

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



By Hon. A. Suale, Leader of Majority Party, on Thurs. 06.08.15

REPORT

OF

THE AUDITOR-GENERAL

ON


THE FINANCIAL STATEMENTS OF
MACHAKOS UNIVERSITY COLLEGE

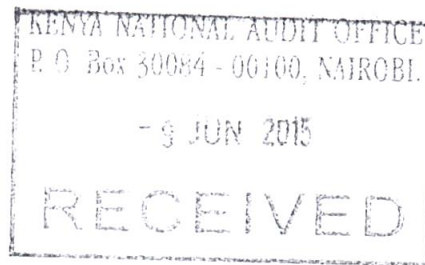
FOR THE YEAR ENDED
30 JUNE 2014

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MACHAKOS UNIVERSITY COLLEGE

ISO 9001:2008 Certified 
(A Constituent College of Kenyatta University)



FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2014

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

MACHAKOS UNIVERSITY COLLEGE

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MACHAKOS UNIVERSITY COLLEGE

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The entity (Machakos University College) was started in 1957 as Machakos Technical Rural Training School. In 1958, the School was taken over by the Government and renamed Machakos Technical and Trade School. In 1967, the School was renamed Machakos Technical Secondary School. In 1987, the Institute became a purely post-school Institution called Machakos Technical Training Institute.

In 2011, the Government established Machakos University College as a successor to the Machakos Technical Training Institute through Legal Notice No.130 of 16th September, 2011, as a Constituent College of Kenyatta University.

The current status of the Constituent College is intended to be transitional as the University College is required to initiate the necessary academic, administrative and legal measures to ensure that it becomes a full-fledged University within the shortest time possible.

(b) Principal Activities

The principal activity / mission of the entity is to provide high level Manpower through Quality Training, Research, Consultancy and Community Service.

(c) Key Management

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

- University College Council
- University College Management Board
- University College Academic Board

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chair of Council	Dr. Charles Maranga
2.	Principal	Prof. Godfrey S. Mse (Oct 2012- Nov 2013)
3.	Deputy Principal	Mr. Joel M. Mulelu (Oct 2012- April 2014)
4.	Principal	Prof. Francis M. Mathooko (December 2013 to date)

No.	Designation	Name
5.	Deputy Principal-APF	Prof. Kenneth M. Mavuti (May 2014 to date)
6.	Deputy Principal-ARL	Prof. Priscah J. Tuitoek (May 2014 to date)
7.	Ag. Registrar – APF	Mr. Joel M. Mulelu
8.	Ag. Registrar – ARL	Mr. Joseph M. Mwilu
9.	Ag. Finance Officer	Ms. Mary M. Wambua

(e) Fiduciary Oversight Arrangements

There exists fiduciary oversight arrangements coordinated by the following committees also capturing their fiduciary duties/activities as follows:

1. Finance Committee responsible of:

- Prescribing levels of fees and other charges levied by the University College from time to time.
- Approving rules and procedures for control of expenditure and administration of financial matters.
- Exercising such other functions as the Council may confer from time to time.
- Reviewing and analyzing the budget and recommend to Council.

2. Building and Physical Planning Committee responsible of:

- Consider and recommend to the Council the priority developments projects and receive reports, and the recommendations of Management on the progress of the physical development of the University College.
- To report to the Council on the progress of physical infrastructure development of the University College.
- To take responsibility of arrangements for the construction and modification of buildings and other physical facilities.
- To be responsible for authorizing expenditure for major maintenance works.
- To formulate and develop policy for housing in regard to construction of houses for the University College staff as well as leasing of houses for staff.
- Any other duty as may be assigned by the Council.

3. Human Resource Development Committee responsible of:

- To review and make recommendations to the Council on Staff Terms and Conditions of Service as and when necessary or when directed to do so by the Council from time to time.
- To receive and review, from time to time human resource policies and the code of conduct of the University College employees.
- To plan for human resource development in the University College.
- To receive, consider and recommend to Council staff recruitment and promotion criteria.
- To examine and recommend to the Council staff rationalization and career structures within the University College.

(h) Entity Bankers




1. National Bank of Kenya
P.O. Box 274-90100
Machakos.
2. Kenya Commercial Bank
P.O. Box 30-90100
Machakos.
3. Co-operative Bank
P.O. Box 1250-90100
Machakos.
4. Standard Chartered Bank
P.O. Box 29-90100
Machakos
5. Barclays Bank of Kenya
P.O. Box 30120
Nairobi.

(i) Independent Auditors

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

MACHAKOS UNIVERSITY COLLEGE




II. UNIVERSITY COLLEGE COUNCIL MEMBERS

	<p>Name: Dr. Charles Maranga – Chairman</p> <p>Date of Birth: 1958</p> <p>Key Qualifications: PhD., Msc</p> <p>Work Experience: Over 30yrs in Governance, Education and Research.</p>
	<p>Name: Mr. Tom Mboya Wambua - Member</p> <p>Date of Birth: 1968</p> <p>Key Qualifications: MBA</p> <p>Work Experience: Over 15 yrs in Management and Consultancy (>5yrs)</p>
	<p>Name: Ms. Nancy Macharia - Member</p> <p>Date of Birth: 11th May, 1967</p> <p>Key Qualifications: M. Ed</p> <p>Work Experience: Over 20 yrs staffing and teaching (TSC)</p>
	<p>Name: Justice. Joseph Onguto - Member</p> <p>Date of Birth: 5th December, 1964</p> <p>Key Qualifications: Master of Laws (LLM)</p> <p>Work Experience: Over 23 yrs legal practice / Research Recently appointed judge of the High Court</p>




MACHAKOS UNIVERSITY COLLEGE

II. UNIVERSITY COLLEGE COUNCIL MEMBERS




	<p>Name: Prof. Marion Mutugi - Member</p> <p>Date of Birth: 20th November, 1959.</p> <p>Key Qualifications: PhD., Msc, MBA</p> <p>Work Experience: Over 20 yrs in Senior Management and Research.</p>
	<p>Name: Ms. Gladys Kianji - Member</p> <p>Date of Birth: 1967</p> <p>Key Qualifications: Msc.</p> <p>Work Experience: Over 20 yrs Lecturing Currently Chair of Geological Society of Kenya.</p>
	<p>Name: Mr. Joseph K. Mwaura- PS. Ministry of Finance</p> <p>Date of Birth: 1970</p> <p>Key Qualifications: MBA - Finance</p> <p>Work Experience: Over 10 yrs in Finance</p>
	<p>Name: Mrs. Leah Kaburu – Rep. PS. Ministry of Education</p> <p>Date of Birth: 1970</p> <p>Key Qualifications: MEd</p> <p>Work Experience: Over 10 yrs in Education</p>

MACHAKOS UNIVERSITY COLLEGE

II. UNIVERSITY COLLEGE COUNCIL MEMBERS





	<p>Name: Prof. Francis M. Mathooko – Principal</p> <p>Date of Birth: 1962</p> <p>Key Qualifications: PhD – Food Science & Technology</p> <p>Work Experience: Over 6 years in Senior Management and Research</p>
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III. MANAGEMENT TEAM

	<p>Name: Prof. Francis M. Mathooko - Principal</p> <p>Key Qualifications: PhD- Food Science & Technology</p> <p>Main area of Responsibility: Chief Accounting Officer</p>
	<p>Name: Prof. Kenneth M. Mavuti – D. Principal (APF)</p> <p>Key Qualifications: PhD, FKNAS, Msc, Bsc.</p> <p>Main area of Responsibility: In charge of Administration, Planning and Finance.</p>
	<p>Name: Prof. Priscah J. Tuitoek – D.Principal (ARL)</p> <p>Key Qualifications: PhD- Human Nutrition</p> <p>Main area of Responsibility: In charge of Academic, Research and Linkages.</p>

MACHAKOS UNIVERSITY COLLEGE

III. MANAGEMENT TEAM

	<p>Name: Mary M. Wambua –Ag. Finance Officer</p> <p>Key Qualifications: BBA- Accounting, CPA(K)</p> <p>Main area of Responsibility: Coordinating financial activities.</p>
	<p>Name: Mr. Joel M. Mulelu – Ag. Registrar (APF)</p> <p>Key Qualifications: B.Ed – Arts, Dip – Technical Education</p> <p>Main area of Responsibility: Coordinating Administration and Planning activities.</p>
	<p>Name: Mr. Joseph M. Mwilu – Ag. Registrar (ARL)</p> <p>Key Qualifications: B.Ed – Arts, CPA II</p> <p>Main area of Responsibility: Coordinating Academic, Research and Linkages activities.</p>
	<p>Name: Dr. Susan N. Nzioki – Ag. Dean of Students</p> <p>Key Qualifications: PhD. – HRM, MA- Arts</p> <p>Main area of Responsibility: Coordinating student welfare activities.</p>

MACHAKOS UNIVERSITY COLLEGE

IV. CHAIRMAN'S STATEMENT

It is my pleasure to present the University College's Annual Report and Financial Statements for the year ended 30th June 2014.

