sponsored student as compared to other years. The development grants received in the year was **Kshs.280,000,000** as per the approved allocation.

Statutory compliance

Despite the financial constraints, Maseno University prioritised and complied with the statutory obligations, including timely remittance of PAYE, NHIF, HELB, SACCO dues, staff pension, and all other staff deductions. The exception remains government's remittance of employer component of pension of Kshs.62 Million pension from 2013/2017 CBA. The University prepared and submitted a remedial plan of action on the settlement of this outstanding liability to the Pension Scheme.

Development projects

The University financed a number of development projects. Key amongst them includes the student hostels and tuition block and laboratory complex, all of which are essential to cater for achievement of sustainable quality education.

Core mandate

In pursuit of its mandate, Maseno University engaged in various core and support functions within the financial year within its short term objectives. These and other medium term objectives remain the key focus of the University as follows:-

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

Maseno University is governed by the University Council. The Universities Act 2012 gives the University Council the necessary powers to oversee the proper management of resources of the University. As per the Universities Act 2012, the Council shall have powers to:-

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

Corporate Governance Principles

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

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

Progress of *Mwongozo* Code implementation

Members of the University Council were inducted on the provisions of the *Mwongozo* code. The Board work plan and Board charter were prepared and signed by the Chairman of Council during the year.

I. Academic programmes

The School of Medicine developed two programmes in 2017/2018 Financial Year namely; Bachelor of Science in Pharmacy with Information Technology (B. Pharm. With IT) and Master of Medicine in General Surgery; these have been approved by the University Senate. In the year 2018/19 the University was to introduce the Bachelor of Laws degree (LLB) but the plans are still ongoing.

The School of Medicine's pioneer class for the programme of Bachelor of Medicine and Surgery completed their programme, and graduated in December 2018.

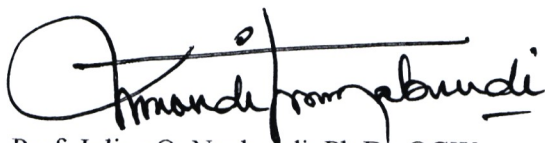
II. Student Welfare

The University has improved the relationship with the students' body. The needy students are continuously being placed on paid work study programme as per Government Policy. The University established the Office of career services to work on the enhancement of favourable positioning of the University's graduates in the job market.

III. Research and Development

Research is one of the core mandates of the University. However, quality research requires substantial investment in research facilities and qualified researchers. The University researchers developed proposals in key thematic areas in line with SDGs, Vision 2030 and the Big Four Initiatives. This is expected to address key areas such as food security, universal health care and environmental issues such as climate change.

On behalf of the Management and Staff, I wish to thank the Government for their continued support, I also wish to pay tribute to parents, students, local and international partners, and all our stakeholders for their contributions and support during the year. As we move forward, we continue to count on their support in our endeavour to transform Maseno University into a world class University whose Vision is excellence in discovery and dissemination of knowledge.



Prof. Julius O. Nyabundi, Ph.D., OGW

Vice-Chancellor

Council Size, Composition and Appointment

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

- a) Chairperson;
- b) The Principal Secretary in the Ministry for the time being responsible for the University Education;
- c) The Principal Secretary in the Ministry for the time being responsible for Finance;
- d) Five members appointed by the Cabinet Secretary through an open process; and
- e) The Vice-Chancellor who shall be an ex-officio member of the Council.
- f) Any other officer that may be invited as required for a specified task during the meeting

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

Council Remuneration

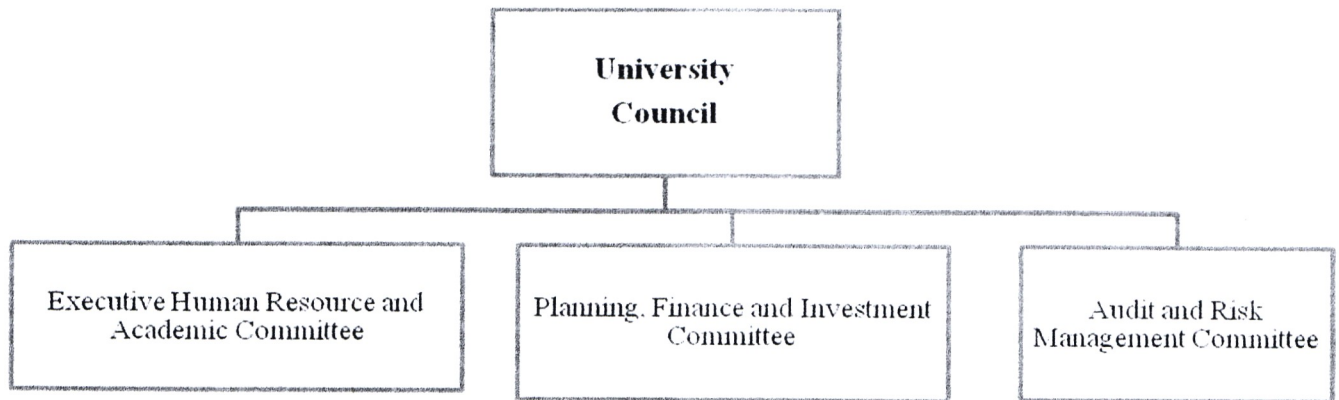
The University Council members other than the Vice-Chancellor do not receive a salary. Instead they are paid a taxable sitting allowance whenever they attend meetings of Council. The Chairman of Council is paid a monthly honorarium as prescribed by the Government. In the year 2018/19, the University spent **Kshs.23,667,327** on sitting allowances and other expenses to Council members, compared to the budget for the year of **Kshs.28,000,000**.

Board Committees and responsibilities

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

This is in addition to ensuring that the operations of the University adhered to the existing legislative frameworks and best practice.

The following are the Committees of Council;



1. Executive, Human Resource and Academic Committee

The Committee of Council has the following terms of reference;

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

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

2 Planning, Finance and Investment Committee

The committee of Council has the following terms of reference;

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

- Receive for consideration and recommendation to Council opening, and/or closing of bank account(s) for the funds of the University;
- Receive, consider and make recommendation to Council on reports of implementation of the University Master Plan bi-annually;
- Receive, consider and submit for Council approval proposals on new projects;
- Review the performance of all ongoing projects and submit reports to Council on a quarterly basis;
- Transact any other business as directed by Council

3 Audit and Risk Management Committee

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

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

Attendance of Meetings

The frequency of meetings is provided for by article 8 (1a) of the State Corporations Act which states that; “the Council of every state corporation shall meet not less than four times in every financial year and not more than four months shall elapse between the date of one meeting and the date of the next meeting.” The Maseno University Council meets as per the Council Almanac prepared and approved every year. Special meetings are held as and when necessary. The Maseno University Council works through its various committees which report to the full Council.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The University considers sustainability in light of the following;

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

Social Sustainability

Staff Welfare and Development

The University has been identifying and supporting staff for PhD education. The University has supported academic members of staff in training at Masters and PhD levels on full time both locally and internationally. In addition a number were also granted scholarships through the graduate assistants program. The number of Tutorial Fellows on full scholarships was thirty five (35) members of teaching staff.

Gender Mainstreaming

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

Mainstreaming of People with Disabilities

The University has a Department of Special Needs Education in the School of Education to cater for the training with various challenges: audio, visual physical and others. Buildings and other facilities in the University are made user-friendly for students, staff and members of the public for people with those challenges.

Community Engagement

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

Maseno University School of Medicine and School of Nursing students undertake a community based attachment each year in their third year of study. This exercise is important for a number of reasons; it not only helps them in honing their medical skills but also it provides medical services and care that are in short supply in the community and Country in general. The students in the School of Education offer teaching services to several secondary schools in the neighbouring counties whose staffing levels are low.

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

Environmental Sustainability

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

- Marking of the World Environment day
- Maseno University and environs cleaning day
- Maseno University has a tree planting day each year.

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

The University is keen to construct a Sewerage Disposal System to replace the existing one through partnership with the County Government of Kisumu as the population of Maseno has grown tremendously. To this end, the University has allocated Kshs.200Million in the 2019/2020 towards the same.

