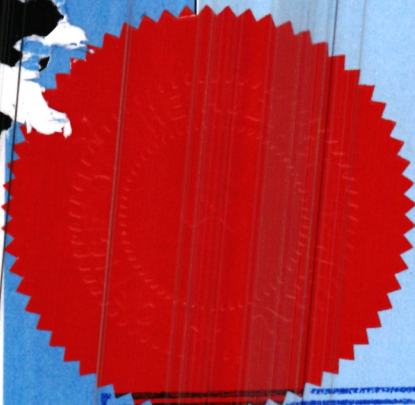


REPUBLIC OF KENYA

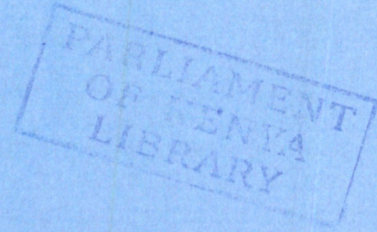


OFFICE OF THE AUDITOR-GENERAL



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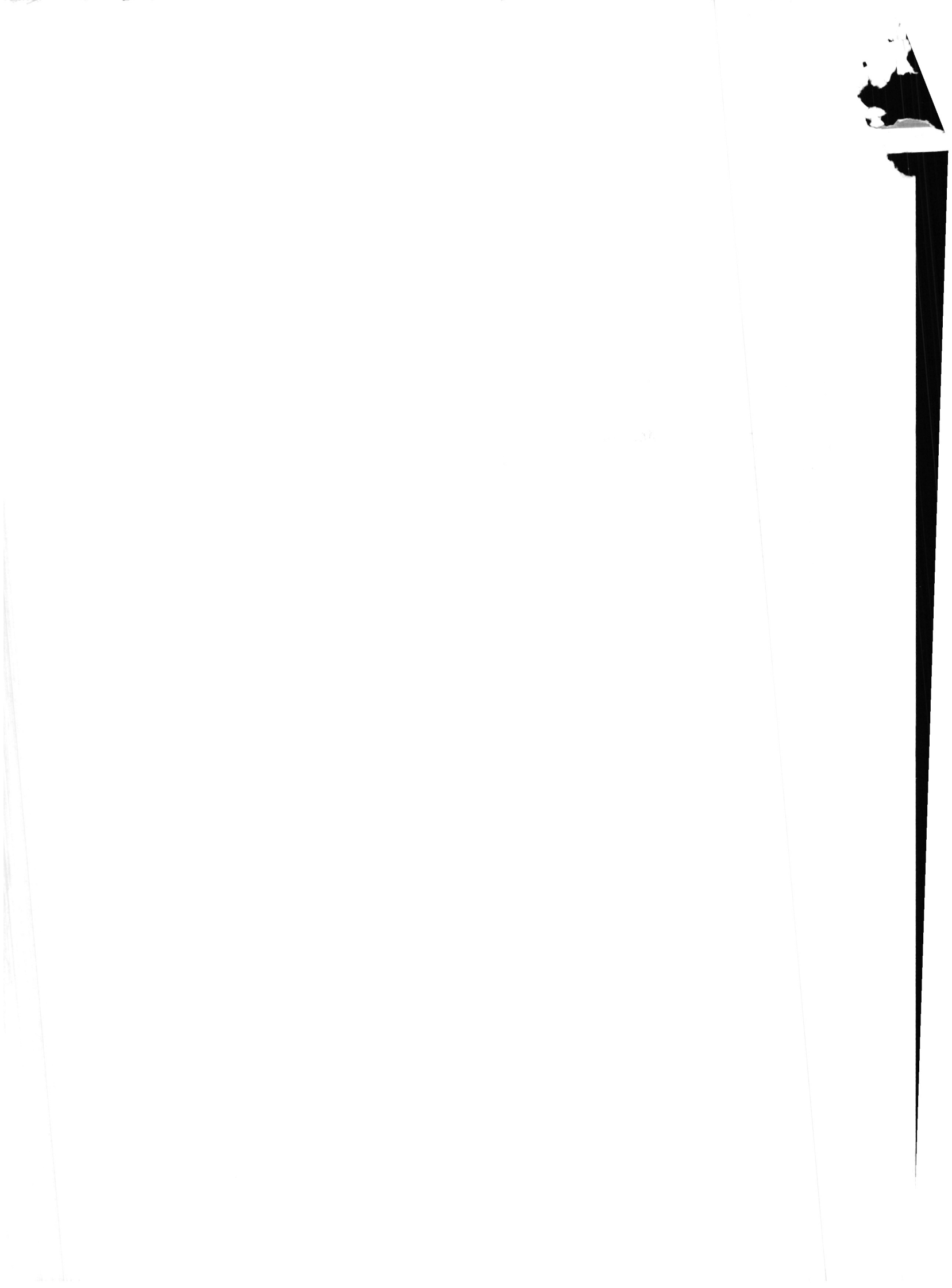
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY

FOR THE YEAR
ENDED 30 JUNE 2017





MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

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II. UNIVERSITY INFORMATION AND MANAGEMENT

a) Background information

Masinde Muliro University of Science and Technology is a separate Legal University under "Universities Act of 2012 (No 42 of 2012).

(b) Principal Activities

The principal activities of the University are teaching, research, innovation, and extension services.

(c) Council

The Council members who held office during the financial year ended 30th June 2017 and up to the date of this report were:

| No. | Name | Designation | Appointment Date | Retirement Date |
|-----|---|---------------------------|------------------|-----------------|
| 1. | Dr. David Nyamwaya | Council Chairman | | 28-2-2017 |
| 2. | Dr. Jeremy Bundi | Council Chairman | 14-3-17 | |
| 3. | Prof. Eng. Fredrick A.O. Otieno, FAAS, FSAICE, MIEK | Vice Chancellor/Secretary | 1-11-13 | |
| 4. | Dr. Somane M. Ismail | Council Member | | 28-2-17 |
| 5. | Arch. Zebedee Maombo Bukania (OGW) | Council Member | | 28-2-17 |
| 6. | Mrs. Gertrude Muthoni Namu | Council Member | | 28-2-17 |
| 7. | Mrs. Sophy Kirorei | Council Member | | 28-2-17 |
| 8. | Mr. Don. R.O. Riaroh | Council Member | 14-3-17 | |
| 9. | Ms. Dorothy Kimeu | Council Member | 14-3-17 | |
| 10. | Mr. David Watene | Council Member | 14-3-17 | |
| 11. | Ms. Joyce Mugure Nderitu | Council Member | 14-3-17 | |
| 12. | Dr. Samson Muchelule | Council Member | 14-3-17 | |
| 13. | Kosiom Frank Ole Kibelekenya | Council Member | 14-3-17 | |
| 14. | Ms. Vayonda J. Sirma Koross- | Council Member | 14-3-17 | |

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|--|---|
| 1 | Vice Chancellor and Accounting Officer | Prof. Eng. Fredrick A.O. Otieno, FAAS, FSAICE, MIEK |
| 2 | Deputy Vice Chancellor (A&F) | Prof. Joseph K.A. Rotich |
| 3 | Deputy Vice Chancellor (A&SA) | Prof. Josephine K.W. Ngaira |
| 4 | Ag. Deputy Vice Chancellor (PRI) | Prof. William A. Shivoga |
| 5 | Head of Finance | CPA Jared G.O.O. Rading' |
| 6 | Head of Procurement | Emmanuel Simiyu |

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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(e) University Headquarters

Masinde Muliro University of Science and Technology
Kakamega-Webuye Road,
P.O Box 190- Kakamega, 50100,
KENYA

(f) University Contacts

Telephone: (256) 30836
E-mail: infor@mmust.ac.ke
Website: www.mmust.ac.ke
vc@mmust.ac.ke

(g) University Bankers

1. Kenya Commercial Bank Ltd. (Main)
P.O. Box 152
Kakamega
2. Co-operative Bank Of Kenya Ltd.
P.O. Box 1511
Kakamega
3. Barclays Bank of Kenya Ltd.
P.O. Box 1815
Kakamega
4. Standard Chartered Bank Ltd.
P.O. Box 6302
Kakamega
5. National Bank of Kenya Ltd.
P.O. Box 1815
Kakamega
6. Equity Bank Ltd.
P.O. Box 2512
Kakamega
7. Family Bank Ltd.
P.O. Box 1486
Kakamega




(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. THE OFFICERS OF THE UNIVERSITY COUNCIL







| | |
|---|---|
|  | <p>H.E Hon. Mwai Kibaki (C.G.H)</p> <p>Hon DSC (MMUST) B.A, Makerere University, BSc (Econ), (University of London).</p> |
|  | <p>Dr. Jeremy Bundi</p> <p>Doctor of Philosophy (PhD) – In Transport Geography (2015): University of Nairobi- Kenya.</p> <p>Master of Arts (M.A)-In Transport Geography (2004): University of Nairobi- Kenya.</p> <p>Bachelor of Arts (B.A.) - Economics, Sociology & Geography (1981); University of Nairobi-Kenya.</p> <p>Post graduate professional course: The Chartered Institute of Transport (CIT -UK, 1985/1986)</p> |
|  | <p>Prof. Eng. Fredrick. A.O Otieno, FAAS, FSAICE, MIEK</p> <p>PhD (Civil Eng.), University of New Castle Up on Tyne, MSc (Civil Eng.), University of New Castle Up on Tyne, MBA, University of Durban BSc, University of Nairobi</p> |
|  | <p>Dr. Samson Muchelule</p> <p>Master in Business Administration – MBA (Strategic Management) University of Nairobi, Kenya, 2006</p> <p>Bachelor of Veterinary Medicine (BVM). University of Nairobi, Kenya, 1994</p> <p>Diploma in Sales Management and Marketing Cambridge Tutorial College - England, 1992</p> |
|  | <p>Joyce Mugure Nderitu-</p> <p>Master's in Business Administration- Marketing Option, University of Nairobi. Year 2014</p> <p>Bachelors in Commerce- Marketing Option, University of Nairobi. Year 2002</p> <p>International Management of Information Systems (UK) Part 1 and 2</p> |

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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| | |
|---|--|
|  | <p>Ms. Vayonda J. Sirma Koross <i>University of Nairobi, 2014-Masters of Legal Laws (LLM) Degree</i> <i>Kenya School Of Law- Diploma in Law- 2003</i> <i>Moi University 2002 Bachelor of Laws (LL.B) Degree</i></p> |
|  | <p>Kosiom Frank Ole Kibelekenya <i>Master of Philosophy in Educational Administration- Moi University</i> <i>Bachelors of Education (Arts)</i> <i>Kenya Education Management Institute(KEMI)- Diploma in Education</i></p> |
|  | <p>Mr. Don.R.O. Riaroh, <i>MSc. University of Leicester (UK)</i> <i>B.Sc. University of Nairobi, B.A (University of Nairobi)</i></p> |
|  | <p>Ms Dorothy Kimeu, <i>Alternate to PS-National Treasury</i> <i>MA International Studies, University of Nairobi</i> <i>BA political Science (Government) University of Nairobi</i></p> |
|  | <p>Mr. David Watene, <i>Alternate to PS- Ministry of Education, Science and Technology.</i> <i>MEd in Educational Administration and Planning(University of Nairobi)</i> <i>Bed(Arts) in Accounting and Economics</i></p> |

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III. UNIVERSITY MANAGEMENT BOARD

| Name | Academic and Professional Qualifications |
|---|--|
|  Prof. Eng. Fredrick A.O Otieno | Vice Chancellor. Holds BSc.(NRB),MSc (Civil Eng.), University of New Castle Up on Tyne,MBA, University of Durban, PhD (Civil Eng.), University of New Castle Up on Tyne, he has over 30 years' experience in university teaching, research, leadership and management. He previously served as Deputy Vice Chancellor at Durban University, SA. He has a number of fellowships such as FAAS, FSAICE |
|  Prof. Joseph K.A Rotich | Deputy Vice Chancellor, Administration and Finance. He holds B.Sc. (University of Nairobi), M.Sc. (Southampton), and Ph.D. (Shanghai). He has over 25 years' experience in the management of higher learning institutions, research and teaching. Has previously held position of Deputy Principal at Rongo University College. He is a fellow of Kenya Institute of Management(FMKIM) |
|  Prof. Josephine K.W Ngaira | Deputy Vice Chancellor, Academic and Student Affairs. Holds B.Ed. (University of Nairobi), M.A. and Ph.D. both from Moi University. She has over 25 years' experience in university teaching, research and leadership. She is a member of the Kenya National Academy of Sciences (MKNAS) She joined the university Management Board in November 2013 |
|  Prof. William Shivoga | Ag. Deputy Vice Chancellor, Planning, Research and Innovation. Holds B. Ed (Science) (University of Nairobi), M.Ed. (KU), M.Phil. (Moi University), Dr. of Natural Science (Vienna University). Has over 25 years' experience in university teaching, research and leadership |
|  CPA Jared G.O.O. Rading | Finance Officer responsible to the DVC (A&F) and VC for overall financial planning and management. Holds B. Com-Accounting(KU), MBA-Accounting, (Maseno) with over 15 years of practical and hands on experience in Accounting, Finance, Administration, Procurement and Strategic leadership. He is a Certified Public Accountant and a registered member of the Institute of Certified Public Accountants of Kenya. He joined the University Management Board in October 2016 |
|  Mr. Christopher Wafula | Ag. Registrar in charge of Administration and responsible to the DVC (A&F) and VC in discharging his mandate. Holds B.A and M.A degrees both from Egerton University. He has over 20years experience in human resource management, secretarial services and general administration. He joined the University Management in 2015. |

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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| | |
|-----------------------|--|
| Noah | |
| Dr. Caroline Onyancha | <p>Ag. Registrar in charge of Academic Affairs responsible to the DVC (A&SA). She holds B. Sc Geology, MSc Eng. Geology and PhD Eng. Geology all from the University of Nairobi. She has over 20 years university teaching, research and leadership experience.</p> |
| Dr. Patrick Wanguche | <p>Senior Medical Officer Responsible to the DVC (A&F) on all matters university health services. holds a Bachelor of Medicine and Bachelor of Surgery. MB, ChB (U.O.N) 1989</p> <p>Areas of Specialization. Health Systems Management especially the application of efficiency measures in control of health expenditure in organizations. I am currently finalizing a thesis for the award of Master of Public Health degree at the Mount Kenya University</p> |
| Dr. Benedicte Abwao | <p>Ag. Dean of Students Responsible to the DVC (A&SA) on student affairs. Holds M.ED (Counselling Psychology)(KU) and PhD(MMUST).</p> |
| Mr. Vincent Chibini | <p>Ag. University Librarian</p> |

IV. CHAIRMAN'S STATEMENT



On behalf of Masinde Muliro University of Science and Technology Council, I am pleased to present the Annual Report and Financial Statements for the year ended 30th June 2017. The University maintained the momentum of the recovery from financial challenges recorded in the previous financial years.

