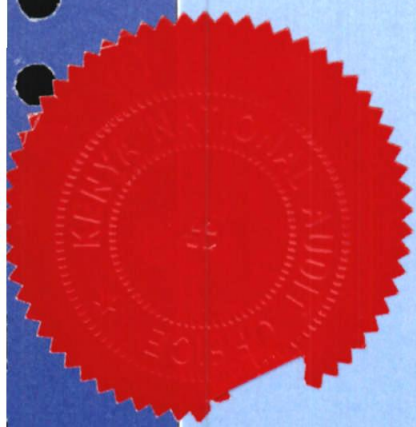


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

*Paper laid*  
By Hon. K. D. Mutitu  
Opposition Party  
19.11.2015  
*Mmm*

PARLIAMENT  
OF KENYA  
LIBRARY

**REPORT**

**OF**

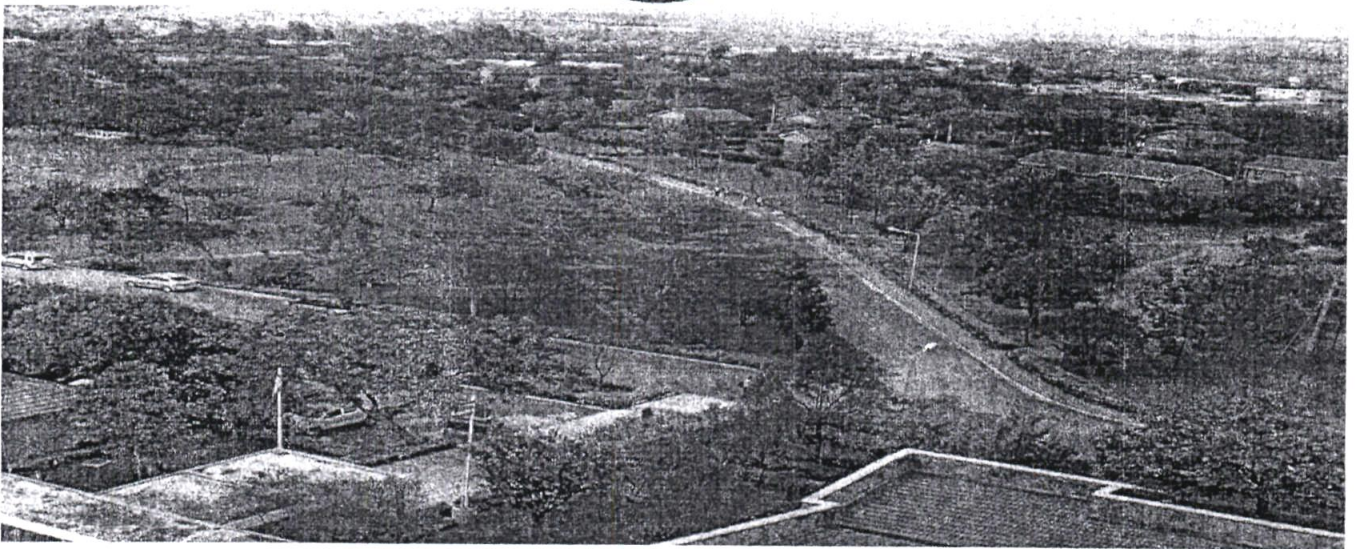
**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
MAASAI MARA UNIVERSITY**

**FOR THE YEAR ENDED  
30 JUNE 2014**

07 JUL 2015



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**MAASAI MARA UNIVERSITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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## I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

### (a) Background information

Maasai Mara University is a public body corporate established by Charter as per the Universities Act 2012.

At Cabinet level the University is represented by the Cabinet Secretary for Education, Science and Technology who is responsible for the general policy and strategic direction of the University.

### (b) Principal Activities

The Maasai Mara University objectives are defined in Part 1(3) of the Universities Act (2012). The Universities Act (2012) specifies that the objects and functions of the University shall be:-

- a) To provide directly, or in collaboration with other institutions of higher learning, facilities for university education (including technological, scientific and professional education), the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of the citizens of Kenya;
- b) to participate in the discovery, transmission and preservation and enhancement of knowledge and to stimulate the intellect participation of students in the economic, social, cultural, scientific and technological development of Kenya;
- c) to provide and advance university education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing, contribute to manpower needs;
- d) to conduct examinations for such academic awards as may be provided in the statutes pertaining to the University; and
- e) to examine and make proposal for new faculties, schools, institutes, departments, resource and research centres, degree courses and subjects to study.
- f) play a leading role in the development and expansion of the opportunities for higher education and research;
- g) develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, innovation, research and consultancy services;
- h) participate in commercial ventures and other activities to the benefit of the institution, the community and stakeholders;
- i) develop and provide educational, cultural, professional, technical and vocational services to the community and in particular foster corporate social responsibility and the practical arts;

- j) provide programmes, products and services in ways that reflect the principles of equality and social justice;
- k) facilitate student mobility between different programmes at different training institutions, universities and industry;
- l) Foster the general welfare of all staff and students.

**(c) Key Management**

The Vice Chancellor is the Chief Executive Officer of the University. She chairs both the Management Board and Senate and is also the Secretary to the Council. The Board is responsible for:

- a) the efficient management of the human, physical, and financial resources of the University;
- b) making proposals to the Council and Senate on policies that have a University wide application;
- c) the coordination of the University Strategic and Development plans; and
- d) any other matters related to the management of the University

Membership of the Management Board during the year were the following:

Prof. Mary K. Walingo	-	Vice Chancellor
Prof. Simon Ole Seno	-	Deputy Vice Chancellor (Admin., Finance & Planning)
Prof. Misia Kadenyi	-	Deputy Vice Chancellor (Academic, Research & Student Affairs)
Mr. Samson Kisirikoi	-	Acting Registrar, Administration
Mr. Jackson K. Berege	-	Registrar, Academic Affairs
Mr. Jona Wala	-	Finance Officer
Dr. Cleophas Serem	-	Medical Officer
Mr. Alfred Nyabochwa	-	Legal Officer
Mr. Washington Ochieng	-	Acting University Librarian

#### (d) Fiduciary Management

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

No.	Designation	Name
1.	Vice Chancellor	Prof Mary Walingo
2.	Deputy Vice Chancellor(Admin.,Finance& Planning)	Prof. Simon Ole Seno
3.	Deputy Vice Chancellor (Academic, Research & Student Affairs)	Prof. M. Kadenyi
4.	Finance Officer	Jona Wala

#### (e) Fiduciary Oversight Arrangements

- *Audit Committee of Council*

The Audit Committee of Council assists Council in fulfilling its fiduciary oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the University's adherence to laws, regulations, government policy and code of conduct.

The audit committee consists of four (4) non – executive members of Council. Members who served during the financial year were:

- |                          |            |
|--------------------------|------------|
| - Mr Parmain Ole Narikae | - Chairman |
| - Dr Tabby Mungai        | - Member   |
| - Mrs Rose Macharia      | - Member   |
| - Mr Mohamed Mohamed     | - Member   |

- *Finance and General Purpose Committee of Council*

The Committee is responsible for recommending financial policies, goals, and budgets that support the mission, values and strategic goals of the organization. The committee also reviews the University's financial performance against its goals and proposes major transactions and programs to the Council.

