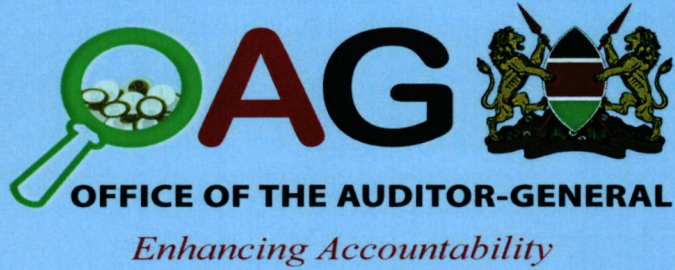



REPUBLIC OF KENYA

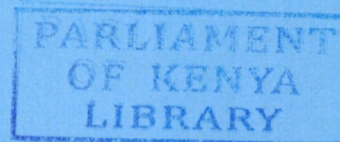


REPORT

 THE NATIONAL ASSEMBLY	
DATE: 16 FEB 2022	
DAY: Wed	
TABLED BY:	LOM
CLERK-AT THE-TABLE:	S. Kalama

THE AUDITOR-GENERAL

ON



**MURANG'A UNIVERSITY OF
TECHNOLOGY**

**FOR THE YEAR ENDED
30 JUNE, 2020**



MURANG'A UNIVERSITY OF TECHNOLOGY



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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



MUT IS ISO 9001:2015 CERTIFIED



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VISION

A Leading University in Technological Innovation, Research and Training

MISSION

To advance knowledge and technological transfer through teaching, training, learning, research and innovation for sustainable development

CORE VALUES

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

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background information

Murang'a University of Technology (MUT) is a public university in Kenya, chartered on 7th October, 2016. The University operates under the provision of the Universities Act No. 48 of 2012 of the Laws of Kenya. It is a successor to Murang'a University College, a former constituent College of Jomo Kenyatta University of Agriculture and Technology (JKUAT), and Murang'a College of Technology based in Murang'a County. The University is strategically located 1.5 km from Murang'a Town, 85 km North East of Nairobi, 70 km South East of Nyeri and 50 km South West of Embu.

The University offers postgraduate studies at Masters and Doctorate level, undergraduate Degree programs, Diploma and Certificate courses in Engineering, Information Technology, Computer Science, Business, Commerce, Human Resource Management, Hospitality and Tourism Management, Education, and Pure and Applied Sciences. The programs are innovative in design and curricula implementation focuses on the development of graduates with sound knowledge, professional competencies and values that enable them to fit in the job market both locally and internationally. This is achieved through concerted and collaborative efforts in teaching, training, research and innovation, scholarship, entrepreneurship, and consultancy. The University is committed to continually develop and review courses in order to address changing market demand and thus increase student enrollment. The University has build technology and innovation into its programs and aligned them to the Medium Term Plan (MTP) III, the Big Four Agenda initiatives as well as the Kenya Vision 2030.

(b) Principal Activities

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



(c) Key Management

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

- University Council
- University Management Board
- Senate

(d) Fiduciary Management

The key Management personnel who held office during the financial year ended 30th June, 2020 and who had direct fiduciary responsibility were:

No.	Name	Designation
1	Prof. Dickson M. Nyariki	Vice Chancellor
2	Prof. Beatrice W. Mugendi	Deputy Vice Chancellor (Finance and Development)
3	Prof. Prisca J. Tuitoek	Deputy Vice Chancellor (Academic and Student Affairs)
4	Dr. Richard Juma	Registrar (Academic and Student Affairs)
5	Dr. Peace Byrne Agufan	Registrar (Administration and Planning)
6	Mr. Joseph Gachanja	Ag. Registrar (Finance and Development)
7	CPA. Richard Ng'ang'a	Finance Officer (up to 8 th June, 2020)
8	CPA. Moffat K. Njoroge	Ag. Finance Officer (from 8 th June, 2020)

(e) Fiduciary Oversight Arrangements

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

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

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

(f) Headquarters

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

(g) Contacts

Telephone: (254) 0771463515, (254) 0771370824
E-mail: info@mut.ac.ke
Website: www.mut.ac.ke

(h) Bankers

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

(i) Independent Auditors

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



(j) Principal Legal Adviser



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








UNIVERSITY CHANCELLOR AND COUNCIL MEMBERS

The University governing body comprises the Chancellor and the Council. The Chancellor is the titular Head of the University. The University Council was appointed by the Cabinet Secretary for Education vide gazette notice no.7598 and gazette notice no.7599 of 31st July, 2017 for a term of three years with effect from 1st August, 2017; and vide gazette notice no.4412 of 10th May, 2019 for a period of three years with effect from 26th April, 2019.

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

 <p>Mr. Alfred L. Ejem</p>	<p>Council Member</p> <p>Chairperson-Finance, Physical Planning and Development Council Committee from 10th May, 2019</p> <p>Date of Birth: 1976 MBA Strategic Management, Kenyatta University, 2013 BSc Agriculture, Education & Extension, Egerton University, 2007</p>	<p>Throughout the Year</p>
 <p>Plan. Peter M. Kibinda</p>	<p>Council Member</p> <p>Chairperson-Audit, Governance and Risk Management Council Committee</p> <p>Date of Birth: 2nd February, 1954 MA Urban Planning, University of Nairobi, 1981 BA Land Economics, University of Nairobi, 1978</p>	<p>Throughout the Year</p>
 <p>Ms. Lucy N. Kaburia</p>	<p>Council Member</p> <p>Chairperson-Human Resource and General Purposes from 10th May, 2019 to 20th July. 2020</p> <p>Date of Birth: 13th December, 1974 MBA Marketing, Strathmore University, 2011 B. Com Marketing, University of Nairobi, 1999</p>	<p>Throughout the Year</p>
 <p>Ms. Naomi Wanjiru Matheri</p>	<p>Council Member</p> <p>Rep. Cabinet Secretary National Treasury.</p> <p>Date of Birth: 1981 Strategic Leadership Development Programme KSG July-Aug 2019. Master of Arts in (Economics) University of Nairobi, 2011. Bachelor of Science (Statistics) Second Class Honours, Upper Division, Moi University, 2005.</p>	<p>From 23rd April, 2020</p>

 <p>Dr. Meshack Opwora, PhD</p>	<p>Council Member</p> <p>Rep. Principal Secretary State Department of University Education and Research, Director of Technical Training</p> <p>Date of Birth: 1966 PhD in TVET from the University of Newcastle, Australia MBA, Kenyatta University (KU) MED (Administration and Planning), University of Nairobi (UON) B.Ed. in Technology – Moi University</p>	<p>Up to February, 2020</p>
 <p>Prof. Chris Macoloo, PhD</p>	<p>Council Member</p> <p>Chairperson-Human Resource and General Purposes from 20th July, 2019</p> <p>Date of Birth: 3rd February, 1956 Cambridge University, UK (Ph.D. in Urban Geography and Planning), 1990 McGill University, Montreal Canada (Visiting Graduate Student), 1983 University of Nairobi (MA in Urban Geography), 1983 University of Nairobi (BA in Education), 1980</p>	<p>Throughout the Year</p>
 <p>Ms. Mary Kibuka</p>	<p>Council Member</p> <p>Date of Birth: 29th October, 1952 M.Sc. in Management and Implementation of Development Projects, (MIDP), University of Manchester, 1991 Bachelor of Education and Home Economics (B. Ed. Sc. Hons.), University of Nairobi, 1976</p>	<p>Throughout the Year</p>
 <p>Mr. Darius Mogaka Ogutu</p>	<p>Council Member</p> <p>Rep. Principal Secretary State Department of University Education and Research, Director University Education</p> <p>Date of Birth: 1972 Capacity Development for the education policy formulation and analysis for learning improvement – JICA/ Hiroshima University, 2018. M.ED, Educational Communication and Technology, Kenyatta University, 2001 B. ED English and Literature, Egerton University, 1996.</p>	<p>From February, 2020</p>

	<p>Vice Chancellor/Secretary to Council</p> <p>PhD in Agricultural Economics University of Reading, United Kingdom, 1997; MSc Agricultural Economics University of Nairobi, 1990; BSc Range Management University of Nairobi, 1986; Vice Chancellor, Murang'a University of Technology, February 2018 to date; Ag. Vice Chancellor, Murang'a University of Technology, October 2016 to January 2018 Principal, Murang'a University College, March 2016 to September 2016; Deputy Vice Chancellor (Administration and Human Resource Management), South Eastern Kenya University, March 2013 to February 2016; Deputy Principal (Administration and Finance), South Eastern University (Constituent College of the University of Nairobi), January 2010 to March 2013; Sub-Regional Coordinator, FAO Initiative on Soaring Food Prices (ISFP), April 2009 to January 2010; Regional Coordinator, IGAD Water Harvesting Pilot Project for Crop and Livestock Production to Enhance Food Security, February 2005 to December 2008.</p>	<p>Throughout the year</p>
<p>Prof. Dickson M. Nyariki, PhD</p>		

MANAGEMENT TEAM

Name	Key profession, Academic qualifications and Work Experience	Area of Responsibility	Period Served
 Prof. Dickson M. Nyariki, PhD	<p>PhD Agricultural Economics, University of Reading, United Kingdom January 2018 to date: Vice Chancellor, Murang'a University of Technology October 2016 to January 2018: Ag. Vice Chancellor, Murang'a University of Technology</p>	Vice Chancellor	Throughout the year.
 Prof. Beatrice W. Mugendi	<p>PhD in Food Biochemistry, Kenyatta University, 2008 MBA Strategic Management, Kenya Methodist University, 2015</p>	Deputy Vice Chancellor (Finance and Development)	Throughout the year.
 Prof. Prisca J. Tuitoek, PhD	<p>PhD in Human Nutrition University of Alberta, Canada, 1995</p>	Deputy Vice Chancellor (Academic and Student Affairs)	Throughout the year.
 Dr. Richard Juma, PhD	<p>PhD in Development Studies, Victoria University of Wellington, New Zealand, 2009</p>	Registrar (Academic and Student Affairs)	Throughout the year.

 <p>Dr Peace Agufana, PhD</p>	<p>PhD in Educational Communication and Technology, Moi University-Eldoret, Kenya, 2015</p>	<p>Registrar, (Administration and Planning)</p>	<p>From 13th January, 2020</p>
 <p>Mr. Joseph Gachanja</p>	<p>MBA Strategic Management, Kenyatta University, 2008</p>	<p>Ag. Registrar (Finance and Development)</p>	<p>Throughout the year.</p>
 <p>CPA Richard K. Ng'ang'a</p>	<p>MBA Finance, Jomo Kenyatta University of Agriculture and Technology, CPA(K)</p>	<p>Finance Officer</p>	<p>Up to 8th June, 2020.</p>
 <p>CPA. Moffat K. Njoroge</p>	<p>MBA Financial Management, Catholic University of Eastern Africa, CPA (K)</p>	<p>Ag. Finance Officer</p>	<p>From 8th June, 2020</p>

CHAIRMAN'S STATEMENT

On behalf of the Council, I am delighted to present the Annual Report and Financial Statements of the Murang'a University of Technology for the financial year ended 30th June, 2020.

The University is committed to providing quality education to all its students that will equip them with knowledge and skills to succeed in future studies, employment and entrepreneurship. The University is also positioning itself to develop a distinctive profile as a premier University and to growing its enrolment strategically.

During the year under review, the University realized significant achievements, notwithstanding financial and operational challenges due to effects of COVID-19. Notably, among the achievements included holding of the University's third graduation ceremony whereupon five hundred and thirty-five graduates were awarded degrees and conferred with diplomas. The University's performance is highly affected by the general performance of the economy and particularly the performance of the Education Sector in Kenya. Being a growing public institution, the University is also highly dependent on Government funding. The financial year under review has been a difficult one, following closure of the education institutions to control the infection of Corona Virus Disease which led to a reduction in tuition income.

Since its establishment, the University has increased the number of academic programmes. Currently, the University has the following Schools: Business and Economics, Pure, Applied and Health Sciences, Computing and Information Technology, Hospitality and Tourism Management, and Engineering and Technology. Each School offers a variety of Postgraduate and Undergraduate Degree, Diploma and Certificate programmes. The University has continued to increase the facilities and infrastructure to support its core mandate. Some of the challenges faced by the University include stiff competition from other Universities for self-sponsored students as well as delayed and inadequate Government capitation. Looking forward, there is uncertainty in student enrolment, with continued mushrooming of Technical Training Institutes. Despite these challenges, the University will look at ways to develop more interdisciplinary courses, embedding opportunities for collaboration and enterprise in the curriculum development and assessment, and exploiting new technology in learning, teaching and research.

The going concern of the University was not at stake and the University will continue its operations in the future without liquidating or being forced to discontinue operations due to any reason. No evidence is available to believe that it will cease its activities in the foreseeable future. The liquidity position of the University was stable with minimal difficulties in meeting its maturing obligations attributable to financial liabilities. The University's approach to managing liquidity is to ensure, as far as possible, that it will always have liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

I express my sincere appreciation to the Government of Kenya for funding our projects during the financial year. My special thanks also goes to my fellow Council Members, the Management Team, Staff, Students and all other stakeholders for their contributions to the many milestones the University has achieved in the short period of its existence.