The University Council witnessed a transition on 14th March, 2017 when my Council took over from the previous one chaired by Dr. David Nyamweya. The new Council was inducted on its role in June 2017. This induction gave members the much needed guidance in the performance of their duties and a clear understanding of the Public Service Code of Conduct (Mwongozo). The Council's performance for the 2015/2016 was evaluated in the year. The University Council has committed to the highest level of prudence in the conduct of its business and continues to offer leadership and guidance to the University Management Board. In the FY 2016/2017, the University closed in October 2016 following student unrest in February in 2017. University operations were further affected by a national staff strike called by the National Unions for university workers. These disruptions affected the operations of the University by interfering with the Academic Calendar.

The University continued to invest in physical infrastructure aimed at availing the space required both for the students and staff for teaching and research activities. The University initiated three projects namely The Tuition Block, the Administration Block and the Anatomy Laboratory for the School of Medicine. As these development projects are being financed by The National Government allocations. When they are complete, the staff will have adequate office space and additional lecture facilities.

The University carried out a number of Corporate Social Responsibility initiatives aimed at building partnerships with the community and other stakeholders. In this regard the University awarded teachers who are members of KNUT and KUPPET 15 % discount on tuition fee as a way of rewarding and motivating scholarship. The university offered talent scholarship to at least 30 students in various academic programmes as part of its initiative to support economically vulnerable but academically capable students to pursue their dreams.

I wish to convey the Council's appreciation to the entire student fraternity, the staff, University Management Board, the Senate, Council colleagues and the National Government for having worked tirelessly in ensuring that the key objectives for the FY 2016/2017 were achieved and key challenges identified. I want to assure all our stakeholders of the Council's continued support in the coming years to strengthen MMUST and position it as envisaged in our Strategic Plan to be the University of Choice.

I look forward to a prosperous FY 2017/2018. God Bless you.

Dr. Jeremy Bundi
Chairman University Council.

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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V. REPORT OF THE VICE CHANCELLOR



It is with great pleasure that I present to you the Annual Report and Financial Statements for the year ended 30th June 2017. This year marked great milestones in the history of our great University especially in deepening reforms in various sections with the aim of improving service delivery, quality teaching and projecting a positive image of the University both nationally and internationally. These reforms are going to be sustained in the coming years in order to achieve all our objectives as per the University Strategic Plan 2015-2020.

Governance and Leadership

The Cabinet Secretary in March 2017 appointed a new Council led by Dr. Jeremy Bundi following the retirement of previous members whose tenure ended by end of February 2017. This has brought in new blood and motivation in leadership at the University. The New Council was inaugurated and induction training conducted by the office of the Inspector of State Corporations in June 2017. The Council is key in formulation and approval of various policies to ensure that governance of the University is founded on Mwongozo Code. Its worth noting that the 2015/2016 evaluation of Council performance was carried out in 2016/2017 and that the Council performed extremely well. We shall continue to rely on our Council for direction and guidance to achieve our objectives as set out in the university's strategic plan.

Financial Reforms and Results

The University Council has continued to deepen reforms aimed at improving the financial health of the University. A number of initiatives were carried out in the year namely; i) recruitment of a substantive Finance Officer to head the Finance function in the University, ii) procurement of a professional accounting firm to carry out forensic audit covering two financial years 2011/2012 and 2012/ 2013 with a view to establish the causes of financial challenges facing the University, possible culpable staff in the mismanagement and recommendations going forward, iii) development and approval of financial regulations, iv) implementation of internal control systems, v) reorganization of the procurement function.

The above reforms have borne certain fruits namely, timely preparation of quarterly financial statements, compliance with statutory obligations, increase in staff morale and general improvement in service delivery to our key stakeholders and customers.

In the FY 2016/2017 the University recorded an improvement in its surplus position to Kshs. 305,764,627 up from Kshs. 168,387,257 from the previous year. This good performance resulted from strict discipline in budgetary controls and cost management. The balance Sheet of the University improved in terms of Non-current assets from Kshs. 2,375,423,850 in June 2017 from Kshs. 1,178,958,900 in June 2016. Although this growth included the Turnkana University College item of Kshs. 969,507,500, the University is surely on an upward trajectory that is posed to realize our motto of being the University of Choice. It is important to note that the receivables from exchange transactions have increased from Kshs. 1,049,201,954 in 2016 to Kshs. 1,241,318,882 in 2017. This high level of receivables is of great concern to the Council and adequate strategies have been explored to ensure that a thorough reconciliation is carried out in 2017/2018. The liabilities have reduced marginally from Kshs. 1,053,074,355 in 2016 to Kshs. 1,047,168,430 in 2017. The composition of these liabilities includes PSSP Arrears, non-allocated payments of fees by students. I assure all our stakeholders that our University is a going concern as the

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key Liquidity Ratio, the Current Ratio stood at 1:414 a clear indication that the University was capable meeting all its obligation when they fall due. The cash position stood at Kshs. 431,766,000 in 2017 compared to Kshs. 288,995,276 in 2016.

Turkana University College

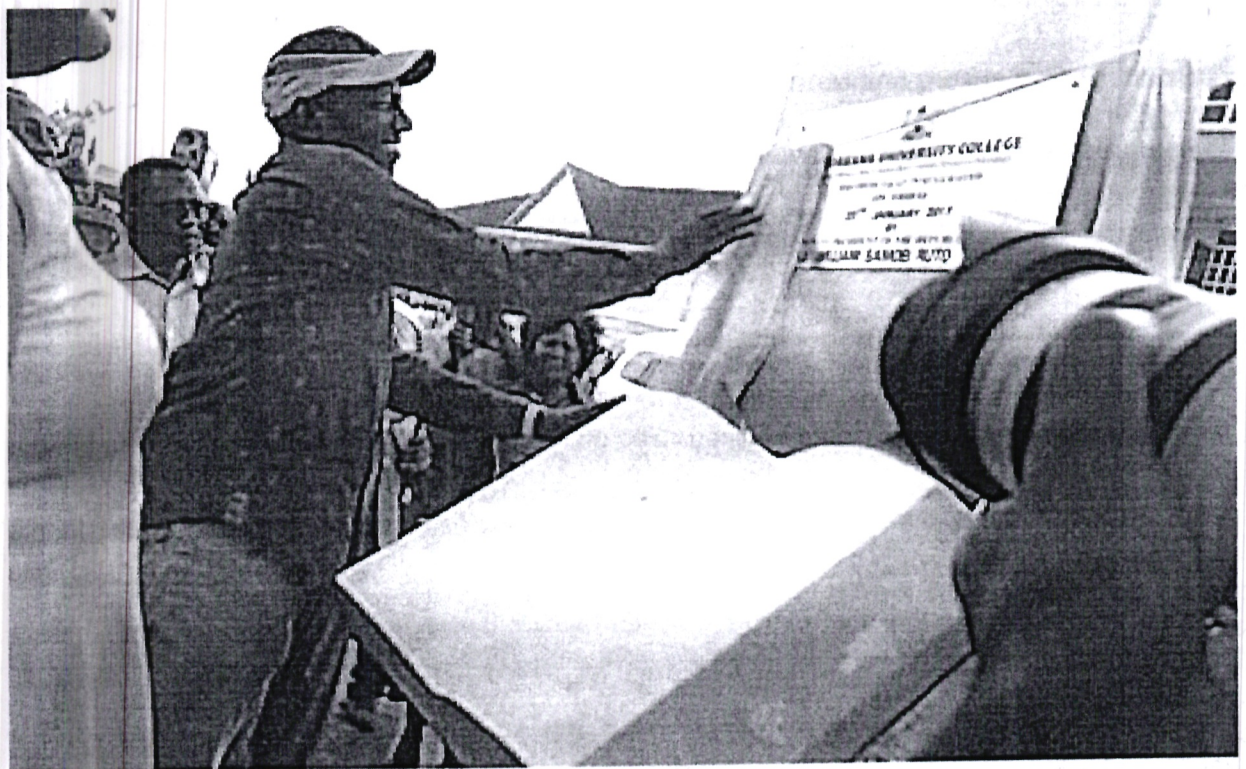


Fig 1. H.E. Deputy President Hon. William Ruto Launching Turkana University College

In the FY 2016/2017, the National Government issued a legal order that established Turkana University College (TUC) as a constituent of Masinde Muliro University of Science and Technology. This honor of being selected to midwife yet another institution of higher learning brought to three the total number of colleges that our institution has tutored. TUC is headquartered at Lodwar Town in Turkana County in Northern of Kenya. The campus at which TUC was established was purchased from Mt. Kenya University at a cost of Kshs. 1,150,000,000. TUC took over students who were at the Campus following an MOU between Mt. Kenya University and MMUST. This enabled the operations to kick off in earnest as we welcomed for the new TUC government sponsored students to report in September 2017. MMUST seconded a number of staff in acting capacities in order to establish orderly management of all assets that have been bequeathed TUC by the National Government. We shall continue supporting the TUC Council to ensure that they have a firm footing in the university education subsector.

Infrastructural Development

MMUST Council implemented a number of capital projects aimed at improving the space needs at the University both for students and staff. In the year three flagship projects were initiated and their construction is ongoing namely i) Tuition Block, ii) Administration Block and iii) the Human Anatomy Laboratory. These three projects cumulatively when completed in FY 2017/2018 will be worth well over Kshs. 400,000,000. This investment has not come easy considering the financial challenges experienced by our University.

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The National Government has continued to allocate capital grants for these projects and in the year 2016/2017 a total of Kshs. 54,000,000 was allocated. The National Government has allocated Kshs. 196,000,000 in the FY 2017/2018 towards the same. We therefore undertake to closely manage the construction work to ensure timely delivery of the projects. The Human Anatomy Laboratory is but the first project in the establishment of our proposed School of Medicine. All these projects aim at availing the much needed teaching, research and recreational space

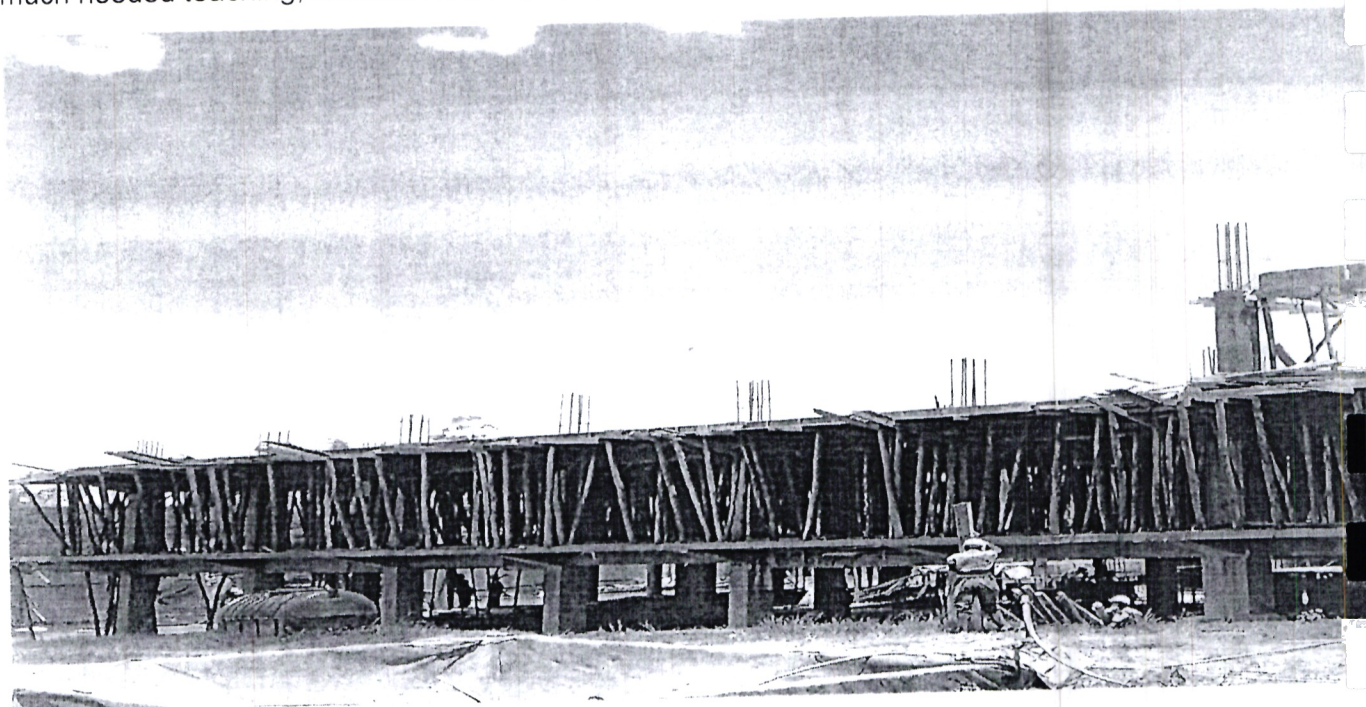


Fig 2: Construction of New Office Block.