The Council appoints the Finance Committee of the University from among its members. The Committee consists of four (4) non- executive members and one (1) executive member. Persons who served during the year were:

- Mr Mohamed Mohamed	- Chairman
- Dr Tabby Mungai	- Member
- Mrs Rose Macharia	- Member
- Dr Emmy Chesire	- Member
- Mr Parmain Ole Narikae	- Member
- Prof. Mary Walingo	- Member

- *Public Accounts Committee of Parliament (PAC)*

Is a select committee of Parliament. It is responsible for overseeing government expenditures to ensure that they are effective and honest. The PAC is a crucial mechanism to assure the Kenyan people that there is transparency and accountability in government financial operations and in particular public funding to Maasai Mara University.

**(f) University Headquarters**

Maasai Mara University  
P. O. Box 861 – 20500  
Narok, Kenya

**(g) University Contacts**

Tel: (254) 050-23213  
Fax: 020-2066041  
E-mail: [vc@mmarau.ac.ke](mailto:vc@mmarau.ac.ke)  
Website: [www.mmarau.ac.ke](http://www.mmarau.ac.ke)

**(h) University Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
**NAIROBI, KENYA**
2. National Bank of Kenya  
Narok Branch  
P. O. Box 238,  
**NAROK**
3. Equity Bank Ltd.  
Narok Branch  
P. O. Box 1023-20500  
**NAROK**
4. Kenya Commercial Bank  
Narok Branch  
P. O. Box 406-20500  
**NAROK**

5. Barclays Bank of Kenya  
Narok Branch  
P. O. Box 1073-20500  
**NAROK**
  
6. Co-operative Bank of Kenya  
Narok Branch  
P. O. Box 632-20500  
**NAROK**

**(i) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O.Box 30084  
GOP 00100  
**NAIROBI, KENYA**

**(j) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
**NAIROBI, KENYA**

## II. THE UNIVERSITY COUNCIL

The University is governed in accordance to its Charter granted under the Universities Act (2012) and Statutes made by its Council. The Council is the supreme governing organ of the University. Its role includes:

- administering the property and funds of the University in a manner and for the purposes which promote the interest of the University and only charge or dispose immovable property of the University in accordance with the procedures laid down by the Government of Kenya;
- shall receive, on behalf of the University, donations, endowments, gifts, grants or other moneys and make disbursements there from to the University or other bodies or persons;
- provide for the welfare of the staff and students of the University;
- enter into association with other universities, or other institutions of learning, whether within Kenya or otherwise, as the Council may deem necessary and appropriate;
- after consultation with the Senate, make regulations governing the conduct and discipline of the students of the University;
- after consultation with the University Management Board make regulations governing the conduct and discipline of the staff of the University.
- perform all the functions specified in the Universities Act (2012).

Membership of the Council is determined by the Universities Act (2012) and consists of the following:

- a non – executive Chairperson
- the Principal Secretary, Ministry of Education, Science and Technology
- the Principal Secretary, National Treasury
- five independent non – executive members
- the Vice Chancellor

Council members who served during the financial year were:

1.	Prof. Joseph Okumu – Chairman	PhD (Political Science and International Relations)
2.	Mr Parmain Ole Narikae	MBA (High Distinction)
3.	Dr. Tabby Mungai – Alternate PS Education, Science and Technology	PhD. Education Administration
4.	Eng. Daniel Waithaka Njora	M.Sc. Highway Engineering
5.	Mrs. Rose Mghoi Macharia	M.Sc. Corporate Governance
6.	Dr. Emmy J. Chesire	PhDPublic Health
7.	Mr Mohammed Mohammed	MAEnvironment Studies
8.	Alternate PS National Treasury	Vacant
9.	Prof. Mary Walingo – Vice Chancellor and Council Secretary	PhD,MBA,MSC,MKNAS,EBS

### III. CHAIRMAN'S STATEMENT

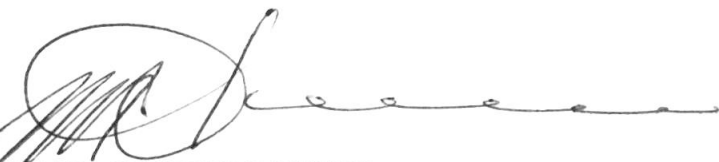
The success of the financial year provides an excellent platform for our University to thrive and prosper in the changing environment that lies ahead.

In the financial year 2013/14, the University experienced outstanding financial and academic success. We continued to strive towards achievement of academic excellence and demonstrated that we remain as committed as ever to the creation of an outstanding student experience. Therefore, it was particularly heartening to note the increased number of student enrolment, with the University experiencing its largest intake to date.

We were also able to welcome Prof Mary Walingo in her first year as Vice Chancellor, Prof Simon ole Seno and Prof Misia Kadenyi as Deputy Vice Chancellor Finance, Planning and Administration and Deputy Vice Chancellor Academic, Research and Student Affairs. During the year, the new administration restructured the academic wing appointing new Deans, Chairmen and Directors. On behalf of Council, I wish the new administration great success as they lead our University to greater levels.

During the year, we continued to invest in our infrastructure. The University started a 850 student capacity hostel for female students which when completed will boost university enrolment for the girl child in particular those from our part of the country. The Prof Jonathan Ole Karei Tuition Complex was completed adding a further 18 large classrooms for learning purposes. Our University also, with support from the government, plans to start construction of a Kshs 600 million modern library boosting research capabilities.

The Council would like to convey its congratulations to the Vice Chancellor and management, staff and students for making 2013/14 a successful year for the University.



**PROF. JOSEPH OKUMU**  
**CHAIRMAN, MAASAI MARA UNIVERSITY**

#### IV. REPORT OF THE VICE CHANCELLOR

I am pleased to present the Annual Report and Financial Statements of Maasai Mara University for the year ended 30<sup>th</sup> June 2014. This is the fifth annual report for the University and demonstrates how far we have come.

Maasai Mara University has continued to gain momentum over the short period since inception. During the year under review, the University reviewed its Strategic Plan 2013-2018. This will undoubtedly improve service delivery and ensure achievement of set targets by emphasizing on areas of priority in teaching and research. The University also acquired other necessary facilities and equipment to facilitate teaching and research and to improve on service delivery.

The University financial position is improving by virtue of an excellent financial performance during the year. Our surplus for the financial year 2013/14 was Kshs 17.1 million. Of particular note at the end of the financial year, we had a fixed deposit investment of Kshs 17 million. Although this provides us with the platform moving forward, we fully expect this strong position to be undermined as the changing environment places strains on the funding of Universities.

One of my goals as CEO of Maasai Mara University is to encourage greater interaction among the talented staff in our institution, believing that we will benefit from various ideas from different intellects. One such benefit from use of integrated teams has been the tangible results achieved from resolving issues such as staff audit exercises, performance contracting responses and the development of various policy documents for this young institution. The Maasai Mara University team overall is in great shape, with a strong bench of talent and experience across all key areas, and we are close to where we need to be in the long term.

A collaboration agreement with Pua University – France and the Academy of Science – China were successfully negotiated and signed during the year. The collaboration will result in the establishment of the first ever Botanical Garden in this part of the world. Academic staff will also benefit from exchange programmes and sabbaticals which will help benchmark the University to international standards.

During the year, the University registered 1882 Government sponsored students and 1408 privately sponsored students. The students who successfully completed their studies during the 2013/2014 academic year are scheduled to graduate in our third graduation ceremony to be celebrated on the 28th of November 2014.

The University has however faced many challenges that include infrastructure and facilities support due to low funding. However, other mechanisms that include partnerships with national and international groups are being sought.

I take this opportunity to thank the Government, University Council, Management, Staff, Students and other stakeholders for their mutual cooperation, trust and continued support.