Economic Sustainability

Innovations in core operations

Maseno University operates an e-Campus that offers distance learning comfortably. The University also continues to offer undergraduate degree programmes 'with IT'. This is in recognition of the role played by IT not only as a tool at the workplace but as a key resource. The IT skills imparted on the Maseno University graduate are crucial in enabling them stand out at the workplace. These initiatives have enabled the University to grow the student numbers and generate more income internally.

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

The University has mounted a variety of professional courses both at the Main Campus and in Kisumu Campus to further enhance the skills and employability of the youth in the country.

Research and Technology Development

Research and Technology Development is one of the principal missions of a University. It is for this reason that Maseno University has established the Directorate of Research and Innovations. Its primary objective is to enhance the capacity to undertake research and technology development as well as attracting research funds for various donors both locally and internationally. In doing so, Science

and Technology thus has become a powerful tool for fighting poverty, food insecurity and tropical diseases.

Transition from ISO 9001:2008 to ISO 9001:2015 Certification

The University is committed to continuously improving its processes and systems in line with the ISO 9001:2008 certification. Efficiency and effectiveness are essential for ensuring value for money as the University renders services to all the stakeholders. Maseno University is currently in the process of transiting from ISO9001:2008 to ISO 9001:2015

Income Sustainability

The University is dependent on the Government for all its development grants. The University is keen to grow its internally generated revenue from Tuition fees, University Enterprises and Research to become self-sufficient in terms of recurrent expenditure. The Government funding on recurrent expenditure does not cover the payroll costs for each month, hence the need to grow the internally generated revenues.

Going concern status

The University is a going concern despite the funding gap experienced in the financial year. Although the University posted a deficit of **Kshs. 507,119,137** in the FY 2018/2019, the current ratio computed as current assets divided by current liabilities was **1.3:1**. The ratio indicates that the University is a going concern. The University is investing significantly in infrastructure and is not expected to curtail its operations in the coming year on the expectation that there will be support from the Government.

VIII. REPORT OF MASENO UNIVERSITY COUNCIL

The University Council submits the FY2018/2019 report together with the audited financial statements for the year ended June 30, 2019 which shows the state of affairs of Maseno University.

Principal activities

Principal activity of Maseno University is to discover, harness, apply, disseminate and preserve knowledge.

Results

The results of Maseno University for the year ended June 30th, 2019 are set out on pages 1 to 34.

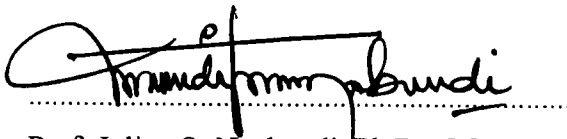
Maseno University Council

The members of Maseno Council who served during the year are shown on pages v to vii. In accordance with Government regulations.

Auditors

The Office of the Auditor General is responsible for the statutory audit of Maseno University's financial statements FY2018/2019 in accordance with section 81 of the Public Finance Management (PFM) Act, 2012.

By order of Maseno University Council



Prof. Julius O. Nyabundi, Ph.D., OGW

Vice-Chancellor and Secretary to Maseno University Council

Dated 20/12/2019

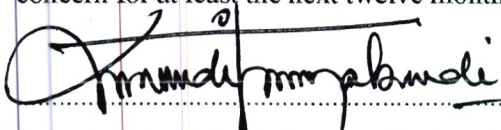
IX.STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

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

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for the financial year, ended 30th June, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that the University's financial statements give a true and fair view of the financial state of affairs of the University for the year ended June 30, 2019, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

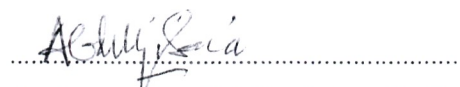
Nothing has come to the attention of the Council to indicate that the University will not be a going concern for at least the next twelve months from the date of this financial statement.



Professor Julius O. Nyabundi, Ph.D., OGW

Vice-Chancellor

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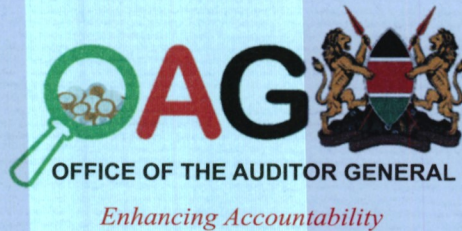
Professor Abdullah Naji Said, Ph.D.

Chairman of Maseno University Council

X. REPORT OF THE INDEPENDENT AUDITORS

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MASENO UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Maseno University set out on pages 1 to 33, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts, statement of cash flows 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 effect 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 Maseno University, 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Adjustments to Account Balances

The financial statements reflect several accounts with adjusted balances, as indicated in Appendix I.

However, no journal entries or other accountable documents were provided to explain the adjustments. As a result, the accuracy of the financial statements for the year ended 30 June, 2019 could not be confirmed.

2. Unreconciled Tuition Income

The statement of financial performance reflects tuition fees revenue totalling Kshs.994,070,799, as analyzed in Note 7 to the financial statements. The balance includes tuition fees totalling Kshs.261,050,843 and Kshs.446,231,404 receivable at

Kisumu Town Campus and the Main Campus respectively. However, Management did not provide records to reconcile the receivable fees to the student enrolment records. Consequently, the accuracy and completeness of the reported tuition income totalling Kshs.994,070,799 reflected in the statement of financial performance could not be confirmed.

3. Unreconciled University Enterprise Expenses

The statement of financial performance reflects university enterprises expenses totalling Kshs.68,747,816, as analyzed in Note 15 to the financial statements. The balance includes expenditure on food purchases totalling Kshs.19,321,570 reportedly incurred at the University's Kisumu Hotel. However, the balance differs with the item's ledger balance totalling Kshs.34,153,160 resulting in an unexplained difference of Kshs.14,831,590. As a result, the accuracy and validity of the reported food costs totalling Kshs.19,321,570 could not be confirmed.

4. Misstated Impairment Loss

Note 19 to the financial statements reflects an impairment loss of Kshs.11,649,992 being 5% of the trade debtors balance totalling Kshs.232,999,838 as at 30 June, 2019. The provision for the previous year amounted to Kshs.9,999,590. However, the statement of financial performance incorrectly reflects the closing balance for the provision totalling Kshs.11,649,992 instead of the increase in the balance amounting to Kshs.1,650,402 in the year under review. As a result, the deficit totalling Kshs.507,119,137 reported in the financial statements is overstated by Kshs.9,999,590.

Consequently, the accuracy and validity of the reported debtors balance totalling Kshs.221,349,846 as at 30 June, 2019 could not be confirmed.

In addition, the cumulative impairment loss on student debtors totalling Kshs.355,548,827 as at 30 June, 2019 reflected in Note 21(i) to the financial statements exceeds the total student debtors balance amounting to Kshs.168,135,858 reflected in the Note suggesting that Management have not been effective in collecting tuition fees from students.

5. Unexplained Loss of Food Stocks

Note 8 to the financial statements reflects Income Generating Activities (IGA) - tent food sales totalling Kshs.1,613,270 whereas Note 14 on operational expenses reflects IGA-tent food purchase costs totalling Kshs.37,452,720 resulting in a net deficit of Kshs.32,839,450. Records to explain how the purchased foods were consumed were not provided for audit and further there was no explanation why the sales were below the purchase costs. In the circumstance, the accuracy of the reported IGA tent food sales totalling Kshs.1,613,270 reported in the year under review could not be confirmed.

6. Lack of Provision for Long Outstanding Rental Income

Note 8 to the financial statements reflects Varsity Plaza rental income for the year under review totalling Kshs.15,152,434. However, uncollected rental income at the Plaza

totalled Kshs.17,824,444 as at 30 June, 2019 as indicated in Note 21(i) to the financial statements. Therefore, the University's rental properties may not have been managed in an effective way. In addition, no provision for bad and doubtful debts was made in spite of the increase in rental debtors by Kshs.9,008,943 from Kshs.8,815,501 at the end of the previous financial year.

In view of these issues, the valuation and recoverability of rental debtors totalling Kshs.17,824,444 as at 30 June, 2019 could not be confirmed.