Staff Training and Development.

The Council approved various staff development activities during the year ended 30th June 2017. These approvals are aimed at ensuring that there is effective skills and knowledge transfer for staff in order to enhance service delivery. Several staff were trained in various areas of expertise in the year through various seminars and conferences where the University spent a total of Kshs. 2,474, 358. The Council also approved several study leave requests for academic staff who proceeded on either doctoral or post-doctoral studies outside the Country. A number of Accountants were trained by the National treasury on Financial Reporting and Management with respect to the adoption of new practices and standards as envisaged under the Public Finance Management Act of 2012. The Council shall continue to allocate resources to train and improve the working environment for its staff in order to improve work performance and service delivery.

Academic programmes

In the year 2016/2017, the commission for university Education carried out a comprehensive audit on academic programmes and teaching, research and library facilities to ensure that the University was committed to quality teaching, research and outreach as envisioned as hallmarks of our existence. All our academic programmes are accredited by the Commission for University Education and plans are underway to maintain high level of quality that we offer.

The University witnessed its 11th graduation since inception on 15th December 2016 which was presided over by our Chancellor H.E. Hon Mwai Kibaki at the Main Campus. A total of 3,107 students graduate

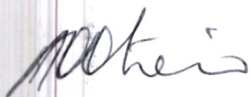
**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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from all our schools, faculties and centres. This was a clear indication that MMUST is flying higher in the production of high quality graduates ready to contribute to the growth and development of our nation.

Conclusion.

I wish to take this opportunity to very heartily thank the Council for having shown leadership to the entire University fraternity in the FY 2016/2017. It is my hope that you shall continue guiding us in FY 2017/2018. I wish to thank all our students who albeit difficult year remained calmed to ensure smooth running of the University programmes. My appreciation also goes out to all the staff, Senate and University Management Board for their steady commitment that realized the progress recorded in the year ended 30th June 2017. Finally, I wish to particularly appreciate the support of the National Government and other stakeholders fulfilling their commitments to our University and we assure you of our continued cooperation and prudent utilization of resources bestowed on us.

Thank you very much. God bless you.



**Prof. Eng. Fredrick.A.O Otieno. FAAS, FSAICE, MIEK
VICE CHANCELLOR/CHIEF EXECUTIVE OFFICER**

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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VI. MANAGEMENT DISCUSSION AND ANALYSIS

a) Economic outlook

Domestic Economy

Kenya's Gross Domestic Product (GDP) is estimated to have expanded by 5.8 per cent in 2016 compared to a revised growth of 5.7 per cent in 2015. Accommodation and food services recorded improved growth of 13.3 per cent in the year under review compared to a contraction of 1.3 per cent in 2015. The other sectors that registered significant improved performance in economic activities were in the information and communication; real estate; and transport and storage. Persistent drought hampered growth in the fourth quarter of 2016 impacting negatively on agriculture and electricity supply. On the other hand, growth in construction; mining and quarrying; and financial and insurance activities decelerated in 2016. From the demand side, growth was buoyed by consumption in both the public and private sector.

Annual average inflation eased to 6.3 per cent in 2016 compared to an average of 6.6 per cent in 2015. This was mainly due to decline in prices of transportation; housing and utilities; and communication. The Shilling strengthened against the Pound Sterling, South African Rand, Ugandan Shilling, Tanzanian Shilling and the Rwandan Franc but weakened against the US Dollar, Euro, and the Yen in 2016. The capping of interest rates to a maximum of 4.0 per cent above the Central Bank Rate (CBR) resulted in a significant decline in interest rates during the month of September to 13.84 per cent compared to 16.75 in a similar month in 2015. Domestic credit slowed from a growth of 20.8 per cent in 2015 to 6.4 per cent in 2016 mainly on account of a decline in credit to the private sector. The current account deficit narrowed to KSh 370.8 billion in 2016 from a deficit of KSh 421.1 billion in 2015. The fiscal deficit in 2016/17 as a percentage of GDP is expected to rise to 9.9 per cent compared to 8.6 per cent in 2015/16.

b) Financial operating results and review of performance

The University achieved revenue of Kshs 2,728,377,231 representing a growth of 2.83 % from the previous year of Kshs. 2,653,544,506. There was a marginal increase in recurrent grants from the National Government at 0.316% compared to the previous year. Tuition and related charges grew by 5.67% in the year 2016/2017 compared to the previous year. There was a dip in research grants income of 2.16 % in the year 2016/2017 compared to the previous year. Our main revenue streams of Recurrent Grants, Tuition and related charges contributed over 96.98% of the total revenue compared to 96.88% in the previous year. The marginal growth in tuition and related revenue is attributable to stiff competition for the same market for students from an increasing number of Universities. Surplus for the year improved from Kshs.168, 387,257 in 2016 to Kshs. 322,638,108 in 2017 giving percentage increase in profitability of 118%. This was due to prudent cost management of expenditure which reduced by 5% over the previous year. Employee costs and Repairs and Maintenance recording growths of 5.8% and (23.5%) respectively.

Table1. Comparative Contributions to revenues from various sources

| | 2017 | 2016 | | |
|---------------------------|----------------------|----------------------|-------------------|-------------------|
| Revenue Source | Amount in Kshs. | Amount in | Growth in | %tage |
| Recurrent Grants | 1,315,031,252 | 1,310,886,725 | 4,144,527 | 0.3161621 |
| Tuition & Related Charges | 1,331,029,755 | 1,259,948,607 | 71,081,148 | 5.66992555 |
| Research Grants | 21,072,925 | 21,538,692 | -465,767 | - |
| IGU Income | 27,970,219 | 34,101,089 | -6,130,870 | - |
| Other Income | 33,273,079 | 27,069,393 | 6,203,686 | 22.9177137 |
| TOTAL | 2,728,377,230 | 2,653,544,506 | 74,832,724 | 2.83538353 |

Revenue from other income includes catering sales, interest earned e.t.c as detailed in note 7 on page 35 of this document.

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The growth of the University in terms of revenues and surplus over the last five years as shown in the table below;

Table 2. Growth in revenues and surplus over the last 5 years

| Year/Description | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenues(Kshs.) | 2,114,467,854 | 2,194,006,302 | 2,410,230,245 | 2,653,544,505 | 2,728,377,230 |
| Operating Surplus(Deficit) (Kshs.) | (19,349,324) | (112,091,778) | 183,131,828 | 168,387,257 | 305,764,627 |

c) Key Investments

In the year 2016/2017, the Council of MMUST embarked on acquisition of Turkana University College premises in Lodwar from Mt. Kenya University (MKU). The Council negotiated with at a cost of Kshs. 1.1Billion. The University has so far paid Kshs. 969,507,500. This investment by the National Government is expected to open up the large Turkana County for university education and propel economic development.

The University has started various capital projects namely; i) the Tuition Block, ii) Anatomy Lab for School of Medicine and iii) The Administration Block which are at advanced stages of implementation. These three projects are projected to cause the University a total of Kshs. 400,000,000 upon completion with the attendant benefits of providing teaching and research space. The University has rolled out the implementation of ERP system that has seen a commendable improvement in service delivery and effective generation of information for decision making. A number of initiatives are being implemented to position the university as a student centred institution.

d) Outlook for the Financial Year 2017/2018

The economy is expected to continue registering significant growth in all sectors with downgraded growth in the tourism sector owing to travel advisories issued by certain foreign embassies. According to the Budget Policy Statement of the National Treasury for 2017, the economy is expected to grow from 5.3 in 2016 to 6.9 in 2017. This growth is therefore expected to spread to all sectors of the economy with the higher education sector expected to continue registering demand for high quality training.

The Council therefore has a responsibility of ensuring that frugal financial management coupled with robust resource mobilization strategies are sustained in order to tap these opportunities to achieve the strategic objectives of the University. Increased student intake through the campuses, rationalized teaching management, improved human resource capacity and commitment to accountability principles will see the University correct the declining performance in the current year.

The forecast for the financial year 2017/2018 remains positive as long as the above strategies are implemented and follow up on challenges undertaken to continually improve.

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VII. CORPORATE GOVERNANCE STATEMENT

Masinde Muliro University of Science and Technology (MMUST) is committed to demonstrating best practice in corporate governance. The University has a duty to conduct affairs in a responsible and transparent way, and to take into account the requirements of funding bodies and other stakeholders.

The University's Council is responsible for ensuring a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets which the Council is responsible. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement or loss.

The University Council has adopted a statement of primary responsibilities, which is published on the University's Strategic plan and website. This statement sets out the Council's responsibilities in respect of the proper conduct of public business, strategic planning, monitoring effectiveness and performance, finance, audit, estate management, human resource management, equality and diversity, student welfare, health and safety and the appointment of the University Officers.

i) The Appointment and Retirement of the Council

The Council is the governing body of the University and responsible for the overall governance of the University. The Council is appointed by the Cabinet Secretary responsible for University Education as per the Universities Act No. 42 of 2012. The Council consist of nine (9) members including the Vice Chancellor who is ex-officio. The Council is appointed for a term of four (3) years and good governance like rotation is practised by the Cabinet Secretary to ensure continuity upon retirement or expiry of their term.

ii) The Role and Functions of the Council

Section 35(1) (a) of the Universities Act, No. 42 of 2012 provides for the following roles of the Council

- a) Employ staff
- b) Approve the statutes of the University and cause them to be published in the Kenya Gazette;
- c) Approve the policies of the University;
- d) Approve the budget
- e) Recommend for appointment of the Vice-Chancellor, Deputy Vice-Chancellors and principals of constituent colleges through a competitive process; and
- f) Undertake other functions set out under the Act and MMUST Charter

iii) Committees of the Council

The Council has various committees that enable it perform its functions with more specialised skills. These committees are headed by a member whose training and professional skills are amenable to offer expert work.

The Audit, Governance and Risk Management Committee have in place an approved Audit Charter which spells out the responsibilities of the committee. It details the type of work and powers that the committee has. The purpose of the Charter is to assist the Council members in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the University's process for monitoring compliance with laws and regulations and the code of conduct.

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The following are the committees of MMUST Council

- i) Finance and Resource Mobilization
- ii) Strategy, Planning and Development
- iii) Human Resource
- iv) Audit, Governance and Risk Management and Compliance

iv) Full Council and Committee Meetings

a) Full Council

The University Council meets at least four times per year and has a number of committees including: Audit, Governance, Risk management and compliance Committee; Strategy, Planning and Development Committee; Human Resources Committee; and Finance and Resource Mobilization. All of these Committees are formally constituted with terms of reference and are comprised mainly of independent members. Each Committee is chaired by an independent member. All standing Committees of Council review and reflect on their work and provide an annually

Schedule of Full Council Meetings from July 2016 to June 2017

| Members | 15/7/16 | 27/10/16 | 9/11/16 | 15/12/16 | 2/2/17 | 10/2/17 | 31/3/17 | 26/4/17 | 14/6/17 |
|-----------------------------------|---------|----------|---------|----------|--------|---------|---------|---------|---------|
| Dr. David Nyamwaya | X | X | X | X | X | X | E | E | E |
| Dr. Jeremy Bundi | | | | | | | X | X | X |
| Prof. Fred A.O.Otieno | X | X | X | X | X | X | X | X | X |
| Dr. Somane M. Ismail | X | X | X | X | X | X | E | E | E |
| Arch. Zebedee Maombo Bukania(OGW) | X | X | X | A | X | X | E | E | E |
| Mrs. Gertrude Muthoni Namu | X | X | X | X | X | X | E | E | E |
| Mrs. Sophy Kirorei | X | X | X | X | X | X | E | E | E |
| Mr. Don R.O. Riaroh | X | X | X | X | X | X | X | X | X |
| Ms. Dorothy Kimeu | X | A | X | X | X | X | X | X | X |
| Mr. David Watene | X | X | X | X | X | X | X | X | X |
| Ms. Joyce Mugure Nderitu | NY | NY | NY | NY | NY | NY | X | X | X |
| Dr. Samson Muchelule | NY | NY | NY | NY | NY | NY | X | X | X |
| Kosiom Frank Ole Kibelekenya | NY | NY | NY | NY | NY | NY | X | X | X |
| Ms. Vayonda J. Sirma Koross- | NY | NY | NY | NY | NY | NY | X | X | X |

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b) The Finance and Resource Mobilization Committee

| Members | 8/9/16 | 13/10/16 | 9/11/16 | 10/1/17 | 13/1/17 | 9/2/17 | 16/5/17 | 14/6/17 |
|----------------------|--------|----------|---------|---------|---------|--------|---------|---------|
| Dr. Somane Ismael | X | X | X | X | X | X | E | E |
| Prof. Fred Otieno | X | X | X | X | X | X | X | X |
| Mr. David Watene | X | X | X | X | A | X | X | X |
| Ms. Dorothy Kimeu | X | X | X | X | A | X | E | E |
| Ms. Sophy Kirorei | X | X | X | X | X | X | E | E |
| Dr. Samson Muchelule | NY | NY | NY | NY | NY | NY | X | X |
| Ms. Joyce Nderitu | NY | NY | NY | NY | NY | NY | X | X |

c) Strategy, Planning and Development

| Members | 8/9/16 | 6/12/16 | 15/12/16 | 13/1/17 | 9/2/17 | 15/5/17 |
|---------------------------|--------|---------|----------|---------|--------|---------|
| Mr. Don Riaroh | X | X | X | X | X | E |
| Prof. Fred Otieno | X | X | X | X | X | X |
| Arch. Zebedee Bukania | X | X | A | X | X | E |
| Ms. Gertrude Namu | X | X | X | X | X | E |
| Dr. Samson Muchelule | NY | NY | NY | NY | NY | X |
| Mr. Frank Ole Kibelekenya | NY | NY | NY | NY | NY | X |

d) The Human Resources Committee

| Members | 7/9/16 | 1/12/16 | 14/12/16 | 23/1/17 | 24/1/17 | 9/2/17 | 16/5/17 | 14/6/17 |
|--------------------------|--------|---------|----------|---------|---------|--------|---------|---------|
| Ms. Sophy Kirorei | X | X | X | X | X | X | E | E |
| Prof. Fred Otieno | X | X | X | X | X | X | X | X |
| Mr. David Watene | X | X | X | X | X | X | E | E |
| Dr. Somane Ismail | X | X | X | X | X | X | E | E |
| Ms. Gertrude Namu | X | X | X | X | X | X | E | E |
| Ms. Joyce Nderitu | NY | NY | NY | NY | NY | NY | X | X |
| Ms. Vayonda J. S. Koross | NY | NY | NY | NY | NY | NY | X | X |

e) The Audit, Governance, Risk management and Compliance Committee

| Members | 7/9/16 | 13/10/16 | 9/2/17 | 15/5/17 |
|---------------------------|--------|----------|--------|---------|
| Arch. Zebedee M. Bukania | X | X | X | E |
| Mr. David Watene | X | X | X | E |
| Ms. Dorothy Kimeu | X | X | X | E |
| Mr. Don Riaroh | X | X | X | X |
| Ms. Gertrude Namu | X | X | X | E |
| Mr. Frank Ole Kibelekenya | NY | NY | NY | X |
| Ms. Vayonda J. S. Koross | NY | NY | NY | X |

Key: X= Present, A= Absent, E=Retired, NY= Not Yet Appointed

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A Register of Interests is maintained and declarations of any conflicts of interest are made at the start of each Committees and Council meeting.