  
PROF. MARY WAINICO PHD, MBA, MSC, MKNAS, EBS  
VICE CHANCELLOR

## V. OPERATING & FINANCIAL REVIEW 2013/14

### Mission and Strategy

Full details of the University's strategy are set out in our Strategic Plan 2013/17, which is available in our website ([www.mmarau.ac.ke](http://www.mmarau.ac.ke)). In summary:

### Organization

The University is organized into academic and administration wings. The administration wing provides the support function while the academic wing drives the core business of the University. The academic wing has five schools, each led by a Dean:

- School of Arts and Social Sciences
- School of Business and Economics
- School of Science
- School of Education
- School of Tourism and Natural Resources Management

Programmes for these schools are run from six campuses in the following locations:

- Main Campus
- Nairobi Campus
- Bomet Campus
- Kajiado Campus
- Nyandarua Campus
- Kilgoris Campus

Responsibility for the overall day-to-day administrative management of the University is through the Vice Chancellor supported by a senior team of administrators.

### Key Facts – Students, Research and Staff

	2013/14	2012/13
<b>Students</b>		
Undergraduates		
- PSSP	1,960	2,510
- GSSP	3,164	2,513
<b>Total student numbers</b>	<b>5,124</b>	<b>5,023</b>
<b>Customer Satisfaction Index</b>		
Overall satisfaction levels	57%	52%

10



### Research Contracts

Awards in year	2	3
Revenue in year	Kshs -	Kshs -

### Staff

Management	32	31
Academic	106	104
Administration	379	401
<b>Total staff numbers</b>	<b>517</b>	<b>536</b>

**Total staff costs** Kshs 610,252,372 Kshs 515,827,028

### Financial strategy and results

#### *Strategy*

Our financial strategy is based on the generation of operating surplus: being able to generate sufficient revenue to meet operating and development requirements. Operating cash flows and any available capital grants should be sufficient to finance capital projects that enable the long term sustenance of the University's estate and infrastructure.

The University has identified a number of key financial ratios which it monitors as part of its financial strategy. Performance over the last three years shows:

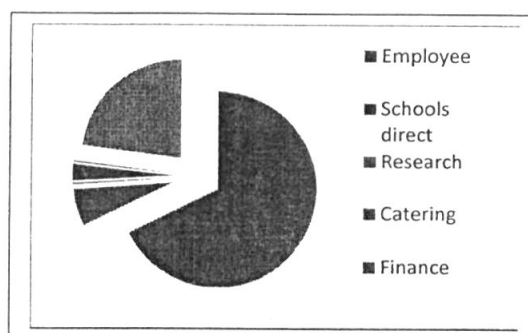
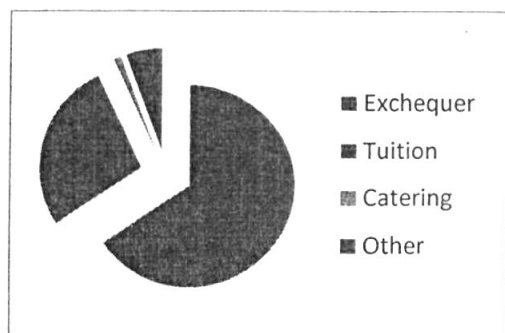
	2013/14	2012/13
Operating Surplus to Revenue	1.9%	(0.57%)
Cash Ratio	1.11	0.88
Staff Costs to Revenue	66%	70%

#### *Financial Results*

For the period ending 30th June 2014, gross revenue of Kshs 911.1 million was realized. Revenue from tuition fee charged was Kshs 250.2 million which was 12.5% higher than Kshs 222.3 million realized in the previous financial year(Note 3).

The other revenue stream that showed marked growth is revenue from exchequer grants. Total recurrent exchequer support received from the government was Kshs 597.4 million. This includes the Kshs 57.7 million CBA salary arrears.





Revenue Distribution 2013/14 Cost Distribution 2013/14

Note 3 to 10 show the key revenue generation categories while Note 11 to 30 the cost categories.

### Key financial facts

	2014/15	2013/14	%
	Kshs	Kshs	Change
<b>Revenue &amp; expenditure</b>			
Total revenue	911,079,962	756,462,128	8
Total expenditure	894,007,629	761,352,931	5
Surplus/(Deficit)	17,072,333	(4,890,803)	
<b>Cash flow generated</b>			
From operations	27,843,408	14,557,622	48
Post financing costs	2,309,470	-	100
<b>Capital investment</b>	124,567,388	93,993,578	33
<b>Net assets at year end</b>	11,424,206	(12,555,924)	191

### Capital investment programs

The University needs to continue making substantial capital investments to both maintain and enhance the academic and student facilities across the University.

Key projects within the current program include:

- Completion of the Prof. Jonathan Karei modern 12,000 seater tuition complex at a cost of Kshs 108 million.
- Completion of 750 bed ladies hostel at Kshs 336 million.
- Start construction of a Kshs 600 million modern Library
- Start construction of a Kshs 850 million Science Laboratory Complex

CPA Jona Wala  
FINANCE OFFICER

## **I. CORPORATE GOVERNANCE STATEMENT**

The governance of Maasai Mara University takes place within a framework which exists to regulate and/or guide the conduct of Council members, staff, students and members of public assessing the University's amenities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the University. The key instruments within the governance framework are:

- The Kenya Constitution
- The Universities Act (2012)
- The Public Financial Management Act (2012)
- The Public Procurement and Disposal Act (2005)
- The Commission for University Education standards and guidelines
- The Maasai Mara University Charter
- Council approved policies
- Management/Senate approved policies

For the sake of coherence and legitimacy, it was in the best interest of the University that conduct be regulated by the most appropriate type of governance instrument. During the year under review, we report on key moments of governance where this framework was adhered to.

### **Role of the Council in Governance**

During the financial year 2013/14, the same nine (9) members of Council appointed in April 2013 remained in office. All members are independent with the exception of the Vice Chancellor.

Council responsibilities, as spelt out in the Universities Act (2012), were discharged through committees with support from the management. Among the key highlights of responsibilities discharged during the year were:

- appointed the first Vice Chancellor and Deputy Vice Chancellors of Maasai Mara University in November 2013 through a competitive process as described in the Universities Act (2012) and approved their remuneration package
- the review of the five year Strategic Plan and the approval of Budget estimates for the financial year 2014/15 in June 2013
- approving the Universities Statutes in February 2014
- overseeing and monitoring systems of control and accountability through the Audit Committee
- overseeing and monitoring academic activities and in particular the first graduation ceremony in December 2013. Ratifying the award of honorary doctorate to the Chancellor of Maasai Mara University

Maasai Mara is now a large and complex institution. To enable the Council focus on the broad governance of the University, while executive management focuses on the effective operation of the University, important distinctions between governance and management were observed. For the financial year 2013/14, the Council did set broad strategic framework from which the Vice Chancellor and senior management operated from. Where delegation of

this responsibility was necessary, like in the appointment of junior staff to Grade 12, this was provided subject to ratification by Council.

### **The role of Senate in Governance**

The Senate forms part of the overall governance framework of the University. Its mandate is derived from the Universities Act (2012) 35 (1) and the University Charter. The Senate is responsible to Council and the Management Board for all academic matters of the University.

The Senate exercised the following powers and duties during the year:-

- a) Satisfied itself regarding the content and academic standard of courses offered at the University;
- b) made regulations to Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;
- c) proposed regulations to Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;
- d) classify students for graduation by vetting their results and ensuring due process was followed.