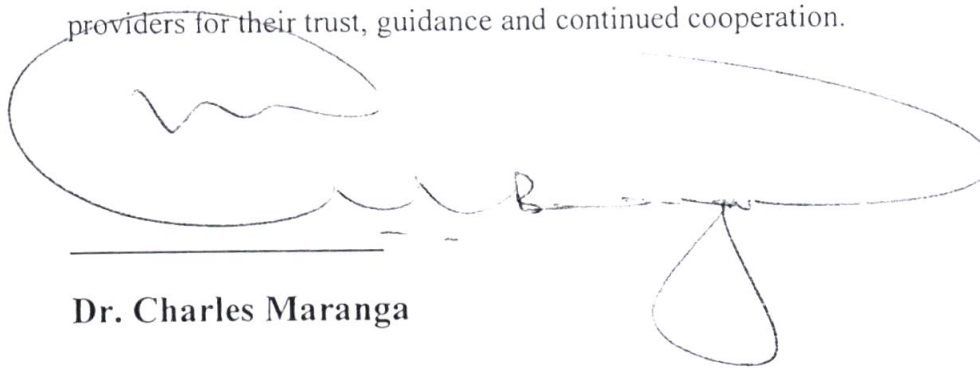
The University College Council notes with appreciation the continued support of the Government and other stakeholders in running the institution. We endeavor to continue restructuring of the programmes in order to achieve efficiency in the management of academic affairs. The Council will endeavor to work with the industry and other strategic partners in order to provide for facilities to meet these challenges.

During the fiscal year, all teaching staff who were under Teachers Service Commission (TSC) were converted to Machakos University College (MUC) staff and hence increased Payroll Expense tremendously from the previous year.

We are pleased by the achievements so far realized despite the challenges faced especially on setting up of management structures and modes of teaching that focus on both innovation and technology.

This has seen a steady increase in student population which has exerted a lot of pressure on the existing facilities thereby necessitating the need for putting up more facilities. The Council in collaboration with the relevant stakeholders is committed towards delivering the same.

Finally, I would like to thank the Government and the local donor agencies, suppliers and service providers for their trust, guidance and continued cooperation.



Dr. Charles Maranga

Chairman of Council

MACHAKOS UNIVERSITY COLLEGE

V. REPORT OF THE PRINCIPAL

I am pleased to present the Financial Statements of Machakos University College for the year ended 30th June 2014. During the year under review, the University College has remained on course by developing the maiden 2012-2017 Strategic and Vision Plan; the main focus of which is being quality, relevance and sustainability intended to enable a smooth transition from a technical institute to a full – fledged University.

During the year, the University College put in place the necessary financial, procurement and internal control measures on resource utilization to ensure that we meet the targets of revenue collection control cost measures.

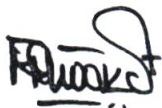
Despite the many challenges related to transition and set-up that the University College has faced, I am glad to report that the University College has remained on course towards walking the path to a full-fledged status.

In order to achieve the aforesaid Machakos University College is set to embark on various projects geared towards achieving these objectives. These include but not limited to construction of the lecture theatre and classrooms complex, and operationalization of Institutional Training Management Facility.

I am humbled to convey my appreciation and gratitude to the University College Council, Management and all the members of staff for their commitment and dedication to their work and their efforts that have seen Machakos University College move towards attaining stability after transition.

Finally, I would like to thank the Government of Kenya, the local community, donor agencies, our bankers, suppliers and service providers for their support and cooperation.

Special recognition is made to all the students who have chosen Machakos University College as their place of study.



Prof. Francis M. Mathooko

Principal

MACHAKOS UNIVERSITY COLLEGE

VI. CORPORATE GOVERNANCE STATEMENT

Good corporate governance is key to the integrity of state corporations and is central to their health and stability. Corporate governance plays a leading role in how corporations and their boards and management are directed, controlled and held to account. Corporate governance therefore encompasses the systems, practices and procedures by which the individual corporation regulates itself in order to remain competitive, ethical, sustainable and fair.

The University College Council follows principles of openness, integrity and accountability in its stewardship of the University College's affairs. It recognizes the developing nature of corporate governance and assesses the University College's compliance with generally accepted corporate governance practice on a regular basis, directly and through its Council committees and management. The role of the Council is to ensure conformance by focusing on and providing the University College's overall strategic direction and policy –making as well as performance review through accountability and ensuring appropriate monitoring and supervision. The Council is also responsible for the overall system of internal control and for the reviewing its effectiveness. The controls are designed to both safeguard the University College's assets and ensure the reliability of financial information.

A management team, comprising the Principal, Deputy Principals, heads of departments and senior staff meets regularly to consider issues of operational and strategic importance to the University College. Below are the key features of the existing corporate governance practices within Machakos University College which are reviewed and improved on a regular basis:-

1. University College Council

The University College Council consists of the Chairman and eight members, who have been appointed in accordance with the Act. The full University College Council meets formally at least four times a year and or any other time when need arises.

The Council is responsible for setting the direction of the university through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of strategies and policies through a structured approach of reporting by management and consequent accountability.

The Council is actively involved and brings strong independent judgment on its deliberations and discussions. The University College Council members have a wide range of knowledge and experience of University setting that is applied to the formulation of strategic objectives and decision making.

The Council meets regularly and retains full and effective control over the University College in all strategic, financial, operational and compliance areas.

MACHAKOS UNIVERSITY COLLEGE

VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

To assist the Council in the discharge of its responsibilities, Council committees have been established. All the Council committees meet at least two times a year. The committees are as follows:-

1. Finance Committee responsible of:

- Prescribing levels of fees and other charges levied by the University College from time to time.
- Approving rules and procedures for control of expenditure and administration of financial matters.
- Exercising such other functions as the Council may confer from time to time.
- Reviewing and analyzing the budget and recommend to Council.

Membership: -Council member as chairman, 2 council members, PS Ministry of Education, Science and Technology, PS National Treasury and the Principal as secretary.

2. Building and Physical Planning Committee responsible of:

- Consider and recommend to the Council the priority developments projects and receive reports, and the recommendations of Management on the progress of the physical development of the University College.
- To report to the Council on the progress of physical infrastructure development of the University College.
- To take responsibility of arrangements for the construction and modification of buildings and other physical facilities.
- To be responsible for authorizing expenditure for major maintenance works.
- To formulate and develop policy for housing in regard to construction of houses for the University College staff as well as leasing of houses for staff.
- Any other duty as may be assigned by the Council.

Membership: -Council member as chairman, 1 member of Council, PS Ministry of Education, Science and Technology, PS National Treasury and the Principal as secretary.

3. Human Resource Development Committee responsible of:

- To review and make recommendations to the Council on Staff Terms and Conditions of Service as and when necessary or when directed to do so by the Council from time to time.
- To receive and review, from time to time human resource policies and the code of conduct of the University College employees.
- To plan for human resource development in the University College.
- To receive, consider and recommend to Council staff recruitment and promotion criteria.
- To examine and recommend to the Council staff rationalization and career structures within the University College.

MACHAKOS UNIVERSITY COLLEGE

VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Membership: -Council member as chairman, 1 member of Council, PS Ministry of Education, Science and Technology, PS National Treasury and the Principal as secretary.

4. Audit and Compliance Committee responsible of:

- To assist management in enhancing internal controls in order to improve efficiency, transparency and accountability.
- To review audit issues raised by both internal and external auditors.
- To oversee implementation of any recommendations arising from relevant government agencies.
- To enhance communication between Council, management, internal and external audit and fostering an effective internal audit function.
- To inform Council of all statutory obligations.
- Ensure all Council resolutions are implemented.