In order to ensure the effectiveness of the system of internal control, in addition to meeting at regular intervals, the Council receives the minutes and a report from the Chair of the Audit, Governance, Risk management and Compliance Committee at each Council meeting which includes steps being taken by the University to manage risks. Audit, Governance, Risk management and Compliance Committee also provides oversight of the University's risk management processes and considers regular reports from the University's independent internal audit, which includes the internal auditor's independent opinion on the adequacy and effectiveness of the University's system of internal control.

The Council's review of the effectiveness of the system of internal control is also informed by the work of the senior management within the University, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter.

III. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Masinde Muliro University of Science and Technology recognizes its obligations to act responsibly, behave ethically and with integrity in its dealings with its staff and their families, customers, contact community, partners, society at large and the environment as a whole. The institution operates in a socially responsible and ethical manner, with high standards of integrity and practice. Key among these is:-

- i. The health and safety of individuals, including staff, students and other stakeholders, impacted by activities is protected,
- ii. Contribute to the economic development and the quality of life of its students, employees & their families and the communities around it.
- iii. The environment is managed sustainably insofar as practicable
- iv. Students, staff and other stakeholders are treated with dignity
- v. Community access to, and engagement in, university activities is as wide as practical; and
- vi. The university is engaging with, learning from, respecting and supporting the communities and cultures

To this end:-

- (i) The University is undertaking a green initiative clarifying its commitment to delivering a net positive impact on the environment
- (ii) The University is proud that its management is recognized through ISO 9001:2008.
- (iii) The University has established a Trust scholarship fund through which it supports its social responsibility objectives.
- (iv) The University has established an internship program to assist young people gain work experience.
- (v) The University has MoUs with Kenya National Union of Teachers and Kenya Union of Post Primary Education Teachers in which it offers 15 per cent discount on tuition to members and their dependents.
- (vi) The University has a fees waiver of 10% for staff dependents.
- (vii) The Community Liaison Office activities are integrated with business operations and values of MMUST and resonate well with that of the contact community.

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IX. REPORT OF THE UNIVERSITY COUNCIL

The University Council submit their report together with the audited financial statements for the year ended June 30th, 2017 which show the state of Masinde Muliro University of Science and Technology's affairs.

Principal activities

The principal activities of the University are teaching, research, and innovation and extension services.

Financial Performance

The results of the University for the period ended June 30, 2017 are set out on pages 19 to 22. The University recorded a surplus of Kshs. 305,764,627 in 2017 compared to Kshs. 168,387,257 during the financial year 2015/2016

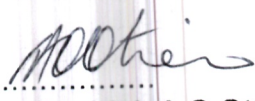
Council

The members of the University Council who served during the year are shown on page 3 of this report

Auditors

The Auditor General is responsible for the statutory audit of the Masinde Muliro University of Science and Technology in accordance with the Public Audit Act of 2015.

By Order of the Council

Sign.....

Date: 22nd September, 2017

Prof. Eng. Fredrick A.O Otieno, FAAS, FSAICE, MIEK
Vice Chancellor/Secretary to Council

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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X. STATEMENT OF UNIVERSITY COUNCIL'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and the Universities Act No. 42 Of 2012 require the Council to prepare financial statements in respect of that University, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for that year. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

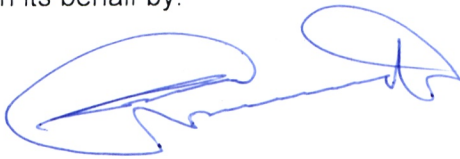
The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate 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, 2012, the State Corporations Act and the Universities Act No. 42 of 2012. 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, 2017, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the University will not 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 Board on 22nd September 2017 and signed on its behalf by:



Dr. Jeremy Bundi
Chairman of Council



Prof. Eng. Fredrick A.O Otieno, FAAS, FSAICE, MIEK
Vice Chancellor

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

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Masinde Muliro University of Science and Technology set out on pages 23 to 51, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements do not present fairly, the financial position of Masinde Muliro University of Science and Technology as at 30 June 2017, and of its performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Universities Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that public money has not been applied lawfully and in an effective way.

Basis for Adverse Opinion

1. Trade and Other payables from Exchange Transactions

Supporting schedules for the Trade and other payables from exchange balance of Kshs.748,358,785 reflected in the Statement of financial position denote a sum Kshs.274,525,625 in relation to the account resulting to an unexplained difference of Kshs.88,102,426.

Further, the sum of recurrent payables shown in the schedule for the account reflects a balance of Kshs.255,778,548 whereas the financial statements as shown in Note 23 to the financial statements, reflect a balance of Kshs.17,236,119. Therefore the financial statements are understated by Kshs.238,542,429.

Similarly, whereas the financial statements reflect a tax arrears balance of Kshs.47,221,672 also under Note 23 to the financial statements, the ledger reflects a

Report of the Auditor-General on the Financial Statements of Masinde Muliro University of Science and Technology for the year ended 30 June 2017

debit balance of Kshs.102,537,102 in relation to the account resulting to a variance of Kshs.55,315,450 which management have not explained.

In the circumstance, the trade and other payables from exchange transactions balance of Kshs.748,358,785 as at 30 June 2017 is not fairly stated.

2. Cash and Cash Equivalents

The cash and cash equivalents balance of Kshs.431,766,000 reflected in the statement of financial position as at 30 June 2017 is not adequately supported as several of the University's bank reconciliation statements have not been updated and reconciled.

In the circumstance, the accuracy of the balance cannot be confirmed.

3. Receivables from Non-Exchange Transactions

Included in the outstanding staff imprests balance of Kshs.45,276,600 as at 30 June 2017 shown under Note 18 to the financial statements are imprests totaling Kshs.6,341,746 that were overdue for surrender as at 30 June 2017, with some dating back to the year 2015.

Failure to surrender imprests on time contravenes public financial management regulations and also puts the validity and occurrence of expenditure reported to have been incurred through the imprests in doubt.

4. Accumulated Revenue Surplus

The statement of financial position reflects an accumulated revenue surplus of Kshs.127,769,314 as at 30 June 2017 after prior-year adjustments of Kshs.638,407,401 were made against the accumulated revenue deficit of Kshs.557,035,301 as at 30 June 2016. However, no supporting document was presented for audit to explain the said adjustments. In addition, transfers of trade payables to revenue reserves totaling of Kshs.238,542,424 shown under Note 28 to the financial statements have not been analyzed to show how they were arrived at.

In the circumstance, it is not possible to confirm the accuracy of the accumulated revenue reserve balance of Kshs.127,769,314 reflected in the financial statements as at 30 June 2017.

5. Irregularities and Unsupported Adjustments for Property Plant and Equipment

The University failed to maintain detailed records on additional assets costing Kshs.166,018,355 shown in Note 20 to the financial statements as having been acquired during the year under review. In addition, records on the assets, including local purchase orders, suppliers' invoices, delivery notes and goods received notes, were not presented for audit.

Among the assets included in the balance of Kshs.166,018,355 were plant and equipment, computers and furniture costing , Kshs.17,723,544, Kshs.15,528,172 and Kshs.483,608 respectively.

In the circumstance, it is not possible to confirm the accuracy of the property, plant and equipment balance of Kshs.1,391,780,461 reflected in the statement of financial position as at 30 June 2017.

6. Unreconciled Balances and Adjustments

Note 29 to the Financial Statements indicates that a bank reconciliation adjustment of Kshs.221,217,991 was made in the Cash Flow statement. However, the Note does not show how the balance was arrived at.

Similarly, the inventories balance of Kshs.22,554,036 shown in the statement of financial position as at 30 June 2017 differs with the supporting schedules balance of Kshs.23,518,997 leading to an unreconciled difference of Kshs.964,961. Further, some stores balances shown in bin cards differed with balances included in the financial statements in relation to several inventory items as detailed below:

| Location | Financial Statement Balance Kshs. | Stock Card Amount Kshs. | Variance Kshs. |
|---------------------------|-----------------------------------|-------------------------|---------------------|
| Hostel & Accommodation | 530,326.00 | 520,325.70 | 10,000.30 |
| Games and Sports | 759,790.00 | 880,598.00 | (120,808) |
| Bookshop Stock | 268,790.00 | 268,790 | - |
| Clinical Drugs Stock | 2,843,803.00 | 2,842,943.00 | 860 |
| Estate Building Materials | 9,325,039.00 | 7,185,345.00 | 2,139,694.00 |
| Stationery Central Stores | 6,810,160.00 | 9,361,648.00 | (2,551,488.00) |
| Dry Food | 1,496,184.00 | 1,494,386.00 | 1,798.00 |
| Total | 22,034,092.00 | 22,554,035.70 | (519,943.70) |

No plausible explanation has been provided by management for the discrepancies. In the circumstances, the accuracy of the inventories balance of Kshs.23,522,000 reported in the financial statements as at 30 June 2017.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for matters described in

Report of the Auditor-General on the Financial Statements of Masinde Muliro University of Science and Technology for the year ended 30 June 2017

the Basis for Adverse Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1. Undelivered Machinery

The University in June 2015 contracted a local vendor to supply, deliver and install medical lab equipment and machines at a cost of Kshs.4,232,552 as detailed below:

| Item | Description | Qty | Unit Price | Total Price |
|------|--|-----|------------|------------------|
| 1 | Automated Centrifuge | 1 | 459,144 | 459,144 |
| 2 | Deep Freezer, -80C Upright | 1 | 933,916 | 933,916 |
| 3 | Deionizer | 1 | 100,224 | 100,224 |
| 4 | Complete Electrophoretic System | 1 | 179,684 | 179,684 |
| 5 | Fume Hood | 1 | 522,232 | 522,232 |
| 6 | PCR Machine | 1 | 1,101,072 | 1,101,072 |
| 7 | Safety Cabinet class 11 | 1 | 819,540 | 819,540 |
| 8 | Disposable Plastic Pipettes, 500 pcs/pkt | 2 | 11,020 | 22,040 |
| 9 | Conical Flask ,500 mls | 10 | 500 | 5,000 |
| 10 | Electrical Portable Autoclaves 18 Litres | 3 | 29,900 | 89,700 |
| | Total | | | 4,232,552 |

However, the PCR Machine valued at Kshs.1,101,072 was not supplied although full payment for the contract, including the machine, was made to the supplier . Management have not explained why the supplier failed to supply the machine as required.

2. Irregular Approval of the Budget

The budget document submitted for audit review was not approved by the Cabinet Secretary as required. Further, approval of the budget by the members of the University Council was not made on the budget document. Instead the document was attached to the minutes of the meeting of the University Council that approved the budget.

Failure to append the Council's approval on the budget document left room for alteration of the budget without authority. Also lack of the Cabinet Secretary's approval could result in expenditure being incurred on unimportant items.

3. Unexplained Budgetary Variations

The University excluded expenditure items totaling Kshs.187,000,000 in its procurement plan although they were factored in the budget. The items are listed below:

| Budget Item | Budget Items Not in Procurement Plan | Amount Kshs. |
|--------------|--------------------------------------|--------------------|
| | Description | |
| 36 | Gown Hire expenses | 1,500,000 |
| 39 | Hire of Plant and Machinery | 500,000 |
| 41 | Hospitality and Consumables | 2,000,000 |
| 60 | Medical Expenses-staff | 50,000,000 |
| 80 | Rent and rates | 50,000,000 |
| 84 | Security Services | 32,000,000 |
| 88 | Show and Exhibition expenses | 5,000,000 |
| 93 | Student work-study Expenses | 5,000,000 |
| 97 | Teaching Materials | 15,000,000 |
| 108 | Water & Conservancy-Admin | 26,000,000 |
| Total | | 187,000,000 |

As noted in this report, the University procured land and buildings meant for setting up of Turkana University College at a cost of Kshs.1,150,000,000.00. However, the expenditure had not been included in the budget and the procurement plan for the year under review.