### **The role of Management Board and the Vice Chancellor in Governance**

As the Chief Executive Officer of the University, the Vice Chancellor is both the chief academic officer and the chief administrator of the University. Indeed she chairs both the Management Board and Senate for purposes of smooth governance of the University. The functions of the Vice Chancellor are set out in the Universities Act (2012), the Public Procurement and Disposal Act (2005), the Public Financial Management Act (2012), and the Charter and Statutes of the University.

The Vice Chancellor provides progress reports to Council on policy implementations. She is the secretary to Council. Council has delegated widespread powers and responsibilities to the Vice Chancellor.

The Management Board assists the Vice Chancellor on both academic and administrative issues of the University. Policies related to employment and management of staff, financial management, student management, branding and communication were passed during the year.

## II. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Maasai Mara University was founded for public benefit, to promote education and knowledge, and to provide an institution open to all, irrespective of race, creed or political belief. It is a pioneering institution of higher learning in making university education available to the communities living in the South Rift Valley of Kenya.

The University's Corporate Social Responsibility (CSR) policy sets out the guiding principles by which the organization is run in order to fulfil its core mission. This policy brings together the ways in which the University ensures, at corporate level, that its activities are carried out ethically, sustainably and for the public benefit.

The CSR Policy is made up of three central pillars:

- People and Community
- Finance and Economic Activity
- Environmental Sustainability

### **1. People and Community**

#### *The University as an employer*

Maasai Mara University is committed to being a good employer, and to contribute positively to the local community, the education sector in Kenya, and indeed the global community. As an employer the University is committed to ensuring that all staff are fully supported in their work, have a decent working environment, are fairly rewarded, and maintain a good work-life balance. During the year, the University engaged with recognized staff trade unions that represent and protect the interests of its staff and concluded and implemented the Collective Bargaining Agreement with them. The University now offers competitive terms and conditions to its directly employed staff. The University also runs a subsidized model nursery and primary school and school bus system for the benefit of our staff and the Narok Town community.

#### *Freedom of Expression*

As an academic institution the University encourages debate and discussion, and supports the right of peaceful protest where this does not threaten the health and safety of staff, students or visitors, and does not infringe upon others' rights to freedom of expression and association.

#### *Local Community*

Maasai Mara University is a major stimulus for economic growth in the region. Rapid infrastructural development has occurred in the immediate vicinity of the University. Land values for the surrounding communities have increased as a result of the University. The University also lends its facilities to the local community during public gatherings and a secure landing venue for visiting dignitaries. The University also supports the local hospital by lending our ambulance and medical staff from time to time.

The University has also committed to:

- Involving the local community in all major planning applications
- Providing bursary scheme to bright students from the immediate community
- Inviting the community to make use of the estate, services and buildings where appropriate
- Encouraging activities with a community benefit
- Encouraging staff to volunteer in the local community

## **2. Finance and Economic Activity**

The University recognizes the way in which it conducts its activity financially has a bearing on those with an interest in its work. The University's Financial Regulations reinforce our core values in informing policy, practice and guidance to members of the university to ensure fair and ethical financial practice.

The University's financial activity is undertaken with reference to the following guidance and policies:

- conflict of interest guidance as approved by the Council
- a gift register and guidance on expenses
- a clear whistle-blowing procedure

As part of their conditions of employment all staff are required to follow such policies to ensure the University conducts its activity in appropriate fashion.

The University also commits to the following as a good organizational citizen:

- providing clear information where required to organizations with whom we engage financially
- incorporating CSR considerations in tender submission reviews from potential suppliers in line with Government policy on women and youth
- furthering the use electronic data to reduce paper use and environmental degradation

## **3. Environmental Sustainability**

Maasai Mara University is located within touching distance of Mau Water Towers and the Maasai Mara Game Reserve. The University recognizes environmental sustainability as the greatest challenge of the 21st century and commits to ensuring that all of its major strategies and operations consider their environmental and ecological aspects and impacts. The University's Pro- Mara Project, with support of the USAID, has been instrumental in raising awareness to conservation issues in the region and beyond.

## VII. REPORT OF THE COUNCIL

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

### VISION, MISSION AND CORE VALUES

#### Vision Statement

To be 'A World Class University Committed to Academic Excellence for Development'.

#### Mission Statement

To provide, Quality University education through innovative teaching, research and consultancy services for development.

#### Results

The results of the University for the Year ended June 30, 2014 are set out on page 21-25

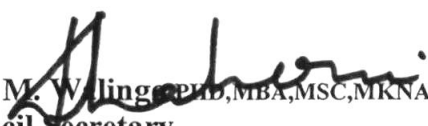
#### Council

The members of the Council who served during the year are shown on page viii. In accordance with Universities Act Section 36, members serve for a term not exceeding four (4) years renewable once.

#### Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 68 (2) of the Public Finance Management (PFM) Act, 2012, which also empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Council

  
Prof. M. Walling, PHD, MBA, MSC, MKNAS, EBS  
Council Secretary

## IX. STATEMENT OF COUNCILS' RESPONSIBILITIES

Section 68 (2) of the Public Finance Management Act, 2012 and Section 14(1) of the State Corporations Act, require the Council to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for the year. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Directors are also responsible for safeguarding the assets of the University.

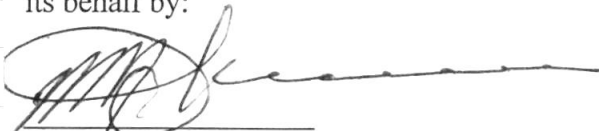
The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, the State Corporations Act and the Universities 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, 2014, and of the University's financial position as at that date. Council members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the University will not 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 4th August, 2014 and signed on its behalf by:

  
Chairman

  
Vice Chancellor



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON MAASAI MARA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Maasai Mara University set out on pages 21 to 44 which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

#### **1. Non-current Assets**

- i) As previously reported, the non-current assets balance of Kshs.951,263,217 excluded undetermined value of land measuring 129 acres inherited from the former Narok Teachers Training College.
- ii) During the year, the University purchased land situated at Sekanani gate of Maasai Mara game reserve measuring 10.65Ha for Kshs.5,264,000 for the purpose of constructing a field station. However, the land was not valued prior to the purchase. It was therefore not possible to confirm how the purchase price was arrived at.

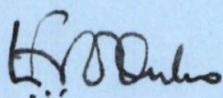
Consequently, the ownership and accuracy of the non-current assets balance of Kshs.951,263,217 could not be confirmed.

#### **2. Unremitted Statutory Deductions**

Included in the current liabilities balance of Kshs.106,539,926 as at 30 June 2014 is employees benefit obligation balance of Kshs.66,767,963 in respect of unremitted pension scheme deductions. The University is therefore exposed to penalties and interest charged on non-remittance of these deductions.

### **Qualified Opinion**

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



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

**Nairobi**

**25 August 2015**

**STATEMENT OF FINANCIAL Performance  
or the year ended 30<sup>th</sup> June 2014**

	Note	2013-2014 Kshs	2012-2013 Kshs
<b>Revenue from non-exchange transactions</b>			
Exchequer Grants	3	597,373,500	481,700,000
Research Grants	4	4,716,775	3,400,000
		<b>602,090,275</b>	<b>485,100,000</b>
<b>Revenue from exchange transactions</b>			
Tuition Fee	5	250,198,300	222,344,950
Catering Sales	6	10,497,317	9,973,378
Rental revenue from facilities and equipment	7	632,405	586,650
Fee revenue –Collaborations	8	44,360,878	32,940,241
Farm Revenue		4,520	18,870
Finance Revenue – Fixed deposit	9	430,193	-
Other revenue	10	2,866,074	5,498,039
		<b>308,989,687</b>	<b>271,362,128</b>
<b>Total revenue</b>		<b>911,079,962</b>	<b>756,462,128</b>
<b>Expenses</b>			
Schools direct expenses	11	55,040,520	44,171,754
Research	12	2,106,580	2,428,465
Farm Inputs	13	421,160	655,526
Catering & Accommodation	14	24,923,338	19,684,535
University Clinic	15	19,589,643	18,183,943
Bulk purchases of water and electricity	16	21,118,580	20,321,012
Employee costs	17	610,252,372	515,827,028
Council Expenses	18	12,736,161	11,848,480
Depreciation and amortization expense	19	25,352,623	22,953,269
Repairs and maintenance	20	9,046,289	4,609,968
Contracted services	21	4,280,541	2,389,214
General expenses	22	107,051,137	95,832,626
Finance costs	23	2,088,685	2,447,111
<b>Total expenses</b>		<b>894,007,629</b>	<b>761,352,931</b>
<b>Other gains/(losses)</b>			
<b>Surplus for the period</b>		<b>17,072,333</b>	<b>(4,890,803)</b>

The notes set out on pages 26 to 43 form an integral part of the Financial Statements

## STATEMENT OF FINANCIAL POSITION

as at 30<sup>th</sup> June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	24	20,730,344	3,096,986
Receivables from exchange transactions	25	41,123,896	28,803,770
Receivables from non-exchange transactions	26	42,928,383	53,666,667
Inventories	27	6,717,508	5,296,391
<b>Non-current assets</b>		<b>111,500,131</b>	<b>90,863,814</b>
Property, plant and equipment	28	319,964,045	329,660,977
Work in Progress	29	631,299,172	516,375,753
<b>Total assets</b>		<b>951,263,217</b>	<b>846,036,730</b>
		<b>1,062,763,348</b>	<b>936,900,544</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	30	17,728,889	26,589,861
Caution money deposits from students	30	4,990,000	2,735,000
Provisions – Leave Days	30	-	-
Finance lease obligation	30	6,331,074	8,891,107
Employee benefit obligation	30	66,767,963	61,303,770
Student fees received in advance	30	10,722,000	-
Withheld VAT		-	4,500,000
		<b>106,539,926</b>	<b>104,019,738</b>
<b>Non-current liabilities</b>			
Non-current provisions – Contractors Retention	29	41,723,237	51,740,679
		<b>41,723,237</b>	<b>51,740,679</b>
<b>Total liabilities</b>		<b>148,263,163</b>	<b>155,760,417</b>
<b>Capital Funds</b>			
Reserves		928,983,028	812,695,302
Accumulated surplus		(17,584,383)	(34,656,715)
Revaluation Reserve		3,101,540	3,101,540
		<b>914,500,185</b>	<b>781,140,127</b>
<b>Total Funds and liabilities</b>		<b>1,062,763,348</b>	<b>936,900,544</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the University Council by:

  
 Vice Chancellor

ate..... 3/2/15 .....

  
 Chairman of the Council

Date: 5/7/15 .....

## STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30<sup>th</sup> June 2014

	Accumulated Fund reserve	Revaluation reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
<b>Balance at 30 JUNE 2012</b>	727,144,423	3,101,540	(29,765,912)	700,480,051
Surplus/(deficit) for the period	-	-	(4,890,803)	(4,890,803)
Transfers to/from accumulated surplus	-	-	-	-
Government Capital Grants	85,550,879	-	-	85,550,879
<b>Balance at 30 JUNE 2013</b>	<b>812,695,302</b>	<b>3,101,540</b>	<b>(34,656,715)</b>	<b>781,740,127</b>
Surplus for the period	-	-	17,072,333	17,072,333
Transfers to/from accumulated surplus	-	-	-	-
Government Capital Grants	116,287,726	-	-	116,287,726
<b>Balance at 30 JUNE 2014</b>	<b>928,983,028</b>	<b>3,101,540</b>	<b>(17,584,383)</b>	<b>914,500,185</b>

**STATEMENT OF CASHFLOWS**  
or the year ended 30<sup>th</sup> June 2014

	2013-2014 Kshs	2012-2013 kshs
<b>Cash flows from operating activities</b>		
Surplus/(Deficit)	17,072,333	(4,890,803)
Adjustments for:		
Depreciation	25,352,623	22,953,269
Provision for bad and doubtful debts	1,347,722	(3,156,414)
Provision for audit fees	600,000	600,000
<b>Cash flows from operating activities</b>	<b>44,372,678</b>	<b>15,506,052</b>
Change in inventories	(1,421,117)	(664,788)
Change in receivables from exchange transaction	(1,581,842)	(28,877,997)
Change in payables from exchange transaction	2,520,187	14,696,097
Change in contractors retention	(10,017,442)	3,869,741
	<b>(10,500,213)</b>	<b>(10,976,947)</b>
<b>Net cash flows from operating activities</b>	<b>34,872,775</b>	<b>4,529,105</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and intangible assets	(15,655,691)	(6,680,068)
Increase in Work in Progress	(116,871,142)	(87,313,510)
<b>Net cash flows used in investing activities</b>	<b>(132,526,833)</b>	<b>(93,993,578)</b>
<b>Cash flows from financing activities</b>		
Government grants – Capital	116,287,726	85,550,879
<b>Net cash flows used in financing activities</b>	<b>116,287,726</b>	<b>85,550,879</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>17,633,358</b>	<b>(3,913,594)</b>
<b>Net cash &amp; Cash Equivalent-Opening</b>	<b>3,096,986</b>	<b>7,010,580</b>
Net cash & Equivalent-End	20,730,344	3,096,986
<b>Cash and Bank Balances</b>	<b>20,730,344</b>	<b>3,096,986</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUALS**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actuals</b>	<b>Variance</b>
	<b>2013-2014 kshs</b>	<b>2013-2014 kshs</b>	<b>2013-2014 Kshs</b>	<b>2013-2014 Kshs</b>	<b>2013-2014 Kshs</b>
<b>Revenue</b>					
Exchequer grants	628,673,500	(31,300,000)	597,373,500	597,373,500	0
Research grants	4,000,000	-	4,000,000	4,716,775	(716,775)
Tuition fee	253,967,426	-	253,967,426	250,198,300	3,769,126
Catering fee	10,052,000	-	10,052,000	10,497,317	(445,317)
Rental revenue	100,000	-	100,000	632,405	(532,405)
Fee revenue from collaborations	30,000,000	-	30,000,000	44,360,878	(14,360,878)
Farm revenue	-	-	-	4,520	(4,520)
Finance revenue interest	-	-	-	430,193	(430,193)
Other revenue	19,450,694	-	19,450,694	2,866,074	16,584,620
<b>Total</b>	<b>946,243,620</b>	<b>(31,300,000)</b>	<b>914,943,620</b>	<b>911,079,962</b>	<b>3,863,658</b>
<b>Expenses</b>					
Schools direct expenses	42,433,000	-	42,433,000	55,040,520	(12,607,520)
Research	6,000,000	-	6,000,000	2,106,580	3,893,420
Farm Inputs	690,000	-	690,000	421,160	268,840
Catering & Accommodation	14,280,000	-	14,280,000	24,923,338	(10,643,338)
University Clinic	15,430,000	-	15,430,000	19,589,643	(4,159,643)
Bulk purchases of water and electricity	19,950,000	-	19,950,000	21,118,580	(1,168,580)
Employee costs	662,472,896	-	662,472,896	610,252,372	52,220,524
Council Expenses	12,000,000	-	12,000,000	12,736,161	(736,161)
Depreciation and amortization expense	18,381,509	-	18,381,509	25,352,623	(6,971,114)
Repairs and maintenance	10,589,280	-	10,589,280	9,046,289	1,542,991
Contracted services	1,102,500	-	1,102,500	4,280,541	(3,178,041)
General expenses	124,795,484	-	124,795,484	107,051,137	17,744,347
Finance costs	3,348,000	-	3,348,000	2,088,685	1,259,315
<b>Total expenses</b>	<b>931,472,669</b>		<b>931,472,669</b>	<b>894,007,629</b>	<b>37,465,040</b>
<b>Surplus/(losses)</b>	<b>14,770,951</b>		<b>14,770,951</b>	<b>17,072,333</b>	

## **VI. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of compliance and basis of preparation**

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

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

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

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

##### **Transfers from other government entities**

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

Exchequer grants from the government are recognised as revenue in the period in which they relate as per IPSAS 23.

##### **ii) Revenue from exchange transactions**

##### ***Rendering of services***

The University recognizes revenue from rendering of services (tuition fee) 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 academic semester period incurred to date as a percentage of total academic semesters. Tuitionfee revenue from students is recognised as it accrues unless collectability is in doubt.

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

The University also maintains a provision of 10% of all outstanding fee balances due from students.

##### ***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.

##### ***Interest revenue***

Interest revenue is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest revenue each period.

##### ***Rental revenue***

Rental revenue arising from operating leases on the University's properties is accounted for on a straight-line basis over the lease terms and included in revenue.

#### **b) Budget information**

The annual budget is prepared on the accrual basis, that is, all planned costs and revenue are presented in a single statement to determine the needs of the University. As a result of the adoption of the accrual basis for budgeting purposes, there is no basis, timing or differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

#### **c) Investment property**

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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

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

#### **d) Property, plant and equipment**

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

Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying value of the assets over their expected useful lives (IAS 4). Assets acquired during the year are depreciated from the date of acquisition (IAS 4).

The annual depreciation rates (straight line basis) in use are:-

Buildings	-	2.5%
Machinery and Equipment	-	20.0%
Furniture and Fittings	-	12.5%
Motor Vehicles	-	25.0%
Computers	-	33 1/3 %

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

Work in Progress (WIP) is not depreciable until capitalized to respective asset class.

#### **e) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the University. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The University recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset.

#### **f) Intangible assets**

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.

The useful life of the intangible assets is assessed as either finite or indefinite.

#### **i) Research and development costs**

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

- 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.

#### **j) Financial instruments**

##### ***Financial assets***

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

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.

### ***Held-to-maturity***

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

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

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

- The debtors or an University 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)

### ***ii) Financial liabilities***

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

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

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

#### ***Loans and borrowing***

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

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.

## **) 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 condition is 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 at the end of the financial period. 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.

## **l) 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 re-imburement.

## ***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.

### ***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.

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

The University creates and maintains reserves in terms of specific requirements. Currently the University maintains the following reserves;

- Capital Reserves: All exchequer grants (Capital Development) from the Government are recognized as owners' funds in the period in which they relate and credited to this reserve.
- Revaluation Reserve: The University assets are re-valued from time to time. Property acquired from the former Marko Teachers Training College and valued at handover is credited to this account.

### **n) 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.

### **o) Employee benefits**

#### **Retirement benefit plans**

The University provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the University pays fixed contributions into a separate Pension Fund, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets today 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 revenue in the year in which they become payable.

### **p) Foreign currency transactions**

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 revenue or expenses in the period in which they arise.

### **Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

### **r) 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. Members of key management are regarded as related parties and comprise the Council Members, the Vice Chancellor, Deputy Vice Chancellors, Finance Officer, and Registrars.

### **s) Service concession arrangements**

The University analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the University recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the University also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

### **t) 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

### **u) Comparative figures**

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

### **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.

Fee revenue is billed at the beginning of each academic semester. The academic and financial year of the University are different and so revenue is allocated on a monthly basis. Estimates are also provided on leave days accruals for staff. Accumulated leave days expense is computed on the basis of monthly working days divided by the basic salary.

### ***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 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 36.

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

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

### **u) 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, 2014.

NOTE 3: Exchequer Grants Schedule

	2014 KSHS	2013 KSHS
JULY	57,700,000	-
AUGUST	81,246,667	33,666,667
SEPT	42,340,000	33,666,667
OCT	44,337,149	33,666,667
NOV	43,168,711	33,666,667
DEC	30,547,996	125,033,333
JAN	55,789,424	
FEB	-	33,666,667
MARCH	86,337,422	33,666,667
APRIL	52,048,820	33,666,667
MAY	17,760,217	
MAY	43,168,711	67,333,333
JUNE	42,928,383	53,666,667
<b>TOTAL</b>	<b>597,373,500</b>	<b>481,700,000</b>

The University received government grant allocations on a monthly basis for support of its operations during the year. The amounts include Kshs 57.7 million grant for the purpose of paying staff for the conclusion of CBA 2010/12. The University also received a supplementary budget support of Kshs 26.4 million. These amounts were used to finance recurrent operating budget of University.

NOTE 4: Research Grants

	2014 KSHS	2013 KSHS
Research Grants Received	4,716,775	3,400,000
<b>TOTALS</b>	<b>4,716,775</b>	<b>3,400,000</b>

The University researchers applied for and won research grants from the National Science and Research Council during the year. The funds are recognized as non - exchange transaction in these financial statements as per IPSAS 23.

NOTE 5: Tuition Fees

a) Tuition Schedule

	2014 KSHS	2013 KSHS
PSSP Revenue	168,222,650	149,076,795
KUCCPS Revenue	81,975,650	73,268,155
<b>Total</b>	<b>250,198,300</b>	<b>222,344,950</b>

The University's core business is teaching and research. Revenue from tuition fee charged is recognized as an exchange transaction as per IPSAS 9. Revenue from tuition fee charged was Kshs 250.2 million. Tuition revenue was mainly derived from PSSP students which generated Kshs 168.2 million while revenue from KUCCPS students was Kshs 81.9 million during the financial year.

The driver for tuition revenue is student numbers. The table below shows student's numbers per school for both PSSP and KUCCPS for the financial year 2013-14.

	2014 Student Numbers PSSP	2014 Student Numbers KUCCPS	2013 Student Numbers PSSP	2013 Student Numbers KUCCPS
School of Business	772	787	821	752
School of Science	44	620	81	603
School of Education	172	428	1,164	522
School of Arts	369	589	300	359
School of Natural Resources	680	603	144	277
<b>TOTAL</b>	<b>2037</b>	<b>3027</b>	<b>2510</b>	<b>2513</b>

b)Segment Reporting-Revenue Per School

	2014 KSHS	2013 KSHS
School of Business	64,553,541	60,833,225
School of Science	52,523,308	40,290,600
School of Education	75,036,923	69,443,500
School of Arts	35,566,681	32,547,720
School of Natural Resources	22,517,847	19,229,905
	<b>250,198,300</b>	<b>222,344,950</b>

IPSAS 18 requires segment reporting. Tuition revenue is further segmented to five different schools of the university. Programs of these schools are run from five different locations within the country namely: Narok, Nairobi, Kajiado, Kilgoris and Bomet campuses

**NOTE 6: Catering Sales**

	<b>2014</b> <b>KSHS</b>	<b>2013</b> <b>KSHS</b>
Sale of Food-Staff Canteen	2,624,329	2,493,345
Sale of Food-Students Mess	7,872,988	7,480,033
<b>TOTAL</b>	<b>10,497,317</b>	<b>9,973,378</b>

The University subsidizes food provided to students as per government policy. Staff food is provided at costs as served only during the lunch break. On accommodation, the University has 1550 bed spaces for students that it charges between Kshs 2,000 and Kshs 2,700 per semester and is included in the tuition revenue stated above.

**NOTE 7: Rental Revenue from Facilities and Equipments**

	<b>2014</b> <b>KSHS</b>	<b>2013</b> <b>KSHS</b>
Rent from Staff Houses	311,330	586,650
Hire of Equipment	321,075	-
<b>TOTAL</b>	<b>632,405</b>	<b>586,650</b>

The University hires facilities to staff and the populace at times and periods when they are available. Staff houses not used as student accommodation is rented to staff through check-off system. The University also has two guest houses used by visiting Professors and academic scholars. Grounds were mainly hired to the county government and the electoral body. The University, as part of its corporate social responsibility supported the district hospital by availing the ambulance at cost to the local populace.

**NOTE 8: Revenue from Collaboration Centres & Nairobi Campus**

Tertiary Institution	<b>2014</b> <b>KSHS</b>	<b>2013</b> <b>KSHS</b>
Highlands State College – Nairobi	5,256,267	2,476,900
AICO College – Eldoret	4,523,260	7,733,118
Esmart College – Kisii	2,278,861	2,458,010
Esmart College – Mumias	1,842,000	1,710,000
Kericho College Of Professional Studies	1,974,000	635,850
Nairobi Campus	28,486,490	17,926,363
<b>Total</b>	<b>44,360,878</b>	<b>32,940,241</b>

The University has collaborations with four tertiary institutions where fee is apportioned on the basis of 30:70% in favour of the tertiary institution. The University admits and set common examinations for students in this centres. The centre's meet all other costs of running the programs. In line with Commission for University Education standards, the University continuously reviews these centres.

**NOTE 9: Finance Revenue**

	<b>2014 KSHS</b>	<b>2013 KSHS</b>
Fixed Deposit interest	430,193	-
<b>TOTAL</b>	<b>430,193</b>	<b>-</b>

**NOTE 10: Other Revenue**

	<b>2014 KSHS</b>	<b>2013 KSHS</b>
Nursery School Revenue	1,993,000	1,524,300
Medical Test Fees	7,500	-
NHIF Scheme revenue	712,285	-
Tender revenue	18,000	465,000
Miscellaneous revenue	135,289	3,508,739
<b>TOTAL</b>	<b>2,866,074</b>	<b>5,498,039</b>

**NOTE 11. School Direct Expenses**

	<b>2014 Kshs</b>	<b>2013 Kshs</b>
PSSP Disbursement –School of Business	11,372,879	8,588,027
PSSP Disbursement –School of Education	24,265,571	25,226,896
PSSP Disbursement –School of Science	7,436,066	4,399,430
PSSP Disbursement –School of Tourism	5,637,325	1,371,875
Teaching Materials	2,032,363	1,680,188
Teaching Practise	1,703,910	2,200,612
External Examiners	2,592,406	704,726
<b>TOTALS</b>	<b>55,040,520</b>	<b>44,171,754</b>

**NOTE 12. Research Expenses**

	2014 Kshs	2013 Kshs
Research Expenses	2,106,580	2,428,465
<b>TOTAL</b>	<b>2,106,580</b>	<b>2,428,465</b>

**NOTE 13. Farm Expenses**

	2014 Kshs	2013 Kshs
Farm Inputs	296,520	430,971
Farm Casual Labour	124,640	224,555
<b>TOTAL</b>	<b>421,160</b>	<b>655,526</b>

**NOTE 14. Catering Expenses**

	2014 Kshs	2013 Kshs
Food Purchases	21,607,784	17,439,214
Hostel Cleaning	3,315,554	2,245,321
<b>TOTAL</b>	<b>24,923,338</b>	<b>19,684,535</b>

**NOTE 15. University Clinic Expenses**

	2014 Kshs	2013 Kshs
Purchase of Drugs	8,124,938	6,485,515
Medical Bills	9,732,445	10,145,554
Locum	1,732,260	1,552,874
<b>TOTAL</b>	<b>19,589,643</b>	<b>18,183,943</b>

**NOTE 16. Bulk Purchase of Water and Electricity**

	2014 Kshs	2013 Kshs
Electricity & Water	21,118,580	20,321,012
<b>TOTAL</b>	<b>21,118,580</b>	<b>20,321,012</b>

**NOTE: 17 Employees Costs**

	2014 Kshs	2013 Kshs
Employees Basic Salaries	258,910,698	479,027,077
Employer Pension Contribution	37,429,482	36,799,951
House Allowance Benefits	156,899,451	-
CBA Arrears	62,701,409	-
Gratuity	4,806,159	-
Other Allowances	89,505,173	-
<b>TOTAL</b>	<b>610,252,372</b>	<b>515,827,028</b>

**NOTE. 18 Council Expenses**

	<b>2014</b> <b>Kshs</b>	<b>2013</b> <b>Kshs</b>
Sitting /Subsistence & Mileage Allowance	12,736,161	11,848,480
<b>TOTAL</b>	<b>12,736,161</b>	<b>11,848,480</b>

**NOTE. 19 Depreciation & Amortization Expenses**

	<b>2014</b> <b>Kshs</b>	<b>2013</b> <b>Kshs</b>
Property, Plant & Equipment	6,760,998	5,935,793
Buildings	7,761,816	7,761,816
Furniture & Fittings	2,428,348	1,977,224
Motor Vehicles	6,520,250	6,781,087
Computers	1,881,212	497,349
<b>TOTAL</b>	<b>25,352,623</b>	<b>22,953,269</b>

**NOTE. 20 Repairs & Maintenance**

	<b>2014</b> <b>Kshs</b>	<b>2013</b> <b>Kshs</b>
Maintenance of Catering Facilities	207,582	32,500
Maintenance of Buildings	6,187,394	2,632,429
Maintenance of Water & Sewerage	538,453	839,988
Maintenance of Equipments	-	293,282
Maintenance of Playground	601,005	811,769
Maintenance of Computers	41,580	-
Maintenance of Fence	1,470,275	-
<b>TOTAL</b>	<b>9,046,289</b>	<b>4,609,968</b>

**NOTE. 21 Contracted Services**

	<b>2014</b> <b>Kshs</b>	<b>2013</b> <b>Kshs</b>
Legal Expenses	4,280,541	2,389,214
<b>TOTAL</b>	<b>4,280,541</b>	<b>2,389,214</b>

**NOTE. 22 General Expenses**

	<b>2014 Kshs</b>	<b>2013 Kshs</b>
Advertising	7,601,994	10,598,464
Administration/ Office	2,932,194	2,195,798
Audit Fee	600,000	600,000
Casual Wages	4,123,087	3,440,062
Caution/Fee Refunds	2,600,375	602,914
Cleaning Materials & Detergents	1,826,727	3,735,827
Seminars & Conference	3,317,539	3,272,504
Computer Expenses	4,601,483	3,411,127
Cultural Activities	887,787	-
Fuel, Oil & Transport	8,671,843	6,948,945
Graduation Expenses	3,333,578	4,856,700
Insurance	8,962,552	3,037,605
Library Books	1,104,200	1,740,720
Internet Expenses	1,680,616	784,125
Performance Contracting	175,350	-
Public Celebrations & Funerals	881,981	345,300
Purchase of Uniform & Clothing	805,830	138,379
Postage & Telephone	2,542,568	3,700,347
Printing & Stationery	3,588,368	876,172
Students Activities	16,180,077	4,935,984
Rent & Rates	5,007,433	2,363,300
Students Field Trips	1,532,060	-
Skills Development/Training	797,860	1,925,808
Service Delivery Charter	42,990	2,134,923
Provision for bad debts	1,347,722	-
Subsistence- Internal	15,757,141	16,523,081
Subsistence-External	370,230	14,000
Bursaries	15,151	-
Corporate Social Responsibility	329,000	-
Stationery	5,433,401	7,243,890
Subscriptions	-	988,105
Charter Expenses	-	9,418,546
<b>TOTAL</b>	<b>107,051,137</b>	<b>95,832,626</b>

**NOTE. 23 FINANCE COSTS**

	2014 KSHS	2013 KSHS
Bank Charges & Interest-Coop	886,279	552,670
Bank Charges & Interest-Equity	225,394	131,490
Bank Charges & Interest-KCB	28,181	20,366
Bank Charges & Interest-NBK	930,889	1,732,765
Bank Charges & Interest-BBK	17,942	9,820
<b>TOTAL</b>	<b>2,088,685</b>	<b>2,447,111</b>

**NOTE: 24 CASH & CASH EQUIVALENTS**

	2014 KSHS	2013 KSHS
Coop. Gssp.	509,888	62
Coop. Pssp.	313,166	1,000,228
Coop. Catering	349,546	280,892
Equity Gssp.	117,297	91,021
Equity Catering	1,358,746	282,216
Kcb. Development	101,442	37,581
Kcb.Pssp	32,379	158,500
Bbk	947,880	1,139,454
Bbk(20245662649)	-	107,032
Short Term Deposits	17,000,000	-
<b>TOTAL</b>	<b>20,730,344</b>	<b>3,096,986</b>

	2014 KSHS	2013 KSHS
Equity PSSP	-	(5,826,883)
NBK Operations	-	(60,108,413)
<b>TOTAL</b>	<b>-</b>	<b>(65,935,296)</b>

**NOTE: 25 Receivables-Exchange transactions**

	2014 KSHS	2013 KSHS
Students Debtors	29,560,033	16,810,776
Staff Imprest	3,234,157	2,203,614
Salary Advance	575,520	1,415,439
Other Debtors	11,900,210	11,172,243
Less Bad Debtors	(4,146,024)	(2,798,302)
<b>TOTAL</b>	<b>41,123,896</b>	<b>28,803,770</b>

**NOTE: 26 Receivables- Non Exchange Transactions**

	<b>2014 KSHS</b>	<b>2013 KSHS</b>
MOHE-NON-Exchange	42,928,383	53,666,667
<b>TOTAL</b>	<b>42,928,383</b>	<b>53,666,667</b>

**NOTE: 27 Inventories**

	<b>2014 KSHS</b>	<b>2013 KSHS</b>
<b>Consumables</b>	1,278,862	671,892
<b>Medical Supplies</b>	4,125,779	2,299,550
<b>Building Materials</b>	705,857	1,160,884
<b>Catering</b>	607,010	1,164,065
	<b>6,717,508</b>	<b>5,296,391</b>

**NOTE: 28 Property, Plant & Equipment**

	<b>Land</b>	<b>Plant &amp; Equipment</b>	<b>Building</b>	<b>Furniture</b>	<b>Motor Vehicle</b>	<b>Computers</b>	<b>Total</b>
Cost: 1.7.2013	-	29,678,965	310,472,635	15,817,791	27,124,348	11,725,252	394,818,991
Additions	5,264,000	4,126,023	-	3,608,990	-	2,656,678	15,655,691
<b>TOTAL</b>	<b>5,264,000</b>	<b>33,804,988</b>	<b>310,472,635</b>	<b>19,426,781</b>	<b>27,124,348</b>	<b>14,381,930</b>	<b>410,474,682</b>
Acc. Depn.B/F	-	17,623,064	10,395,928	5,806,210	20,604,098	10,728,714	65,158,014
D epn. For the year	-	6,760,998	7,761,816	2,428,348	6,520,250	1,881,212	25,352,623
Acc. Depn .C/D	-	24,384,062	18,157,744	8,234,558	27,124,348	12,609,926	90,510,637
NBV.30.6.2014	5,264,000	9,420,926	292,314,891	11,192,223	-	1,772,004	319,964,045
NBV. 30.6.2013	-	12,055,901	300,076,707	10,011,581	6,520,250	996,538	329,660,977

**NOTE: 29 Work In Progress**

		<b>Gross</b>	<b>VAT (16%)</b>	<b>Withholding 3%</b>	<b>Retention 5%</b>	<b>Net Paid</b>
<b>Bal. B/F 1.7.2013</b>		<b>516,376,573</b>	<b>57,060,315</b>	<b>15,172,487</b>	<b>51,740,679</b>	<b>663,468,494</b>
	Additions					
<b>22.8.2013</b>	Lecturer Hall	21,506,039		645,181	2,150,604	18,710,254
<b>21.1.2014</b>	Lecturer Hall	11,655,942		349,678		11,306,264
<b>21.8.2013</b>	Hostel	33,187,752		995,633	3,318,775	28,873,344
<b>21.1.2014</b>	Hostel	15,990,226		479,707		6,981,497
<b>21.1.2014</b>	Hostel	4,250,930		127,527	425,093	3,698,309
<b>21.1.2014</b>	Hostel	28,331,710		849,951	2,833,171	24,648,588
<b>21.1.2014</b>	Hostel/Lecture				(18,745,085)	-
	<b>Sub-Total</b>	<b>114,922,599</b>		<b>3,447,678</b>	<b>(10,017,085)</b>	<b>94,218,256</b>
<b>30.6.2014</b>	<b>Gross Total</b>	<b>631,299,172</b>		<b>18,620,165</b>	<b>41,723,237</b>	<b>757,686,750</b>

**NOTE 30: Trade and Other Payables**

	<b>2014 KSHS</b>	<b>2013 KSHS</b>
Finance lease obligation	6,331,074	8,891,107
Employee benefit obligations	66,767,963	61,303,770
Students Caution Money	4,990,000	2,735,000
Audit Fees	1,200,000	1,200,000
VAT W.I.P	-	4,500,000
Fee Prepayments	10,722,000	-
Trade and other payables	16,528,889	25,389,861
	<b>106,539,926</b>	<b>104,019,738</b>

## I. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
1	Financial Liquidity	That this is a new University and that the loss for the three year period has had a declining trend.	Jona Wala Finance Officer	Resolved. The University has now posted a surplus	Done
2	Assets not in the accounts	Management is still pushing the Lands Ministry for issue of title for the main campus in Narok.	Prof. Simon Seno DVC Finance, Administration and Planning	Not Resolved	January 2015
3	44% variation in Construction of Lecture Hall	This was resolved in the financial year 2011/12 after advice from the Ministry of Public Works on how the project could be completed. The University was advised to split the project into two phases to avoid stalling of the project	Prof. Simon Seno DVC Finance, Administration and Planning	Resolved	Done

.....  
VICE CHANCELLOR

.....  
CHAIRMAN OF COUNCIL

Date.....

Date.....