Membership: -Council member as chairman, 1 member of Council, PS Ministry of Education, Science and Technology, PS National Treasury and the Chief Internal Auditor as secretary.

5. Academic, Research and Students Affairs Committee responsible of:

- To advise the Council on academic programmes where the University College has competitive advantage.
- To receive and recommend all policy documents dealing with academic and research.
- To receive and recommend to Council all MOUs pertaining to collaboration and linkages.
- To assist the University College in establishing collaboration with industry and other stakeholders.
- To lobby for research grants, scholarships and funds for capacity building.
- To undertake any other activity as may be assigned by the Council from time to time.

Membership: -Council member as chairman, 1 member of Council, PS Ministry of Education, Science and Technology, PS National Treasury and the Principal as secretary.

Beside these 5 main Council committees, there also exist other adhoc committees namely:

- Appeals Committee
- Graduation and Sealing Committee
- General Purpose Committee
- Appointments Committee and,
- Staff Disciplinary Committee.

MACHAKOS UNIVERSITY COLLEGE

VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

2. Internal Controls

The University College has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the University College's assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through internal audit functions, operational meetings and the annual external audit.

3. Related Party Transactions (Council Members' Remuneration)

The remuneration for Council members consists of sitting allowances for their services in connection with the Council and committee meetings.

The aggregate amount of Council members' remuneration for services rendered during the year ending 30th June 2014 are contained under note 13(b) on page 26 of these annual report and financial statements (Board expenses).

4. Going Concern

The University College Council confirms that the Machakos University College has adequate resources to continue in operation for the feasible future and therefore the continued use of going concern as a basis of preparing the financial statements.

MACHAKOS UNIVERSITY COLLEGE

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Machakos University College being a public entity embraces the policy of Corporate Social Responsibility (CSR) through engaging itself with the following few amongst many social responsibilities:

- Offering financial support to the needy students like through coordinating bursary support opportunities and sponsorship to such cadre of students where possible.
- Offering both social and economic support to the external community through provision of casual labour opportunities and supplies wherever such opportunities arises.
- Offering donations and other possible aids to the needy communities.
- Environmental promotion activities like tree planting campaign intended for Masinga region.
- Mentoring other young and upcoming institutions of higher learning for both social-economic benefit of their neighboring communities.

MACHAKOS UNIVERSITY COLLEGE

VIII. REPORT OF THE UNIVERSITY COLLEGE COUNCIL FOR THE YEAR ENDED 30TH JUNE 2014

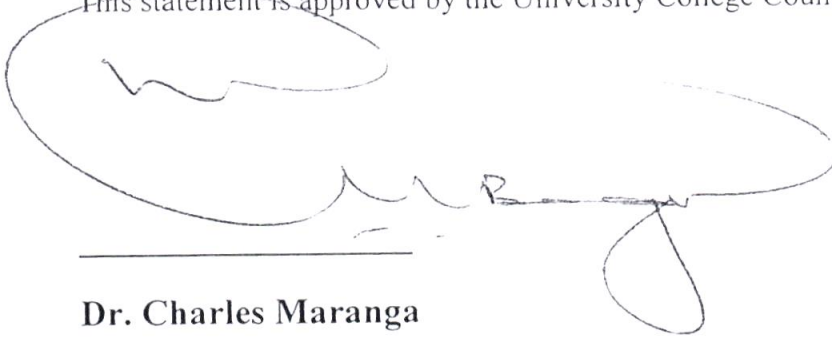
Machakos University College is required to prepare statements and give a true and fair view of the state of affairs of the University College as at the end of the financial year, and of its surplus or deficit for that year. The University College Council is required to ensure that the University College maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the University College. The Council is also responsible for safeguarding the assets of the University College.

The Council accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, and in conformity with International Public Sector Accounting Standards (IPSAS). The Council is of the opinion that financial statements give a true and fair view of the state of the financial affairs of the University College as at 30th June 2014 and of its statement of income for the financial year ended 30th June, 2014.

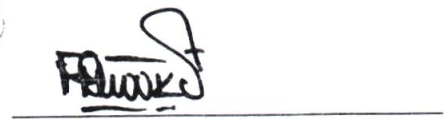
The Council further confirms the accuracy and completeness of the accounting records maintained by the University College, which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the system of internal financial controls.

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

This statement is approved by the University College Council and is signed on its behalf by:



Dr. Charles Maranga
Chairman of Council



Prof. Francis M. Mathooko
Principal

MACHAKOS UNIVERSITY COLLEGE

IX. STATEMENT OF UNIVERSITY COLLEGE COUNCIL'S RESPONSIBILITIES

1. Pursuant to the provisions of the Act and without derogating from the generality of its authority as provided in the Act, the Council shall have the following functions:-
 - (a) Provide oversight and strategic leadership
 - (b) Employ staff
 - (c) Approve the Statutes of the University College and cause them to be published in the Kenya Gazette
 - (d) Approve the policies of the University College
 - (e) Approve the budget
 - (f) Make new or additional Regulations, and alter, amend or revoke existing Regulations
 - (g) have powers to acquire land, buildings, premises, furniture and equipment including specialized scientific equipment, vehicles and machinery and other means and facilities required for carrying out the work of the University College in accordance with the Order;
 - (h) Determine the method of recruitment, appointment and promotion of all staff of the University College;
 - (i) Make appointments authorized by law and to determine the terms and conditions of service for all staff of the University College;
 - (j) Provide for the welfare of every person in the employment of the University college, including former employees of the University college on pension or similar arrangements; spouse, widow/widower and dependents of such persons, including the payment of money, pensions or other funds for the benefit of such persons;
 - (k) In consultation with the Academic Board establish, confirm, abolish or hold in suspense any Professorship, Lectureship or other posts;
 - (l) Confer after a report from Academic Board the title of Emeritus Professor, Honorary Professor, Honorary Lecturer;
 - (m) Provide the requisite money in so far as the university college estimates are approved and accepted by the Council;
 - (n) Provide control and regulate the finances of the University College as may be provided in the Regulations from time to time;
 - (o) Control, manage and regulate accounts, investment property, and all the business affairs of the University College and for that purpose appoint Bankers, Auditors, Lawyers or any agents as the Council may deem necessary from time to time;
 - (p) Promote and to make financial provisions and facilities for research within the University College;
 - (q) Determine, after considering the recommendations of Senate through the Academic Board, all fees payable to the University College;
 - (r) Invest any moneys belonging to the University College including any unapplied income, in such stocks, funds, fully paid shares or securities as Council may from time to time deem fit, in accordance with the general law for the investment of trust moneys or in the purchase of freehold or leasehold properties, including rents and subject to the Order with the powers of varying such investments from time to time by sale or re-investment or otherwise;
 - (s) Subject to Section 12 (1) (a) of the Order, to sell, buy, exchange, lease, grant or take on lease moveable and immovable property on behalf of the University College;
 - (t) Borrow money on behalf of the University college, and for that purpose and subject to the Order, to mortgage or charge all or any part of the property unless the conditions of the property so held provide

(u) **MACHAKOS UNIVERSITY COLLEGE**

**IX. STATEMENT OF UNIVERSITY COLLEGE COUNCIL'S RESPONSIBILITIES
(CONTINUED)**

Otherwise, and to give such other security whether upon moveable property or otherwise as the Council may deem fit;

- (v) Enter into, vary, carry out or terminate contracts on behalf of the University College;
 - (w) On the recommendation of Academic Board, provide by Regulations for the creation of new Divisions, Faculties, Schools, Institutes, Departments, Centres or other bodies of learning and research in the University college, whether formed by the sub-division of any one or more than one of any such new body or otherwise, and for the abolition from time to time of any such body, and to approve the establishment, abolition or sub-division amalgamation of any such body or bodies however so described;
 - (x) Institute, on the recommendation of Senate (subject, where appropriate, any conditions acceptable to the Council and to the Senate which might be made by the donors) Fellowships, Studentship, Exhibitions, Bursaries, Prizes and other aids to study and research;
 - (y) Subject to the Act, these Statutes and any other written law to exercise powers of removal from office and other disciplinary control over all categories of staff in the University College. In the case of the academic and senior administrative staff and provided this power shall be exercised for the reasons, on the grounds and in the manner pursuant to the procedures set out in the Regulations; and
 - (z) Empower any such committees to of Council jointly with any committees appointed by the Academic Board, provided that the Council shall not delegate to the Chairman or to a committee the powers to approve without further reference to the Council the Annual Estimates of Expenditure.
2. Subject to any written law, the Council may refer any financial matters affecting the academic policy of the University College to the Academic Board for advice.
 3. Subject to any written law, the Council shall determine the method and conditions of appointment and promotion, terms of service and remuneration of all staff of the University College.
 4. Subject to any written law, the Council shall authorize or control the establishment and disestablishment of Faculties, Schools, Institutes, Bureau, Departments, Units and Centres.
 5. The Council shall authorize and control the establishment and abolition of academic, Library, administrative, technical, and secretarial and all other posts in the University College necessary for the proper functioning of the University College.
 6. The Council shall control the appointment of any other persons working for the University College, pay, honoraria, fees and other remuneration as the Council may determine from time to time.
 7. The Council may transact from time to time any other business of the University that is not covered by the Statutes.