No plausible explanation has been provided by management for the unauthorized expenditure.

Further, the statement of comparison of budget and actual amounts for the year under review indicates that the University's expenditure budget for the year under review was Kshs.3,918,024,742 but actual expenditure was Kshs.3,582,162,057 resulting in under-expenditure of Kshs.352,736,166. Similarly, the University had budgeted to collect revenue totaling 4,030,320,125 but collected Kshs.3887,926,684 resulting in a shortfall of Kshs.142,393,441. The shortfall of revenue and the under-expenditure constrained the University from carrying out all its programmes and activities planned for the year under review. For example, the University had budgeted to buy the following items expected to cost Kshs.15,000,000 but did not incur any expenditure on them during the year under review:

| Items | Kshs. |
|---------------------------------------|----------------------|
| Books and Journals | 12,000,000.00 |
| Sports Equipment | 2,500,000.00 |
| Hire of Transport Plant and Equipment | 500,000.00 |
| Total | 15,000,000.00 |

Failure to implement the budget as approved constrained the activities of the University during the year under review and as a result services to students and staff were not delivered as planned.

Responsibilities of Management and Those Charged with Governance 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 (Cash 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.

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

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

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

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

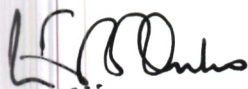
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting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

purpose of giving an assurance on the effectiveness of the University's internal control.

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

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

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



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

Nairobi

13 November 2018

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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AI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE

| | Notes | 2017 | 2016 |
|---|-------|----------------------|----------------------|
| | | Kshs. | Kshs. |
| REVENUE | | | |
| Revenue from non-exchange transactions | | | |
| Recurrent Grant(GoK) | 3 | 1,315,031,252 | 1,310,886,725 |
| Research Grants | 4 | 21,072,925 | 21,538,692 |
| Total revenue from non-exchange transactions | | 1,336,104,177 | 1,332,425,417 |
| Revenue from exchange transactions | | | |
| Tuition and Related Charges | 5 | 1,331,029,755 | 1,259,948,607 |
| Income Generating Units | 6 | 27,970,219 | 34,101,089 |
| Other Income | 7 | 33,273,079 | 27,069,393 |
| Total revenue from exchange transactions | | 1,392,273,054 | 1,321,119,088 |
| Total revenue | | 2,728,377,231 | 2,653,544,505 |
| EXPENSES | | | |
| Employee costs | 8 | 1,643,644,184 | 1,548,681,858 |
| Depreciation and amortization | 9 | 83,960,896 | 69,610,708 |
| Repairs and Maintenance Expenses | 10 | 29,171,562 | 34,421,849 |
| Contracted Services | 11 | 108,044,628 | 95,976,991 |
| General Expenses | 12 | 174,170,625 | 228,266,971 |
| Academic(Teaching, Research and Extensions) | 13 | 352,771,165 | 486,372,057 |
| Remuneration of Council | 14 | 13,976,062 | 21,826,814 |
| Provision for Bad debts | 15 | 18,94,7745 | 0 |
| Total expenses | | 2,422,612,603 | 2,485,157,248 |
| Surplus/(Deficit) | | 305,764,627 | 168,387,257 |

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(II). STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017

| | Notes | 2017 Kshs | 2016 KShs |
|---|-------|-----------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 16 | 431,766,000 | 288,995,276 |
| Receivables from exchange transactions | 17 | 1,241,318,882 | 1,049,201,954 |
| Receivables from non-exchange transactions | 18 | 45,276,600 | 25,128,120 |
| Inventories | 19 | 23,522,000 | 46,206,984 |
| Total Current Assets | | 1,741,883,482 | 1,409,532,334 |
| Non-current assets | | | |
| Property, plant and equipment | 20 | 1,391,780,461 | 1,178,958,900 |
| Turkana university college Development | 21 | 969,507,500 | |
| Intangible assets | 22 | 14,135,889 | |
| Total non-current assets | | 2,375,7423,850 | 1,178,958,900 |
| TOTAL ASSETS | | 4,117,307,332 | 2,588,491,234 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 23 | 748,358,785 | 399,592,352 |
| Refundable deposits from customers | 24 | 261,225,681 | 219,809,661 |
| Deferred income | 25 | 16,872,925 | 7,549,337 |
| Employee benefit obligation | 26 | 26,657,940 | 426,123,005 |
| Total current liabilities | | 1,053,115,331 | 1,053,074,355 |
| NET ASSETS | | | |
| Capital Grants Reserves | 27 | 3,180,841,590 | 2,081,332,455 |
| Accumulated Revenue Surplus | | (127,769,314) | (557,035,301) |
| Revaluation Reserves | | 11,119,725 | 11,119,725 |
| Total Net Assets | | 3,064,192,001 | 1,535,416,879 |
| Total Net Assets and Liabilities | | 4,117,307,332 | 2,588,491,234 |

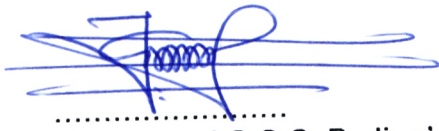
The Financial Statements set out on pages 23 to 32 were signed on behalf of the Council by:



Prof. Eng. Fredrick A.O. Otieno
Vice Chancellor

Date

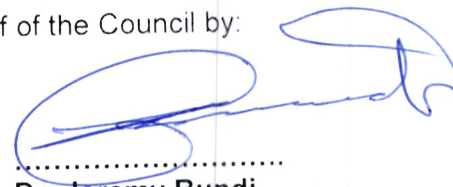
22nd September, 2017



CPA Jared G.O.O. Rading'
Head of Finance
ICPAK Member Number: 6143

Date

22nd September, 2017



Dr. Jeremy Bundi
Chairman of the Council

Date

22nd September, 2017

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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STATEMENT OF CHANGES IN NET ASSETS

| Reserves | Capital Development Reserves | Accumulated Revenue Reserves | Revaluation Reserves | Total |
|------------------------------------|-------------------------------------|-------------------------------------|-----------------------------|----------------------|
| | Kshs | Kshs | | Kshs |
| Balance as at 1st JULY 2015 | 2,005,416,045 | 36,486,203 | | 2,041,902,248 |
| Revenue Reserve for the year | | 168,387,257 | | 168,387,257 |
| Capital Development Grants | 97,200,000 | | | 97,200,000 |
| Grants for Special projects | | | | 0 |
| Revaluation Reserves | | | 11,119,725 | 11,119,725 |
| Balance as at 30 JUNE 2016 | 2,102,616,045 | 204,873,460 | 11,119,725 | 2,318,609,230 |
| Balance as at 1ST JULY 2016 | 2,102,616,045 | 204,873,460 | 11,119,725 | 2,318,609,230 |
| Revenue Reserve for the year | | 305,764,627 | | 202,699,127 |
| Capital Development Grants | 36,225,545 | - | | 36,225,545 |
| Grants for Special projects | 1,042,000,000 | | | 1,042,000,000 |
| Prior Year Adjustments | | (638,407,401) | | (638,407,401) |
| Revaluation Reserves | | | 0 | 0 |
| Balance as at 30 JUNE 2017 | 3,180,841,590 | (127,769,314) | 11,119,725 | 2,961,126,500 |

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XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2017

| | Notes | 2017 | 2016 |
|--|-------|------------------------|----------------------|
| | | Kshs | KShs |
| Cash flows from operating activities | | | |
| Surplus | | 305,764,627 | 168,387,257 |
| Add: Depreciation | 20 | 81,886,632 | 69,610,708 |
| Transfer of Trade Payables to Revenue reserves | 28 | 238,542,424 | |
| Operating surplus before working capital changes | | 626,193,683 | 237,997,965 |
| Working capital changes | | | |
| Increase/(decrease) in inventories | | 22,684,984 | (33,137,555) |
| Increase/(decrease) in trade and other receivables | | (212,265,408) | 635,131,636 |
| Increase/(decrease) in trade and other payables (Current Liabilities) | | 40,976 | 204,283,501 |
| Net cash flows from operations | | (189,539,448) | 806,277,582 |
| Net cash flows from operating activities | | 436,654,235 | 1,044,275,548 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | 20&21 | (1,150,891,066) | (144,656,097) |
| Proceeds from sale of property, plant and Equipment | | | |
| Net cash flows used in investing activities | | (1,150,891,066) | (144,656,097) |
| Cash flows from financing activities | | | |
| Capital grants receipts | 27 | 1,078,225,545 | 92,400,000 |
| Net cash flows used in financing activities | | 1,078,225,545 | 92,400,000 |
| Net increase/(decrease) in cash and cash equivalents | | 363,988,715 | 992,019,451 |
| Adjustment for Bank reconciliation Suspense | 29 | (221,217,991)) | (774,968,909) |
| Cash and cash equivalents at the beginning of the year | | 288,995,276 | 71,944,734 |
| Cash and cash equivalents at end of the year | | 431,765,999 | 288,995,276 |

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED
30 JUNE 2017**

| | Original budget | Adjustments | Final budget | Actual Outcome | Performance difference | Budget Vs Actual Variance |
|--------------------------------|----------------------|--------------------|----------------------|----------------------|------------------------|---------------------------|
| | 2016-2017 | 2016-2017 | 2016-2017 | 2016-2017 | 2016-2017 | % |
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| Revenue | | | | | | |
| Recurrent Grants | 1,315,031,250 | | 1,315,031,250 | 1,315,031,252 | 2 | 1 |
| Development Grants | 104,000,000 | 1,042,000,000 | 1,146,000,000 | 1,078,225,545 | (67,774,455) | 0.94086 |
| Loans | 241,000,000 | (241,000,000) | - | - | - | |
| Retained Earnings | 150,000,000 | | 150,000,000 | 81,323,909 | (68,676,091) | 0.542159 |
| Research Grants | 3,000,000 | | 3,000,000 | 21,072,925 | 18,072,925 | 7.024308 |
| Tuition and Other Related Fees | 1,302,584,875 | | 1,302,584,875 | 1,331,029,755 | 28,444,880 | 1.021837 |
| Rental Revenue | 41,154,000 | | 41,154,000 | 27,970,219 | (13,183,781) | 0.679648 |
| Other Income | 72,550,000 | | 72,550,000 | 33,273,079 | (39,276,921) | 0.458623 |
| Total Income | 3,229,320,125 | 801,000,000 | 4,030,320,125 | 3,887,926,684 | (142,393,441) | 0.964669 |
| Expenses | | | | | | |
| Employee Costs | 1,666,699,557 | | 1,666,699,557 | 1,643,644,184 | 23,055,373 | 0.986167 |
| General Expenses | 823,205,185 | | 823,205,185 | 634,986,418 | 188,218,767 | 0.771359 |
| Repairs and Maintenance | 32,120,000 | | 32,120,000 | 29,171,562 | 2,948,438 | 0.908206 |
| Depreciation | 80,000,000 | | 80,000,000 | 81,886,632 | (3,960,896) | 1.049511 |
| Council Expenses | 20,000,000 | | 20,000,000 | 13,976,062 | 6,023,938 | 0.698803 |
| Capital Expenses | 495,000,000 | 801,000,000 | 1,296,000,000 | 1,159,549,454 | 136,450,546 | 0.894714 |
| Provision for bad debts | | | | 18,947,745 | 0 | 0 |
| Total Expenditure | 3,117,024,742 | 801,000,000 | 3,918,024,742 | 3,582,162,057 | 352,736,166 | 0.909971 |
| Surplus | 112,295,383 | | 112,295,383 | 305,764,627 | (495,129,607) | |

Budget verses Actual Explanatory Notes

This budget statement relates to the approved Budget for Financial year 2016/2017

1. The recurrent grants support from the National Government of Kshs. 1,315,031,250 was realized as planned thus registering 100% performance. This showed the continued commitment from the National government to continue support the University in quest to recruit and retain competent staff.
2. The development grants of Kshs. 1,146,000,000 was budgeted for but only Kshs. 1,078,225,545 were received from the National Government. This resulted to a budget reduction of Kshs. 67,774,455 which affected MMUST Capital projects planned for the year
3. The University had planned to borrow Kshs. 241, 000,000 to finance capital activities but this did not materialize in the year thus affecting cashflow availability for investing activities.
4. Retained Earnings of Kshs. 81,323,909 was invested in assets against planned activities of Kshs. 150,000,000. This was due to challenging operating environment that has diminished cashflows.
5. Research Grants income was realized Kshs. 21,072,925 against a projection of Kshs. 3,000,000. This is income from support received from donor organisations supporting various scholarly activities for the academic staff. The huge variance is due to unpredictability of successful proposals and support that comes through within the year.
6. Tuition and related charges recorded 102% over the budget amounts. This was marginal growth of Kshs. 28,444,880 over the budget amount. This shows that this main revenue source has matured over time.
7. Rental income recorded 68% performance against the budget. This is an underperformance compared to the budget. A review of budget assumptions will be carried out to seek solutions and improve performance
8. Other income recorded 46% of the target giving a reduced performance. The main component of other incomes is catering income which realized significant drop in revenues as shown in note 7 in the detailed notes to the financial statements. This was due to increased competition by private businesses around the University and general underperformance of the economy.
9. Employee costs recorded 99% of the budget. This shows that the effort to contain costs was achieved in the year and the University realised a marginal savings on this item. All the planned costs were incurred prudently and most of the liabilities settled within the year. A total of Kshs. 23,055,373 was saved on this budget item.
10. General expenses recorded 77% of the budget indicating good results in expenditure management though individual items had mixed variances.