Prof. Joachim Osur, Ph.D.
Council Chairman



REPORT OF THE CHIEF EXECUTIVE OFFICER

It gives me pleasure to present the Annual Report and Financial Statements of MUT for the year ended 30th June, 2020. The University has progressed well with its core business of teaching, training and research amidst high competition, inadequate Government funding and rising cost of operations. During the year under review, total revenue rose by Kshs.102.56M (16%) while total expenditure increased by Kshs.97.29M (15%) resulting in an improvement from a surplus of Kshs.10.04M to a surplus of Kshs.15.31M.

Exchequer recurrent grants during the year were Kshs.522.43M. This was higher than the originally expected grants of Kshs. 471.06M due to the accrued Kshs.51.37M from the supplementary budget meant to pay CBA 2017-2021 salary arrears. The recurrent budget was mainly utilized in funding recurrent expenditure to the extent of Kshs. 740.42M and purchase of plant and equipment amounting to Kshs.5.35M.

The approved budget for development grants was Kshs.464.26M. Kshs.195.99M was utilized in funding development projects. The Government funded only the Science Complex by Kshs.93.62M, leading to a deficit of Kshs.370.64M. This slowed down the construction of projects during the year. Students' fees grew by Kshs. 24.28M (14%) attributable to increased enrolment of Government sponsored students as compared to the previous year. Other incomes increased by Kshs.8.06M due to interest on call deposit.

Personnel emoluments went up by 82.39M (19%) owing to payment of basic salary arrears after the implementation of the 2017-2021 National CBA. In addition, lecturers were competitively recruited to support the teaching of new academic programmes that were mounted to meet market needs. In order to enhance human resource capacity, the University has continued to identify skills gaps in the existing human resource which are bridged by skills enhancement through trainings and workshops. Also, to enhance skills for the existing staff, tuition fee was waived for staff members who were willing and qualified to undertake Masters or Doctorate degrees in the University. In addition, competitive recruitment and induction of new staff in various posts were carried out during the year. In general operating expenses dropped during the year. This is because the Management employed tight austerity measures with comprehensive cost management strategies to ensure that the University is able to finance all the budgeted activities without recourse to borrowing amid inadequate Government funding and declining self-sponsored student enrolment. The Management has continued to equip the University with library materials, computers and internet facilities to support learning, teaching and research.

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

Finally, I would like to express my sincere appreciation to the Government for financial support, the Council for providing strategic guidance, and the staff and students for working meticulously to ensure successful operations of the University during the year. I sincerely thank all of them and look forward to their continued support.



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



CORPORATE GOVERNANCE STATEMENT

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

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

a. The University Council

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

b. Appointment of the Council

The University Council was appointed by the Cabinet Secretary for Education vide gazette notice no.7598 (Council Chairman) and gazette notice no.7599 (Council members) of 31st July, 2017 for a term of three years with effect from the 1st August, 2017. Prof. Chris Gervase Macoloo and Ms. Mary Ndiga Kibuka were appointed to be Council Members vide gazette notice no.4412 of 10th May, 2019 for three (3) years with effect from the 26th April, 2019. The appointments of Ms. Eunice Muyoka Juma and Dr. Francis Kipkemboi Sang were revoked vide the same gazette notice. Mr. Darius Mogaka Ogutu, Rep. Principal Secretary State Department of University Education and Research, Director of University Education and Ms. Naomi Wanjiru Matheri, Rep. Cabinet Secretary National Treasury were appointed to the Council on February 10th and April 23rd, 2020 respectively.

The Council members have a combination of skills and competencies necessary for effective University Governance as required by the Mwogozo Code.

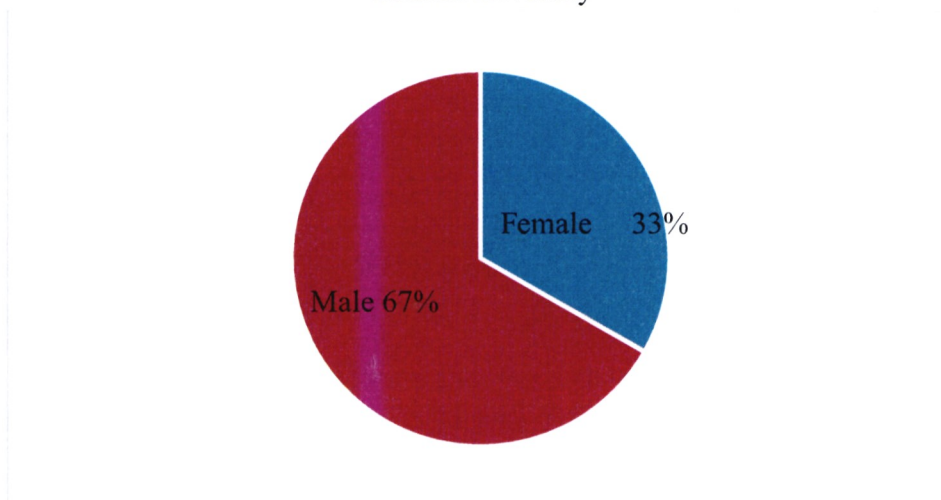
c. Size and Composition of Council

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

In compliance with the Constitution, the Council composition in terms of male and female Council members was 67% and 33% respectively, as illustrated in the figure below.



Council Diversity



d. The Role of the Council

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

e. The Power and Authority of the Council

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

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

f. Council effectiveness

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

g. Council Committee and Meetings

The University Council meets at least once in every quarter unless urgent matters arise which call for a special meeting. The Council oversees the operations of the University using various committees. These

Committees meet quarterly or as per need. The Council receives reports from the Committees of Council that will have considered the matters in detail. The recommendations of these Committees are formally reported to the Council meeting for approval. These Committees are as follows:

1. Finance, Physical Planning and Development Committee

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

2. Audit, Governance and Risk Management Committee

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

3. Human Resource and General Purposes Committee

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

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

	Council Committee	Members	Area of responsibility	No. of meetings attended
1	Council			
	i.	Prof. Joachim Osur	Chairman	9
	ii.	Mr. Peter Kibinda	Member	9
	iii.	Mr. Alfred Ejem	Member	9
	iv.	Ms. Lucy Kaburia	Member	9
	v.	Prof. Chris Gervase Macoloo	Member	9
	vi.	Dr. Meshack Opwora*	Rep. PS, State Department of University Education and Research	5
	vii.	Mr. Darius Mogaka Ogutu*	Rep. PS, State Department of University Education and Research	4
	viii.	Ms. Mary Kibuka	Member	9
	ix.	Ms. Naomi Wanjiru Matheri**	Rep. CS, National Treasury	1
	x.	Prof. Dickson Nyariki	Secretary to the Council	9
2	Finance, Physical Planning and Development			
	i.	Mr. Alfred Ejem	Chairperson from June 2018	5
	ii.	Mr. Peter Kibinda	Member	5
	iii.	Ms. Mary Kibuka	Member	4
	iv.	Dr. Meshack Opwora/ *	Rep. PS, State Department of University Education and Research	4

Murang'a University of Technology
Annual Report and Financial Statements for the year ended June 30, 2020

	v.	Mr. Darius Mogaka Ogutu*	Rep. PS, State Department of University Education and Research	1
	vi.	Ms. Naomi Wanjiru Matheri**	Rep. CS, National Treasury	0
	vii.	Prof. Dickson M. Nyariki	Secretary to the Council	5
3	Audit, Governance and Risk Management			
	i.	Mr. Peter Kibinda	Chairperson	4
	ii.	Mr. Alfred Ejem	Member	4
	iii.	Ms. Lucy Kaburia	Member	4
	iv.	Dr. Meshack Opwora*	Rep. PS, State Department of University Education and Research	3
	v.	Mr. Darius Mogaka Ogutu*	Rep. PS, State Department of University Education and Research	1
	vi.	Ms. Naomi Wanjiru Matheri**	Rep. CS, National Treasury	0
	vii.	Prof. Dickson M. Nyariki	Secretary to the Council	4
4	Human Resource and General Purposes			
	i.	Prof. Chris Macoloo	Chairperson	5
	ii.	Ms. Lucy Kaburia	Member	5
	iii.	Ms. Naomi Wanjiru Matheri**	Rep. CS, National Treasury	0
	iv.	Ms. Mary Kibuka	Member	4
	v.	Mr. Alfred Ejem	Member	5
	vi.	Dr. Meshack Opwora	Rep. PS, State Department of University Education and Research	4
	vii.	Mr. Darius Mogaka Ogutu*	Rep. PS, State Department of University Education and Research	1
	viii.	Prof. Dickson M. Nyariki	Secretary to the Council	5

Note that:

* The Members were revoked and appointed vide appointment letter on 10th February, 2020 for three years with effect from 10th February, 2020

**Member was appointed for three years with effect from the 23rd April, 2020 vide appointment letter dated 23rd April 2020



CORPORATE GOVERNANCE STATEMENT (continued)



New Council Members visiting the site for the proposed Science Complex at MUT

h. Remuneration of the Council

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

i. Statement of Compliance

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



MANAGEMENT DISCUSSION AND ANALYSIS

a. Financial Performance Highlights

The University shows steady financial growth in its fourth year after the award of the charter. The results of operations reflect the University's focus on achieving its mandate in the face of high competition for students, constrained Government funding and the increasing need for competitive staff, teaching and research facilities, and high operational costs. The University's financial performance recorded an improvement with surplus growing from Kshs.10.04M to Kshs.15.31M. Total revenue and expenditure increased by Kshs.102.56M (16%) and Kshs.97.29M (15%) respectively in the year under review.

i. Income

Table 1 shows that exchequer recurrent grants rose by Kshs.19.22M (4%) due to an increase in exchequer recurrent grants allocation for 2019-2020 FY. Amortization of granted assets (based on straight line method of depreciation) remained at the same level during the year under review. Total revenue from non-exchange transactions increased by Kshs.70.59M mainly due to 2017-2021 Collective Bargaining Agreement (CBA) recurrent grants of Kshs.51.37M that were received in the current financial year.

Tuition and tuition related income grew by Kshs.24.28M (14%) attributable to an increase in student enrolment compared to the previous year. Other incomes increased by Kshs.8.06M (57%) due to interest from call deposits. As a result, total revenue from exchange transactions rose by Kshs.31.96M (17%). Figure 1 shows a graphic comparison of revenue in financial years 2019-2020 and 2018-2019.

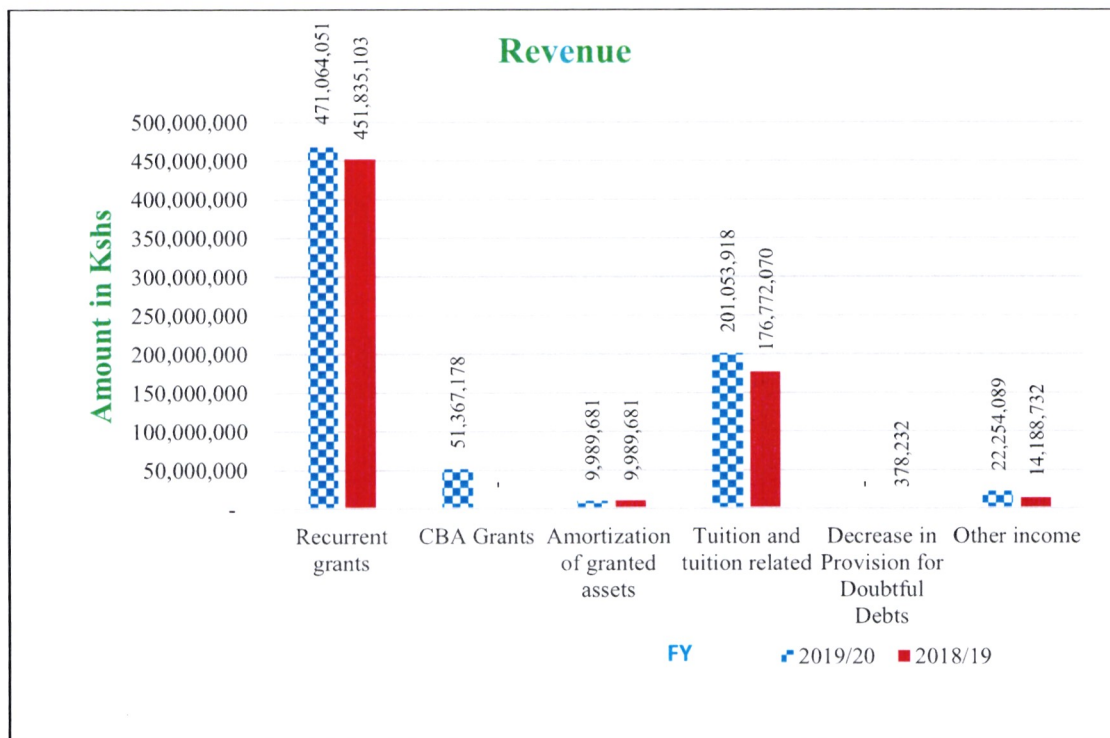


Figure 1: 2-year income analysis per category



In Figure 2, the exchequer recurrent grants formed the largest proportion of total income during the year with 62%. Tuition and tuition related income contributed 27%, CBA grants 7%, other income 3% while amortization of granted assets and decrease in provision for doubtful debts contributed 1% and zero of total revenue each respectively. This is an indication that the University relies mainly on Government funding.