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON MACHAKOS UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Machakos University College set out on pages 1 to 27, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

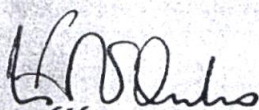
Basis for Qualified Opinion

Trade and Other Receivables

As disclosed at note 4 to the financial statements, trade and other receivables stood at Kshs.59,383,301 as at 30 June 2014. However, no provision for bad and doubtful debts has been made in the financial statements. Further, management did not provide the ageing analysis of the trade and other receivables balance of Kshs.59,383,301. In the absence of the ageing analysis, it has not been possible to confirm the recoverability of the trade and other receivables balance of Kshs.59,383,301 and that the balance is fairly stated as at 30 June 2014.

Qualified Opinion

In my opinion, except for the effects of matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the University College as at 30 June 2014, its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Universities Act, 2012.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

12 May 2015

MACHAKOS UNIVERSITY COLLEGE

X. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30th June 2014

<u>Income</u>	<u>Notes</u>	<u>2013-2014</u>	<u>2012-2013</u>
Revenue from non-exchange transactions		Ksh	Ksh
Government grants	9	260,683,727.00	203,687,513.00
Amortized grants in kind	11(b)	3,067,775.00	3,471,607.00
		263,751,502.00	207,159,120.00
Revenue from exchange transactions			
Tuition fees & other fees	10	133,409,240.00	110,934,554.00
IGA & other incomes	11(a)	57,553,078.00	45,280,153.00
		190,962,318.00	156,214,707.00
Total income		454,713,820.00	363,373,827.00
Expenditure			
Operations & maintenance	13(a)	34,055,602.00	38,893,901.00
Council Expenses	13(b)	14,705,954.00	2,353,658.00
Administrative & academic	14	370,967,786.00	198,812,113.00
Depreciation	2(a)	49,359,960.00	33,966,688.00
Other expenses	15	31,146,122.00	27,861,796.00
Total expenditure		500,235,424.00	301,888,156.00
Surplus / Deficit		(45,521,604.00)	61,485,671.00

The notes set out on pages 9 to 25 form an integral part of the Financial Statements.

MACHAKOS UNIVERSITY COLLEGE

XI. STATEMENT OF FINANCIAL POSITION

As at 30th June 2014

<u>Assets</u>	<u>Notes</u>	<u>2013-2014</u> Ksh	<u>2012-2013</u> Ksh
Non-current assets			
Property, plant & equipment	2(a)	1, 486, 456, 204.00	1, 082, 064, 392.00
Biological assets	2(b)	370, 000.00	340, 000.00
		1, 486, 826, 204.00	1, 082, 404, 392.00
Current assets			
Inventories	3(a)	3, 810, 740.00	2, 516, 724.00
Books inventories	3(b)	12, 279, 670.00	3, 411, 944.00
Loose tools-inventories	3(c)	403, 832.00	403, 832.00
Trade and other receivables:			
Exchange Transactions	4(a)	59, 173, 109.00	21, 473, 812.00
Non-Exchange transactions	4(b)	210, 192.00	380, 600.00
		59, 383, 301.00	21, 854, 412.00
Cash & bank balances	5	25, 391, 135.00	86, 378, 600.00
		101, 268, 678.00	114, 565, 512.00
Total assets		<u>1, 588, 094, 882.00</u>	<u>1, 196, 969, 904.00</u>
<u>Capital funds & liabilities</u>			
Net Assets			
Capital reserve	7	1, 516, 797, 895.00	1, 092, 752, 895.00
Revenue reserve	8(a)	15, 964, 067.00	61, 485, 671.00
Deferred income	8(b)	18, 406, 650.00	21, 474, 425.00
		1, 551, 168, 612.00	1, 175, 712, 991.00
Current liabilities			
Trade and other payables	6	36, 926, 270.00	21, 256, 913.00
Total net assets and liabilities		<u>1, 588, 094, 882.00</u>	<u>1, 196, 969, 904.00</u>

The Financial Statements set out on pages 1 to 4 were signed on behalf of the University College Council by:

Principal

Date.....


Chairman of Council

Date.....


MACHAKOS UNIVERSITY COLLEGE

XII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30th JUNE 2014

Description	Capital		Revenue		Deferred		Total
	Reserve	Reserve	Reserve	Income	Income	Income	
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Balance as at 1st July 2013	1,092,752,895	61,485,671	21,474,425				1,175,712,991
Additional capital (Note 7)	40,611,423	-	-				40,611,423
Deficit for the year	-	(45,521,604)	-				(45,521,604)
Amortized for the year 2013/14	-	-	(3,067,775)				(3,067,775)
Revaluation reserves (Note 7)	383,433,577	-	-				383,433,577
Balance as at 30.06.2014	1,516,797,895	15,964,067	18,406,650				1,551,168,612

STATEMENT OF CHANGES IN NET ASSETS AS AT 30th JUNE 2013

Description	Capital		Revenue		Deferred		Total
	Reserve	Reserve	Reserve	Income	Income	Income	
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Balance as at 1st July 2012	1,092,752,895	-	24,542,200				1,117,295,095
Surplus for the year 2012/13	-	61,485,671	-				61,485,671
Amortized for the year 2012/13	-	-	(3,067,775)				(3,067,775)
Balance as at 30.06.2013	1,092,752,895	61,485,671	21,474,425				1,175,712,991

MACHAKOS UNIVERSITY COLLEGE

XIII. STATEMENT OF CASH FLOWS

For the year ended 30th June 2014

<u>Operating activities</u>	<u>Notes</u>	<u>2013-2014</u> Ksh	<u>2012-2013</u> Ksh
Surplus		(45, 521, 604.00)	61, 485, 671.00
Adjustment for non cash items			
Depreciation	2(a)	49, 359, 960.00	33, 966, 688.00
Grants in kind		<u>(3, 067, 775.00)</u>	<u>(3, 471, 607.00)</u>
Net cash flows from operating activities		770, 581.00	91, 980, 752.00
Working Capital Adjustments			
Increase in inventories	3	(1, 294, 016.00)	(2, 516, 724.00)
Increase in debtors & receivables	4	(37, 528, 889.00)	43, 581, 878.00
Increase in trade & other payables	6	<u>15, 669, 357.00</u>	<u>(740, 410.00)</u>
		<u>(23, 153, 548.00)</u>	<u>40, 324, 744.00</u>
Net cash flows from operating activities		<u>22, 382, 967.00</u>	<u>132, 305, 496.00</u>
Cash flows from investing activities			
Property, plant & equipment	2(a)	(79, 215, 920.00)	(57, 112, 891.00)
Capital grants for the year		<u>40, 611,423.00</u>	<u>-</u>
Net cash flow from investing activities		(38, 604, 497.00)	(57, 112, 891.00)
Cash flows from financing activities		-	-
Net increase in cash & cash equivalents		(60, 987, 464.00)	75, 192, 605.00
Net cash & cash equivalents b/f		<u>86, 378, 600.00</u>	<u>11, 185, 995.00</u>
		25, 391, 135.00	86, 378, 600.00
Cash & Bank balances as at 30.06.2014 5		25, 391, 135.00	