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11. Repairs and Maintenance recorded 90% performance against the budget. The University continues to repair a number of facilities to keep them in productive status throughout their lifespan.
12. Depreciation provision registered 105% against the budget. This largely depended on the level of Property, Plant & Equipment maintained in the year.
13. Council Expenses registered 70% performance against budget.
14. Capital Expenses recorded 90% of the budget. This high absorption resulted from the purchase of Turkana University College Campus property and also capital projects and other assets acquired during the year.

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VI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

Basis of Preparation

The financial statements are prepared in accordance with International Public Sector Accounting standards as may be issued by the respective standard setting bodies from time to time. The financial statements are prepared under the historical cost convention.

2. Significant Accounting Policies

- a) Revenue recognition
 - i) Revenue from non-exchange transactions

Government Recurrent Grants and Donors Research Grants

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

- ii) Revenue from exchange transactions

Student's fees

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

Interest income 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 income each period.

Rental income

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

a) Budget information

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

b) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. 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. Where

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

Depreciation is calculated on the straight-line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

| Description | Annual Rate |
|--------------------------------|-------------|
| Buildings | 2.5% |
| Plant, machinery and equipment | 20% |
| Office equipment | 20% |
| Computer equipment | 33.3% |
| Motor vehicles | 25% |
| Furniture and fittings | 12.5% |
| Crockery & Utensils | 33.3% |
| Library Books | 25% |

c) 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. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

Intangible assets shall be amortised over their useful life on a straight line basis. Subsequent expenditures on intangible assets shall be recognized as an expense for the period that it is incurred.

d) Research and development costs

All research costs are expensed as incurred.

Development costs are capitalised only after technical and commercial feasibility of the resulting product or service have been established. All other treatments relating to research and development shall be as permitted by the standards.

e) Financial instruments

i) Financial assets

Initial recognition and measurement

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

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

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deficit when the liabilities are derecognized as well as through the effective interest method amortization process as permitted by the standards.

f) Inventories

Inventories are stated at the lower of cost and current replacement cost. Cost is determined by the first-in, first-out (FIFO) method. Current replacement cost represents the cost the entity would incur to acquire the asset on the reporting date.

g) Provisions

Provisions are recognized when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent liabilities

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

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.

h) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

i) 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.

j) Employee benefits

The University provides retirement benefits for its employees. Defined contribution plans are postemployment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The University also contributes to National Social Security Fund (NSSF) a statutory defined contribution scheme registered under the NSSF Act, 2013.

k) 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

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Assets different from those at which they were initially recorded during the period, are recognized as assets at their fair value at the end of the period or expenses in the period in which they arise.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and cash at bank net of bank overdrafts.

m) Comparative figures

The comparative prior year figures are shown against every item in the financial statements. Consistent accounting methods have been applied and changes made will be reported and the effect on reported results disclosed.

n) 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. Management shall ensure compliance with the Standards where such events become manifest.

o) 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 30 June 2014.

p) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums on borrowings, and amortisation of ancillary costs incurred in the arrangement of borrowings. Borrowing costs incurred on qualifying assets will be treated as permitted by the IPSAS using the appropriate model.

q) Leases

A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership of an asset are passed to the lessee. All other leases are classified as operating leases. The University shall charge all the payments on operating leases to the surplus or deficit on a straight line basis over the period of the lease.

r) Investment Property

Investment property is land or buildings held (whether by the University or under a finance lease) to earn rentals or for capital appreciation or both, rather than production or sale in the ordinary course of operations. Investment property shall be recognized as permitted by the IPSAS using the appropriate recognition model.

s) Segment Reporting

The University will look at its organisational structure and internal reporting system for the purpose of identifying its service segments and geographical segments with a view to issue segment reports as permitted by the IPSAS

t) Impairment of cash generating assets

An impairment loss of a cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss shall be recognized immediately in surplus or deficit for the year and all other treatments shall be as permitted by the IPSAS

u) Impairment of Non-cash generating assets

An impairment loss of non-cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount. An impairment loss shall be recognized immediately in surplus or deficit for the year and all other treatments shall be as permitted by the IPSAS

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v) Agriculture

All biological assets (including those acquired biological assets through non exchange transaction) are measured at fair value less costs to sell, unless fair value cannot be measured reliably. Any change in the fair value of biological assets during a period is reported in surplus or deficit.

| | | 2017 | 2016 |
|----------|------------------------------------|----------------------|----------------------|
| | | | Shs |
| 3 | Recurrent Grant(GoK) | | |
| | July | 109,585,937.50 | 110,835,938 |
| | August | 109,585,937.50 | 110,835,938 |
| | September | 109,585,937.50 | 110,835,938 |
| | October | 109,585,938.00 | 110,835,938 |
| | November | 109,585,938.00 | 110,835,938 |
| | December | 109,585,938.00 | 110,835,938 |
| | January | 109,585,938.00 | 110,835,938 |
| | February | 109,585,937.50 | 110,835,938 |
| | March | 109,585,938.00 | 110,835,938 |
| | April | 109,585,938.00 | 110,835,938 |
| | May | 109,585,938.00 | 101,263,675 |
| | June | 109,585,938.00 | 101,263,675 |
| | Sub total | 1,315,031,252 | 1,310,886,725 |
| 4 | Research Grants | | |
| | | 21,072,925 | 21,538,692 |
| | Sub total | 21,072,925 | 21,538,692 |
| 5 | Tuition and Related Charges | | |
| | Tuition Fees | 963,940,628 | 957,911,563 |
| | Student Opening Balances | 8,978,115 | 7,198,879 |
| | Registration fees | 3,338,650 | 3,643,200 |
| | ID charges | 70,000 | 1,615,765 |
| | Activity fees | 16,709,200 | 16,225,650 |
| | Amenity fees | 16,391,750 | 15717500 |
| | Medical fees | 26,294,750 | 27,096,430 |
| | Students Organizational Fee | 6,951,650 | 6,475,300 |
| | Examination fees | 64,292,245 | 21,636,760 |
| | ICT levy | 69,757,500 | 50,086,450 |
| | Teaching Practice | 29,665 | 33,565 |
| | Field Trips | 360,000 | 955,050 |
| | Thesis | 7,314,600 | 16,020,000 |
| | Supervision | 14,588,000 | 26,026,500 |
| | Professional Insurance Indemnity | 339,500 | 234,000 |
| | Library Fees | 41,702,390 | 30,202,750 |
| | Graduation Fees | 21,945,490 | 20,263,620 |
| | Skill Laboratory Fee | 860,000 | 263,800 |
| | KUCCPS Processing Fee | 4,984,000 | 5,523,000 |
| | Hospital Consumables | 2,260,330 | 1,859,500 |
| | Medical Insurance | 131,000 | 154,000 |

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| | | | |
|----------|--------------------------------------|----------------------|----------------------|
| | Appraisal Forms | 31,600 | 51,200 |
| | Psychiatry Case Presentation Forms | 7,200 | 27,400 |
| | Practical Fee /Clinical Placements | 1,139,500 | 1,793,300 |
| | Attachment | 39,725,555 | 38,263,715 |
| | Computer Laboratory Costs | 977,000 | 2,672,000 |
| | Laboratory Fees | 1,774,165 | 2,448,000 |
| | Board (KNDI) | 39,100 | 4,000 |
| | Training Fees | 278,450 | 55,900 |
| | Referral/Supplementary | 134,530 | 379,005 |
| | Damages | 241,721 | 702,020 |
| | Application fees | 3,065,266 | 3,612,350 |
| | Extended Supervision (Fee) | 5,000 | 5,000 |
| | Examination For Revised Thesis | 165 | 105,330 |
| | Lesson Plan | 159,950 | 338,305 |
| | Supplementary Exam Fee | 300 | 4,800 |
| | Examination Fee - PHD | 100,000 | 78,500 |
| | Old students Receipts | 1,200 | 114,500 |
| | Field work fee | 18,000 | 150,000 |
| | Total | 1,331,029,755 | 1,259,948,607 |
| 6 | Income Generating Units | | |
| | Farm income | 80,960 | 400 |
| | Catering | 9,601,582 | 16,427,226 |
| | Mmust Fm | 231,500 | 207,500 |
| | Book Shop | 908,450 | 201,063 |
| | Workshop & Conferences | 12,159,601 | 504,220 |
| | Rental Estate Income | 636,603 | 74,100 |
| | Library Income | 184,145 | 127,720 |
| | Estate sell of Grass | 177,200 | 53,850 |
| | Sale from production unit | 1,772,390 | 16,208,810 |
| | Hire of Venues / Trappers/ Equipment | 1,628,060 | 296,200 |
| | Short courses/Consultancies | 589,729 | |
| | Sub total | 27,970,219 | 34,101,089 |
| 7 | Other Income | | |
| | Accommodation | 23,340,493 | 18,744,910 |
| | Fines & Penalties | 19,240 | 8,600 |
| | Misc. Income | 1,781,142 | 1,381,482 |
| | Sale of Tender Documents | 4,000 | 29,000 |
| | Disposal of Boarded Item Sal | 1,433,500 | - |
| | Insurance Agency Fees | 100,000 | 100,000 |
| | Research Income | 4,997,031 | 6,757,815 |
| | Prize and Awards | | 28,000 |
| | Interest income | 1,172,674 | 19,585 |
| | Sub total | 33,273,079 | 27,069,393 |
| | Total | | |
| 8 | Employee costs | | |
| | Basic salaries | 731,383,589 | 693,551,936 |

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| | | | |
|-----------|---|----------------------|----------------------|
| | Pension contribution | 120,776,568 | 149,087,679 |
| | House Allowances | 368,508,725 | 376,282,250 |
| | Car Allowances | 116,152,041 | 86,794,227 |
| | Passage and Baggage Allowances | 1,305,020 | 2,269,183 |
| | Casual Workers | 77,132 | 5,640,545 |
| | Telephone Allowance | 1,500 | 4,829,091 |
| | Risk Allowance | 0 | 3,522,932 |
| | Commuter Allowance | 774 | 54,878,097 |
| | Acting Allowance | 0 | 903,630 |
| | Extraneous Allowance | 0 | 15,457,401 |
| | Salary Arrears/Increment | 433,830 | 1,289,439 |
| | Responsibility Allowance | 0 | 12,696,329 |
| | Emergency Call Allowance | 0 | 240,000 |
| | Leave Allowance | 0 | 9,222,302 |
| | Entertainment Allowance | 0 | 13,558,255 |
| | Special Duty Allowance | 0 | 528,055 |
| | Domestic servant and Gardener | 0 | 560,000 |
| | Maintenance Subsidy | 0 | 566,000 |
| | Overtime Pay | 0 | 617,359 |
| | Provision for Arrears | 0 | 724,016 |
| | Other Personal Allowances | 96,168,099 | 34,183,255 |
| | Disturbance and Settlement Allowance | 1,618,400 | 1,001,000 |
| | Stipend | 4,380,645 | 3,916,361 |
| | Gratuity expenses | 25,164,799 | 27,990,317 |
| | Medical Expenses | 82,098,557 | 48,372,199 |
| | Part Time Expenses | 94,774,504 | |
| | Sub-Total | 1,643,644,184 | 1,548,681,858 |
| 9 | Depreciation expense | | |
| | Depreciation of Buildings | 28,818,696 | 28,690,208 |
| | Depreciation of Computers and appliances | 16,198,116 | 11,173,776 |
| | Depreciation of Furniture and Fittings | 10,691,056 | 9,689,834 |
| | Depreciation of Motor vehicles | 6,042,925 | 7,759,653 |
| | Depreciation on Plant and equipment | 14,661,649 | 10,209,335 |
| | Library Books & Journals | 5,474,189 | 2,087,903 |
| | Total depreciation and amortization | 81,886,632 | 69,610,708 |
| 10 | Repairs and maintenance | | |
| | Maintenance of Catering and Hostel Facilities | 2,234,963 | 2,385,984 |
| | Repair and Maintenance of Motor vehicles | 8,956,975 | 18,542,044 |
| | Maintenance of Plant, Furniture and Equipment | 2,138,218 | 7,107,619 |
| | Maintenance of Computers | 2,827,616 | 6,386,202 |
| | Maintenance of Buildings | 12,702,050 | |
| | Maintenance of Water supply & Sewerage | 48,900 | |
| | Maintenance of Play Grounds and Parks | 262,840 | |
| | Other | | |
| | Total repairs and maintenance | 29,171,562 | 34,421,849 |

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| | | | |
|-----------|--|--------------------|-------------------|
| 11 | Contracted services | | |
| | Security Services | 28,002,416 | 22,892,421 |
| | Rent and Rates | 58,489,127 | 53,913,945 |
| | Insurance Expenses | 9,207,103 | 4,646,076 |
| | Legal Expenses | 3,218,103 | 1,397,228 |
| | Cleaning Services | 9,127,878 | 13,127,322 |
| | Total contracted services | 108,044,628 | 95,976,991 |
| 12 | General expenses | | |
| | Advertising and Publicity Expenses | 13,253,716 | 17,007,761 |
| | Affiliation fees | 3,612,792 | 16,585,409 |
| | Audit fee | 479,000 | 1,215,226 |
| | Bank Charges | 3,642,698 | 1,943,698 |
| | Bank charges currency (Dollars \$) | 0 | 213 |
| | BOOKS AND JOURNALS | 0 | 602,537 |
| | Careers week | 429,500 | 656,251 |
| | CATERING EXPENSES | 10,734,964 | 24,681,108 |
| | Cleaning Materials and Detergents | 61,000 | 0 |
| | Corporate Social Responsibility | 229,865 | |
| | Couching and Mentoring | 259,860 | 401,500 |
| | Electricity | 13,819,865 | 20,325,405 |
| | Emergency Expenses | 27,760 | |
| | External Travelling and Accommodation Expenses | 1,764,470 | 2,476,522 |
| | Fuel and Lubricants Expenses | 679,609 | 0 |
| | Fumigation Expenses | 851,053 | |
| | Hire of Transport, plant and equipment | 0 | 1,020,920 |
| | IGU Expenses | 1,048,207 | |
| | Industrial Attachment Costs | 739,290 | |
| | Inter-University Games | 4,847,136 | 5,858,221 |
| | KAFUCO Expenses | 698,500 | |
| | MMUSO | 5,651,482 | 4,743,970 |
| | MMUST Enterprises | 623,332 | 0 |
| | Office Expenses | 5,767,754 | 4,185,519 |
| | Office Stationery | 31,216,145 | 32,031,863 |
| | Official entertainment | 2,210,892 | 8,148,710 |
| | Performance Contract Expenses | 315,577 | |
| | Postal and Courier Expenses | 487,389 | 703,092 |
| | Production unit | 0 | 3,414,134 |
| | Public Celebrations and Funerals | 3,631,455 | 5,791,389 |
| | Publishing and printing | 1,292,816 | 2,262,396 |
| | Purchase of computers and softwares | 0 | 169,997 |
| | Purchase of computers and softwares | 0 | 169,997 |
| | Purchase of Furniture | (121,065) | (1,778,105) |
| | Purchase of Plant and Equipment | 0 | 190,556 |
| | Purchase of Uniforms and Clothing | 44,100 | 960,808 |
| | Senate Expenses | 284,660 | |
| | Show and Exhibitions | 1,121,370 | 2,062,800 |
| | Special Projects | 967,944 | 883,500 |