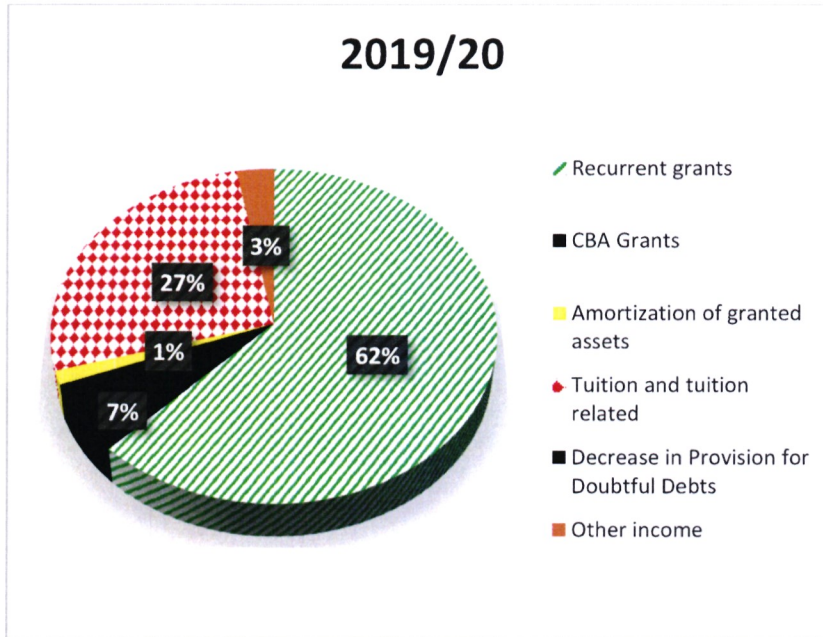


Figure 2: Composition of income during the financial year 2019-2020

ii. Expenditure

Table 1 indicates that total recurrent expenditure increased by Kshs.97.29M (15%) which is mainly attributable to CBA expense which was paid in the current year. The personnel emoluments rose by Kshs.82.39M (19%) attributable to an increase in basic salaries arrears after the implementation of 2017-2021 National CBA. Additionally, more academic staff were recruited to support teaching the new academic programmes that were mounted to meet the market needs. The Chancellor and Council expenses reduced by Kshs.5.70M (40%) as many meetings were held virtually, depreciation and amortization by Kshs.4.62M (10%) and teaching/academic expenses increased by Kshs.5.48M (20%). Student welfare expenses increased by Kshs.0.13M (1%), repairs and maintenance expenses by Kshs.2.22M (96%), and general operating expenses by Kshs.17.29M (17%).

Table 1: Financial Performance Highlights

	2019/20	2018/19	Change	% Change
Income	Kshs	Kshs	Kshs	
Revenue from non-exchange transactions				
Exchequer Recurrent Grants	471,064,051	451,835,103	19,228,949	4%
Exchequer CBA Grants	51,367,178	-	51,367,178	0%
Amortization of granted assets	9,989,681	9,989,681	-	0%
Total Revenue from non-exchange transactions	532,420,910	461,824,783	70,596,127	15%
			-	
Revenue from Exchange Transactions				
Tuition Income	201,053,918	176,772,070	24,281,848	14%
Other Incomes	22,254,089	14,188,732	8,065,357	57%
Decrease in Provision for Doubtful Debts	-	378,232	(378,232)	-100%
Total Revenue from exchange transactions	223,308,007	191,339,033	31,968,974	17%
Total Revenue	755,728,917	653,163,817	102,565,100	16%
Expenditure	2019/20	2018/19	Change	% Change
	Kshs	Kshs	Kshs	
Personnel Emoluments	523,959,424	441,561,720	82,869,634	19%
Board Expenses	8,538,027	14,247,009	(5,708,982)	-40%
Depreciation and Amortization	40,506,205	45,122,887	(4,579,782)	-10%
Students Welfare Expenses	12,942,366	12,802,413	139,953	1%
Teaching/Academic Expenses	33,402,207	27,913,337	5,543,760	20%
Repairs and Maintenance expenses	4,543,559	2,318,853	2,224,706	96%
General Operating Expenses	116,451,937	99,155,241	17,296,696	17%
Increase in Provision for Doubtful Debts	76,986	-	76,986	0%
Total Expenditure	740,420,711	643,121,460	97,862,971	15%
Surplus / Deficit for the year (a-b)	15,308,206	10,042,356	4,702,129	

Composition of Expenditure during the financial year 2019-2020 is shown in Figure 3. Personnel emoluments had the largest proportion (71%) of expenditure, followed by general operating expense (16%), depreciation (5%), teaching/academic (4%), students' welfare expenses (2%), Chancellor and Council expenses (1%) and repair and maintenance 1%

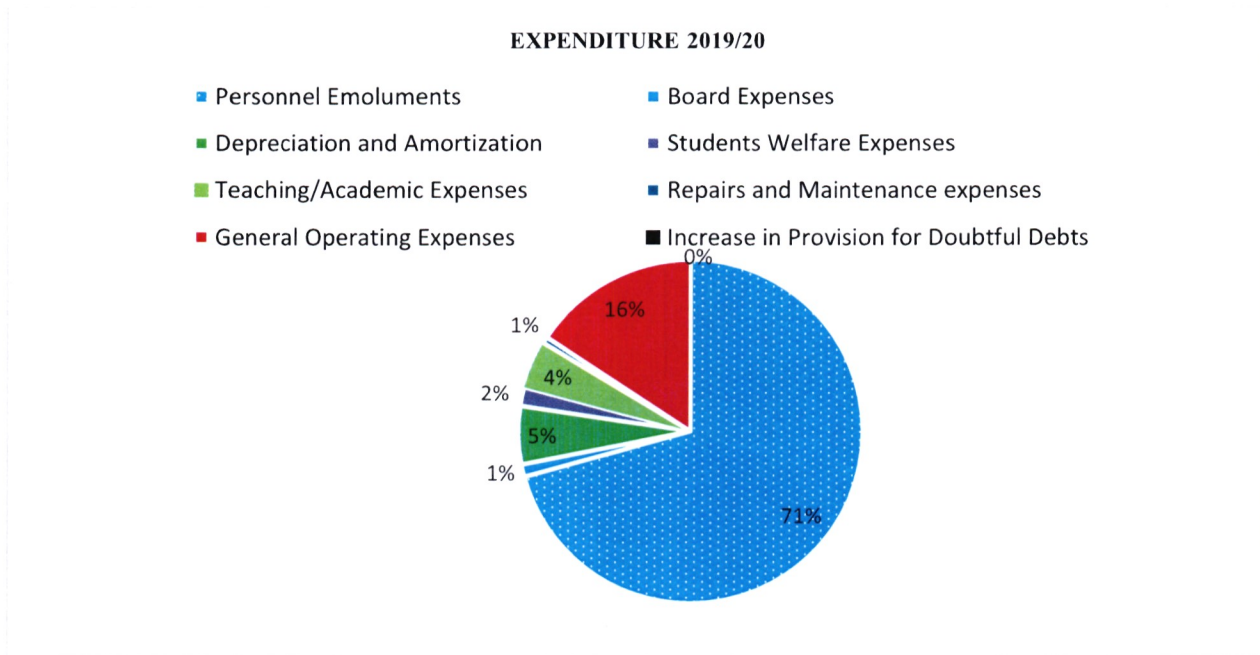


Figure 3: Composition of Expenditure during the financial year 2019-2020

b. Financial Position Highlights

Table 2 shows that Cash and cash equivalents grew by Kshs.16.75M (8.5%), receivables from non-exchange transactions by Kshs.5.85M (10.7%) due to additional recurrent grants from supplementary budget accrued during the year and inventory by Kshs.0.10M (5%). Plant and equipment and work in progress also grew by Kshs.107.71M (7.4%) and Kshs.195.99M (86.7%) respectively due to undergoing construction of buildings and infrastructure. Receivables from exchange transactions increased by Kshs.1.46M (5.9%). Consequently, total assets improved by Kshs.327.89M (16.6%) after factoring revalued assets amounts by the Ministry of Land and Physical Planning. Payables from exchange and non-exchange transactions rose by Kshs.83.71M (43.7%) and Kshs.2.89M (11.6%) respectively. Net assets increase by Kshs.241.35M (13.7%).

Table 2: Financial Position Highlights

	2019/20	2018/19	Change	% Change
	Kshs	Kshs	Kshs	
ASSETS				
Cash & Cash equivalents	212,855,526	196,096,789	16,758,377	8.5%
Receivables from exchange transactions	26,390,283	24,927,555	1,462,727	5.9%
Receivables from non-exchange transactions	60,487,842	54,637,017	5,850,825	10.7%
Inventory	2,321,044	2,211,535	109,509	5.0%
Property, Plant & Equipment	1,552,416,827	1,450,028,623	107,712,662	7.4%
Work in Progress	422,087,344	226,091,282	195,996,062	86.7%
Long Term Investments	25,318,800	25,318,800	-	0.0%
Total Assets	2,301,877,666	1,979,311,602	327,890,161	16.6%
Liabilities				
Payables from exchange transactions	261,587,616	191,667,310	83,710,249	43.7%
Payables from Non-exchange transactions	27,197,918	24,459,411	2,829,818	11.6%
Total Liabilities	288,785,534	216,126,722	86,540,066	40.0%
Net Assets	2,013,092,132	1,763,184,880	241,350,095	13.7%

i. Assets Composition

Figure 4 shows that assets comprised of property, plant and equipment (68%), work in progress (18%), cash and cash equivalents (9%), receivables from exchange transactions (1%), long-term investments (1%), inventory (<1%) and receivables from non-exchange transactions (3%).

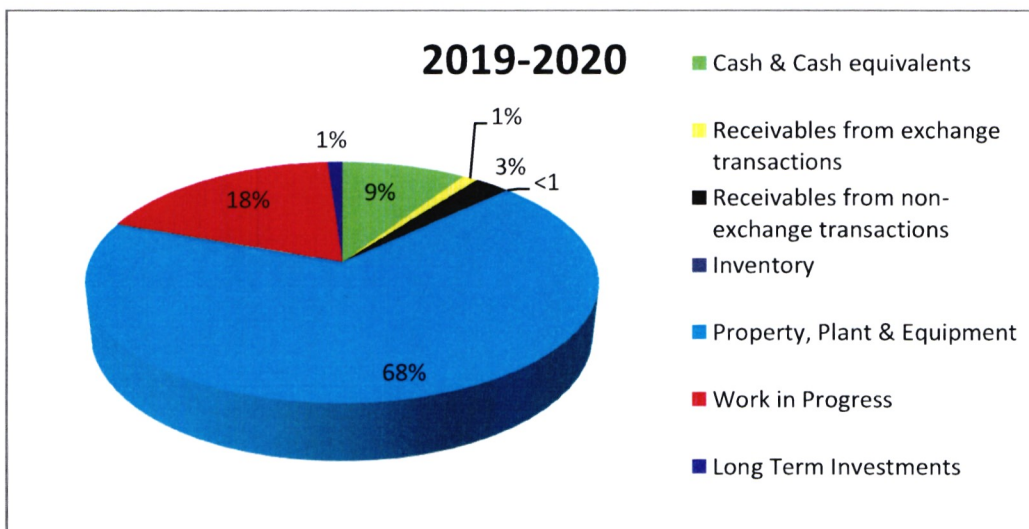


Figure 4: Composition of Assets during the financial year 2019-2020

ii. Liabilities Composition

In Figure 5, the liabilities comprised payables from exchange (91%) and payables from non-exchange transactions (9%).

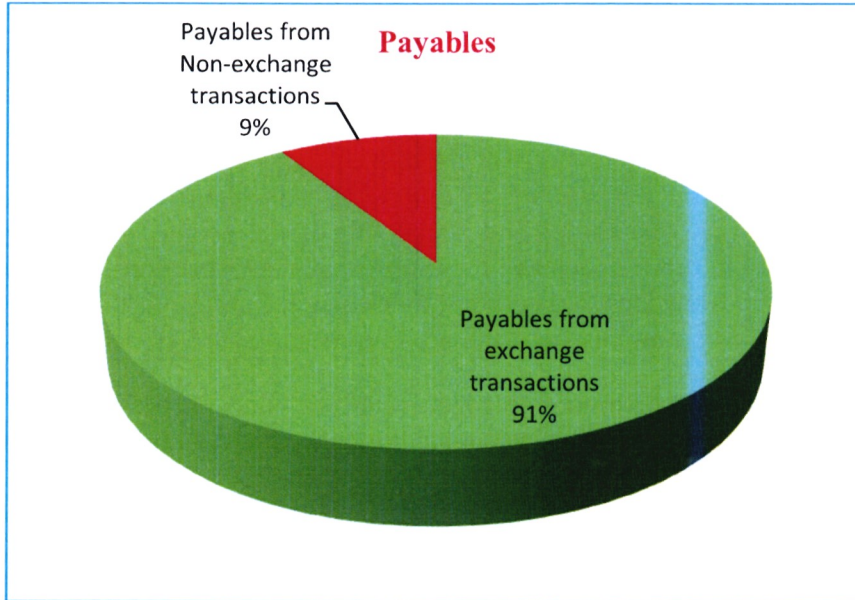


Figure 5: Composition of Liabilities during the financial year 2019-2020

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Murang'a University of Technology is committed to the sustainable development of the environment and to supporting the communities in which it operates. Indeed, as a University, our contribution towards the attainment of sustainable development of our environment remains one of our core values and aims to be a leader in environmental and social responsibility issues.