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2014

	DETAILS	Budgeted 2013 /2014	Actual 2013/2014	Variance (Actual- Budgeted)	Remarks
A	INCOME				
1	Recurrent Grant	240,862,500.00	260,683,726.00	19,821,226.00	
2	Development grant	124,200,000.00	40,611,422.80	83,588,577.20	Government disbursed less
3	Loan-Bank	-	-	-	
4	Donor	120,887,991.36	-	120,887,991.36	Did not get donors
5	Tuition Fees	100,000,000.00	133,496,940	33,496,940.00	Increased number of students
6	Accommodation Income	5,000,000.00	3,775,530.00	1,224,470.00	decrease inspace for accommodation due portioning of hostels
7	Catering Income	7,000,000.00	10,411,761.00	3,411,761.00	Due to increased number of students
8	Other Income	50,000,000.00	46,041,512.00	3,958,488.00	
	Total Income	647,950,491.36	495,020,891.80	152,929,599.56	
B	EXPENDITURE				
	DETAILS	Budgeted 2013 /2014	Actual 2013/2014	Variance	
	Personal Emoluments				
1	Basic salaries	163,723,177.20	144,299,748.00	19,423,429.20	Did not recruit all required staff
2	House allowance	114,748,444.80	107,540,849.50	7,207,595.30	
3	Pension & Gratuity	29,323,708.56	36,590,899.00	7,267,190.44	Everyone in grade A and above are in pension
4	NSSF	2,085,600.00	1,957,700.00	127,900.00	
5	Leave allowances	5,066,400.00	1,768,000.00	3,298,400.00	
6	Other allowances	37,662,160.80	26,134,599.50	11,527,561.30	Did not recruit all required staff
7	Part-time lecturers		5,241,900.00	5,241,900.00	Did not recruit all required staff
8	Casuals		4,810,747.00	4,810,747.00	Did not recruit all required staff

MACHAKOS UNIVERSITY COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Total Personal Emoluments	352,609,491.36	328,344,443.00	-	24,265,048.36	
	Operations & Maintenance					
9	Advertising & Publicity	7,000,000.00	4,098,109.00	-	2,901,891.00	Lack of funds
10	Audit Fees	200,000.00	-	-	200,000.00	No invoice availed
11	Bank Charges	300,000.00	682,165.00	-	382,165.00	Increased bank transactions
12	Cleaning Materials	1,000,000.00	1589273.00	-	748,000.00	Increased numbers of classrooms hence increased cleaning
13	Conferences, Workshops & Seminars	3,000,000.00	2,607,115.00	-	392,885.00	Lack of funds
14	Contracted Professional Fees	1,500,000.00	499,000.00	-	1,001,000.00	Lack of funds
15	Council Expenses	5,000,000.00	11,410,570.00	-	6,410,570.00	Was in process of recruiting top managers hence council was playing the roles of management
16	Management Meetings	1,000,000.00	-	-	1,000,000.00	Lack of funds
17	Electricity Expenses	4,000,000.00	4,027,594.00	-	27,594.00	
18	Examinations Expenses	3,500,000.00	17,729,913.00	-	14,229,913.00	Increased activities of exams due to increase in student numbers
19	External Travel & Accommodation	2,000,000.00	-	-	2,000,000.00	Lack of funds
20	Field Courses	3,000,000.00	316,091.00	-	2,683,909.00	Most of students were first years
21	Funeral Expenses	500,000.00	343,800.00	-	156,200.00	No many cases
22	Security Expenses	500,000.00	18,617.00	-	481,383.00	Lack of funds
23	Insurance Premium	3,000,000.00	1,998,476.00	-	1,001,524.00	
24	Internet & Sms Services	1,000,000.00	-	-	1,000,000.00	Lack of funds
25	JAB (KUCCPS) Expenses	300,000.00	100,225.00	-	199,775.00	No many activities
26	Laboratory Tools, Glassware & Apparatus	5,000,000.00	-	-	5,000,000.00	Lack of funds
27	Land Rent and Rates	200,000.00	-	-	200,000.00	Not applicable yet

MACHAKOS UNIVERSITY COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

28	Library Books, Journals & Materials	5,000,000.00	20,000.00	- 4,980,000.00	
29	Local Air Travel	1,000,000.00	-	- 1,000,000.00	Waiting for donation
30	Medical Expenses	1,000,000.00	1,052,318.00	52,318.00	
31	Motor Vehicles Fuel	6,000,000.00	1,329,608.00	- 4,670,392.00	Did not procure vehicles as expected
32	Newspapers & Magazines	500,000.00	409,250.00	- 90,750.00	
33	Office Tea Expenses	1,000,000.00	-	- 1,000,000.00	Lack of funds
34	Office Consumables	3,000,000.00	1,558,614.00	- 1,441,386.00	Lack of funds
35	Photocopy Services	2,000,000.00	-	- 2,000,000.00	Did internally
36	Sanitary Services	500,000.00	933,084.00	433,084.00	Increased number of students and staff
37	Senate and Senate Committees	1,200,000.00	-	- 1,200,000.00	Not applicable for now
38	Sports & Games	3,000,000.00	928,128.00	- 2,071,872.00	Lack of funds
39	Stationery Expenses	8,500,000.00	2,943,483.00	- 5,556,517.00	
40	Students' Activities	1,500,000.00	3,371,707.00	1,871,707.00	Increase in number of student activities
41	Subscriptions & Registration Fees	1,000,000.00	350,300.00	- 649,700.00	Lack of funds
42	Teaching Materials	5,000,000.00	5,861,963.00	861,963.00	Increase in number of students and programmes
43	Telephone Expenses and Postage	1,000,000.00	525,093.00	- 474,907.00	Lack of funds
44	Motor Vehicles Maintenance	5,000,000.00	496,094.00	- 4,503,906.00	Did not procure vehicles as expected
45	Traveling and Accommodation	8,000,000.00	3,439,725.00	- 4,560,275.00	Lack of funds
46	Le Technisch Expenses	15,000,000.00	18,485,330.00	3,485,330.00	Increased activities
47	Staff Development	2,000,000.00	593,141.00	- 1,406,859.00	Lack of funds
48	Grounds Maintenance	5,000,000.00	5,492,334.00	492,334.00	
49	Catering Expenses	6,000,000.00	9,916,326.00	3,916,326.00	Increased number of students
50	Repairs and Maintenance	7,000,000.00	1,449,538.00	- 5,550,462.00	Lack of funds

MACHAKOS UNIVERSITY COLLEGE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

51	Boarding Facilities	1,000,000.00	506,750.00	- 493,250.00	Lack of funds
52	Plant & Equipment Maintainance	2,000,000.00	694,562.00	- 1,305,438.00	Lack of funds
53	Industrial linkages	500,000.00	-	- 500,000.00	Lack of funds
54	University Committee Expenses	1,000,000.00	718,637.00	- 281,363.00	Increased number of meetings
55	Livestock	250,000.00	65,699.00	- 184,301.00	Disposal of livestock
56	Marketing	1,500,000.00	-	- 1,500,000.00	Lack of funds
57	Staff Uniforms			- -	Lack of funds
58	ISO Expense				
			- 407,200.00	407,200.00	
59	Students Attachment Expense		1,918,870.00	1,918,870.00	
60	Water & Conservancy	1,500,000.00	943,773.00	- 556,227.00	
	Total Operations & Maintenance	138,950,000.00	108,495,202.00	- 30,454,798.00	
	Total Recurrent Expenditure	491,559,491.36	436,839,645.00	- 54,719,846.36	
				-	
	CAPITAL EXPENDITURE			-	
61	WIP-Lecture Theatre and Classroom Phase 1	124,200,000.00	54,283,593.35	- 69,916,406.65	Lack of funds
62	Furniture	5,000,000.00		- 5,000,000.00	Lack of funds
63	ICT Equip, Intergration&Maintainance	11,191,000.00	9,461,524.00	- 1,729,476.00	Lack of funds
64	Renovations of Buildings		9,175,925.95	9,175,925.95	
65	Furnishing Training Facility			- -	
66	Office Equipments	3,000,000.00	6,338,845.00	3,338,845.00	New offices created
67	Motor Vehicles	13,000,000.00	7,953,587.75	- 5,046,412.25	Lack of funds
	Total Development Expenditure	156,391,000.00	88,356,606.05	- 68,034,393.95	
	Grand Total	647,950,491.36	525,196,251.05	- 122,754,240.31	

XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING POLICIES

(i) Statement of compliance and basis of preparation – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

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

(ii) Fees income

Fees revenue is recognized as and when received and balance accrued at the end of the year.

(iii) Biological Assets

- Biological assets are reported in accordance with IPSAS 27 i.e. at their market value in addition to all cost incurred to point of sale.

(iv) Inventories

- Inventories are stated at lower cost net realizable value.
- Donated loose tools inventories are valued at the market price in accordance with IPSAS 12.

(v) Property, Plant and Equipment-IPSAS 17

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

MACHAKOS UNIVERSITY COLLEGE

XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Depreciation is calculated on straight line basis over the estimated useful lives of the assets.

The annual rates in use are:

Land	0%
Buildings	2.5%
Motor vehicles	25%
Property, plant & equipment	12.5%
Computers & computer Softwares	33.33%

All assets valued less than Ksh.1, 000.00 are expensed and categorized as inventories and monitored by inventories register.

(vi) Capital reserve

Ksh.

Balance as at 01.07.2013	1, 092, 752, 895.00
Capital-Additions for the year	40,611,423.00

The balance comprises of additions during the year as follows:

Land	246, 200, 000.00
Buildings	128, 335, 851.00
Work In Progress	-
Motor Vehicles	-
Computer & software	-
Furniture & Equipment	-
Biological Assets	30,000.00
Omitted Books	8, 867, 726.00
Total	1, 516, 797, 895.00

(vii) Retirement benefits

The University College established a defined contributions benefits scheme by the name Machakos University retirement pension scheme under the custodian of Liberty pension services, where employees' contributions are channeled to.

XV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(viii) Grants and Donations

- Values for grants and donations related to property, equipment and other assets are estimated by the University College or as advised by donors.
- Donations in kind of current nature are recognized in the year received and categorized as inventories while those of capital nature are prorated in their useful life in a systematic manner and categorized as deferred income in the financial statements in accordance with IPSAS 23.

(ix) The Accounts Receivables and Accounts Payables Policy

- The Accounts receivables and Accounts Payables are stated at their nominal value.

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. NON-CURRENT ASSETS

2 (a) Property, Plant & Equipment-schedule of fixed assets 2013/14

	LAND	BUILDINGS	WORK IN PROGRESS	MOTOR VEHICLES	COMPUTER & SOFTWARE	FURNITURE & EQUIPMENT	TOTAL
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
DEPRECIATION RATES	0%	2.50%	0%	25%	33.33%	12.50%	
COST / VALUATION							
Balance as at 1 st July 2013	360,000,000.00	390,242,537.00	210,578,266.00	15,896,000.00	13,549,401.00	125,764,877.00	1,116,031,081.00
Transfer of W.I.P to buildings	-	210,578,266.00	(210,578,266.00)	-	-	-	-
Additions	-	29,678,346.00	24,888,473.00	5,010,000.00	11,863,046.00	7,776,055.00	79,215,920.00
Revaluation reserves	246,200,000.00	128,335,851.00	-	-	-	-	374,535,851.00
Balance as at 30th June 2014	606,200,000.00	758,835,000.00	24,888,473.00	20,906,000.00	25,412,447.00	133,540,932	1,569,782,852.00
DEPRECIATION							
Provisions as at 1 st July 2014	-	9,756,063.00	-	3,974,000.00	4,516,015.00	15,720,610.00	33,966,688.00
CHARGE FOR THE YEAR 2013/2014	-	18,970,875.00	-	5,226,500.00	8,469,969.00	16,692,617.00	49,359,960.00
Accumulated depreciation	-	28,726,938.00	-	9,200,500.00	12,985,984.00	32,413,227.00	83,326,648.00
As at 30th June 2014	606,200,000.00	730,108,062.00	24,888,473.00	11,705,500.00	12,426,463.0.00	101,127,706.00	1,486,456,204.00
NET BOOK VALUE							
As at 30th June 2014	606,200,000.00	730,108,062.00	24,888,473.00	11,705,500.00	12,426,463.00	101,127,706.00	1,486,456,204.00
As at 30th June 2013	360,000,000.00	380,486,474.00	210,578,266.00	11,922,000.00	9,033,386.00	110,044,267.00	1,082,064,392.00

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Property, plant and equipment

Schedule of fixed assets 2012-13

	LAND	BUILDINGS	WORK IN PROGRESS	MOTOR VEHICLES	COMPUTERS & SOFTWARE	FURNITURE	TOTAL
	0%	2.5%	0%	25%	33.33%	12.5%	
	KSH	KSH	KSH	KSH	KSH	KSH	KSH
COST/VALUATION							
Balance as at 01.07.2012	360,000,000.	369,350,000	188,604,606	10,025,000	8,514,619	97,881,765	1,034,375,990
Additions	-	20,892,537	21,973,660	5,871,000	5,034,782	3,340,912	57,112,891
Grants in Kind						24,542,200	24,542,200
Balance as at 30.06.2013	360,000,000	390,242,537	210,578,266	15,896,000	13,549,401	125,764,877	1,116,031,081
DEPRECIATION							
As at 01.07.2012							
Charge for the year	0	9,756,063	0	3,974,000	4,516,015	15,720,610	33,966,688
Accumulated Depreciation	0	9,756,063	0	3,974,000	4,516,015	15,720,610	33,966,688
Net Book value as at 30.06.2013	360,000,000	380,486,474	210,578,266	11,922,000	9,033,386	110,044,267	1,082,064,392

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINACIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2 (b) Biological Assets

The University College had opening and closing balance of Ksh.340, 000.00 which comprise of six cows as outlined below:

MACHAKOS UNIVERSITY COLLEGE							
Biological Assets (Livestock) – 2013-2014							
Acquisition Date	SUPPLIER	Livestock(Dairy Cow) Name	Code / Tag Number	Payment Voucher No.	Amount (Ksh)	Account Details	Remarks
01.07.2012	MTTI	Maridadi	None	Opening balance	50, 000.00	Biological assets	Taken over from MTTI
01.07.2012	MTTI	Mary (Heifer)	None	Opening balance	65, 000.00	Biological assets	Taken over from MTTI
01.07.2012	MTTI	Kailu (Meat Cow)	None	Opening balance	30, 000.00	Biological assets	Taken over from MTTI
01.07.2012	MTTI	Maua (Breeding)	None	Opening balance	60, 000.00	Biological assets	Taken over from MTTI
01.07.2012	MTTI	Mrembo(Heifer breeding)	None	Opening balance	80, 000.00	Biological assets	Taken over from MTTI
01.07.2012	MTTI	Maluvya(Breeding)	None	Opening balance	55, 000.00	Biological assets	Taken over from MTTI
2013/14	BIRTH	Calf	None	N/A	30, 000.00	Biological assets	Born during the year
TOTAL COST					370, 000.00		

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MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Biological Assets Livestock 2012-13

Biological Assets (Livestock)- 2012/2013							
Acquisition Date	SUPPLIER	Livestock (Dairy Cow) Name	Code/Tag Number	Payment Voucher No.	Amount (Ksh)	Account Details	Remarks
01.07.2012	MTTI	Maridadi	None	Opening Balance	50,000.00	Biological Assets	Taken over from MMTI
01.07.2012	MTTI	Mary (Heifer)	None	Opening Balance	65,000.00	Biological Assets	Taken over from MMTI
01.07.2012	MTTI	Kailu (Meat Cow)	None	Opening Balance	30,000.00	Biological Assets	Taken over from MMTI
01.07.2012	MTTI	Maua (Breeding)	None	Opening Balance	60,000.00	Biological Assets	Taken over from MMTI
01.07.2012	MTTI	Mrembo (Heifer Breeding)	None	Opening Balance	80,000.00	Biological Assets	Taken over from MMTI
01.07.2012	MTTI	Maluvya (Breeding)	None	Opening Balance	55,000.00	Biological Assets	Taken over from MMTI
TOTAL- Cost Opening					340,000.00		

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3

(a) INVENTORIES

	2013- 2014	2012- 2013
	<u>Ksh</u>	<u>Ksh</u>
Kitchen consumables	93, 601.00	113, 825.00
Office & Administration consumables	3, 161, 038.00	1, 454, 721.00
Cleaning materials	-	294, 583.00
Construction materials	-	48, 940.00
Electrical materials	-	21, 520.00
Closing stock – Le Technisch	556, 101.00	583, 135.00
Total	3, 810, 740.00	2, 516, 724.00

(b) BOOKS INVENTORIES

	2013- 2014	2012- 2013
	<u>Ksh</u>	<u>Ksh</u>
Balance as at 01.07.2013/14	3, 411, 944.00	914, 397.00
Purchases during the year 2012/13 & 2013/14	-	2, 497, 547.00
Revaluations during the year 2012/13 & 2013/14	8, 867, 726.00	-
Balance as at 30.06.2013/14	12, 279, 670.00	3, 411, 944.00

(c) LOOSE TOOLS INVENTORIES

	2013- 2014	2012- 2013
	<u>Ksh.</u>	<u>Ksh.</u>
Loose tools donated from Netherlands as at 30.06.2013/14	403, 832.00	403, 832.00

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. TRADE AND OTHER RECEIVABLES

	2013- 2014	2012- 2013
	<u>Ksh</u>	<u>Ksh</u>
(a)		
Exchange Transactions:		
Student fee arrears	50,063,163.00	14,568,590.00
Trade debtors	8,971,954.00	6,826,334.00
Rent arrears	53,820.00	47,051.00
Other debtors	<u>84,172.00</u>	<u>31,837.00</u>
	59,173,109.00	21,473,812.00
(b)		
Non-Exchange Transactions:		
Staff gratuity advance	-	16,000.00
Outstanding Imprests	210,192.00	364,600.00
	<u>210,192.00</u>	<u>380,600.00</u>
Total	59,383,301.00	21,854,412.00

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

			2013- 2014	2012- 2013
5. <u>CASH & BANK BALANCES</u>			Ksh	<u>Ksh</u>
Cash in hand				
Closing balances: Cash			747, 649.00	278, 011.00
Banks:	Branch:	Account No:		
Standard Chartered Bank	Machakos	0102016845600	93, 726.00	3, 396, 256.00
Standard Chartered Bank	Machakos	0102016845601	-	72, 239.00
Standard Chartered Bank	Machakos	0102016845602	1, 662, 459.00	2, 916, 518.00
Standard Chartered Bank	Machakos	0102016845603	-	17, 364.00
Standard Chartered Bank	Machakos	0102016845604	-	8, 683, 036.00
Kenya Commercial Bank	Machakos	1137145064	1, 496, 010.00	7, 393, 906.00
Standard Chartered Bank	Machakos	0152016845600	244, 588.00	178, 131.00
Standard Chartered Bank	Machakos	0152016845601	-	56, 914.00
Standard Chartered Bank	Machakos	0152016845602	4, 087, 392.00	1, 649, 979.00
National Bank of Kenya	Machakos	01020078499400	3, 911, 446.00	19, 785, 852.00
National Bank of Kenya	Machakos	01020078499401	2, 212, 684.00	16, 085, 451.00
National Bank of Kenya	Machakos	01020078499402	7, 746, 047.00	16, 951, 477.00
Cooperative bank of Kenya	Machakos	01129277651100	3, 189, 134.00	8, 913, 466.00
Total			25, 391, 135.00	86, 378, 600.00

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013- 2014	2012-2013
6. <u>TRADE & OTHER PAYABLES</u>	Ksh	<u>Ksh</u>
Sundry trade payables	26, 151, 154.00	18, 532, 350.00
Prepaid fees	6, 311, 507.00	655, 563.00
Refundable caution fees	2, 449, 500.00	1, 569, 000.00
Accrued part time salaries & wages	1, 014, 109.00	-
Audit fees	1, 000, 000.00	500, 000.00
Total	36, 926, 270.00	21, 256, 913.00

	2013- 2014	2012- 2013
7. <u>CAPITAL RESERVE</u>	Ksh	<u>Ksh</u>
Balance as at 01.07.2013/14	1, 092, 752, 895.00	-
Capital Grants for the year :(Annex 1)	40, 611, 423.00	
Assets taken over from defunct MTTI as follows:		
Land (Annex 1)	246, 200, 000.00	360, 000, 000.00
Buildings (Annex1)	128, 335, 851.00	369, 350, 000.00
Work In Progress	-	188, 604, 606.00
Motor vehicles	-	10, 025, 000.00
Computer & software	-	8, 514, 619.00
Furniture & equipment	-	97, 881, 765.00
Biological assets (Annex 1)	30, 000.00	340, 000.00
Omitted books (Annex 1)	8, 867, 726.00	914, 397.00
Current Assets Net Current Liabilities taken over	-	57,122,508.00
	1, 516, 797, 895.00	1, 092, 752, 895.00

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013- 2014	2012- 2013
8. (a) <u>REVENUE RESERVE</u>	Ksh	<u>Ksh</u>
Balance B/f	61, 485, 671.00	-
Surplus for the year	(45,521,601.00)	61, 485,671.00
Balance as at 30th June	15, 964, 067.00	61, 485,671.00

	2013- 2014	2012- 2013
8. (b) <u>DEFERRED INCOME</u>	Ksh	<u>Ksh</u>
Fixed assets donated from Netherlands bal. as at 01.07.2013	21, 474, 425.00	24, 542, 200.00
Amortized amount during 2013/2014(depreciation @12.5%)	(3, 067, 775.00)	(3, 067, 775.00)
Balance as at 30th June	18, 406, 650.00	21, 474, 425.00

	2013- 2014	2012- 2013
9. <u>GOVERNMENT GRANT</u>	Ksh	<u>Ksh</u>
Recurrent	260,683,727.00	203,687,513.00

NB: On Government recurrent grant, Ksh.52, 000, 000.00 was for Collective Bargaining Agreement (CBA).

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

10. SUMMARY OF INCOME VOTEHEADS

	2013- 2014	2012- 2013
<u>OPERATIONS & MAINTAINANCE-REVENUE</u>	Ksh	<u>Ksh</u>
<u>VOTEHEAD</u>		
Repairs Maintenance & Improvements	2, 661, 200.00	3, 447, 635.00
Electricity & Water Conservancy	3, 660, 294.00	4, 996, 176.00
Administration / Contingencies	1, 338, 840.00	1, 865, 349.00
Parents Teachers Association	803, 525.00	5, 927, 652.00
Local Transport & Travelling	1, 337, 170.00	1, 920, 701.00
General damages	114, 380.00	84, 360.00
Material development	752, 000.00	19, 800.00
Total	10, 667, 409.00	18, 261, 673.00
	2013- 2014	2012- 2013
<u>ADMINISTRATIVE & ACADEMICS-REVENUE</u>	Ksh	<u>Ksh</u>
Tuition	38, 999, 930.00	20, 234, 208.00
Boarding Equipment & Stores / Catering	14, 183, 291.00	9, 764, 384.00
Teaching Equipment & Registry	4, 409, 620.00	5, 816, 806.00
Activity	2, 668, 163.00	2, 252, 557.00
Directorate of Industrial Training	278, 450.00	285, 600.00
Integrated Computer Technology	2, 472, 185.00	3, 716, 150.00
Insurance & Attachment	4, 828, 250.00	3, 775, 941.00
Kenya Accountancy & Secretarial National Examinations Board	160, 796.00	213, 280.00
Kenya National Examinations Council	13, 560, 557.00	19, 494, 832.00
Library	3, 362, 665.00	2, 078, 181.00
Medical	2, 986, 215.00	2, 246, 187.00
Machakos Technical Training Institute Students Association	360, 285.00	1, 462, 540.00
Machakos University Students Association	1, 523, 370.00	230, 480.00
Referral	333, 500.00	25, 950.00
Project	4, 969, 258.00	1, 898, 210.00
Registration	1, 786, 634.00	1, 802, 007.00
Graduation	-	205, 500.00

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013- 2014	2012- 2013
	Ksh	<u>Ksh</u>
Statutory charges	3, 374,760.00	-
Examinations	3, 338, 408.00	-
Field courses	10, 000.00	-
Application	801, 533.00	491, 550.00
Centre fees	144, 150.00	5, 000.00
Joint Admission Board Exams	2, 394, 750.00	871, 200.00
Bursary	-	1, 187, 000.00
Students projects	2, 864, 790.00	-
Students Identity Cards	328, 850.00	171, 200.00
Total	110, 140, 410.00	78, 228, 763.00

	2013- 2014	2012- 2013
<u>PERSONNEL EMOLUMENTS</u>	Ksh	<u>Ksh</u>
Staff Gratuity	1, 338, 256.00	1, 847, 142.00
Staff Salaries	11, 263, 165.00	12, 596, 976.00
Total	12, 601, 421.00	14, 444, 118.00
Totals	133, 409, 240.00	110, 934, 554.00

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11. (a) IGA AND OTHER INCOMES

	2013- 2014	2012- 2013
<u>VOTEHEAD</u>	<u>Ksh</u>	<u>Ksh</u>
Le Technisch Restaurant	49, 283, 090.00	35, 681, 641.00
Production Unit	7, 000.00	274, 730.00
Production Unit-Food & Beverage	425, 045.00	273, 208.00
Production Unit-Computing & Applied Science	222, 300.00	293, 800.00
Production Unit-Mechanical Engineering	10, 700.00	4, 900.00
Production Unit-Clothing & Textile	1, 240.00	35,560.00
Production Unit-Entrepreneurship & Management Studies	-	6, 380.00
Production Unit--ETS	-	31, 299.00
Production Unit-Accounting & Secretariat	8, 000.00	25, 740.00
Livestock	113, 030.00	296, 839.00
Auction	80, 000.00	89, 080.00
Seminar	4, 136, 504.00	4, 090, 757.00
Hire of facilities	677, 600.00	-
Driving school	4, 500.00	93, 875.00
Mlolongo Campus	1, 500, 590.00	2, 016, 570.00
Interest – Fixed Account	-	1, 033.00
Rent	942, 630.00	976, 200.00
Tender Fee	38, 000.00	1, 081, 000.00
Photocopy	36, 449.00	7, 241.00
Production Unit--Building &Civil Engineering	66, 400.00	300.00
Total	57, 553, 078.00	45, 280, 153.00

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11. (b) GRANTS IN KIND

	2013- 2014	2012- 2013
	Ksh	<u>Ksh</u>
Loose tools	-	403, 832.00
Furniture, fittings & equipment (24, 542, 200 x 12.5%)	3, 067, 775.00	3, 067, 775.00
Total	3, 067, 775.00	3, 471, 607.00

SUMMARY OF EXPENDITURE

12. PERSONNEL EMOLUMENTS

	2013- 2014	2012- 2013
	Ksh	<u>Ksh</u>
Gross pay	301, 492, 851.00	149, 063, 675.00
Other personnel cost	9, 882, 627.00	1, 593, 535.00
Total	311, 375, 478.00	150, 657, 210.00

As at 30 June 2014, the total number of staff stood at 348 compared to 329 as at 30 June 2013. In addition, the teaching staff were under the payroll of TSC upto December 2012. With effect from January 2013, the University College took over all the teaching and non teaching staff. This explains the significant variance in personnel emoluments.

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13. (a) OPERATIONS AND MAINTENANCE

	2013- 2014	2012- 2013
<u>VOTEHEAD</u>	Ksh	Ksh
Repairs Maintenance & Improvements	-	11, 138, 539.00
Electricity & Water Conservancy (Water)	1, 020, 833.00	3, 342, 086.00
Administrations / Contingencies	829, 747.00	12, 571, 762.00
Parents Teachers Association	-	798, 212.00
Funeral expenses	343, 800.00	147, 302.00
Cleaning & Sanitation	1, 589, 273.00	-
Ground Maintenance	, 075, 294.00	-
Motor Vehicles Maintenance	586, 950.00	-
Electricity	4, 703, 158.00	-
International Standards of Organizations (ISO)	407, 200.00	-
Travelling & Accommodation	3, 405, 505.00	-
Newspapers & Magazines	451, 370.00	-
Performance Contracting	34, 220.00	-
Professional fees	499, 000.00	-
Rent expenses	20, 000.00	-
Gratuity Expenses	89, 838.00	-
Staff welfare	3, 000.00	-
Subscriptions	100, 300.00	-
Telephone & Postage	529, 295.00	-
Committees	708, 837.00	-
Fuel Expenses	1, 825,702.00	-
Office Consumables	2, 213, 187.00	-
Office Stationery	5, 348, 363.00	-
Security	18, 617.00	-
Staff Quarter Maintenance	103, 675.00	115, 533.00
Local Transport & Travelling	-	7, 628, 527.00
General Damages	-	73, 080.00
Audit fees	500, 000.00	500, 000.00
Repairs, Maintenance & Improvements	4, 614, 638.00	2, 578, 860.00
MACHAKOS UNIVERSITY COLLEGE		
Tender Expenses	33, 800.00	-
Total	<u>34, 055, 602.00</u>	<u>38,893, 901.00</u>

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13 (b) COUNCIL EXPENSES 14, 705, 954.00 2, 353, 658.00

14. ADMINISTRATIVE AND ACADEMIC

<u>VOTEHEAD</u>	2013- 2014 Ksh	2012- 2013 Ksh
Tuition	5, 285, 911.00	4, 039, 008.00
Boarding Equipment & Stores /Catering	17, 628, 614.00	12, 773, 530.00
Teaching Equipment & Registry	310, 890.00	360, 820.00
Activity	2, 825, 620.00	2, 527, 991.00
Directorate of Industrial Training	206, 713.00	283, 535.00
Integrated Computer Technology	1, 124, 499.00	78, 300.00
Insurance & Attachment	2, 998, 476.00	1, 875, 918.00
Attachment	918, 870.00	-
Kenya Accountancy & Secretariat National Examinations Board	164, 900.00	334, 150.00
Kenya National Examinations Council	16, 622, 528.00	13, 374, 685.00
Library	20, 000.00	324, 900.00
Medical	2, 093, 684.00	1, 087, 429.00
Machakos Technical Training Institute Students Association	340, 800.00	972, 565.00
Referral	-	1, 850.00
Project	279, 640.00	1, 221, 220.00
Registration	-	186, 475.00
Graduation	-	144, 909.00
Staff Training	593, 141.00	1, 420, 835.00
Advertisement	4, 098, 109.00	6, 103, 538.00
KATTI/CAPA	-	829, 935.00
Application	250, 000.00	5, 310.00
Examinations	811, 240.00	-
Field courses	316, 091.00	-
Joint Admission Board Exams	100, 225.00	-
Research	856, 692.00	-
Students Identity Cards	612, 250.00	-
Machakos University Students Association	1, 133, 415.00	-

MACHAKOS UNIVERSITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Centre fees	-	208,000.00
Sub-total	59,592,308.00	48,154,903.00
Personnel Emoluments (Note 12)	311,375,478.00	150,657,210.00
Total	370,967,786.00	198,812,113.00

15. OTHER EXPENSES

	2013- 2014	2012- 2013
<u>VOTEHEAD</u>	<u>Ksh</u>	<u>Ksh</u>
Production Unit	43,000.00	2,949,219.00
Production Unit -Food & Beverages	-	230,481.00
Production Unit -Computing & Applied Science	22,000.00	201,281.00
Production Unit -Clothing & Textile	-	95,261.00
Production Unit -Accounting & Secretariat	-	155,443.00
Production Unit -Electrical	51,576.00	140,060.00
Production Unit -Motor Vehicles Engineering	60,048.00	50,436.00
Livestock	76,005.00	172,360.00
Seminar	2,607,115.00	2,999,939.00
Driving School	170,820.00	104,050.00
Mlolongo campus	2,409,070.00	1,181,368.00
Le Technisch Total costs	25,706,488.00	19,581,898.00
Total	31,146,122.00	27,861,796.00

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MACHAKOS UNIVERSITY COLLEGE

ANNEX 1

CAPITAL RESERVES

(a) Capital Grants received in the year

<u>Month/year</u>	<u>Ref</u>	<u>Amount</u> <u>Kshs</u>
August 2013	FTI-MOEST	31,267,385
January 2014	FTI-MOEST	<u>9,344,038</u>
TOTAL		<u>40,611,423</u>

(b) Revaluation

	<u>Valuation</u> <u>Kshs</u>	<u>Opening</u> <u>Balance</u> <u>Kshs</u>	<u>Net</u> <u>Amount</u> <u>Kshs</u>
Land	606,200,000	360,000,000	246,200,000
Buildings	758,835,000	630,499,148	128,335,851
Biological assets	370,000	340,000	30,000
Library Books	12,279,670	3,411,944	<u>8,867,726</u>
TOTAL			<u>383,433,577</u>