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| | | | |
|----|--|--------------------|--------------------|
| | | 0 | 850,480 |
| | Sports Equipment | 0 | |
| | Student Administrative Expenses | 1,408,536 | |
| | Student Registration expenses | 1,186,800 | 2,112,400 |
| | Tamasha | 890,455 | 1,176,075 |
| | Telephone Expenses | 230,160 | 922,550 |
| | Tender Expenses | 3,223,391 | 4,509,571 |
| | Training and Staff Development Expenses | 9,918,142 | 12,317,252 |
| | Transport Operating Expenses | 12,277,677 | 20692848 |
| | Traveling and Accommodation | 240,065 | 356,509 |
| | UMB EXPENSES | 1,135,880 | 2,453,230 |
| | University Choir | 23,079,984 | 25,155,087 |
| | Water and Conservancy | 174,170,625 | 228,282,319 |
| | Total general expenses | | |
| 13 | Academic(Teaching, Research and Extensions) | 1,199,500 | 1,069,479 |
| | Alumni expenses | 0 | 534,784 |
| | Disability Mainstreaming expenses | 7,533,878 | |
| | Donor Funded Research expenses | 427,400 | 1,417,500 |
| | DRAMA Festivals | 1,760,561 | 3,255,612 |
| | Examination Expenses | 3,167,310 | 2,110,480 |
| | External examiners expenses | 7,173,616 | 9,618,449 |
| | Graduation Expenses | 236,300 | |
| | HIV & AIDS Expenses | 45,500 | |
| | Inaugural Lectures | 31,205,274 | 11,582,814 |
| | Internet connectivity expenses | 1,032,850 | |
| | ISO Expenses | 3,975,225 | 5,358,725 |
| | KNUT-Mmust Scholarship expenses | 0 | 824,390 |
| | Library expenses | 2,164,500 | 3,191,100 |
| | Mmust scholarship | 1,170,084 | 2,664,860 |
| | New Programmes | 732,100 | 1,977,651 |
| | Performance contracting | 0 | 7,051,360 |
| | Practical/clinical placement expenses | 217,927,562 | 320,434,163 |
| | PSSP Expenses | 14,282,952 | 29,945,001 |
| | Research Expenses | 2,474,358 | 9,485,800 |
| | Seminars and Conferences | 0 | |
| | Staff Tuition Deduction Payments | 0 | |
| | Student Expenses | 258,816 | 9,678,049 |
| | Student Governing Council Expenses | 0 | 834,300 |
| | Student refund expenses | 456,500 | 332,250 |
| | Student Practical Expenses | 5,311,071 | |
| | Teaching Material | 5,494,182 | 10,971,003 |
| | Teaching Practice and Field Attachment | 29,414,206 | 45,717,806 |
| | Thesis Supervision Expenses | 11,918,164 | 7,895,912 |
| | University Collaborations and Exchange Programmes | | 63,400 |
| | Work Study Expenses | 485,536 | |
| | Total Academic Expenses | 352,771,165 | 486,014,888 |
| 14 | Remuneration of Council | | |

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| | | | |
|-----------|---|--------------------|--------------------|
| | Honoraria | | |
| | Sitting Allowances | | |
| | Subsistence allowances | | |
| | Council Expenses | | |
| | Total Council emoluments | 13,976,062 | |
| 15 | Provision for Bad debts (10% of increase in student debtors) | 18,947,745 | |
| 16 | Cash and cash equivalents | | |
| | MMUST KCB 1101811269 (Deposit Recurrent) | 141,463,015 | |
| | MMUST Kcb Payments 1101922109(Tuition) | 9,020,340 | 66,115,503 |
| | MMUST Kcb 1101922370(Seminar) | 113,197 | 1,247,525 |
| | MMUST Kcb 1101923210 (Capital) | 64,562,088 | 382,350 |
| | MMUST BBK 8080317 IGU | 15,960,646 | 20,196,939 |
| | MMUST BBK 8086269 (Tuition) | 10,304,316 | 21,826,814 |
| | MMUST NBK 0100370554000 (Tuition) | 21,463,599 | |
| | MMUST Stanchart Bank 0102002576500 (Tuition) | 7,622,108 | |
| | MMUST Coop Bank 01129033999900 (tuition) | 5,216,547 | 785,934,540 |
| | MMUST Equity Bank 050029463103 | 15,293,026 | - |
| | MMUST Family Bank 078000012655 | 899,536 | 18,530,537 |
| | MMUST Kcb 1101811331 (payment) | 93,220,759 | 171,261,836 |
| | MMUST Stanchart Bank 0102098712400 (research grants KES) | 9,251,046 | 5,613,091 |
| | MMUST Stanchart Bank 8702098712400 (Research grants USD) | 7,733,997 | - |
| | MMUST BBK 0091001438 Collection Account | 826,743 | 491,991 |
| | MMUST Equity 1650264152539 Kakuma | 10,817,556 | 1,728,450 |
| | MMUST KCB SEMINARS AND CONFERENCES | 77,000 | - |
| | MMUST Stanchart Bank 0140098712400 KSHS (CALL DEPOSIT) | 343,037 | 85,785 |
| | MMUST-KAIMOSI CAMPUS | 7,759,513 | -74,610 |
| | MMUST NBK 0102171286100 (Aids Control) | 0 | 0 |
| | MMUST School of Medicine KCB 1179668162 | 9,814,052 | - |
| | Bank clearing account | | -121,954,008 |
| | Unreconciled Differences (Opening Bal suspense) | | -723,474,489 |
| | Total cash and cash equivalents | 431,766,000 | 288,995,276 |
| 17 | Receivables from exchange transactions | | Shs |
| | Student Debtors | 1,220,107,856 | 1,030,655,007 |
| | Prepaid Expenses | 1,574,000 | 1,574,000 |
| | IGU Receivable | 28,532,666 | 11,015,002 |
| | Sundry Debtors | 88,500 | 88,500 |
| | Provision for unbanked cash | 9,939,003 | 5,758,092 |

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| | | | |
|-----------|--|----------------------|----------------------|
| | Total receivables from exchange transactions | 1,260,178,127 | 1,049,201,954 |
| 18 | Receivables from Non-exchange transactions | | |
| | Staff Imprest | 45,276,600 | 25,128,120 |
| | Total receivable from non-exchange transactions | 45,276,600 | 25,128,120 |
| 19 | Inventories | | |
| | Lab Chemicals and Equipment | 1,281,714 | 2,320,574 |
| | Games and Sports Materials | 759,576 | 0 |
| | Book Shop Stock | 268,790 | 200,270 |
| | Dry Food Stock | 1,496,184 | 1,144,711 |
| | Clinical Drugs Stocks | 2,843,803 | 7,540,501 |
| | Consumables Materials | 0 | |
| | Estate Building Materials | 9,325,039 | 11,586,983 |
| | Stationery Central Stores | 6,810,160 | 22,057,636 |
| | Production Unit Stocks | 111,700 | 348,650 |
| | Library Books | 0 | 0 |
| | Hostels & Accommodation Inventories | 530,326 | 798,769 |
| | Electrical And Communications Engineering Stocks | 94,710 | 208890 |
| | Total inventories at the lower of cost and net realizable value | 23,522,000 | 46,206,984 |

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| Property, Plant and Equipment | | | | | | | | | |
|--------------------------------------|------------|---------------|------------------|-------------------|-------------|-------------|---------------|----------------|---------------|
| Current year | Land | Buildings | Work in Progress | Plant & Equipment | Computers | Furniture | Library Books | Motor Vehicles | Total |
| | 0 | 0.025 | | 0.2 | 0.333 | 0.125 | 0.25 | 0.25 | |
| Cost | | | | | | | | | |
| At 01 July 2015 | 67,180,000 | 1,080,910,435 | 948,494,773 | 188,032,041 | 89,105,925 | 85,176,734 | - | 116,320,771 | 2,575,220,679 |
| Additions | 11,119,725 | | 65,128,700 | 12,208,299 | 6,382,905 | 41,464,857 | 8,351,611 | | 144,656,097 |
| Disposals | | | | | | | | | |
| Transfers/Adjustments | | 66,697,871 | (920,622,953) | | | | | 4,150,300 | (849,774,782) |
| At 30 June 2016 | 78,299,725 | 1,147,608,306 | 93,000,520 | 200,240,340 | 95,488,830 | 126,641,591 | 8,351,611 | 120,471,071 | 1,870,101,994 |
| At 01 July 2016 | 78,299,725 | 1,147,608,306 | 93,000,520 | 200,240,340 | 95,488,830 | 126,641,591 | 8,351,611 | 120,471,071 | 1,870,101,994 |
| Additions | | | 118,737,885 | 17,723,544 | 15,528,172 | 483,608 | 13,545,146 | | 166,018,355 |
| Disposals | | | | | | | | | |
| Fully Depreciated | | | | | | | | | |
| Transfers/Adjustments | | 5,139,550 | (5,139,550) | | | (1,712,930) | | | (1,712,930) |
| At 30 June 2017 | 78,299,725 | 1,152,747,857 | 206,598,855 | 217,963,884 | 111,017,002 | 125,412,269 | 21,896,757 | 120,471,071 | 2,034,407,420 |
| B Depreciation and Impairment | | | | | | | | | |
| At 30 June 2015 | | 106,900,115 | - | 162,557,460 | 69,652,045 | 57,329,542 | | 94,690,455 | 491,129,617 |
| Charge for the year | | 28,690,208 | | 10,209,335 | 11,173,776 | 9,689,834 | 2,087,903 | 7,759,653 | 69,610,708 |
| At 30 June 2016 | | 135,590,323 | | 172,766,795 | 80,825,821 | 67,019,376 | 2,087,903 | 102,450,108 | 560,740,326 |
| Charge for the year | | 28,818,696 | | 14,661,649 | 16,198,116 | 10,691,056 | 5,474,189 | 6,042,925 | 81,886,632 |
| At 30 June 2017 | | 164,409,019 | | 187,428,444 | 97,023,937 | 77,710,432 | 7,562,092 | 108,493,033 | 642,626,958 |
| NBV At 30 June 2016 | 78,299,725 | 1,012,017,983 | 93,000,520 | 27,473,545 | 14,663,009 | 59,622,215 | 6,263,708 | 18,020,963 | 1,309,361,668 |
| NBV At 30 June 2017 | 78,299,725 | 988,338,837 | 206,598,855 | 30,535,440 | 13,993,064 | 47,701,836 | 14,334,665 | 11,978,039 | 1,391,780,461 |

| | | |
|----|---|-------------|
| 21 | Turkana University College | 969,507,500 |
| 22 | Intangible assets (System development) | |
| | Balance as at 1st July 2016 | 14,135,889 |
| | Less depreciation | - |
| | Amortised amount | - |
| | Balance as at 30 th June 2017 | 14,135,889 |

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| | | | |
|-----------|--|--------------------|--------------------|
| 23 | Trade and other payables from exchange transactions | | |
| | Accounts recurrent Payables | 17,236,119 | 165,414,337 |
| | Part time Payable Expenses | 1,990,835 | 12,882,940 |
| | Construction Payables | 511,356 | 509,356 |
| | Helb Control | 37,258,491 | 7,571,169 |
| | Tax Arrears | 47,221,672 | 177,466,101 |
| | Insurance Claim | 0 | |
| | Medical Bills | 0 | |
| | Bank Transfer Clearing (Dollar) | -60,124 | |
| | Opening Balance Suspense | 105,350 | |
| | Provision for Part time Lecturers | 130,752 | |
| | Provision for Audit Fees | 1,000,000 | 1,021,750 |
| | CDF Control | 8,622,382 | |
| | Customer Prepayments | 55,001 | |
| | HELB Loan Deductions | 499,003 | |
| | Kudheihha MMUST Chapter | 154,633 | |
| | Kusu MMUST Chapter | 130,639 | |
| | UASU MMUST Chapter | 1,273,724 | |
| | Withholding Tax Payable | 17,313,756 | |
| | Retention Work in Progress | 15,433,314 | |
| | Project Retention Money | 42,357,367 | 42,297,867 |
| | Payroll Net pay | 50,835,465 | 34,102,458 |
| | Staff Loan Deductions | 31,928,268 | 21,153,587 |
| | Nhif | 2,562,750 | 1,350,300 |
| | Paye | 26,045,636 | 79,124 |
| | STAFF PENSION CONTRIBUTIONS | 18,315,460 | 60,102,630 |
| | Other Staff Deductions | 3,200,345 | (748,264) |
| | Staff Tuition Deductions | 135,458 | 60,000 |
| | PSSP Arrears | 414,707,750 | 273,094,486 |
| | CBA Arrears | 12,711,487 | 30,190,575 |
| | Art Check Offs | 32,456 | 21,750 |
| | SACCO Deduction | 3,350,545 | (4,556,314) |
| | Total trade and other payables | 748,358,785 | 854,452,468 |
| 24 | Refundable deposits from customers | | |
| | Prepayments | 169,725,628 | 131,553,532 |
| | Caution Money | 22,649,400 | 17,278,450 |
| | Due to Old Students | 68,850,653 | 70,977,678 |
| | Total Refundable deposits from customers | 261,225,681 | 219,809,660 |
| 25 | Deferred income(Research Grants) | | |
| | Donor Funds(Research Grants) | 16,872,925 | 7,549,337 |
| | Total deferred income | 16,872,925 | 7,549,337 |