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

During the year under review, the University continued to support various educational initiatives, sports and other institutions particularly those catering for the aged and children homes. Among the initiatives the University supported included:

i. Visit to Murang'a Children's Remand home on 10th July 2019

The Home had about sixty children (girls and boys) from various sub counties in Murang'a. The children were divided up into six groups that included both gender. MUT staff and students spent time with them listening to their experiences and challenges and encouraged the children to accept themselves, and learn from the experiences. This was followed by an open session where the children led by one staff member presented song. The children were encouraged on the value of accepting correction and staying focused on their dreams in life. The formal session was closed with a word of prayer and the Officers led the children presented with MUT donations as shown in Figures 6a and 6b.





Figure 6a: MUT staff and students presenting donations to the staff and children of Murang'a Children's Remand



Figure 6b: MUT staff, the children and some of the donations at the Murang'a Children's Remand

ii. A Visit to Murang'a Male Prison Remand on 11th July 2019

MUT staff and students volunteered to visit the Murang'a Male Prison Remand. They were well received by the Prison staff and were able to address the Prisoners in an open place. The Team appreciated the manual work that they undertake at the University. They prisoners were encouraged to learn from their experiences and take corrective measures, so that they could be useful in building up the society. The value of forgiving oneself was underscored. They were also directed to focus on building their lives up in a valuable manner such as studying and looking forward to engage in meaningful ways of building up their lives, the community and the Society at large. The inmates then received the donations from MUT and gave a vote of thanks appreciating the warm gesture of the University.



Figure 7: MUT staff handing over donations to Murang'a Remand Prison staff and inmates

iii. Murang'a Town Clean up Exercise on 25th October 2019

Murang'a County Government CEC, Environment and Climate Change invited Murang'a University of Technology to participate in a town Clean up. The University sent students and staff to participate in the town clean up.

iv. Participated in Beyond Zero Marathon

Murang'a University of Technology participated in Beyond Zero Marathon at Nyayo Stadium on 8th March 2020 and received medals. Staff and students represented Murang'a University



Figure 8: MUT staff and students participated in beyond zero marathon and received medals

v. Response to COVID-2019

Following the challenge posed by the COVID-19 pandemic and the appeal by the Government for local manufacturers to produce anti-Covid-19 consumables, the University through MUTES produced masks and dispatched them through the University's corporate social responsibility (CSR) arm of the University to help government in eradicating the pandemic in the country and more so the Murang'a County. A total of 10,000 masks were delivered to CEC Health of the County for distribution to the public.

On 28th April, 2020, PS Ministry of Education, Amb. Simon Nabukwesi officially launched the production of face masks at the University's textile Unit accompanied by the chairman of Council Prof. Joachim Osur and Vice Chancellor, Prof. Dickson Nyariki. The PS eventually presided over the handing over of the masks to Murang'a County Governor, HE Mwangi wa Iria at a ceremony at the County Headquarters as shown in Figures 9a and 9b.



Figure 9a: PS UE&R, MOE, Amb. Simon Nabukwesi officially launching the production of face masks



Figure 9b: PS UE&R, MOE, Amb. Simon Nabukwesi handing over masks to Murang'a County Governor, HE Mwangi wa Iria

In addition, the University donated food stuff to Murang'a Prison Remand during the Covid- 19 pandemic as shown in Figure 10 below.



Figure 10: MUT staff present food donations to Murang'a Prison in response to covid19

Mentorship

The University through its experienced and knowledgeable experts continued advancing help to guide middle level colleges in certain areas of expertise. In particular, MUT has supervised the tendering, awarding, implementation, payment processes and in the financial year handed over Kandara Technical Training Institutes construction project. This will go a long way in pushing Government's development agenda of promoting TVET Education.

REPORT OF THE COUNCIL

The Council submits its report together with the financial statements for the year ended June 30, 2020 which show the state of the University's affairs.

a. Principal Activities

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

b. Results

The results of MUT for the year ended June 30, 2020 are set out on pages 1 to 38.

c. Directors

The members of the Council who served during the year are shown on pages v to vii. Gazette notice no. 4412 of 10th May, 2019 revoked the appointment of two members of Council (Ms. Eunice Muyoka Juma and Dr. Francis Sang) and two new members (Prof. Chris Gervase Macoloo and Ms. Mary Ndiga Kibuka) were appointed to the Council for a period of three years effective from 26th April, 2019. Mr. Darius Mogaka Ogotu Rep. Principal Secretary State Department of University Education and Research, Director of University Education and Ms. Naomi Wanjiru Matheri Rep. Cabinet Secretary National Treasury were appointed to the Council on 10th February and April 23rd, 2020 respectively.

d. Auditors

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

By Order of the Council.



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

Date 12.01.2021



Prof. Joachim Osur, Ph.D.
Council Chairman

Date 13/1/2021



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Council members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2020. 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 the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2020, and of the University's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

The University's financial statements were approved by the Council on 30th July, 2020 and signed on its behalf by:



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

Date 12.01.2021



Prof. Joachim Osur, Ph.D.
Council Chairman

Date 13/1/2021

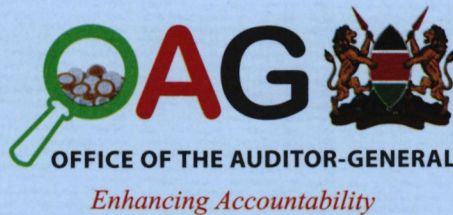


REPORT OF THE INDEPENDENT AUDITORS



REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON MURANG'A UNIVERSITY OF TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Murang'a University of Technology set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 Murang'a University of Technology as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment-Freehold Land

The statement of financial position reflects a balance of Kshs.1,552,416,827 under property, plant and equipment which, as disclosed in Note 24 to the financial statements, includes an amount of Kshs.650,000,000 relating to freehold land. However, records presented for audit revealed that the University's land, measuring approximately 30.95 hectares, has been encroached by a private developer who had laid claim against a portion of the land. Although the University Management indicated that it had initiated the repossession process, the matter had not been resolved as at the time of audit in October, 2020.

During the year under review, the University Management engaged a valuer from the Ministry of Lands and Physical planning to revalue property, plant and equipment and the value of the land was revised to Kshs.380,000,000. However, the University did not adopt

the revised value in their books and financial statements yet the values of other assets were adopted.

Under the circumstances, the accuracy of the freehold land balance of Kshs.650,000,000 as at 30 June, 2020 could not be ascertained.

2. Long-Term Investments

The statement of financial position reflects a balance of Kshs.25,318,800 under long term investments which, as disclosed in Note 26 to the financial statements, is in respect of 126,594 shares held in Bamburi Cement. As previously reported in 2018/2019, the shares were registered in the names of the trustees of the Murang'a Technical College at inception. Although the Management indicated that the process of registering the shares in the name of the University had commenced, the process had not been completed as at the time of the audit in October, 2020.

In the circumstances, the accuracy and existence of the shares investment balance of Kshs.25,318,800 as at 30 June, 2020 could not be confirmed.

3. Receivables from Exchange Transactions

3.1. Students' Debtors

The statement of financial position reflects a balance of Kshs.26,390,283 under receivables from exchange transactions which, as disclosed in Note 21 to the financial statements, is net of provision for doubtful debts of Kshs.1,388,962 out of which an amount of Kshs.19,628,400 relates to gross students debtors. However, as previously reported, an amount of Kshs.9,854,342 included in the gross students' debtors balance had been outstanding for long. Further, no effort appears to have been made by the Management to recover the debts.

3.2. Long Outstanding Receivables

Included in the receivables balance of Kshs.26,390,283 are long outstanding receivables amounting to Kshs.4,504,322 in form of house rent debtors of Kshs.107,542, University pension scheme receivables of Kshs.2,198,781 and other debtors balance of Kshs.2,197,999. As previously reported, some of these debtors date back to 2003 including dues owed by various tea factories and Government Ministries. It was not clear why these debts have taken long to be collected and no documentary evidence was provided for audit review on measures being taken to recover the debts.

Under the circumstances, the accuracy and recoverability of the receivables from exchange transactions net balance of Kshs.26,390,283 as at 30 June, 2020 could not be confirmed.

4. Long Outstanding Payables

As disclosed in Note 28 to the financial statements, the statement of financial position reflects a balance of Kshs.261,587,616 under payables from exchange transactions. The

balance includes long outstanding payables of Kshs.418,466 and Kshs.6,916,100 in respect of wages payables and gratuity payables to former Board of Governors (BOG) employees, payables of Kshs.1,123,526 for JKUAT, audit fees arrears of Kshs.4,176,000 and student caution money of Kshs.271,622. No explanation was provided for the delay in paying these long outstanding amounts. Further, a detailed analysis of the balances was not provided for audit review.

Consequently, the accuracy of payables from exchange transactions balance of Kshs.261,587,616 as at 30 June, 2020 could not be confirmed.

5. Obsolete Inventory

As disclosed in Note 23 to the financial statements, the statement of financial position reflects an inventory balance of Kshs.2,321,044. However, the balance includes obsolete inventory items which should have been written off casting doubt on the accuracy and completeness of the inventory balance of Kshs.2,321,044 as at 30 June, 2020.

6. Unconfirmed Tuition and Tuition Related Income

As disclosed in Note 10 to the financial statements, the statement of financial performance reflects tuition and tuition related income totalling Kshs.201,053,918. However, the supporting schedules and students' invoices reflected income totalling Kshs.179,320,010, resulting in an unexplained difference of Kshs.21,733,908.

Consequently, the accuracy of the tuition and tuition related income totalling Kshs.201,053,918 for the year ended 30 June, 2020 was not confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Murang'a University of Technology 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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. 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 audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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 resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Work in Progress - Delay in Implementation of Projects

The statement of financial position reflects a balance of Kshs.422,087,344 under work-in-progress which, as disclosed in Note 25 to the financial statements, related to construction of a hostel block Phase 1 Wing 2, a science complex, road works, perimeter wall and ERP software. Review of records revealed that although the projects were initiated in the financial year 2016/2017 with expected completion date of April, 2018, the projects had taken too long to complete and the contract period had lapsed, as analysed below:

S.No	Project	Contract Amount (Kshs.)	Contract Date	Expected Completion Date
1.	ERP Software	25,520,000	1 September, 2016	30 March, 2018
2.	Hostel Block Phase 1, Wing 2	154,959,824	18 November, 2016	16 April, 2018
3.	Hostel block-Phase 3	199,103,623	19 December, 2016	19 June, 2017
4.	Perimeter Wall	60,600,232	23 November, 2016	15 October, 2017
	Total	440,183,679		

The University attributes the delay to slow disbursement of funding by The National Government, while the construction of perimeter fence had stalled due to a court case on encroachment of the University land by a private developer. The Management, however, did not give evidence of steps being taken to complete the projects.

2. Management of Travel Expenses

The statement of financial performance reflects an expenditure of Kshs.116,451,937 under general operating expenses which, as disclosed in Note 18 to the financial statements, includes an amount of Kshs.7,368,253 in respect of travel and subsistence. However, review of expenditure records revealed that the University used unapproved higher rates of 1/4 and 1/2 per diems to pay lunch allowances and day trip allowances respectively, totalling to Kshs.1,914,899 contrary to the guidelines set by the Salaries and Remuneration Commission (SRC).

Under the circumstances, the propriety of the expenditure of Kshs.1,914,899 incurred on travel and subsistence allowances could not be confirmed.

3. Implementation of e-Procurement

During the financial year under review, the University did not implement e-procurement in acquisition of goods and services. Review of the procurement process revealed that advertisement, purchase requisition, the Local Purchase Order (LPO) and the Goods Received Note (GRN) are done on the ABNO Unisol ERP platform while tenders opening, quotations and proposals, tender evaluation and award are done manually because the system in place does not support all the modules of procurement. This is contrary to

Executive Order No.6 of 2015 and Executive Order No.2 of 2018 which required entities to implement e-procurement fully. Further, in cases where officers accorded certain rights failed to report for work, their rights were assigned to another official compromising on controls and loss of audit trail.

4. Staff on Acting Positions Beyond Six Months

Examination of payroll and human resources records revealed forty-two (42) officers had been holding various positions in acting capacity and paid acting allowances for more than six (6) months, with some acting for more than two (2) years. This is contrary to Section 34(3) of the Public Service Commission Act, 2017 that states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months. No explanation was provided by Management on why the posts have not been filled or the officers confirmed to the posts.

Under the circumstances, the University Management is in breach of the law.

5. Non-Compliance with Ethnic Diversity

During the year under review, the University had a total of 285 staff in its establishment. However, 193 or 68% of the employees were from one dominant ethnic community contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 which states no public establishment shall have more than one third of its staff from the same ethnic community.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Unexplained Cash Withdrawals

Review of expenditure records revealed that the University made cash withdrawals totalling to Kshs.5,403,426 from Account No.1142192814 at the Kenya Commercial Bank

(KCB) for payment of various goods and services during the year under review. However, the University did not operate a standing imprest system for payment of minor office expenses and subsequent replenishment once exhausted. No explanation was provided on why the payments were made in cash which is more prone to abuse and misappropriation than the cheque system.

2. Governance and Composition of Council Members

Review of the list of Board Members who served during the year under review indicated that out of the eleven (11) Members, none was a financial expert. This is contrary to Section 1.1(6) of the Mwongozo Code of governance for state corporations which requires at least one Board Member to be a financial expert. Further, records indicate that the Murang'a University of Technology was declared as a fully-fledged University by the President on 7 October, 2016. However, the Charter was not gazetted by the Cabinet Secretary as required under the Universities Act, 2012. The Management has not provided evidence of effort being taken to have the Charter gazetted.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the University's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the University or to 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 resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease 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 the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi

07 December, 2021


**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020**


		2019/ 2020	2018/ 2019
	Note	Kshs	Kshs
Revenue from Non-Exchange Transactions			
Exchequer Recurrent Grants	7	471,064,051	451,835,103
2017-2021 CBA Arrears	8	51,367,178	-
Amortization of granted assets during the year	9	9,989,681	9,989,681
Total Revenue from non-exchange transactions		532,420,910	461,824,783
Revenue from Exchange Transactions			
Tuition Income	10	201,053,918	176,772,070
Other Incomes	11	22,254,089	14,188,732
Decrease in Provision for Doubtful Debts		-	378,232
Total Revenue from exchange transactions		223,308,007	191,339,033
Total Revenue (a)		755,728,917	653,163,817
Expenditure			
Personnel Emoluments	12	523,959,424	441,561,720
Board Expenses	13	8,538,027	14,247,009
Depreciation and Amortization	14	40,506,205	45,122,887
Students Welfare Expenses	15	12,942,366	12,802,413
Teaching/Academic Expenses	16	33,402,207	27,913,337
Repairs and Maintenance Expenses	17	4,543,559	2,318,853
General Operating Expenses	18	116,451,937	99,155,241
Increase in Provision for Doubtful Debts	20	76,986	-
Total Expenditure (b)		740,420,710	643,121,460
Surplus / Deficit for the Year (a-b)		15,308,206	10,042,356

The notes set out on pages 10 to 38 form an integral part of these Financial Statements


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

Date 12.01.2021


Ag. Finance Officer
CPA Moffat K. Njoroge
ICPAK Member No: 8483
Date 12/01/2021



Chairman of the Council
Prof. Joachim Osur, Ph.D.
Date 13/1/2021

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020


	Note	2019/ 2020	2018/ 2019
		Kshs	Kshs
ASSETS			
Current Assets			
Cash & Cash equivalents	19	212,855,526	196,096,789
Receivables from exchange transactions	21	26,390,283	24,927,555
Receivables from non-exchange transactions	22	60,487,842	54,637,017
Inventory	23	2,321,044	2,211,535
Total Current Assets		302,054,695	277,872,897
Non- Current Assets			
Property, Plant & Equipment	24	1,552,416,827	1,450,028,623
Work in Progress	25	422,087,344	226,091,282
Long Term Investments	26	25,318,800	25,318,800
Total Non-Current Assets		1,999,822,971	1,701,438,705
Total Assets		2,301,877,666	1,979,311,602
Current Liabilities			
Payables from exchange transactions	28	261,587,616	191,667,310
Payables from Non-exchange transactions	29	27,197,918	24,459,411
Total Current Liabilities		288,785,534	216,126,722
Total Liabilities		288,785,534	216,126,722
Net Assets		2,013,092,132	1,763,184,880
Equity Funds & Reserves			
Accumulated Surplus	30	958,106,563	942,798,356
Revaluation Reserves	31	150,968,727	-
Deferred Development Grants	32	904,016,843	820,386,524
Total Equity & Reserves		2,013,092,132	1,763,184,880
Total Equity, Reserves & Liability		2,301,877,666	1,979,311,602

The notes set out on pages 10 to 38 form an integral part of these Financial Statements


The Financial Statements set out on pages 1 to 38 were signed on behalf of the Council by:


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

Date 12.01.2021


Ag. Finance Officer
CPA Moffat K. Njoroge
ICPAK Member No: 8483

Date 12/01/2021


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

Date 13/1/2021



**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020**

	Accumulated Surplus	Revaluation Reserves	Development Grants	Total Accumulated Fund
	Kshs		Kshs	Kshs
Balance at July 1, 2018	932,756,000	-	610,376,204	1,543,132,204
Surplus (deficit) for the Year	10,042,356	-	-	10,042,356
Deferred Development Grants for the Year			220,000,000	220,000,000
Less: Amortization of granted assets during the year				
Amortization - Buildings	-	-	(7,378,184)	(7,378,184)
Amortization - Land Improvement (Internal Roads)	-	-	(2,611,497)	(2,611,497)
Balance as at June 30, 2019	942,798,356	-	820,386,524	1,763,184,880
Balance at July 1, 2019	942,798,356	-	820,386,524	1,763,184,880
Surplus (deficit) for the Year	15,308,206	-	-	15,308,206
Revaluation Reserves	-	150,968,727	-	150,968,727
Deferred Development Grants for the Year	-	-	93,620,000	93,620,000
Less: Amortization of granted assets during the year				
Amortization - Buildings	-	-	(7,378,184)	(7,378,184)
Amortization - Land Improvement (Internal Roads)	-	-	(2,611,497)	(2,611,497)
Balance as at June 30, 2020	958,106,563	150,968,727	904,016,843	2,013,092,132

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2020

		2019/ 2020	2018/ 2019
	Note	Kshs	Kshs
Surplus (deficit) for the Year		15,308,206	10,042,356
Adjustments for Non-cash items in the Income statement:			
Amortization of granted assets during the year	9	(9,989,681)	(9,989,681)
Depreciation and Amortization charge for the year	14	40,506,205	45,122,887
Impairment of assets		13,426,796	
Increase / decrease in provision for doubtful debts		-	-
		59,251,526	45,175,563
Working Capital Adjustments			
Increase (Decrease) in receivables from exchange transactions		(1,462,727)	7,186,402
Increase (Decrease) in receivables from non-exchange transactions		(5,850,827)	(45,516,353)
Increase (Decrease) in Inventory		(109,509)	(473,137)
Increase (Decrease) in Payables from exchange transactions		69,920,306	8,667,916
Increase (Decrease) in Payables from non-exchange transactions		2,738,507	11,508,652
Net cash flows used in Operating activities (a)		124,487,275	26,549,043
Cash flows from investing activities			
Increase in Property, Plant & Equipment		(5,352,477)	(9,906,194)
Increase in Work in Progress		(195,996,062)	(88,064,738)
Net cash flows used in Investing activities (b)		(201,348,539)	(97,970,932)
Cash flows from financing activities			
Development Grants	33	93,620,000	220,000,000
Net cash flows used in Financing activities (C)		93,620,000	220,000,000
Net increase/(decrease) in cash and cash equivalents(a+b+c)			
Cash and cash equivalents balance brought Forward	20	196,096,789	47,518,678
Cash and cash equivalents at 30 June 2020	20	212,855,526	196,096,789

Note:

- Statement of Cash flow has been prepared using the indirect method of presentation.
- Net cash flows from operating activities were positive 124.48M during the year. This was attributed to surplus recorded during the year and payables from both exchange and non-exchange transactions which increased positively.
- Net cash flows used in investing activities was negative (201.34M) due to acquisition of property, plant and equipment (5.35M) and payment of construction work in progress (195.99M).
- Cash flow from financing activities had a positive growth caused by development grants of 93.62M received during the year.

The notes set out on pages 10 to 38 form an integral part of these Financial Statements



Murang'a University of Technology
Annual Report and Financial Statements for the year ended June 30, 2020

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2020**

	Original		Adjustment		Final		Actual		Performance Difference	
	Budget	Kshs	Budget	Kshs	Budget	Kshs	on Comparable Basis	Kshs	Final Budget vs Actual	%
I. RECURRENT BUDGET										
A. INCOME										
Revenue from Non-exchange Transactions										
Exchequer Recurrent Grants	471,064,051		-		471,064,051		471,064,051		-	0%
Exchequer CBA Grants	-		51,367,178		51,367,178		51,367,178		-	0%
Total Revenue from Non-exchange Transactions	471,064,051		51,367,178		522,431,229		522,431,229		-	0%
Revenue from Exchange Transactions										
Tuition income and tuition related	142,000,000		42,000,000		184,000,000		201,053,918		17,053,918	9%
Other Incomes	16,000,000		-		16,000,000		22,254,089		6,254,089	39%
Total Revenue from Exchange Transactions	158,000,000		42,000,000		200,000,000		223,308,007		23,308,007	12%
Total Income	629,064,051		93,367,178		722,431,229		745,739,236		23,308,007	3%
B. EXPENDITURE										
Recurrent Expenditure										
Personnel Emoluments	465,000,000		59,467,178		524,467,178		523,959,424		507,754	0%
Board Expenses	14,800,000		-		14,800,000		8,538,027		6,261,973	42%
Students Welfare expenses	14,200,000		(1,000,000)		13,200,000		12,942,366		257,634	2%
Teaching/Academic Expenses	47,200,000		(12,500,000)		34,700,000		33,402,207		1,297,793	4%
Repairs & Maintenance	2,500,000		2,500,000		5,000,000		4,543,559		456,441	9%
General Operating Expenses	112,750,000		3,900,000		116,650,000		116,451,937		198,063	0%
Total Recurrent Expenditure	656,450,000		52,367,178		708,817,178		699,837,520		8,979,658	1%
Surplus/Deficit (A-B)	(27,385,949)		41,000,000		13,614,051		45,901,716		-	

Murang'a University of Technology
Annual Report and Financial Statements for the year ended June 30, 2020

C. Capital Expenditure										
Purchase of Plant and Equipment	1,000,000	-	1,000,000	554,090	445,910	45%				
Purchase of Teaching Equipment	2,200,000	-	2,200,000	1,296,762	903,238	41%				
Purchase of Office Equipment	500,000	-	500,000	36,999	463,001	93%				
Purchase of Furniture and Fittings	1,500,000	-	1,500,000	1,462,231	37,769	3%				
Purchase of Computers and networking	2,000,000	-	2,000,000	1,280,780	719,220	36%				
Telephone infrastructure	500,000	-	500,000	-	500,000	100%				
Academic Attire	800,000	-	800,000	721,615	78,385	10%				
ERP and teaching Software	5,000,000	-	5,000,000	-	-	0%				
Total Capital Expenditures	13,500,000	-	13,500,000	5,352,477	3,147,523	23%				
Total Expenditure	669,950,000	52,367,178	722,317,178	705,189,997	12,127,181	2%				
Surplus/Deficit (A-B-C)	(40,885,949)	41,000,000	114,051	40,094,419	11,180,826					

Murang'a University of Technology
Annual Report and Financial Statements for the year ended June 30, 2020

2. DEVELOPMENT BUDGET

	Budget		Budget Adjustment	Budget		Actual		Performance Difference	
	Original	Final		Final	Actual on Comparable Basis	Final Budget vs Actual	Final Budget vs Actual		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	%	
D. Source of Funds									
Exchequer Development Grants	93,620,000	93,620,000	-	93,620,000	93,620,000	-	-	0%	
E. Development Expenditure									
Hostel Phase 1 Wing 2	55,000,000	55,000,000	-	55,000,000	38,984,113		16,015,887	29%	
Hostel Block Phase 3	67,000,000	67,000,000	-	67,000,000	10,000,000		57,000,000	85%	
Perimeter wall	30,000,000	30,000,000	-	30,000,000	4,553,192		25,446,808	-	
Science Complex Phase 1	264,761,026	264,761,026	-	264,761,026	136,144,327		128,616,699	49%	
Repair of basketball pitch	2,500,000	2,500,000	-	2,500,000	2,486,430		1,172,000	23%	
ERP and teaching Software	5,000,000	5,000,000	-	5,000,000	3,828,000		40,000,000	100%	
Asbestos Removal	40,000,000	40,000,000	-	40,000,000	-		40,000,000	100%	
Total Development Expenditure	464,261,026	464,261,026	-	464,261,026	195,996,062		268,251,394	58%	
Surplus/Deficit (D-E)	(370,641,026)	(370,641,026)	-	(370,641,026)	(102,376,062)		-	-	

Reconciliation of Difference in Surplus between Statement of Financial Performance and Comparison of Budget Vs Actual

Deficit/surplus as per Statement of Fin Performance	15,308,206		15,308,206
Depreciation	40,506,205		40,506,205
Increase in Provision for Doubtful Debts	76,986		76,986
Decrease in Provision for Doubtful Debts	-		-
Amortization of granted assets during the year	(9,989,681)		(9,989,681)
Deficit as per Statement of Budget Comparison vs Actual	45,901,716		45,901,716

Budget Notes

1. Reconciliation of difference between Statement of Comparison of Budget and Actual Amounts and Finance Performance

Actual on Comparable Basis as per Recurrent Budget in the statement of Budget Comparison	Kshs.	Kshs.
Surplus (Deficit) during the year		45,901,716
Less:		
Depreciation	40,506,205	
Increase in provision for Doubtful Debts	76,986	(40,583,191)
Add:		
Non-cash income in the Financial Performance not in Statement of Budget Comparison		
Amortization of granted assets during the year	9,989,681	9,989,681
Surplus for the year as per the Statement of Financial Performance		15,308,206

2. Budget Adjustment

i. Exchequer Recurrent Grants

The University was expecting CBA 2017-2021 grants amounting to Kshs.51,367,178 from the Exchequer through the supplementary budget of FY2019-2020. This increased revenue and reduced the budget deficit. Adjustment to the Original Budget was therefore done to cater for the expected additional exchequer grants following approval by the Council.

ii. General operating expenses

General operating expenses exceeded the original budget due to an unexpected increase in operations during the year. Therefore, an amount Kshs.17,500,000 was re-aligned within the various vote heads to cater for increased level of activities following approval by the Council.

The adjustments were therefore as a result of vote head budget re-allocations as shown below:

Description	Original Budget 2019-2020	Transfer		Final Budget 2019-2020
		From	To	
Recurrent Revenue				
1 Revenue from Non-Exchange Transactions	471,064,051	51,367,178	-	522,431,229
2 Personnel Emoluments	465,000,000	-	51,367,178	516,367,178
General Operating Expenses		-		
3 Travel and Subsistence	6,500,000	-	2,000,000	8,500,000
4 Maintenance of Vehicles	1,200,000	-	1,000,000	2,200,000
5 Advertising and Publicity Vacancies and Others	1,500,000	-	1,000,000	2,500,000
6 Governance	4,500,000	(1,000,000)	-	3,500,000

7	Staff Medical Expenses and Medical Cover	20,000,000	-	7,000,000	27,000,000
8	ISO,PC & SP Expenses	2,000,000	(1,000,000)	-	1,000,000
9	Accreditation of Academic Programmes	6,000,000	(1,000,000)	-	5,000,000
10	Part time Teaching	25,000,000	(12,000,000)		13,000,000
11	Purchase of Drugs & other Health unit expenses	1,000,000	-	600,000	1,600,000
12	Conferencing	600,000	-	600,000	1,200,000
13	Seminars and workshops	500,000	-	1,500,000	2,000,000
14	Graduation	10,000,000	(2,000,000)		8,000,000
15	Repairs & Maintenance	2,500,000	-	2,500,000	5,000,000
16	Bank Charges	300,000	-	300,000	600,000
17	Casual Wages	700,000	-	1,000,000	1,700,000
18	Legal Fees	2,000,000	(500,000)	-	1,500,000
	Total General Operating Expenses	84,300,000	(17,500,000)	17,500,000	84,300,000

3. Explanation of Variances

a. Revenue from Exchange Transactions

Tuition and Tuition related Income had a favourable variance of 14%. Students' fees earned exceeded the budget due to increase in student enrolment than expected during year.

Other income recorded favourable variance of 57% due to increase in interest from call deposit during the year.

b. Expenditure

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

For the similar reason stated above, all **capital expenditure** items fell far below the expectations.

Development Budget

Approved budget for Development grants was Kshs.464.26M. However, the Government funded only the Science Complex leading to a deficit of Kshs.370.64M. This slowed construction of projects during the year.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the PFM Act, 2012 and Regulations, 2015, the State Corporations Act and International Public Sector Accounting Standards (IPSAS).

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

The University did not have any new standards or amendments to published standards during the year.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

The University has not applied any new or amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020.

iii. Early adoption of standards

The University did not early – adopt any new or amended standards in year 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i. Revenue from non-exchange transactions

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

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

Transfers from other government entities

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

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

Fees, Fines and Penalties

The University recognizes revenues from fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

Revenue from exchange transactions

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

Rendering of services

The University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Dividends

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

Rental income

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

b. Budget information

The original budget for the financial year 2019-2020 was approved by the Council on 12th July, 2019. Subsequent revisions or vote head re-allocations or virement were made to the original budget by the University upon receiving the Council approvals in order to conclude the final budget. The University received CBA 2017-2020 grants of Kshs.51,367,178 from the Government of Kenya through the Ministry of Education.

The University's budget is prepared on the same basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance and the budget is prepared on the same accrual basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 of these financial statements.

c. Taxes

The Income Tax Act, Cap 470 provides a provision for the exemption of the income of certain entities upon satisfying the criterion that; it is established solely for purposes of the relief of poverty or distress of the public; or it is established for the advancement of religion or education. This is upon satisfying the commissioner that the income is to be expended either in Kenya or in circumstances in which the expenditure of that income is for purposes which result in the benefit of the residents of Kenya.

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

d. Property, plant and equipment

Property, plant and equipment are stated at revalued amounts less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

In the year under review, the University received valuation report from the Ministry of Lands and Physical Planning Department of Valuation who had been engaged for valuation of her fixed and loose assets. The Ministry valued University buildings at Kshs. 835,000,000.00 while fixed and loose assets were valued at Kshs. 85,557,310.00 respectively. This resulted to revaluation reserves of Kshs. 150,968,727 and impairment loss of Kshs. (13,426,796). Adjustments on property, plant and equipment costs to revalued amounts was charged to the revaluation reserves and impairment loss account accordingly while accumulated depreciation was written off against the assets cost.

The Ministry valued the University land at Kshs.380,000,000, a value different from the report and valuation submitted earlier, dated 28th November, 2013, which had valued the same land at Kshs.650,000,000. The University did not adopt the value of land in the report because land does not depreciate and has an infinite useful life. The Management has written to the Ministry for the two reports to be harmonized.

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

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

Asset Class	Percentage Depreciation Rate
Buildings	2%
Land Improvements (Internal Roads)	5%
Plant and Equipment	10%
Office Equipment	10%
Teaching Equipment	30%
Furniture and Fittings	10%
Motor vehicles	20%
Computer hardware and Computer peripherals	30%
Academic attire	5%

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

e. Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. Computer software will be amortized on straight line basis at the rate of 30%.

f. Research and development costs

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

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

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

g. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Impairment of financial assets

The University assesses at each reporting date whether there is objective evidence that a financial asset or an entity off financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The University determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

h. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

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

i. Provisions

Provisions

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

Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j. Nature and purpose of reserves

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

	Nature of Reserves	Purpose of the Reserves
1	Accumulated Fund	This was the initial capital for the University and the aggregate of the accumulated surpluses or deficits and reserves that reflect the net assets/equity attributable to the University's operations.
2	Accumulated Development Grants	This is accumulated development grants from the Government of Kenya to fund development projects undertaken by the University. The development projects once completed; the grants are amortized for the useful life of the asset.
3	Revaluation Reserves	This records the surplus created when assets are revalued. Amount equal to the amount by which that sum exceeds the sum which would have been so written off or retained for the depreciation of that asset over that period, if that profit had not been made, is treated as a realised profit made over that period.

k. Changes in accounting policies and estimates

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.

l. Employee benefits

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

m. Foreign currency transaction

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

n. Related parties

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. Government of Kenya, Members of Key Management are regarded as related parties and comprise the Council, the Vice Chancellor and University Management Board members.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 in Kenya 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. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 20.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date. It is a University policy to make a provision for doubtful debts at 5% of the total receivables except receivables from Government grants.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFERS FROM MINISTRY OF EDUCATION, STATE DEPARTMENTS OF UNIVERSITY EDUCATION AND RESEARCH

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognized in capital fund. Kshs	Total grant income during the year 2019-20 Kshs
State Department of University Education and Research	522,431,229	-	93,620,000	616,051,229
Total	522,431,229	-	93,620,000	616,051,229

7. EXCHEQUER RECURRENT GRANTS

Recurrent Grants for the financial year	2019-2020	2018-2019
Month in which Grants relates to	Kshs	Kshs
July	39,255,338	34,550,914
August	39,255,338	34,550,914
September	39,255,336	34,550,914
October	39,255,338	34,550,914
November	39,255,338	32,477,860
December	39,255,337	30,404,804
January	39,255,338	34,550,914
February	39,255,338	34,550,914
March	39,255,337	32,477,859
April	39,255,338	34,550,914
May	39,255,338	34,550,914
June	39,255,337	34,550,915
Supplementary Budget Grants Receivable	-	45,516,353
Total exchequer recurrent grants for the year	471,064,051	451,835,103

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. EXCHEQUER CBA GRANTS

	2019-2020	2018-2019
	Kshs	Kshs
2017-2021 CBA Arrears	51,367,178	-
Total CBA Grants	51,367,178	-

9. AMORTIZATION OF GRANTED ASSETS

	2019-2020	2018-2019
	Kshs	Kshs.
Deferred Development Grants:		
Deferred Development Grants: Buildings	368,909,192	368,909,192
Deferred Development Grants: Internal Roads	52,229,938	52,229,938
Amortization:		
2% of Capitalized Buildings funded from Development Grants	7,378,184	7,378,184
5% of Capitalized Internal Roads funded from Development Grants	2,611,497	2,611,497
Total Amortization	9,989,681	9,989,681

10. TUITION AND TUITION RELATED INCOME

Description	2019-2020	2018-2019
	Kshs	Kshs
Tuition Fees	95,134,822	90,172,023
Registration fees	3,724,880	3,065,200
Medical fees	16,468,320	13,626,211
Internal Examination	28,280,939	23,799,199
University ID card	834,500	575,500
Activity fees	6,447,080	5,335,652
Internet fees	8,168,430	6,708,258
Computer fees	10,240,350	8,467,132
CUE Quality Assurance	1,521,000	1,106,000
KUCCPS Placement Fee	2,218,890	1,588,500
Industrial Attachment Fee	8,277,220	7,628,964
Examinations Materials Fee	138,791	700
Application fees	196,005	304,500
Fines & penalties	47,123	57,794
Students Damages/Surcharges	71,908	44,094
Graduation fee	3,111,800	1,927,057
Library fees	12,986,660	10,747,785
Thesis Supervision fee	682,500	1,447,500
Thesis Examination	67,500	170,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Indexing fee	192,400	-
HELB Smart card processing fee	2,242,800	-
Total Tuition and tuition related Income	201,053,918	176,772,070

11. OTHER INCOMES

Description	2019-2020	2018-2019
	Kshs	Kshs
Accommodation/Hostel Fees	4,086,700	4,675,200
Rent Income	359,896	338,000
Sale of Tender Documents	4,000	-
Students Administration Fees	-	19,708
Sale of Food & Beverages - Students' Cafeteria	2,192,070	3,537,265
Sale of Food & Beverages - Staff Cafeteria	995,775	1,957,500
Sale of Food & Beverages - Hospitality & Tourism Department	750	14,060
Hire of Facilities - MUT Services	388,300	-
Miscellaneous Incomes	1,253,238	-
Administration Fees	191,161	190,854
Sales - MUT Workshops services	3,793,106	2,784,352
Income from Disposal of assets	43,185	290,300
Staff damages surcharges	10,457	65,229
Hire of Facilities –general	669,946	316,265
Interest on Fixed Deposits	8,265,505	-
Total Other Incomes	22,254,089	14,188,732
Total Revenue from Exchange Transactions	223,308,007	190,960,802

12. PERSONNEL EMOLUMENTS

Description	2019-2020	2018-2019
	Kshs	Kshs
Basic Salaries	220,128,400	210,948,497
House Allowance	107,511,362	102,183,772
MUT Pension Scheme Employer Contribution	46,150,110	31,475,054
Responsibility Allowance	5,330,288	4,769,965
Telephone Allowance	3,967,459	3,503,442
Acting Allowance	715,095	578,547
Special Duty Allowance	1,166,219	210,389
Management Allowance	22,249,600	21,785,696
BOG and Other Gratuities	7,322,411	1,906,922
Leave Travel Allowance	1,992,158	2,898,920
Commuter Allowance	19,964,775	19,223,858
Car Allowance	11,063,338	11,225,098
Non-use of Official Car	619,355	665,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)		
Entertainment Allowance	5,633,545	5,482,931
Electricity and Water Benefit Allowance	3,543,097	3,327,525
Passage and Baggage Allowance	1,027,145	84,395
Domestic Workers Allowance	1,663,226	1,320,000
Risk Allowance	151,103	126,000
Extraneous Allowance	3,588,041	3,196,974
Co-ordinating Allowance	997,380	839,138
Research Allowance	560,000	460,000
Book Allowance	300,000	240,000
Non-Practice Allowance	180,000	180,000
Council Secretariat Allowance	192,000	242,000
Professorial Allowance	2,084,193	1,425,000
NSSF Employers Contribution-expense	677,200	655,000
Academic Allowance	1,140,000	870,000
Security Allowances	1,663,226	1,320,000
Gratuity & Other Pensions Employer Contribution	3,648,784	3,669,847
Other personal allowances	2,895,755	-
National Industrial Training Authority charges	184,800	187,870
Health Service Allowance	1,560,000	1,440,000
Emergency Call Allowance	120,000	120,000
Adjunct Lecturers Lump Sum Salary	7,390,609	4,640,596
Stipend for Interns	-	359,286
2017-2020 CBA Arrears	36,578,750	-
Total Personnel Emoluments	523,959,424	441,561,720

13. CHANCELLOR AND COUNCIL EXPENSES

	2019-2020	2018-2019
	Kshs	Kshs
Council Expenses	6,941,335	12,640,346
Chancellor Expenses	1,596,692	1,606,663
Total Board Expenses	8,538,027	14,247,009

14. DEPRECIATION AND AMORTIZATION

Description	2019-2020	2018-2019
	Kshs	Kshs
Buildings	16,700,000	15,831,782
Internal Roads	2,611,497	2,611,497
Plant & Equipment	1,382,741	3,536,392
Office Equipment	134,379	814,559
Teaching Equipment	5,193,155	2,250,863
Furniture & Fittings	1,655,721	3,020,470

NOTES TO THE FINANCIAL STATEMENTS (Continued)		
Motor Vehicles	4,940,000	9,358,866
Computer hardware, networking & telephone infrastructure	7,852,631	7,698,458
Academic attire	36,081	-
Total Depreciation	40,506,205	45,122,887
Add: Amortization of Computer Software	-	-
Total Depreciation & Amortization	40,506,205	45,122,887

15. STUDENT WELFARE EXPENSES

Description	2019-2020	2018-2019
	Kshs	Kshs
Purchase of Gas, Charcoal and firewood	395,620	748,555
Purchase of Foodstuff	4,796,511	6,023,275
Purchase of Utensils and cutlery	18,170	47,921
Sports Activities	2,535,294	2,402,555
Students Work study Programme	279,180	704,340
Students Placement Charges	3,717,500	2,660,000
Purchase of Drugs & other Health unit expenses	1,200,091	215,768
Total Students Welfare expenses	12,942,366	12,802,413

16. TEACHING /ACADEMIC EXPENSES

Description	2019-2020	2018-2019
	Kshs	Kshs
Purchase of Teaching Materials	1,415,484	313,940
Academic Trips	53,860	79,850
Part-Time Teaching Costs	25,665,525	24,781,250
Examination Materials	1,088,580	-
External Examiners	205,018	1,088,547
Industrial Attachment Expenses	1,174,740	982,150
Accreditation of Academic programmes	3,799,000	667,600
Total Teaching/Academic Expenses	33,402,207	27,913,337

17. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	Kshs	Kshs
Repairs and Maintenance Expenses	4,543,559	2,318,853
Total Repairs and Maintenance Expenses	4,543,559	2,318,853

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. GENERAL OPERATING EXPENSES

Description	2019-2020	2018-2019
	Kshs	Kshs
Travel & Subsistence	7,368,253	6,075,131
Fuel & Oils for Motor Vehicles	2,955,808	2,955,441
Maintenance of Vehicles	1,891,254	1,066,367
Vehicle Insurance	719,718	699,213
Office Stationery	2,046,502	1,824,879
Printing & Publishing	721,092	1,010,701
Advertising and Publicity	853,542	687,618
Research & Development	-	30,030
Marketing Activities	160,150	204,137
Expenses of Board and Committees	-	905,473
Governance Expenses	938,810	4,335,193
Conferences	734,204	496,143
Staff Development, Seminars & Workshop	922,428	1,222,682
Staff Welfare Expenses	208,124	114,256
Staff Medical Expenses	27,573,558	25,895,173
Benevolent Expense	230,100	575,151
Professional Subscription	18,720	56,260
Purchase of Uniforms	116,200	23,353
Consultancy and Professional Services	89,700	94,885
Telephone & Postage Expenses	239,712	327,003
Internet Charges	5,804,927	5,325,971
Books, Journals and Magazines	400,226	1,166,950
ISO & SP Expenses	706,019	2,084,144
Bank Charges	904,209	324,417
Electricity Expenses	4,118,259	5,752,188
Water and Conservancy	4,647,239	6,522,619
Cleaning and Fumigation	9,960,224	5,875,663
Software License Renewal	451,933	-
Hire of Security Services	10,588,785	8,199,508
Casual Wages	2,528,825	644,402
Branding	-	-
Linkages Expenses	23,810	68,780
Workshops unit expenses	3,894,503	5,742,294
Legal Fees	304,000	442,003
General Insurance	922,477	-
Corporate Social Responsibility Donations	499,220	377,382
Graduation Expenses	7,088,787	3,950,499
Shows & Exhibitions	915,845	1,268,819
WIBA	341,978	1,130,125
General Subscription	20,000	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)		
Impairment of assets	13,426,796	-
Staff and Dependents' Tuition Fees waiver	420,000	984,390
Audit Fees	696,000	696,000
Total General Operating Expenses	116,451,937	99,155,241

19. CASH & CASH EQUIVALENTS

Description	2019-2020	2018-2019
	Kshs	Kshs
KCB Collection Account -1107198356	2,209,021	4,744,746
KCB Paying Account -1142192814	1,984,632	6,455,920
Equity Enterprise Account -0290131328	3,647,271	2,535,909
Equity Collection Account-0220273636188	1,013,162	1,380,965
Equity Development Paying Account No.0220273636180	40,463,698	52,899,303
Fixed Deposit Account - Equity Development	100,000,000	100,000,000
Co-operative Bank Research Fund Account No.01141573999200	725,827	9,827,257
Fixed Deposit Account - Co-operative Bank Research	59,250,000	-
Co-operative Bank Fees Collection. Account - 01129573999200	702,397	-
MUT Endowment Fund Account-1267531142	677,640	-
MUT Alumni Association Account-1267529652	194,140	-
KCB Kamukunji TTI Project-1178472396	504,105	7,892,215
KCB Kandara TTI Project-1178627896	1,483,633	10,360,086
KCB Gatanga TTI Project- 1167683390	-	388
Total Cash & Cash Equivalents	212,855,526	196,096,789

20. PROVISIONS FOR DOUBTFUL DEBTS

Description	2019-2020	2018-2019
	Kshs	Kshs
Bal b/f 1st July	1,311,977	1,690,209
Increase /(Decrease) in provision during the period	76,986	(378,232)
Balance as at 30th June	1,388,963	1,311,977

Note that: Doubtful debts were provided at 5% of total receivables from exchange transactions (Note 20) at the end of year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**21. RECEIVABLE FROM EXCHANGE TRANSACTIONS**

Description	2019-2020	2018-2019
	Kshs	Kshs
Students Debtors	19,628,400	17,801,918
House Rent Debtors	107,542	107,542
Imprest Debtors	1,708,520	3,933,292
MRUC Pension Scheme Receivable	2,198,780	2,198,781
Other Debtors	2,197,999	2,197,999
Sundry Debtors	1,252,599	-
Utility Deposit receivable/pre-payments	685,405	-
Total Receivables from Exchange Transactions	27,779,245	26,239,532
Less: Impairment/Provision for Doubtful Debts	(1,388,962)	(1,311,977)
Net Receivables from Exchange Transactions	26,390,283	24,927,555

22. RECEIVABLE FROM NON -EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs	Kshs
Recurrent Grant Receivable	195,664	45,712,017
Development Grants Receivable	8,925,000	8,925,000
2017-2021 CBA Grants	51,367,178	-
Total Receivable from Non-exchange transactions	60,487,842	54,637,017

23. INVENTORY

Description	2019-2020	2018-2019
	Kshs	Kshs
Central Stores- Stationery	498,902	636,418
Maintenance department	289,017	35,490
Catering/Hospitality department	257,812	199,427
Electrical department	101,778	97,163
House Keeping /Accommodation department	305,445	329,757
Health Unit department	868,090	913,279
Total Inventory	2,321,044	2,211,535

Murug'a University of Technology
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
24. PROPERTY, PLANT AND EQUIPMENT

Particulars	Lease-Hold Land	Buildings	Land Improvement (Internal Roads)	Plant & Equipment	Office Equipment	Teaching Equipment	Furniture & Fittings	Motor Vehicle	Computers, Networking & Telephone Infrastructure	Academic Attire	Totals
RATES	-	0.02	0.05	0.10	0.10	0.30	0.10	0.20	0.30	0.05	
FY 2018/2019											
Cost/Value at Bal b/f July 1, 2018	650,000,000	791,589,104	-	35,156,896	8,042,395	6,882,943	28,927,121	46,974,330	25,127,034	-	1,592,699,823
Additions during the year	-	-	-	207,023	103,199	619,933	1,277,581	-	7,698,458	-	9,906,194
Disposal of Motor Vehicle	-	-	-	-	-	-	-	(180,000)	-	-	(180,000)
W.I.P Capitalized	-	-	52,229,938	-	-	-	-	-	-	-	52,229,938
Cost/Value Bal c/d at June 30, 2019	650,000,000	791,589,104	52,229,938	35,363,919	8,145,594	7,502,876	30,204,702	46,794,330	32,825,492	-	1,654,655,955
ACCUMULATED DEPRECIATION											
Acc. Dep Bal b/f July 1, 2018	-	64,988,052	-	15,446,430	4,021,199	4,723,767	11,144,698	34,233,264	25,127,034	-	159,684,444
Acc. Dep for Motor Vehicle disposed	-	-	-	-	-	-	-	(180,000)	-	-	(180,000)
Depreciation Charged for the year	-	15,831,782	2,611,497	3,536,392	814,559	2,250,863	3,020,470	9,358,866	7,698,458	-	45,122,887
Acc. Dep Bal c/d June 30, 2019	-	80,819,834	2,611,497	18,982,822	4,835,758	6,974,630	14,165,168	43,412,130	32,825,492	-	204,627,331
Net Book value at June 30, 2019	650,000,000	710,769,270	49,618,441	16,381,097	3,309,836	528,246	16,039,534	3,382,200	-	-	1,450,028,623
FY 2019/2020											
Cost/Value at Bal b/f July 1, 2019	650,000,000	791,589,104	52,229,938	35,363,919	8,145,594	7,502,876	30,204,702	46,794,330	32,825,492	-	1,654,655,955
Revaluation by Ministry	650,000,000	835,000,000	-	13,066,300	1,203,590	15,393,820	13,817,400	24,700,000	17,376,200	-	1,570,557,310
Net Book value at June 30, 2018	650,000,000	726,601,052	-	19,710,466	4,021,197	2,159,176	17,782,423	12,741,066	-	-	1,433,015,379
Revaluation reserves	-	108,398,948	-	-	-	13,234,644	-	11,958,934	17,376,200	-	150,968,727
Impairment loss	-	-	-	(6,644,166)	(2,817,607)	-	(3,965,023)	-	-	-	(13,426,796)
Disposal of Motor Vehicle	-	-	-	-	-	-	-	-	(180,000)	-	(180,000)
Additions during the year 2018/2019	-	-	-	207,023	103,199	619,933	1,277,581	-	7,698,458	-	9,906,194
Additions during the year 2019/2020	-	-	-	554,090	36,999	1,296,762	1,462,231	-	1,280,780	721,615	5,352,477
Cost/Value Bal c/d at June 30, 2020	650,000,000	835,000,000	52,229,938	13,827,413	1,343,788	17,310,515	16,557,212	24,700,000	26,175,438	721,615	1,637,865,919
ACCUMULATED DEPRECIATION											
Acc. Dep Bal b/f July 1, 2019	-	80,819,834	2,611,497	18,982,822	4,835,758	6,974,630	14,165,168	43,412,130	32,825,492	-	204,627,331
Less: Adjusted Depreciation Charge	-	(64,988,052)	-	(15,446,430)	(4,021,199)	(4,723,767)	(11,144,698)	(34,233,264)	(25,127,034)	-	(159,684,444)
Acc. Dep for Motor Vehicle disposed	-	-	-	-	-	-	-	-	-	-	-
Depreciation Charged for the year	-	16,700,000	2,611,497	1,382,741	134,379	5,193,155	1,655,721	4,940,000	7,852,631	36,081	40,506,205
Acc. Dep Bal c/d June 30, 2020	-	32,531,782	5,222,994	4,919,133	948,938	7,444,017	4,676,191	14,118,866	15,551,089	36,081	85,449,092
Net Book value at June 30, 2020	650,000,000	802,468,218	47,006,944	8,908,280	394,850	9,866,498	11,881,021	10,581,134	10,624,349	685,534	1,552,416,827



NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. WORK IN PROGRESS

Description	2019-2020	2018-2019
	Kshs	Kshs
Balance brought forward	226,091,282	190,256,482
Additions:		
Hostel Block Phase 1, Wing 2	38,984,113	11,433,644
Hostel block-Phase 3	10,000,000	-
Science Complex	136,144,327	58,857,941
Tuition Block-Phase 2	-	-
Road works and sports field	-	6,759,043
Perimeter wall	4,553,192	6,843,636
ERP Software (intangible work in progress)	3,828,000	4,170,475
Repair of basketball pitch	2,486,430	-
Total additions	195,996,062	88,064,738
Balance b/f plus additions	422,087,344	278,321,220
Less: Work in Progress Capitalized		
Land Improvement (Internal Roads)	-	(52,229,938)
Total Work in Progress Balance at the end of the year	422,087,344	226,091,282

26. LONG TERM INVESTMENT

Description	2019-2020	2018-2019
	Kshs	Kshs
Bamburi Shares	25,318,800	25,318,800
Total Long-Term Investments	25,318,800	25,318,800

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

27. PROVISIONS FOR AUDIT FEES

	2019-2020	2018-2019
	Kshs	Kshs
Bal b/f 1st July	3,480,000	2,784,000
Increase /(Decrease) in provision during the period	696,000	696,000
Balance as at 30th June	4,176,000	3,480,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. PAYABLES AND ACCRUALS FROM EXCHANGE TRANSACTIONS

	Description	2019-2020	2018-2019
		Kshs	Kshs
a	Students related payables		
	Student Fees Prepayments	28,214,010	29,526,173
	Helb Loan & Bursaries	586,430	1,074,179
	CDF/Sponsorships	1,815,809	2,053,930
	Students caution money	271,622	271,622
	Student Union Payable	101,549	36,322
	Unallocated Receipts	984,187	993,756
	Students and other refunds	36,300	-
	Sub-total	32,009,907	33,955,982
b	Payroll deductions payables		
	NSSF	-	4,000
	NHIF	31,550	35,700
	UASU	252,905	22,572
	KUSU	325,923	8,087
	KUDHEIHA	32,446	11,100
	HELB Staff deductions	5,723	5,726
	Net Pay	81,249,029	48,755,009
	Wages Payables	418,466	418,466
	Sacco Deductions	121,170	197,167
	Insurance and Investments	16,010	35,889
	Bank Loan Deductions	138,073	153,854
	MRUC Staff Welfare Deductions	1,800	1,800
	MRUC Benevolent Fund Payable	3,700	3,700
	MRUC Workshops deductions payable	111,411	111,411
	MRUC Pension Scheme payable	7,779,336	21,992,599
	Other Pension Schemes Payable	600	601
	Former BOG employee's gratuity Payable	6,916,100	6,916,100
	Imprest recoveries	112,388	226,555
	MUT Endowment Fund	676,800	-
	MUT Alumni Association	194,140	-
	Sub-total	98,387,570	78,900,335
c	Other payables and provisions from exchange transactions		
	Recurrent Creditors	15,712,365	18,344,463
	JKUAT Payables	1,123,526	1,123,526
	External Research fund	60,413,134	13,413,357
	Provision for Audit fees	4,176,000	3,480,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provision for General expenses	4,781,500	2,735,000
Contract retentions (10%)	43,267,859	39,714,647
Capital Creditors	1,715,755	-
Sub-total	131,190,139	78,810,993
Total Payables / Accruals from exchange transactions	261,587,616	191,667,310

29. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs	Kshs
PAYE Deductions	22,836,938	9,091,794
VAT Withholding (6% of 116%)	624,518	1,504,837
VAT Withholding (6% of 108%)	10,927	-
Income Tax Withholding (5%)	88,675	115,380
Income Tax Withholding (3%)	810,768	810,768
VAT Withholding clearing	445,663	445,664
VAT Withholding (2% of 116%)	107,319	-
VAT Withholding (2% of 114%)	285,372	-
Gatanga Technical Institute Fund	-	6,375,693
Kamukunji Technical Institute Fund	504,105	2,308,094
Kandara Technical Institute Fund	1,483,633	3,807,182
Total Payables from Non-Exchange Transactions	27,197,918	24,459,411

30. ACCUMULATED SURPLUS

Description	2019-2020	2018-2019
	Kshs	Kshs
Balance brought forward	942,798,356	932,756,000
Add: Surplus during the year	15,308,206	10,042,356
Total	958,106,563	942,798,356

31. REVALUATION RESERVES

Description	2019-2020	2018-2019
	Kshs	Kshs
Revaluation Reserves	150,968,727	-
Total	150,968,727	-

These reserves relate to recognition of carrying amounts of Plant, Property and Equipment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

whose future economic benefits have been re-determined based on their probable extended economic lifespans. Subsequent depreciation on re-valued amount will be charged against the reserves

32. DEVELOPMENT GRANTS

Description	2019-2020	2018-2019
	Kshs	Kshs
Balance brought forward	820,386,524	610,376,204
Development grants received during the year	93,620,000	220,000,000
Total	914,006,524	830,376,204
Less: Amortization of granted assets		
Amortization - Buildings	(7,378,184)	(7,378,184)
Amortization - Land Improvement (Internal Roads)	(2,611,497)	(2,611,497)
Balance as at 30th June	904,016,843	820,386,524

33. FINANCIAL RISK MANAGEMENT

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

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

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

i. Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Analysis of Credit risk exposure					
At 30 June 2020					
	Total amount	0-60 days	60-90 days	Over 90 days	
		Fully Performing	Past due	Impaired	Risk rating
	Kshs	Kshs	Kshs	Kshs	
Bank balances	212,855,526	212,855,526	-	-	low
Receivables from exchange transactions:					
Imprest receivables	1,708,520	1,708,520	-	-	low
Students Debtors	19,628,400	19,628,400	-	-	medium
House Rent Debtors	107,542	-	-	107,542	high
MRUC Pension Scheme Receivable	2,198,781	-	-	2,198,781	high
Other Debtors	2,197,999	-	-	2,197,999	high
Total Receivables from exchange transactions	238,696,768	234,192,446	-	4,504,322	
Receivables from non-exchange transactions:					
Recurrent Grants receivable	-	-	-	195,665	low
Development Grants receivable	8,925,000	-	-	8,925,000	high
Total Receivables from non-exchange transactions	8,925,000	-	-	9,120,665	
At 30 June 2019					
Bank balances	196,096,789	196,096,789	-	-	
Receivables from exchange transactions:					
Imprest receivables	3,933,292	3,933,292	-	400,000	low
Students Debtors	17,801,918	17,801,918	-	-	medium
House Rent receivables	107,542	-	-	107,542	high
MRUC Pension Scheme	2,198,781	-	-	2,198,781	high
Other receivables	2,197,999	-	-	2,197,999	high
Total Receivables from exchange transactions	26,239,532	21,735,210	-	4,504,322	
Receivables from non-exchange transactions:					
Recurrent Grants receivable	45,712,017	45,712,017	-	195,665	high
Development Grants receivable	8,925,000	-	-	8,925,000	low
Total Receivables from non-exchange transactions	54,637,017	45,712,017	-	9,120,665	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The customers under the fully performing category are paying their debts as they continue getting services from the University. Impairment arises when there are some doubts that the University will collect the full amount due. As at the year end, the university had no impaired receivables. However, it is a University tradition to make a provision for doubtful debts at 5% of the total receivables.

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

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

ii. Liquidity risk management

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

iii. Market risk

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

Market risk is the possibility that the institution might incur financial losses arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

a. Interest rate risk

Interest rate risk is the risk that the University's financial condition may be adversely affected as a result of changes in interest rate levels. The University's interest rate risk arises from bank deposits. This exposes the University to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the University's deposits. The University was not exposed to the risk of falling interest rates during the year. As a result, changes in interest rates do not have an impact on the carrying amounts of the financial assets of the University.

Management of interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**b. Foreign currency risk**

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

The University receives revenue from fees, grants and other sources in functional currency and no other currencies. All the assets of the University were denominated in Kenya shillings which is the functional currency used in these financial statements. Therefore, for the year ended June 30, 2020 currency exposure has minimal impact on financial status of the University. There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

iv. Capital Risk Management

The objective of the University's capital risk management is to safeguard the Council's ability to continue as a going concern. The University capital structure comprises of the following funds:

	2019-2020 Kshs	2018-2019 Kshs
Accumulated Surplus	958,106,563	942,798,356
Development Grants	904,016,843	820,386,524
Revaluation Reserves	150,968,727	-
Total funds	2,013,092,133	1,763,184,880
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-%	-%

34. RELATED PARTY BALANCES

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

i. The National Government of Kenya

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

Related parties include:

ii. The Ministry of Education

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. The University Chancellor

The Chancellor is the titular head of the University.

iii. The Council

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

iv. The University Management Board

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

Summary of transactions with related parties

1) Grants from the Government

- i. Recurrent Grants
 - a. Received
 - b. Receivable
- ii. CBA Grants
- iii. Development Grants Received
- iv. Development Grants Receivable

Grants from County Government

Donations in kind

Total grants from the Government

2) Chancellor and Council expenses:

- i. Chancellor expenses
- ii. Council expenses

Total Chancellor and Council expenses

3) Key management compensation

Compensation to Key Management Members

Total Key management compensation

	2019-2020 Kshs	2018-2019 Kshs
i. Recurrent Grants		
a. Received	471,064,051	406,318,750
b. Receivable		45,516,353
ii. CBA Grants	51,367,178	-
iii. Development Grants Received	93,620,000	220,000,000
iv. Development Grants Receivable		-
Grants from County Government		
Donations in kind		
Total grants from the Government		-
2) Chancellor and Council expenses:		
i. Chancellor expenses	1,596,692	1,606,663
ii. Council expenses	6,941,335	12,640,346
Total Chancellor and Council expenses	8,538,027	14,247,009
3) Key management compensation		
Compensation to Key Management Members	20,228,948	19,478,498
Total Key management compensation	20,228,948	19,478,498

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities

Court cases against the University:

- a. Manyota ltd vs Murang'a University of Technology and
- b. Woodcrest and three others vs Murang'a University of Technology were ruled in favour of the University on 7th May, 2020.

2019-2020 Kshs	2018-2019 Kshs
-	-
-	-

Manyota ltd vs Murang'a University of Technology

This plaintiff was claiming for interest on delayed contractual payments.

36. CAPITAL COMMITMENTS

Capital commitments		2019-2020 Kshs	2018-2019 Kshs
Authorised for			
1	Science Complex Phase 1	136,144,327	58,857,941
2	Asbestos Removal	-	-
Authorised and contracted for and on-going			
1	Hostel Block Phase 1, Wing 2	38,984,113	11,433,644
2	Hostel block-Phase 3	10,000,000	-
3	Road works and sports field	-	6,759,043
4	Perimeter wall	4,553,192	6,843,636
5	ERP Software	3,828,000	4,170,475
6	Repair of basketball pitch	2,486,430	-
Total		195,996,062	88,064,738

37. EVENTS AFTER THE REPORTING PERIOD

There were no events after reporting period.

38. ULTIMATE AND HOLDING ENTITY

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

39. CURRENCY

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

APPENDICIES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. The management has nominated responsible personnel to resolve the various issues as shown below.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Long Term Investments (Ownership of Bamburi Shares). Transfer process of shares to the University not been completed	Follow up being made by Management through the legal office	Trustees	Not Resolved	2020/2021
2	Long Outstanding Payables	The Management has written to the council to advice on further course of action. The Council will discuss and deliberate before the end of Quarter one of FY 2020/2021	The Management and the Council	Not Resolved	2020/2021
3	Long Outstanding Receivables	A committee was appointed by the Vice Chancellor to investigate the validity of debts and write a report on the findings which will be tabled to the Council to discuss and deliberate on further course of action in the next FY 2020/2021	The Management and the Council	Not Resolved	2020/2021




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

Date 12.01.2021



Ag. Finance Officer
CPA Moffat K. Njoroge
ICPAK Member Number. 8483

Date 12/01/2021



Council Chairman
Prof. Joachim Osur, Ph.D.

Date 13/11/2021

APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Projects implemented by the University funded by development partners

	Project Title	Project Number	Donor	Period/ Duration	Donor Commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	N/A	N/A					

Status of Projects Completion

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

APPENDIX III: INTER-ENTITY TRANSFERS

Murang'a University of Technology				
Break down of Transfers from the State Department of State Department of Education and Research				
2019-2020				
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
a. Recurrent Grants				
	08-Aug-19	39,255,338	2019-2020	
	29-Aug-19	39,255,338	2019-2020	
	27-Sep-19	39,255,336	2019-2020	
	01-Nov-19	39,255,338	2019-2020	
	29-Nov-19	39,255,338	2019-2020	
	27-Dec-19	39,255,337	2019-2020	
	31-Jan-20	39,255,338	2019-2020	
	29-Feb-20	39,255,338	2019-2020	
	03-Apr-20	39,255,337	2019-2020	
	08-May-20	39,255,338	2019-2020	
	08-Jun-20	39,255,338	2019-2020	
	26-Jun-20	39,255,337	2019-2020	
	Total	471,064,051	2019-2020	
	2017-2021 CBA Arrears received 6 th July, 2020)	51,367,178	2019-2020	
	Total	522,431,229		
b. Development Grants				
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
	22-Nov-19	34,684,155	2019-2020	
	10-Mar-20	58,935,845	2019-2020	
	Total	93,620,000		

Moffat

Ag. Finance Officer

CPA Moffat K. Njoroge

ICPAK Member Number. 8483

Date *12/01/2021*

APPENDIX IV: RECORDING OF TRANSFERS FROM MINISTRY OF EDUCATION

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES Kshs	Where Recorded/recognized					Total Transfers during the Year Kshs
				Statement of Financial Performance Kshs	Statement of Financial Position Kshs	Deferred Income Kshs	Receivables Kshs	Others - must be specific Kshs	
State Department of University Education and Research	Refer to Appendix III	Recurrent Grants	616,051,229	471,064,051	93,620,000	-	51,367,178	-	616,051,229
State Department of University Education and Research	30 June 2017	Recurrent Grant Receivable	195,665	-	-	-	195,665	-	-
State Department of University Education and Research	30 June 2018	Development Grants Receivable	8,925,000	-	-	-	8,925,000	-	-
Total			625,171,894	471,064,051	93,620,000	-	60,487,843	-	616,051,229