7. Discrepancies in Cash and Cash Equivalents Balance

The statement of financial position as at 30 June, 2019 reflects cash and cash equivalents balance totalling 276,269,554 as further disclosed in Note 32 to the financial statements. However, two bank balances reflected in the Note differ with the respective amounts reflected in the reconciled cash book balance as indicated below:

Bank Account	Cashbook Balance As at 30 June, 2019 Kshs	Financial Statements Balance 30 June, 2019 Kshs	Variance Kshs
KCB Capital Development A/C 1108378056	4,399,368	2,925,968	1,473,400
KCB SGS Bank/IRPS A/C 1107735971	34,273,043	32,986,175	1,286,868
KCB IGA S/A A/C1108378226	2,642,315	4,568,889	(1,926,574)

In addition, the balance totalling Kshs.276,269,554 reflected in the statement of financial position and Note 32 to the financial statements includes a fee collections (KCB) account balance totalling Kshs.6,315,334 which however differs by Kshs.4,812,217 with the balance amounting to Kshs.11,136,551 reflected in the Cash Book in respect to the account.

Further, bank reconciliation statements for eighteen (18) bank accounts with balances totalling Kshs.108,292,123 as at 30 June, 2019, as reflected in the respective bank confirmation certificates, were not presented for audit.

In view of these discrepancies, the accuracy of the cash and cash equivalents balance totalling Kshs.276,269,554 as at 30 June, 2019 could not be confirmed.

8. Omitted Retentions

Included in the payables balance totalling Kshs.513,616,289 reflected in the statement of financial position and analyzed in Note 26 to the financial statements are retention moneys on construction contracts totalling Kshs.56,815,157. However, records examined indicated that a sum of Kshs.1,413,634 retained under a contract for installation of security equipment (CCTVs) was omitted from the retentions balance. Consequently, the accuracy and validity of the payables balance totalling Kshs.513,616,289 could not be confirmed.

9. Misstatement of Capital Work in Progress

Included in Note 23 to the financial statements is a transfer from work-in-progress amounting to Kshs.9,600,000 representing the cost of an elevator (lift) installed in the administration and library buildings. However, the two buildings were included in capital work-in-progress (CWIP) at Kshs.106,265,147 and Kshs.372,071,612 respectively as at 30 June, 2019. No satisfactory explanation was provided why the cost of the lifts was excluded from the work-in-progress balance as at 30 June, 2019 even though the building it was installed in had not been completed. In addition, the capital work-in-progress transfer amounting to Kshs.9,600,000 did not have a corresponding entry in the assets movement schedule. In the circumstance, the accuracy of the reported capital work-in-progress balance totalling Kshs.856,220,039 reflected in Note 23 to the financial statements and the property, plant and equipment balance totalling Kshs.2,610,086,001 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

10. Long Outstanding Receivables

Included in Note 21(i) to the financial statements is an advance payment amounting to Kshs.20,772,325 made to Tom Mboya University and Kshs.51,799,015 receivable from an entity denoted as CBA 2010/13(IPUCEF). Both amounts had been outstanding for three years as at 30 June, 2019 and although their recovery appeared doubtful, no doubtful debts provision was made in the financial statements.

Consequently, the accuracy, valuation and recoverability of the sum of Kshs.72,571,340 due from the two entities could not be confirmed.

11. Unsupported Variations on Project Costs

The capital work-in-progress balance totalling Kshs.856,220,039 as at 30 June, 2019 reflected in Note 23(i) includes administration block and library building construction costs totalling Kshs.106,265,147 and Kshs.372,071,612 respectively as at 30 June, 2019. However, the contracted sums for the two projects were Kshs.89,900,245 and Kshs.174,099,320 respectively and therefore the costs incurred had surpassed the contract sums by Kshs.16,364,902 and Kshs.197,972,292 respectively. Management did not provide any documentation to explain the cost overruns incurred on the two projects.

Further, the capital work-in-progress balance includes Kshs.9,233,804 being the contract sum for a completed perimeter wall contract. The balance should therefore not have been accounted for under work-in-progress.

In view of these issues, expenditure totalling Kshs.487,570,563 included in the capital work in progress balance totalling of Kshs.856,220,039 as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Maseno University Management in accordance with ISSAI 130 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 opinion.

Other Matter

1. Budget Under-Performance

Included in the statement of comparison of budget and actual amounts is budgeted revenue totalling Kshs.2,826,750,818 against actual receipts totalling Kshs.2,828,425,422 resulting in a revenue shortfall of Kshs.1,674,604. In the year under review, the University spent Kshs.3,323,894,568 out of the budgeted sum of Kshs.3,673,005,089 resulting in under-expenditure of Kshs.349,110,521, as detailed in Appendix II.

As a result of the large under-expenditure balance, several of the service delivery and development targets were not attained.

2. Sustainability of Services

Analysis of the statement of net assets indicated that the University had an accumulated surplus of Kshs.495,352,807 as at 1 July, 2018 which was utilized to offset the deficit for the year under review amounting to Kshs.507,119,137. As a result, the accumulated deficit totalled Kshs.11,766,331 as at 30 June, 2019. Management has not disclosed the measures that they intend to take to reverse the unfavorable performance.

3. Prior Year Audit Issues

Section 101(4) of the Public Finance Management Regulations requires the Accounting Officer to prepare financial statements in a form that complies with the accounting standards and format prescribed by the Public Sector Accounting Standards Board. However, the financial statements do not include a report on how Management has acted on prior- year audit issues. Therefore, the financial statements do not comply with the applicable financial reporting framework.

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. I have determined that there were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unutilized Borrowed Funds

The statement of financial position reflects a bank loan amounting to Kshs.100,400,000 that was borrowed during the year under review. The financial statements, however indicate that the University was holding a cash balance totalling of Kshs.356,022,663 at the beginning and Kshs.276,269,554 at the end of the year under review. The balances included a fixed deposit amounting to Kshs.50,000,000. The loan that resulted in interest expense amounting to Kshs.11,055,058 may, therefore, have been incurred needlessly.

Further, information available indicated that the loan was to fund the construction of a students' hostel. However, there were no records for such expenditure, or construction of hostels at the University, in the year under review.

Consequently, the propriety of the borrowing amounting to Kshs.100,400,000 and interest expense due totalling Kshs.11,055,058 could not be confirmed. Further, in the absence of records on construction of any hostel, there is risk of the proceeds of the loan not being put to their intended use.

2. Failure to Comply with the Procurement Act

Expenditure records indicated that a sum of Kshs.1,824,500 was paid to a food supplier for the delivery of perishable foodstuffs. However, contrary to Section 106(5) of the Public Procurement and Asset Disposal Act, 2015, the supplier was not among the list of prequalified suppliers. Therefore, Management was in breach of the law.

3. Procurement of Computers and Other Office Equipment

Examination of expenditure records further indicated that computers and other assorted information technology equipment costing Kshs.21,537,920 in aggregate were bought from various suppliers by use of Request for Quotations. However, the respective purchase costs were in excess of the Kshs.5 million threshold for use of Requests for Quotations set in Public Procurement Regulations. Therefore, Management bought the equipment in breach of the law.

4. Stalled Projects

Examination of records on infrastructure projects indicated that during the year under review, no works were implemented in respect of two ongoing projects, namely; the sewerage project and access road maintenance project which had stalled in 2016/2017 financial year. As a result, there is risk that the services expected to be provided by the projects and value for money on the sum of Kshs.52,300,321 spent on the executed works, may not be realized.

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 procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Incomplete Implementation of Enterprise Management System

Audit review of the University's Enterprise Resource Planning software indicated that it was not interfaced with operations of the main campus at Maseno, Kisumu Campus and various income generating points such as Kisumu Hotel and the University's Farm as envisaged in the University's Information Communication Technology (ICT) policy manual. Consequently, the system has not enabled proper co-ordination of revenue collection and other operations and therefore value for money on its purchase may not have been attained.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective 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 the University Council

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 the University to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the University or cease operations.

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 money is applied in an effective manner.

The University Council is responsible for overseeing the Maseno University 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 review 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 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 review 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 University's 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 applicable 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 University's ability to continue 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 not to sustain 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 Maseno University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

12 October, 2021

APPENDICES

Appendix I

Unsupported Adjustments to Financial Accounts Balances

	Submission on 27 September, 2019	Submission on 27 December, 2019	Difference
	Kshs	Kshs	Kshs
Student Debtors	152,645,401	168,863,858	(16,218,457)
Work-In-Progress	835,585,978	856,220,039	(20,634,059)
KCB Main Current Account	42,913,417	(17,713,677)	60,627,094
Trade Payables	55,640,540	51,575,049	4,065,491
Prepaid Fees	55,686,426	86,339,617	(30,653,191)
Contractors Pending Certificates	0	25,434,059	(25,434,059)
Cash & Cash Equivalents	337,313,494	276,269,554	61,043,949

Appendix II

Budget –Underperformance

	Budget	Actual	Variance
Revenue	Kshs	Kshs	Kshs
Government Capitation Grants	1,486,037,027	1,456,316,287	29,720,740
Research Grants	95,000,000	139,433,053	(44,433,053)
Insurance Compensation	1,016,226,646	994,070,799	22,155,847
Tuition Fees		2,941,388	(2,941,388)
Other income	229,487,145	235,663,895	(6,176,750)
Total	2,826,750,818	2,828,425,422	(1,674,604)
Employee Costs	2,498,997,720	2,460,784,123	38,213,597
Council Expenses	28,000,000	23,667,327	4,332,673
Audit Expenses	980,000	952,000	28,000
Interest On Loan	55,000,000	11,055,058	43,944,942
Depreciation	105,326,432	105,326,432	-
Operations Expenses	542,539,000	478,609,842	63,929,158
University Enterprises Expenses	112,270,454	68,747,816	43,522,638
Repairs and Maintenance	54,374,760	24,408,516	29,966,244
General Expenses	275,516,723	150,343,454	125,173,269
Total	3,673,005,089	3,323,894,568	349,110,521

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30th June, 2019

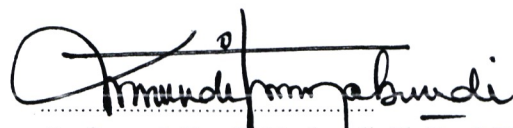
		2018/19	2017/18
	Notes	Kshs	Kshs
Revenue from non-exchange transactions			
Government Capitation Grants	4	1,456,316,287	2,139,461,094
Research Income and Consultancy	5	139,433,053	178,866,801
Insurance Compensation	6	2,941,388	-
		1,598,690,728	2,318,327,895
Revenue from exchange transactions			
Tuition Fees	7	994,070,799	939,913,585
Revenue from University Enterprises	8	167,068,180	136,712,094
Interest income	9	1,533,410	8,237,294
Other income	10	67,062,305	62,968,240
		1,229,734,694	1,147,831,213
Total revenue		2,828,425,422	3,466,159,108
Expenses			
Employee Costs	12	2,460,784,123	2,664,384,046
Council Expenses	18	23,667,327	19,783,272
Audit Expenses	33	952,000	952,000
Interest on loan		11,055,058	-
Depreciation	13	105,326,432	102,965,506
Operations Expenses	14	478,609,842	417,131,366
University Enterprises Expenses	15	68,747,816	60,197,043
Repairs and maintenance	16	24,408,516	31,677,774
General expenses	17	150,343,454	176,860,471
Total expenses		3,323,894,568	3,473,951,479
Other gains/(losses)			
Gain on sale of assets	11	-	756,153
Impairment loss	19	(11,649,992)	(9,999,590)
Surplus/(Deficit)		(507,119,137)	(17,035,808)

The notes set out on pages 7 to 34 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

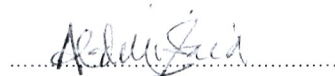
As at 30th June, 2019

	Notes	2018/19 Kshs	2017/18 Kshs
Assets			
Current assets			
Cash and cash equivalents	20	276,269,554	356,022,663
Receivables from exchange transactions	21(i)	271,713,670	236,763,551
Receivables from non-exchange transactions	21(ii)	63,443,001	63,443,001
Inventories	22	59,038,401	56,698,716
		670,464,625	712,927,931
Non-current assets			
Property, plant and equipment	23	2,610,086,001	2,468,125,378
Intangible Assets	24	4,495,417	8,990,834
Biological Assets	25	7,786,887	8,610,400
		2,622,368,305	2,485,726,612
Total assets		3,292,832,931	3,198,654,543
Liabilities			
Current liabilities			
Payables	26	513,616,289	293,601,764
Students Caution Money	27	11,457,400	9,559,800
Provision for Audit Fees	28	1,902,000	2,854,000
		526,975,689	306,015,564
Non-current liabilities			
Students Caution Money	27	14,489,800	14,552,400
Bank Loan		100,400,000	-
Total Non-Current Liabilities		114,889,800	14,552,400
Total liabilities		641,865,489	320,567,964
Net assets			
Capital Fund		2,650,967,441	2,878,086,579
Accumulated Surplus		2,662,733,770	2,382,733,770
		(11,766,331)	495,352,807
Total net assets and liabilities		3,292,832,931	3,198,654,543



Professor Julius O. Nyabundi, Ph.D., OGW.

Vice-Chancellor



Professor Abdullah Naji Said, Ph.D.

Chairman of Maseno University Council

STATEMENT OF CHANGES IN NET ASSETSAs at 30th June, 2019

	Notes	Capital Fund Kshs	Accumulated surplus Kshs	Total Kshs
Balance as at 30 JUNE 2017		2,341,869,092	512,388,615	2,854,257,707
Capital grant	4	40,864,678	-	40,864,678
Surplus/(deficit) for the period			(17,035,808)	(17,035,808)
Transfers to/from accumulated surplus		-	-	-
Balance as at 30 JUNE 2018		2,382,733,770	495,352,807	2,878,086,577
Capital grant	4	280,000,000	-	280,000,000
Surplus/(deficit) for the period			(507,119,137)	(507,119,137)
Transfers to/from accumulated surplus		-	-	-
Balance as at 30 JUNE 2019		2,662,733,770	(11,766,331)	2,650,967,439

Nature and Purpose of Reserves

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

STATEMENT OF CASHFLOWS
For the year ended 30th June 2019

	Note	2018/19 KShs	2017/18 KShs
Cash flow from operating activities			
Surplus/(Deficit) for the year		(507,119,137)	(17,035,808)
Adjustments for non-cash and non-operating activities			
Interest Received	9	(1,533,410)	(8,237,294)
Depreciation	13	105,326,432	102,965,506
(Increase)/Decrease in Biological assets	25	823,513	2,097,400
Provisions - Audit Fees	28	952,000	952,000
Profit on sale of Fixed Assets		-	(756,153)
Interest Paid		11,055,058	-
Payment of Audit Fees		(1,904,000)	(952,000)
Operating Profit before working capital changes		(392,399,545)	79,033,651
Changes in Working Capital			
(Increase) / Decrease in Receivables	21	(34,950,119)	37,231,841
(Increase) / Decrease in Inventory	22	(2,339,685)	(2,200,352)
Increase / (Decrease) in Payables	26	220,014,525	104,659,034
Net changes in working capital		182,724,721	139,690,523
Cash Generated from Operations		(209,674,823)	218,724,175
Cash flow from Investing Activities			
Interest Received	9	1,533,410	8,237,294
Proceeds from disposal of assets		-	980,000
Acquisition of Fixed Assets	23	(242,791,638)	(261,256,315)
		(241,258,228)	(252,039,021)
Cash flow from Financing Activities			
Development grants from GOK	4	280,000,000	40,864,678
Loan repayment	29	100,400,000	-
Interest Paid		(11,055,058)	-
Caution Money Refund-Aggregate	27	1,835,000	2,607,400
		371,179,942	43,472,078
Increase/(Decrease) in Cash & Cash Equivalents		(79,753,109)	10,157,232
Cash & Cash Equivalent at 1st July 2018		356,022,728	345,865,496
Cash & Cash Equivalent at 30th June 2019	20	276,269,619	356,022,728
Represented by:			
Bank balances	20	226,237,574	305,877,463
Cash balances		31,980	145,200
Cash and cash balances		226,269,554	306,022,663
Short Term Deposits	20	50,000,000	50,000,000
		276,269,554	356,022,663

Maseno University
Annual Report and Financial Statements for the Year Ended 30th June, 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended 30th June, 2019

	Original budget 2018-2019 Kshs '000	Adjustments 2018-2019 Kshs '000	Final budget 2018-2019 Kshs '000	Actual on comparable basis 2018-2019 Kshs '000	Performance difference 2018-2019 Kshs '000
Revenue					
Government Capitation Grants	1,486,037,028	-	1,486,037,027	1,456,316,287	(29,720,740)
Research Grants	95,000,000	-	95,000,000	139,433,053	44,433,053
Insurance Compensation	-	-	-	2,941,388	2,941,388
Tuition Fees	1,016,226,646	-	1,016,226,646	994,070,799	(22,155,847)
Other income	229,487,145	-	229,487,145	235,663,895	6,176,750
Total income	2,826,750,819	-	2,826,750,818	2,828,425,422	1,674,604
Expenses					
Employee Costs	2,498,997,720	-	2,498,997,720	2,460,784,123	38,213,597
Council Expenses	28,000,000	-	28,000,000	23,667,327	4,332,673
Audit Expenses	980,000	-	980,000	952,000	28,000
Interest On Loan	55,000,000	-	55,000,000	11,055,058	43,944,942
Depreciation	105,326,432	-	105,326,432	105,326,432	-
Operations Expenses	542,539,000	-	542,539,000	478,609,842	63,929,158
University Enterprises Expenses	112,270,454	-	112,270,454	68,747,816	43,522,638
Repairs and maintenance	54,374,760	-	54,374,760	24,408,516	29,966,244
General expenses	275,516,723	-	275,516,723	150,343,454	125,173,269
	3,673,005,089	-	3,673,005,089	3,323,894,568	349,110,521
Other gains/(losses)	-	-	-	(11,649,992)	-
Surplus for the period	(846,254,270)	-	(846,254,271)	(507,119,137)	350,785,125

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Note 3.Summary of significant accounting policies

a) Revenue recognition

Revenue from non-exchange transactions- IPSAS 23

Revenues from non-exchange transactions (Government grants) are measured at fair value and recognized on obtaining control of the asset with the exception of cases where from past experience it is more likely than not the University will obtain control of the asset. In such a case the revenue is recognized when it is

probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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

Revenue from exchange transactions- IPSAS 9

Rendering of services- Tuition Fees

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

Other Revenues from Exchange Transactions

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

b) Budgetary information (IPSAS 24)

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

c) Investment property- IPSAS 16

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

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

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

d) Property, plant and equipment- IPSAS 17

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

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

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

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

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

e) Leases- IPSAS 13

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

f) Intangible assets - IPSAS 31

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

g) Biological Assets - IPSAS 27

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

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

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

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

Any gains or losses arising from the measurement at the yearend as a result of physical gains is recognized in the statement of financial performance.

g) Financial instruments- IPSAS 29

Financial assets

Initial recognition and measurement

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

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are subsequently measured at cost, less impairment; losses arising from impairment are recognized in the surplus or deficit. The policy on impairment of receivables was developed and approved in January 2017.

The University has elected to give an allowance of 5% of the total trade receivables and Student debtors as an impairment allowance for receivables.

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

h) Inventories- IPSAS 12

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

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

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

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

i) Provisions- IPSAS 19

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

Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. Provisions were raised and management determined an estimate based on the information available.

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

j) Changes in accounting policies and estimates- IPSAS 3

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

k) Employee benefits- IPSAS 25

Retirement benefit plans

The University provides retirement benefits for its employees. The University operates a defined contribution retirement benefit scheme for all employees. The Defined contribution plans are postemployment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the scheme are held in a separate trustee administered fund that is funded by contributions from both the University and the Employees. The University's contributions to this scheme are charged against income in the year in which they become payable. Benefits are paid to retiring staff in accordance with scheme rules.

l) Foreign currency transactions- IPSAS 4

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

m) Borrowing costs- IPSAS 5

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

n) Related parties- IPSAS 20

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

o) Cash and cash equivalents

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

p) Comparative figures

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

q) Financial Risk Management

Objectives and Policies

The Audit and Risk Committee of Council has initiated a process that will see the enhancement of risk management. The University has an integrated risk management framework/strategy. The Council's approach to risk management shall be based on risk governance structures, risk management policies, risk identification, measurement, monitoring and reporting.

The risk management policies and systems are reviewed regularly to ensure they are in tandem with the micro and macro environment, regulatory guidelines, industry practice, market conditions as well as the services offered.

r) Subsequent events - IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

Note 4. Transfers from Government

	2018/19	2017/18
	KShs.	KShs.
Unconditional grants		
Operational grant- Capitation	1,456,316,287	2,139,461,094
	1,456,316,287	2,139,461,094
Conditional grants		
Development grant	280,000,000	40,864,678
	280,000,000	40,864,678
Total government grants and subsidies	1,736,316,287	2,180,325,772
Government grants and subsidies - Capital	280,000,000	40,864,678
Government grants and subsidies - Operating	1,456,316,287	2,139,461,094
Total government grants and subsidies	1,736,316,287	2,180,325,772

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

Note 5. Research Grants

	2018/19	2017/18
Research grants	139,433,053	178,866,801

The research grants were received by various researchers on their successful project proposals to several donors.

Note 6. Insurance Compensation

	2018/19	2017/18
Insurance Compensation	2,941,388	-

Note 7. Tuition Fees

	2018/19	2017/18
	KShs.	KShs.
Tuition Fees Incomes		
KUCCPS Tuition Fees	446,231,404	397,710,723
Direct Entry - Tuition Fee	257,363,000	275,260,794
Postgraduate Fees	5,448,900	21,398,850
	709,043,304	694,370,367
Kisumu Campus Tuition fees	261,050,843	224,949,342
E-campus	21,194,152	20,095,176
Homabay Tuition Fees	-	498,700
Collaborations (LAT, RIBM, KISE)	2,782,500	-
	23,976,652	20,593,876
Total Revenue from Tuition Fees	994,070,799	939,913,585

Note 8. Revenue from University Enterprises

	2018/19	2017/18
	KShs.	KShs.
Bookshop sales	8,058,486	11,283,449
Farm Sales	11,026,572	9,449,906
Kisumu Hotel Restaurant sales	72,670,462	56,044,081
Kisumu hotel bar sales	12,347,826	9,234,176
Hotel and Stationery sales	1,675,600	1,859,600
Kisumu Hotel equipment Hire	882,112	385,500
Kisumu Hotel Laundry Charges	924,035	15,770
Kisumu Hotel - Hall Hire	1,754,420	775,800
Kisumu Hotel swimming pool charges	809,450	684,100
Kisumu hotel Tel, fax, internet & Airtime Sales	449,803	171,409
Kisumu Hotel - Room Income	26,758,100	21,931,350
Varsity Plaza Restaurant	3,189,232	1,346,610
City Campus cafeteria	2,025,700	1,809,290
Catering Food Sales	7,730,678	8,148,750
I.G.A. - Tent Food Sales	1,613,270	1,754,465
Varsity Plaza rental	15,152,434	11,817,838
Total of University Enterprises Income	167,068,180	136,712,094

Note 9. Interest Income

	2018/19	2017/18
	KShs.	KShs.
Interest Income	1,533,410	8,237,294
Interest on treasury bond	-	-
	1,533,410	8,237,294

The University earned **Kshs.1,533,410** from Term deposits held with KCB and Equity Bank during the year. Further disclosures on this can be found in **Note 19**.

Note 10. Other Incomes

	2018/19	2017/18
	KShs.	KShs.
Accommodation Fees	33,382,600	25,006,400
Student fines and damages	2,322,400	442,910
Convocation Fees	13,902,600	12,544,555
Direct Entry Form Sales	171,200	639,400
House Rent Income	6,017,750	4,810,500
Imprest Under Exp.	1,115,880	1,408,810
Salary Pay In lieu of notice	29,145	75,165
Staff Surcharge/Fines	-	1,053,294
Tender Document Sales	4,000	2,000
Library Fines & Books Disposal	81,967	32,770
Misc Income	2,871,490	2,343,407
Water Sales	184,000	197,983
Misc. Income-Health	23,630	24,570
Sale Of Postgrad.Forms	162,000	108,000
Other Incomes	3,791,046	1,754,855
Insurance Rebates	-	639,724
T.P. Lesson Plan	830,710	660,970
Library Binding Services	485,300	534,500
Cyber Cafe Income	91,612	150,115
Disposal Catalogue	-	11,500
Ethical Review Charges	1,594,975	1,394,993
Refund from Tom Mboya	-	9,131,819
Total revenue from Other incomes	67,062,305	62,968,240
Total revenue from exchange Transactions	1,229,734,694	1,147,831,213

Note 11. Gain on Sale of Assets

	2018/19	2017/18
Motor vehicle disposal	-	756,153
Administration Building - Deemed disposal	-	-
	-	756,153

Note 12. Employee costs

	2018/19	2017/18
	KShs.	KShs.
Basic Emoluments	1,036,771,411	947,533,096
House Allowance	464,914,607	458,578,395
Car Allowance + non use of official car	26,437,893	25,910,120
Entertainment allowance	21,840,567	20,605,205
Responsibility Allowance	36,920,642	38,220,357
Telephone Allowance	9,768,963	9,543,505
Water & Electricity Allowance	6,224,937	5,842,751
Acting allowance	2,184,636	921,446
Special Duty Allowance	332,647	385,740
Examination Co-ordination Allowance	4,855,413	-
Tax Refund	-	741,242
Over recovery refund	471,468	902,251
Pension Deduction refund	-	1,025
Imprest recovery refunds	-	34,000
Utility Allowance	-	170,000
Non-practicing allowance	20,636,000	18,460,000
Book Allowance	6,803,442	6,249,426
Leave Allowance	8,887,825	8,791,534
Commuting allowance	194,555,942	193,046,154
Risk Allowance	9,357,000	8,581,400
Passage and Baggage allowance	102,361	253,834
Gratuity & Retirement Benefits ¹	299,648,904	188,614,137
Part-time Teaching Payments	168,928,136	130,958,652
Examination coordination	28,800	5,202,354
Thesis Examination	5,062,000	2,900,000
Domestic workers	2,700,000	2,885,000
Casual Wages	18,653,215	28,091,051
Extraneous allowance	36,654,500	36,974,351
Call Allowance	11,784,000	11,591,500
MUERC Allowances	596,075	-
Project Examination	-	644,000
Project and Thesis Supervision	-	5,280,000
Management Support Allowance	2,835,000	2,280,000
Adjusted Salaries (2013/2017 CBA)	-	504,191,520
Employer Pension Contribution (2013/2017 CBA)	62,827,739	-
Total Employee Costs	2,460,784,123	2,664,384,046

¹Gratuity and retirement benefits amount includes the 20% Employer contribution to Pension and NSSF contributions

Note 13. Depreciation and amortization expense

	2018/19	2017/18
	KShs.	KShs.
Buildings	53,497,707	53,497,707
Motor Vehicles	9,208,983	9,208,983
Plant and Equipment	32,174,211	30,119,959
Furniture and Fittings	5,950,113	5,643,440
Management Information System	4,495,417	4,495,417
Total depreciation	105,326,432	102,965,506

Note 14. Operations expenses

	2018/19	2017/18
	KShs.	KShs.
Stationery & Stores	22,060,686	15,986,672
Travelling & Accommodation	14,570,993	16,443,309
Teaching materials	1,543,566	3,055,062
Computer Materials	119,500	85,175
Committee Expenses	25,980	272,280
Office Entertainment	1,367,079	1,067,622
Field Trips/Industrial Attach.	14,012,176	9,481,900
Supply of Electricity	27,267,550	24,591,464
Students Welfare & Games	2,534,162	2,408,000
Students Activity	23,928,514	18,881,790
Purchase of Cleaning Materials	6,542,060	6,258,461
Telephone Expenses	2,980,296	3,460,977
Legal Expenses & Fees	8,978,287	6,056,227
Advertising & Publicity	8,173,809	9,748,901
Contingency Fund	335,350	1,111,369
Senate Expenses	2,000	51,004
Postal & Telegram Expenses	15,450	10,960
Transport Operating- Fuel & Generator fuel	13,060,281	22,035,663
Transp. Oper. Exp-Tyres	5,391,770	5,004,956
External Travel	2,283,516	394,069
Rent & Rates	1,652,361	1,225,000
Insurance Related Expenses	11,858,880	12,678,149
Water Bill Charges	12,329,768	8,716,846
Laboratory Reagents	1,663,896	1,895,731
Fuel for Boilers & Generators	2,148,323	1,940,592
Cooking Fuel/Gas	3,941,588	4,167,677

Bank Charges	606,572	552,007
Hired Security Services	65,461,591	49,050,155
Sanitary Expenses	781,430	2,278,577
Examination Material	2,585,516	15,433,283
Teaching Practice Expenses	8,100,990	7,437,854
Purch. of Library Books	15,010,674	9,454,740
Purch. of Periodicals	223,600	39,360
Post Graduate Expenses	2,759,713	4,189,285
Research Operation & Outreach	2,525,830	-
Research Programme	110,828,388	86,878,044
Admission Related Expenses	683,850	707,848
Alumni Expenses	21,000	-
Bindery Material	816,050	-
External Examiners	2,154,245	4,013,065
Uniforms & Clothing	1,159,950	-
Licenses& Fees	19,150	10,000
Cutlery and Kitchenware	389,739	-
IGA - Purch of Food	37,452,720	25,058,714
Review of curriculum	202,000	-
Course Development Expenses	695,900	4,666,000
Offshore Moodle Hosting	213,020	1,630,337
Renewal of Driving License	1,400	4,350
e- Campus Expenses	3,184,421	1,320,700
Internet Services	26,729,857	22,513,253
Calibration Of equipment	2,689,355	1,829,981
Broadcasting Frequency - License	-	15,000
Community Health Attachment	4,035,040	2,684,350
RIBM Expenses	411,600	124,600
KISE Expenses	-	14,280
IAT Expenses	78,400	195,728
	478,609,842	417,131,366

Note 15. University Enterprises Expenses

	2018/19	2017/18
	KShs.	KShs.
Animal Feeds	5,696,804	3,413,968
Livestock Drugs	66,000	87,000
Crop Inputs and Land preparation	44,000	66,000
Farm Maintenance	93,270	-
Vertinery Services	71,500	76,500
Casual Wages - Farm	3,544,847	4,207,056
Kisumu Hotel Purch. of Food	19,321,570	14,852,811
Kisumu Hotel Bar Purchases	4,940,475	3,178,083
Kisumu Hotel Accommodation Transfers	56,000	1,791,500
Catering Levy - Kisumu Hotel	2,365,436	1,821,926
Kisumu Hotel - Expenses	26,270,276	21,731,331
Bookshop purchases	6,273,498	8,970,868
	68,747,816	60,197,043

Note 16. Repairs and maintenance

	2018/19	2017/18
	KShs.	KShs.
Maint. of Office Equipment	1,262,857	148,600
Maint-Water Supply/Sewerage	618,400	370,206
Maint-Office Buildings	10,961,618	22,773,679
Maintenance of Grounds	65,025	156,872
Repair & Maintenance of Generator	1,204,312	126,324
Minor Works & Construction	7,294,802	918,321
Maint. of Hostels	-	2,642,095
Main. Of Plant & Equip.	2,535,130	1,418,617
Lecture Halls Maintenance	466,372	364,200
Lift Maintenance	-	2,758,860
Total repairs and maintenance	24,408,516	31,677,774

Note 17. General expenses

The following are included in general expenses:

	2018/19 KShs.	2017/18 KShs.
Purchase of Drugs	17,199,671	13,657,371
Payment of Medical Bills.	47,722,097	37,567,419
Dental Optical Services	5,720,482	2,499,166
Staff Developments	830,990	3,446,300
Seminars & Conferences	567,650	395,910
Shows & Exhibitions	3,446,471	1,512,634
Staff Welfare - Misc	1,379,612	1,554,253
External Linkage	-	311,100
Graduation Expenses	13,041,916	19,233,770
Kenya Music Festival	984,600	325,000
Glassware and Consumables	2,169,048	-
Capacity Building Trainers	222,000	253,200
PGDE- Teaching Expense	896,440	209,700
Planning Studio	447,500	74,000
KUCCPS Expenses	4,433,870	4,755,000
CUE Expenses - Quality Assurance	10,025,100	-
Accreditation of New Programs - CUE	2,085,147	-
Development of new programmes	513,600	-
Subscriptions & Journal	1,927,000	1,797,000
Varsity Plaza - Expense	363,850	9,288
Disposal Expenses	9,340	-
ICT Development	1,450,000	-
ISO Certification Expenses	1,294,340	1,564,830
Strategic Plan Expenses	939,300	3,944,000
Corporate Subscriptions	1,711,700	-
Professional Membership Fees	1,416,170	297,700
Disability Mainstreaming Expenses	498,530	-
Extraneous Expenses	1,838,121	-
Network Access & Expansion	7,284,083	3,405,591
Cuisine Day	674,619	400,000
Performance Contract Expenses	67,150	-
Laundry and Housekeeping	1,201,475	-
Software Development & License	378,000	672,000
Pending bills paid in current year	17,173,039	76,877,839
Loss on Biological Assets	430,543	2,097,400
Total general expenses	150,343,454	176,860,471

Note 18. Council Expenses

	2018/19	2017/18
	KShs.	KShs.
Council Expenses	22,023,327	17,539,272
Council Chairman Honoraria	1,044,000	1,044,000
Chancellor's Honorarium	600,000	1,200,000
	<u>23,667,327</u>	<u>19,783,272</u>

Note 19. Impairment Loss

	2018/19	2017/18
	KShs.	KShs.
Allowance for Impairment loss on receivables	11,649,992	9,999,590
	<u>11,649,992</u>	<u>9,999,590</u>

Further disclosures on this item are in **Note 21**.

Note 20. Cash and cash equivalents

	2018/19	2017/18
	KShs.	KShs.
Bank Balances and Guarantee	226,237,574	305,877,463
Cash	31,980	145,200
Short term Deposits	50,000,000	50,000,000
Total cash and cash equivalents	276,269,554	356,022,663

	2018/19	2017/18
	Kshs.	Kshs.
Cash held in;		
Equity Bank Kenya	132,559,128	25,100,413
Standard Chartered Bank	43,259,401	46,082,615
Kenya Commercial Bank	47,319,045	231,694,435
Bank Guarantee with KCB	3,100,000	3,000,000
Total Cash in Bank	226,237,574	305,877,463

Cash balances held in foreign currency have been reported using the closing exchange rate by Central Bank and respective banks. Further disclosures are contained in Note 32.

Note 21. Receivables

(i) From exchange transactions

	2018/19	2017/18
	KShs.	KShs.
Current trade receivables		
Kisumu Hotel Debtors	43,036,451	44,598,450
Varsity Plaza Rent Debtors	17,824,444	8,815,501
Bookshop Debtors	3,275,085	2,713,831
	64,135,980	56,127,782
Less: Impairment Allowance	(3,206,799)	(2,806,389)
	60,929,181	53,321,393
Student Debtors	168,863,858	143,864,023
Less: Impairment Allowance	(8,443,193)	(7,193,201)
	160,420,665	136,670,822
Total trade receivables	221,349,846	189,992,215

Impairment assessment has been done on trade debtors and an allowance of 5% of total receivables outstanding provided in report for FY 2018/2019.

Reconciliation of allowance for impairment of receivables

	Current Receivable		Non-Current	Total
	Trade	Student	Receivable	
	Receivables	Receivables		
	KShs.	KShs.	KShs.	KShs.
At 30 June 2017	4,796,821	339,912,433	-	344,709,254
Charge for the Year	2,806,389	7,193,201	-	9,999,590
At 30 June 2018	7,603,210	347,105,634	-	354,708,844
Charge for the Year	3,206,799	8,443,193	-	11,649,992
At 30 June 2019	10,810,009	355,548,827	-	366,358,836

	2018/19	2017/18
	KShs.	KShs.
Current Non-Trade receivables		
Sundry Debtors	9,592,437	5,374,516
Prepaid insurance	3,634,542	7,159,485
Imprest Outstanding	9,892,890	7,143,380
Advances to MURBS	6,471,630	6,321,629
Advances to Tom Mboya University	20,772,325	20,772,325
Total non-trade receivables	50,363,824	46,771,335
Total Receivables from exchange transactions	271,713,670	236,763,551

(ii) From non-exchange contracts

	2018/19	2017/18
	KShs.	KShs.
Current receivables		
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	51,799,015
	51,799,015	51,799,015
Other Assets		
Deposit with High Court from Court Judgement	11,643,986	11,643,986
	63,443,001	63,443,001
Total Receivables	335,156,671	300,206,552

The University paid a deposit of **Kshs.11,643,986** as a result of a High Court judgment entered against the University.

Note 22. Inventories

	2018/19	2017/18
	KShs.	KShs.
Farm Stocks	3,141,079	3,226,670
Bookshop Stores	5,746,233	8,428,032
Stationery Stocks	9,646,940	6,407,406
Catering Stores	1,997,769	2,310,858
Medical Stores	3,499,817	1,904,248
Maintenance Stores	22,107,356	22,119,665
Hostel Stores	4,516,074	1,387,614
Kisumu Hotel Store	7,027,841	9,827,758
Varsity Plaza Store	1,355,293	1,086,467
TOTAL	59,038,401	56,698,716

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Note 23. Property, Plant and Equipment

	LAND KSHS	BUILDINGS KSHS	MOTOR VEHICLE KSHS	PLANT & EQUIPMENT KSHS	FURNITURE & FITTINGS KSHS.	W.I.P KSHS.	TOTAL KSHS
COST/VALUATION							
As at 30.06.2017	215,922,317	2,069,785,090	117,932,764	635,489,989	87,219,468	481,319,458	3,607,669,086
Additions	-	-	19,431,600	11,563,359	1,365,109	228,896,247	261,256,315
Transfers/adjustments	-	70,123,193	-	-	-	(70,123,193)	-
Disposals	-	-	(2,238,471)	-	-	-	(2,238,471)
As at 30.06.2018	215,922,317	2,139,908,283	135,125,893	647,053,348	88,584,577	640,092,512	3,866,686,930
Additions	-	-	-	21,537,920	5,126,191	225,727,527	252,391,638
Transfers/adjustments	-	-	-	-	-	(9,600,000)	(9,600,000)
Disposals	-	-	-	-	-	-	-
As at 30.06.2019	215,922,317	2,139,908,283	135,125,893	668,591,268	93,710,768	856,220,039	4,109,478,568
DEPRECIATION							
As at 30.06.2017	-	615,849,477	85,101,668	536,150,015	65,004,927	-	1,302,106,087
Disposals	-	-	(2,014,624)	-	-	-	(2,014,624)
Charge for the year	-	53,497,707	9,208,983	30,119,959	5,643,440	-	98,470,089
As at 30.6.2018	-	669,347,184	92,296,028	566,269,973	70,648,367	-	1,398,561,552
Disposals	-	-	-	-	-	-	-
Charge for the year	-	53,497,707	9,208,983	32,174,211	5,950,113	-	100,831,015
As at 30.6.2019	-	722,844,891	101,505,011	598,444,185	76,598,480	-	1,499,392,567
NET BOOK VALUE							
As at 30.6.2018	215,922,317	1,470,561,099	42,829,865	80,783,375	17,936,210	640,092,512	2,468,125,378
As at 30.6.2019	215,922,317	1,417,063,392	33,620,882	70,147,084	17,112,288	856,220,039	2,610,086,001

Note 23. (i) Analysis of WIP

	As at 01/07/18	Additions	Transfers	As at 30/06/19
<u>Analysis of WIP</u>	Kshs.	Kshs.	Kshs.	Kshs.
Admin Block	60,676,091	45,589,056	-	106,265,147
Sewerage Project	39,919,253	-	-	39,919,253
Access Roads Maintenance	12,381,068	-	-	12,381,068
Library Project	347,911,508	24,160,104	-	372,071,612
Installation of Lifts (Admin & Library)	4,315,736	5,284,264	(9,600,000)	-
Tuition Block and Laboratory	161,434,045	140,778,820	-	302,212,865
Perimeter Wall & CCTV	13,454,809	9,915,283	-	23,370,092
	640,092,510	225,727,527	(9,600,000)	856,220,037

The transfer from the Installation of Lifts was done to the Work in Progress of the Library and the Admin Block

Note 24. Intangible Assets - Management Information System

	MANAGEMENT INFORMATION SYSTEM KSHS.
COST/VALUATION	
As at 30.06.2017	22,477,085
Additions	-
Transfers/adjustments	-
Disposals	-
As at 30.06.2018	22,477,085
Additions	-
Transfers/adjustments	-
Disposals	-
As at 30.06.2019	22,477,085
DEPRECIATION	
As at 30.06.2017	8,990,834
Disposals	-
Charge for the year	4,495,417
As at 30.06.2018	13,486,251
Disposals	-
Charge for the year	4,495,417
As at 30.06.2019	17,981,668
NET BOOK VALUE	
As at 30.06.2018	8,990,834
As at 30.06.2019	4,495,417

Note 25. Biological assets

	2018/19	2017/18
	KShs.	KShs.
Biological Assets	7,786,887	8,610,400

	2018/19	2017/18
	KShs.	KShs.
Reconciliation of Biological Assets		
Carrying amount at 1 July	8,610,400	10,707,800
Increases due to purchases		
Gain/(Loss) on biological assets	(823,513)	(2,097,400)
Decreases due to sales		
Carrying amount at 30 June	7,786,887	8,610,400

The University owns biological assets which are mainly livestock. The biological assets are measured at fair value less costs to sell; the fair value is established from quoted market prices less costs to sale. The loss on biological asset of **Kshs.823,513** arose from decreases in fair values as a result of physical changes.

Note 26. Trade and other payables from exchange transactions

	2018/19	2017/18
	KShs.	KShs.
PAYE	63,636,971	38,316,424
NHIF	1,854,950	1,788,100
NSSF	231,550	158,700
PENSION & GRATUITY	23,982,068	22,735,218
BENEVOLENT FUND	5,181,268	4,946,880
HELB Loan Repayments	159,133	143,449
UNION DUES	1,322,542	1,344,095
OTHER LOANS	37,110,963	35,688,363
MASENO UNIV. SACCO	3,857,500	2,024,881
Other SACCOS	27,000	20,000
Part-time Teaching Claims	-	18,673,904
BOOKSHOP RECOVERIES	183,789	180,920
SOMU Activities	240,391	197,724
University Fees Prepaid	86,339,617	45,738,107
6% Withholding Tax	3,413,664	4,363,654
Retention on Construction contracts	56,815,157	44,263,322
Contractors Pending Certificates	25,434,059	-
Chancellor's Scholarship Fund	3,430,000	3,010,000
Trade Payables	51,575,049	58,120,022
Employer Pension Contribution (2013/2017 CBA)	62,827,739	-
Accrued Gratuity Payable	80,992,880	
Siaya County Advances	5,000,000	5,000,000
Placement Fees	-	6,888,000
Total trade and other payables	513,616,289	293,601,764

Note 27. Refundable Deposits (Caution Money)

	2018/19	2017/18
	KShs.	KShs.
Caution Money	25,947,200	24,112,200
Less: Total current portion of caution money	(11,457,400)	(9,559,800)
Total non-current portion of caution money	14,489,800	14,552,400

Note 28. Current provisions- Audit Fees

	2018/19	2017/18
Audit Fees	KShs.	KShs.
Balance at the beginning of the year	2,854,000	2,854,000
Additional provisions raised	952,000	952,000
Provision utilized	(1,904,000)	(952,000)
Balance as at 30 June 2019	1,902,000	2,854,000

Note 29. Borrowings

	2018/19	2017/18
	KShs.	KShs.
Bank loans	100,400,000	-
Total non-current borrowings	100,400,000	-

During the year the University received **Kshs.100,400,000** from Equity Bank Kenya Ltd., being the first disbursement of a **Kshs.500,400,000** loan.

Note 30. Contingent Liabilities

Legal Cases

The University has a number of cases in court that are at various stages of litigation. In one of these, a judgment of Kshs.12,760,718 has been entered against the University. However, the University has sought an appeal on this ruling. The outcomes of the other cases are not known and the amount of the obligation cannot be measured with sufficient reliability.

Note 31. Related Party Disclosures

a) Nature of relationships

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

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

b) Related party transactions

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

Related party transactions	2018/19	2017/18
	KShs.	KShs.
Total grants received from government	1,736,316,287	2,180,325,772

c) Due from related parties

	2018/19	2017/18
	KShs.	KShs.
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	51,799,015
Advances to MURBS	6,471,630	6,321,629
Advances to Tom Mboya University	20,772,325	20,772,325
	79,042,970	78,892,969

Note 32. Detailed Cash and Bank Balances

	2018/19	2017/18
	Kshs.	Kshs.
Main Campus Fee Collection Account - 1120297065141	132,559,128	25,100,413
Equity Bank Kenya	132,559,128	25,100,413
Main Current Account - 1103898094	(17,713,677)	154,281,658
Development Account - 1108378056	2,925,968	2,190,074
Research Account - 1107735971	32,986,175	34,143,785
Kisumu Hotel Account - 1101560894	8,280,338	1,944,558
Fee Collection Account - 1101561076	6,315,334	6,325,034
IGA Account - 1108378226	4,568,889	5,320,310
BookshopAccount - 1101560703	4,869,463	827,696
K-LIP Account - 1160049351	4,793,721	4,938,806
KCB Flood Disaster Management AC -1176816284 (Kshs)	36,541	10,755,575
KCB Flood Disaster Management AC - 1176816365 (Euro)	15,902	10,769,215
Student Activity KCB S/A - 1102264946	99,946	46,903
Student Welfare KCB S/A - 1102265055	111,256	136,595
Student Activity KCB Current - 1108266207	29,189	14,226
Kenya Commercial Bank	47,319,045	231,694,435
Standard Chartered 8752524018401 (RES. USD)	15,240,297	12,502,881
Standard Chartered 9352524018401 (RES. EURO)	23,775,121	20,894,738
Standard Chartered 0102024018401 (RES. KSH)	3,249,710	1,953,562
Standard Chartered 8752524018400 (BSU USD)	672	9,401,792
Standard Chartered 0102024018400 (BSU KSH)	993,600	1,329,642
Standard Chartered Bank	43,259,401	46,082,615
Bank Guarantee	3,100,000	3,000,000
Total Cash in Bank	226,237,574	305,877,463

Note 33. Audit Fees

The Office of the Auditor General has regularly charged **Kshs.952,000**. This is the amount that has been accrued for the current year.

APPENDIX I: INTER-ENTITY TRANSFERS

Confirmation of amounts received by Maseno University as at 30th June, 2019

a) RECURRENT GRANTS

Date Received	Amount	Period	F/Y Disbursement
02-08-18	123,836,419	July	2018/2019
30-08-18	123,836,419	August	2018/2019
01-10-18	123,836,419	September	2018/2019
07-11-18	123,836,419	October	2018/2019
03-12-18	116,406,234	November	2018/2019
27-12-18	116,406,234	December	2018/2019
01-02-19	121,359,690	January	2018/2019
07-03-19	121,359,690	February	2018/2019
28-03-19	113,929,506	March	2018/2019
02-05-19	123,836,419	April	2018/2019
06-06-19	123,836,419	May	2018/2019
28-06-19	123,836,419	June	2018/2019
TOTAL	1,456,316,287		

b) DEVELOPMENT GRANTS

Date Received	Amount	Period	F/Y Disbursement
24-Oct-18	51,861,835	-	2018/2019
27-Nov-18	88,138,165	-	2018/2019
13-Feb-19	47,500,000	-	2018/2019
20-Mar-19	92,500,000	-	2018/2019
TOTAL	280,000,000		

c) RESEARCH GRANTS

Date Received	Amount	F/Y Disbursement	F/Y Disbursement
09-Jul-18	499,927	-	2018/2019
02-Jul-18	850,000	-	2018/2019
09-Jul-18	3,313,233	-	2018/2019
09-May-19	18,552,044	-	2018/2019
04-Jun-19	70,200,173	-	2018/2019
TOTAL	93,415,377		

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Officer
Maseno University

Sign 

Head of Accounting Unit
State Department of Education

Sign 