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| | | | |
|------------|--|----------------------|----------------------|
| 26 | Employee Benefit Obligations | | |
| | NSSF | 402,000 | |
| | Gratuities | 26,255,940 | 13,912,964 |
| | Total Employee Benefit Obligations | 26,657,940 | 13,912,964 |
| 27. | Capital Development Grants(MMUST) | 36,225,545 | 97,200,000 |
| | Turkana University College (Grants for special projects) | 1,042,000,000 | |
| | Total Capital Grants | 1,078,225,545 | |
| 28. | Transfer of Trade Payables to Revenue Reserve (prior year balance adjustment) | 238,542,424 | |
| 29 | Adjustment for Bank Reconciliation Suspense | (221,217,991) | (774,968,909) |

30. Contingent Liabilities

| Contingent Liabilities | Kshs. | Kshs. |
|---|--------------------|--------------------|
| The University had a number of cases that were pending in court touching on various issues. | | |
| The University discloses these contingent liabilities herein for proper information. | | |
| Midland Emporium Vs MMUST | 7,000,000 | 7,000,000 |
| Alfatech Contractors Limited | 21,864,172 | 21,864,172 |
| Lydia Omwoha | | |
| Kotecha Properties | 47,000,000 | 47,000,000 |
| UASU | 1,035,000 | 1,035,000 |
| Henry Mutange | 24,727,083 | 24,727,083 |
| Kopar Agencies | 1,136,930 | 1,136,930 |
| Leah Mbira | 1,465,924 | 1,465,924 |
| Humphrey Ayiro | | |
| Martha Kogonya | | |
| Total | 104,229,109 | 104,229,109 |

31. Related Party Disclosures

2017 **2016**
Kshs. **Kshs.**

i) The University is a single entity without controlling interest in any other entity and as such did not trade in that respect.

ii) Council expenses relates to facilitative allowances paid to members during attendance of meetings as per the calendar of activities.

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The expenses as per note 13 are 13,976,062 21,826,814

iii) Management Remuneration 64,406,519 -

These relate to payment of salaries and gratuities

32. Financial Risk Management

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

The University's financial risk management objectives and policies are detailed below:

(i) Credit risk

The University has exposure to credit risk which is the risk that a counter party to a financial instrument will be unable to pay amounts in full when due thus causing a financial loss. Credit risk arises from cash and cash equivalents and trade receivables.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers and students with established credit history. Credit is managed by setting the credit limit and the credit period for each category of customer. These parameters are monitored by the University Management Board on a monthly basis.

The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk is made up as follows:

| 30th June 2017 | Fully Performing Kshs. | Past Due but not impaired Kshs. | Past due and impaired Kshs. | Total Kshs. |
|--|---------------------------------------|--|--|------------------------|
| Financial Assets | | | | |
| Receivables from Exchange Transactions | 1,241,318,882 | | | 1,241,318,882 |
| Receivables from Non-Exchange Transactions | 45,276,600 | | | 45,276,600 |
| Cash at Bank | 431,766,000 | | | 431,766,000 |
| Gross financial assets | 1,718,361,482 | - | - | 1,718,361,482 |

| 30th June 2016 | Fully Performing Kshs. | Past Due but not impaired Kshs. | Past due and impaired Kshs. | Total Kshs. |
|--|---------------------------------------|--|--|------------------------|
| Financial Assets | | | | |
| Receivables from Exchange Transactions | 1,049,201,954 | | | 1,049,201,954 |
| Receivables from Non-Exchange Transactions | 25,128,120 | | | 25,128,120 |
| Cash at Bank | 288,995,276 | | | 288,995,276 |
| Gross financial assets | 1,363,325,350 | - | - | 1,363,325,350 |

The credit risk associated with these receivables is accounting relating to migrated information into the ERP System. This will be sorted out once full reconciliation is performed hence no allowance for uncollectible amounts has been recognised in the financial statements.

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(ii) Market risk

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

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

(a) Foreign currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the university's functional currency. The university primarily transacts in the Kenya shilling and its assets and liabilities are denominated in the same currency. The university's exposure to foreign currency risk is minimal.

| Year ended 30th June 2017 | US\$ Kshs. | Total Kshs. |
|----------------------------------|-----------------------|------------------------|
| Financial Assets | | |
| Trade Receivables. | | |
| Trade Payables | - | - |
| Borrowings | - | - |
| Net Exposure | | |
| Year ended 30th June 2016 | US\$ Kshs. | Total Kshs. |
| Financial Assets | | |
| Trade Receivables. | | |
| Trade Payables | | - |
| Borrowings | | - |
| Net Exposure | | |

Management consider that an appreciation /depreciation of the US\$ against Kshs. are reasonably possible and that a change of 5% either way of the current rate of Kshs. 100 for 1US\$ is likely to occasion a loss or gain of Kshs. 1,454,605 on the surplus for the year ended 30th June 2017.

(b)Interest rate risk

Interest rate risk is the risk that the University's financial condition may be adversely affected as a result of changes in interest rate levels. The University's interest rate risk arises from deposits with financial institutions. This exposes the University to cash flow interest rate risk.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The University analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. The sensitivity analysis for interest rate risk assumes that all other variables, in particular

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foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates no impact on the statement of financial performance. This is due to the fact that at the end of the financial year there was no investment that would be affected by fluctuations in the interest rates.

(iii) Price risk

The University does not hold investments that would be subject to price risk; hence this risk not relevant.

33. Statement of Debts Guaranteed By the National Treasury.

The Council reiterates that as at 30th June, 2017, there were no borrowings that were guaranteed by the National Treasury as required by Sec 81(2) (c) of the Public Finance Management Act No. 18 of 2012

34. Leases Arrangements.

The University continues to lease property in places where it operates but do not own the property. Currently the University has a presence in Kisumu City, Nairobi City, Busia Town, Kapsabet Town, Bungoma Town, Webuye Town, Mumias Town, Budalangi, Ebunangwe and Kakuma Town. The University has secured operating leases paid for within the financial year for period ranging from 2 to 5years. The Council will continue to ensure that all requirements with respect to offering university education are met by all rented facilities.

35. Events after the end of the reporting period.

There was no major even that took place after the balance sheet date that would significantly affect the value of the balance sheet.

XIV. 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.

| Referen ce No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|---|---|--|-----------------------------------|--|
| 1.1 | Variances between the FS and Supporting Documents | These variances were as a result of challenges faced in transition from manual to ERP system | Finance Officer | Resolution done in 2016/2017 FS | 30 th November 2017 |
| 1.2 | Unsupported Balances | The figures previously unsupported have been reconciled and appropriate support obtained and shall be reviewed during 2016/2017 Financial Audit | Finance Officer | Resolved in 2016/2017 FS | 30 th November 2017 |

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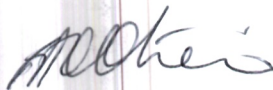
| Reference to the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|---|--|---|
| | Kshs. 835,370,063 | Schedule and a reconciliation has been done and correct figures stated. | | | |
| 2.2 | Excluded Fixed Assets | Management has done a desktop valuation of the land, reinstated the books to the assets movement schedule and recognized the intangible assets as required by the IPSAS | Finance Officer | Resolved however complete professional valuation will be carried out | 30 th March 2018 |
| 3.1 | Completion of MPH | Management has now availed the requested procurement documents and strives to resolve any outstanding issue in due course | Procurement Officer | Resolved | 30 th June 2017 |
| 4.1 | Unsupported Cash and Cash equivalents | Management has embarked on bank reconciliation in order to improve its control over cash. A number of cashbooks have been reconciled upto march 2016 and the rest are work in progress | Finance Officer & Bank Reconciliation Accountant | Not Fully Resolved | 30 th June 2018 |
| 4.2 | Missing Cashbooks | Management confirms that all cashbooks are available and shall be availed for review during the 2016/2017 Financial Audit | Finance Officer | Resolved | 30 th June 2017 |
| 4.3 | Unbanked and Unaccounted for Cash | Management has instituted controls over cash to ensure that all cash revenues collected are banked intact and that all expenditures are approved through the normal approval systems. | Finance Officer | Resolved | 30 th June 2017 |
| 5.0 | Failure to Prepare Journal Vouchers | Management noted the adjustments made and has reviewed and has found that there was nothing worrisome other than posting errors owing to new system implementation. Controls over JEs have been | Finance Office | Resolved ... Implementation is continuous | Continuous |

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| Referen ce No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (<i>Name and designation</i>) | Status: (<i>Resolved / Not Resolved</i>) | Timeframe: (<i>Put a date when you expect the issue to be resolved</i>) |
|--|---|---|--|---|--|
| | | improved and appropriate approval is granted to effect the same in the ERP. | | | |
| 6.0 | Weak budgetary Controls and performance | Management has introduced a robust budgetary controls to monitor budget implementation whereby all AIE holders have specific allocations and monitoring of implementation is continuous | Finance Officer & AIE Holders | Resolved and continuous | continuous |
| 7.0 | Failure to provide LPOs | Management has instituted automated LPOs in order to avert such losses in the future and assures that strict control measures have been entrenched to ensure safety and use of these documents. The misplaced LPOs are being traced and will be availed to the audit team during 2016/2017 audit. | Procurement officer | Resolution is in progress | 30 th November 2017 |
| 8.1 | Unauthorized Variations | Management has put in place systems to ensure that all contracts are properly drawn to guard against over exposure and all shall continue to monitor performance of contractors and avail cash when certificates fall due to avoid penalties. | Procurement Officer, Legal Officer and Finance Officer | Resolved | 30 th June 2017 |
| 8.2 | Irregular Lease of University House | Management has availed all procurement documents for review during the audit of 2016/2017 | Finance Officer & Procurement Officer | Resolved | 30 th November 2017 |
| 9.0 | Information Technology Governance | Management has continued to review the ERP system operated by the University on a risk based approach and wishes to assure that all the observations made by the audit are being | Director ICT, Finance Officer, Procurement officer, Registrars | Resolution is in progress | 31 st December 2017 |

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| Reference in external audit report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--|---|--|---|
| | | addressed and staff being trained to achieve maximum benefits from the system. All modules in Finance, Academic, and Procurement are expected to prime by the end of December 2017. | | | |

Signed.....


Prof. Eng. Fredrick A.O. Otieno, FAAS, FSAICE, MIEK
VICE CHANCELLOR

Signed.....


Dr. Jeremy Bundi
CHAIRMAN

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XVIII. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ Semi-Autonomous Government Agencies Funded by development partners

| Project title | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---------------|----------------|-------|------------------|------------------|---|---|
| 1 | NONE | | | | | |
| 2 | | | | | | |

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Appendix 2: INTER-ENTITY TRANSFERS

| Masinde Muliro University of Science and Technology | | | |
|---|----------------------------|-------------------------|--|
| Break down of Transfers from the State Department of University Education | | | |
| FY 2016/2017 | | | |
| a. | Recurrent Grants | | |
| | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | 10-08-2016 | 109,585,937.50 | 2016/2017 |
| | 26-08-2016 | 109,585,937.50 | 2016/2017 |
| | 30-09-2016 | 109,585,937.50 | 2016/2017 |
| | 09-11-2016 | 109,585,938.00 | 2016/2017 |
| | 13-12-2016 | 109,585,938.00 | 2016/2017 |
| | 30-12-2016 | 109,585,936.00 | 2016/2017 |
| | 09-02-2017 | 109,585,938.00 | 2016/2017 |
| | 15-03-2017 | 109,585,937.50 | 2016/2017 |
| | 07-04-2017 | 109,585,938.00 | 2016/2017 |
| | 02-05-2017 | 109,585,938.00 | 2016/2017 |
| | 02-06-2017 | 109,585,938.00 | 2016/2017 |
| | 27-06-2017 | 109,585,938.00 | 2016/2017 |
| | Total | 1,315,031,252.00 | 2016/2017 |
| b. | Development Grants | | |
| | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | 07/12/2016 | 36,225,545.00 | |
| | 19-12-2016 | 600,000,000.00 | 2016/2017 |
| | 15-03-2017 | 135,000,000.00 | 2016/2017 |
| | 02-05-2017 | 45,000,000.00 | 2016/2017 |
| | 10-05-2017 | 262,000,000.00 | 2016/2017 |
| | Total | 1,078,225,545 | |
| c. | Direct Payments | | |
| | | N/A | |
| | Total | XXX | |
| d. | Donor Receipts | | |
| | | N/A | |
| | Total | XXX | |

The above amounts have been communicated to and reconciled with the parent Ministry
 Finance Officer MMUST
 Head of Accounting Unit
 State Dept. of University Education

Sign _____
 CPA Jared G.O.O.Rading'

Sign-----

22nd September, 2017

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JUNE 2017*

XX. Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES