

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

ADDENDUM TO THE REPORT

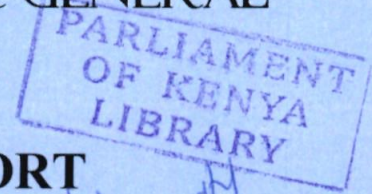
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
THE JUDICIARY

FOR THE YEAR
ENDED 30 JUNE 2015



*Paper laid by
Leader of Opposition
Wednesday
30/11/16
Afternoon
Sitting
Apt*



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OFFICE OF THE AUDITOR-GENERAL

ADDENDUM TO THE REPORT OF THE AUDITOR-GENERAL ON THE JUDICIARY FOR THE YEAR ENDED 30 JUNE 2015

The following matters have arisen during the audit of the 2014/2015 financial year in addition to the certificate we issued on 18 April 2016:

1.0 Financial Anomalies at Kericho Courts

Examination of financial records maintained at the Kericho Law Courts disclosed the following unsatisfactory matters:

1.1 Unaccounted for Court Deposits

Examination of the deposit ledger and other court records indicated that deposits and bonds paid to the court by convicts totaling Kshs.13,579,539 had not been refunded as at 30 June 2015. However, an examination of bank statement for Deposit Account revealed a balance of Kshs.5,478,737 as at the same date. The resulting deference of Kshs.8,100,801.65 represents unaccounted for convicts deposits and bonds.

In the circumstances, deposits totaling Kshs.8,100,801.65 was lost and no efforts appear to have been made to recover the amount from the officers responsible for the loss.

1.2 Irregular Expenditure.

The Chief Magistrate's office procured general office supplies worth Kshs.833.677 during the period under review. However, the following unsatisfactory matters were noted.

- i. There were no requisitions initiated by the user departments detailing the quality and quantity of the stationery required.
- ii. No approvals were made of the requisitions made for the stationery purchased.
- iii. No procurement plan was produced for audit.
- iv. The stores purchased were not entered in record contrary to section 18.2 of the Government Financial Regulations and Procedures and it was therefore not possible to confirm receipt and subsequent usage

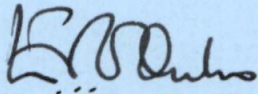
In the circumstances, it was not possible to confirm the propriety of the expenditure of Kshs.833, 677.

1.3 Bank reconciliations

The Kericho Law Courts did not prepare bank reconciliation statements for the Deposit and Revenue Cash books as at 30 June 2015 contrary to section 5.9.2 of the Government Financial Regulations and Procedures.

Although it was indicated monthly bank reconciliation statements had been prepared, none was provided for audit verifications.

In the circumstances, it was not possible to confirm the status of cash balances for the deposits and revenue cash books as at 30 June 2015.



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

Nairobi

30 June 2016

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MURANG'A UNIVERSITY COLLEGE

FOR THE YEAR
ENDED 30 JUNE 2015





MURANG'A UNIVERSITY COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

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

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I. KEY MURANG'A UNIVERSITY COLLEGE INFORMATION AND MANAGEMENT

(a) Background information

Murang'a University College (MRUC) was established in September 2011 via Murang'a University College order legal notice No. 129 of September 2011 as a constituent College of Jomo Kenyatta University of Agriculture and Technology. MRUC is the successor of Murang'a College of Technology. The University College currently operates under the provision of the Universities Act 2012 CAP 210 B of the laws of Kenya. MRUC is positioning itself to develop a distinctive profile as a progressive and international Technical University, growing its enrolment strategically. The University College remains strongly committed to exploring how best to harness technology to improve the quality of education it offers to students. Through the continued development of courses, the University College will continue to explore and embrace sound pedagogy through a combination of active and engaged learning and appropriately matched technological tools. The students are trained to analyze, interpret, and synthesize information from a variety of sources; practice holistic reasoning; improve verbal, visual and written communication skills; organize and contribute to team efforts; and enhance self-confidence and preparation for a career and/or postgraduate training. The University College intends to build technology and innovations that will improve the quality of life of Kenyans and contribute to quickening industrialization as envisioned in Vision 2030.

(b) Principal Activities

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

(c) Key Management

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

Principal	-Professor Julius O. Nyabundi
Deputy Principal (Administration and Finance)	-Professor Grace N. Njoroge
Deputy Principal (Academic, Research and Innovation)	-Dr Jairus B. Amayi Ag
Registrar (Administration and Planning)	-Dr. Godrick M. Bulitia
Registrar (Academic, Research and Innovation)	-Dr. Richard O. Juma
Finance Officer	-Mr. Richard K. Ng'ang'a

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Principal	Prof. Julius O. Nyabundi
2	Deputy Principal (Administration and Finance)	Prof. Grace N. Njoroge
3	Deputy Principal (Academic, Research and Innovation)	Dr Jairus B. Amayi Ag
4	Registrar (Administration and Planning)	Dr. Godrick M. Bulitia
5	Registrar (Academic, Research and Innovation)	Dr. Richard O. Juma
6	Finance Officer	Mr. Richard K. Ng'ang'a

(e) Fiduciary Oversight Arrangements

The fiduciary oversight arrangements of the University College are carried out by the Council through various committees especially Finance Planning and Development and the Audit and Risk committee.

(f) Murang'a University College Headquarters

Murang'a University College
P.O Box 75 – 10200
Murang'a, KENYA

(g) Murang'a University College Contacts

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

(h) Murang'a University College Bankers

1. Kenya Commercial Bank Limited
Murang'a Branch
P.O Box 112 – 10200
MURANG'A
2. Equity Bank Limited
Murang'a Branch
CDM Building
P.O Box 1060 – 10200
MURANG'A

(i) Independent Auditors





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

(j) Principal Legal Adviser


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

II. UNIVERSITY COLLEGE COUNCIL MEMBERS

Name	Date of Birth Key qualifications and Work experience
 Prof. Mohamud A. Jama	Date of birth: 18 th April, 1953 PhD Agricultural Economics (Washington State University – 1987) 1980 – 1995: Ag. Director, Institute of Development Studies, UoN 1995 – 2000: Director, Institute of Development Studies, UoN
 Prof. Julius O. Nyabundi	Date of birth: 1954 PhD Ecology (University of California at Davis - 1985) 1998 – 1999: HoD Dept of Environmental Science, Maseno University 1999 – 2001: Dean, Faculty of Science, Maseno University 2003 – 2008: Managing Director, Chemelil Sugar Company 2008 – 2011: Director, Botanic Garden, Maseno University 2011 – 2014: Dean, School of Agriculture & Food Security, Maseno University
	2012 – 2014: Ag. Deputy Vice Chancellor (Admin, Finance & Dev) Maseno University 2014 to date: Principal, Murang'a University College
 Arch. Aida N. Munano	Master of Science Construction Project Management (JKUAT – 2012) 1982 Assistant Architect 1997-2003: Provincial Works Officer, Nairobi 2003 – 2005: Architect, Ministry of Public Works 2005 – 2014: Deputy Chief Architect, Ministry of Public Works 2014 to date: Works Secretary, Ministry of Lands, Housing and Urban Planning
 Dr. Felister M. Makini	Date of birth: 13 th July, 1960 PhD Plant Pathology (University of Greenwich, U.K. – 1999) 1983 – 1994: Research Officer 1994 – 2010: Center Director, KARI 2010 to date: Deputy Director, Department of Outreach and Partnerships

 <p>Dr. Areba Nyang'ate</p>	<p>DODT (CEBU Doctors) Representing Principal Secretary Ministry of Education Science and Technology</p>
 <p>Mr. Anthony Lubulellah</p>	<p>Date of birth: 10th July, 1957 Masters of Law (LLM) – University of Nairobi, 2007 1983 to date Advocate</p>
 <p>Mr. Charles Kairu</p>	<p>Masters in Development Economics (Williams College, U.K. – 1993). Representing the Principal Secretary National Treasury</p>
 <p>Dr. Adelaide Mbaika M.</p>	<p>Date of birth: 14th December, 1960 PhD Business Administration (University of Nairobi, 2014) 1997 – 1999: Senior Administrative Assistant 1999 – 2004: Assistant Registrar (Admissions) 2004 – 2008: Senior Assistant Registrar (Examinations) 2008 to date: Deputy Registrar (Examinations)</p>

III. MANAGEMENT TEAM

Name, key profession/ academic qualifications	Area of responsibility
 <p>Prof. Julius O. Nyabundi</p> <p>PhD Ecology (University of California at Davis - 1985)</p>	<p>2014 to date: Principal, Murang'a University College</p>

 <p>Prof. Grace N. Njoroge</p> <p>PhD Botany (JKUAT – 2005)</p>	<p>From 28th July 2014 to date: Deputy Principal (Administration, Finance, Planning & Development), Murang’a University College</p>
 <p>Dr. Richard Juma</p> <p>PhD in Development Studies (2009 – Victoria University of Wellington, New Zealand)</p>	<p>From February 2015 to date: Registrar (Academics, Research, Innovation & Extension) Murang’a University College</p>
 <p>Dr. Godrick Bulitia</p> <p>PhD in Business Administration (2014 – Maseno University)</p>	<p>From June 2013 to date: Registrar (Administration, Finance, Planning & Development), Murang’a University College</p>
 <p>Dr. Jairus B. Amayi</p> <p>PhD in Economics (Gandhigram Rural University, India – 1993)</p>	<p>2015 Jan – 2015 May: Ag. Deputy Principal (Academics, Research, Innovation & Extension) Murang’a University College. Currently Dean, School of Business and Economics.</p>



Mr. Richard Ng'ang'a

MBA Finance (2012 –
Jomo Kenyatta University
of Agriculture and
Technology)

Aug 2013 to date: Finance Officer, Murang'a University College

IV. CHAIRMAN'S STATEMENT

Murang'a University College (MRUC) was established in September 2011 via Murang'a University College order legal notice No. 129 of September 2011 as a constituent College of Jomo Kenyatta University of Agriculture and Technology. MRUC is the successor of Murang'a College of Technology. The University College currently operates under the provision of the Universities Act 2012 CAP 210 B of the laws of Kenya. MRUC is positioning itself to develop a distinctive profile as a progressive University, growing its enrolment strategically.

Since its establishment the University College has grown her enrolment through increase in academic programs as well as increasing numbers in existing programs. Currently the college comprises of the following schools: Business and Economics, Pure applied Sciences, Computing and Information Technology, Hospitality and Tourism management, Engineering and Technology. Each School offers a variety of degree and diploma programmes. The University College also commenced Masters Program in Public Administration.

To manage the increased enrolment, efforts have been put in place to increase the facilities and infrastructure. Some of these projects include: Vision 2030 flagship projects of Water tank and Twin laboratories which have been completed. Other development projects initiated and near completion include the University College gate and ablution block and the hostel block. The tuition block construction was completed. The University College is also mentoring construction of Gatanga Technical Training Institute.

Some of the challenges faced by the University College include low student enrolment especially the self sponsored ones and low Government of Kenya capitation. However, I take this opportunity to express my sincere appreciation to the Government, our stakeholders, management, staff and fellow council members for their continued support which made us achieve these results despite the several challenges we faced during the year



Prof. Mohamud Abdi Jama
Council Chairman

V. REPORT OF THE PRINCIPAL

I have the pleasure to present the annual report and financial statements for Murang'a University College for the year ended 30th June 2015.

Budget

The University College was allocated Kshs 291,928,350 recurrent capitations and Kshs 155,720,000 for development. The recurrent budget was mainly to fund personnel emoluments, operational expenses, repairs and maintenance and capital expenditure. Development funds were earmarked for ablution blocks and gate, road works and sports fields, hostel block, tuition block and water tank.

Revenue

The University College received Kshs 321,095,017 compared to Kshs 234,305,583 in 2013/2014 as revenue from non exchange transactions which was Government of Kenya recurrent capitation. A total of Kshs 114,151,972 (which comprised mainly of tuition Kshs 70,453,258 and other income of Kshs 43,698,714 from services rendered, interest and other internally generated income) was raised from exchange transactions. This compares to Kshs 85,934,669 in 2013/2014. As the University grows, we will continually identify opportunities for increasing revenue generation in terms of increased efficiency and broadened revenue base.

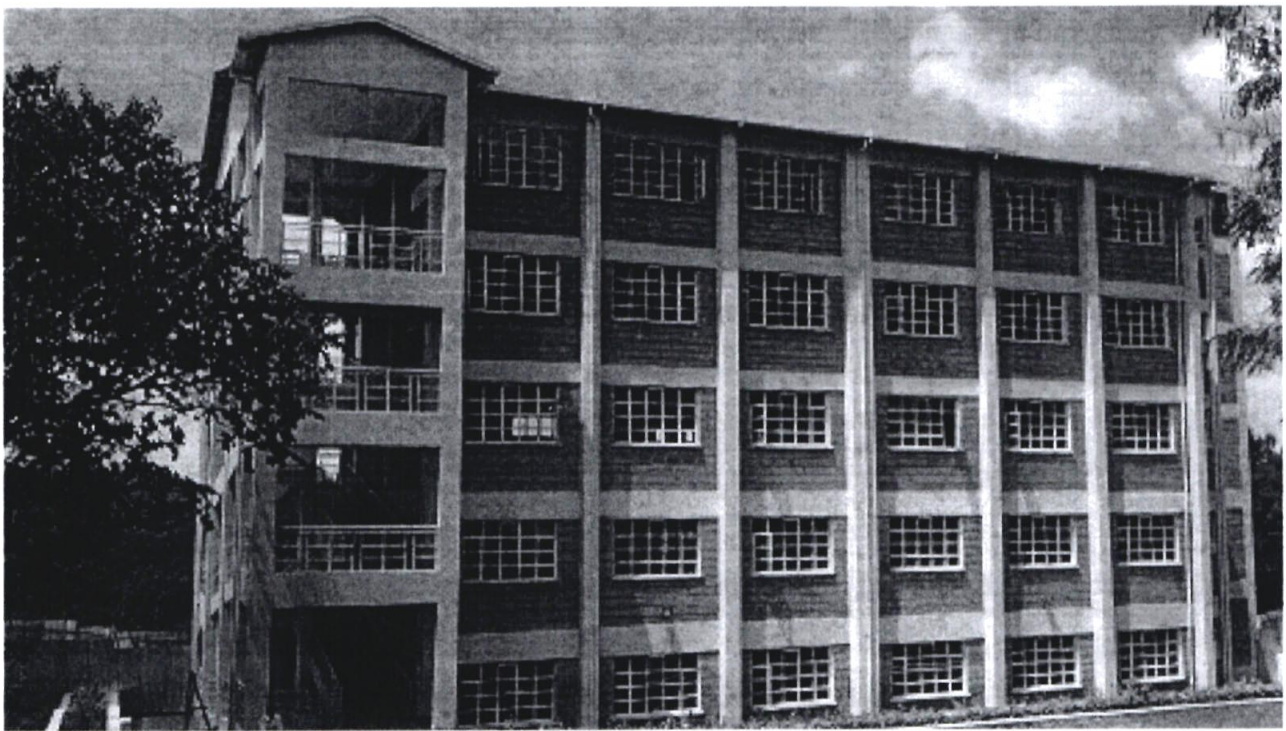
Expenditure

The total expenses stood at Kshs 447,483,702 compared to Kshs 485,071,096 an 8% saving of Kshs 37,587,394. Personnel emoluments was the highest expense line with 72% of total expenditure. This was attributed to increased recruitment of both administrative and teaching staff to support the University College expansion. Better cost control measures enabled the University College to cut down on general expenses from Kshs 75,008,189 in 2013/2014 to Kshs 68,408,129 an 8.8% saving.

Development projects

During the year, the University College continued with Hostel Block construction to almost completion with a view to provide much needed accommodation to the students. To ameliorate the challenges of water storage which is a key component for the well being of students, a water tank was constructed. In an effort to provide facilities for conducive learning environment and reduce congestion in lecture halls, the construction of a tuition block was completed. To enhance security, infrastructural development and comply with the National Environment Management on clean and healthy environment with regard to effluent discharge, a gate and ablution block construction was contracted and was about 80% complete at the close of the year.

The University College continues to engage other stakeholders to alleviate the challenge of provision of adequate accommodation to the increasing student population. On this note, we assisted Jamii Bora Bank to sensitize local community to borrow funds and put up hostels within the university environs an exercise that has borne fruit.



The completed Tuition block Phase I of Murang'a University College

Academic programs and courses offered during financial year:

The University College has five schools and offered the following courses:

School of Business and Economics: Master of Public Administration, Bachelor of Commerce, Bachelor of Business Information Technology, Bachelor of Purchasing and Supplies Management – all these programs run for eight semesters, Diploma of Business Management taking three semesters, Certificate in Business Management taking two semesters and professional Kenya Accountants and Secretaries National Examination board papers of Certified Public Accountants (CPA) and Accounting Technician Certificate (ATC) courses.

Human Resource Management Department: Bachelor of Science in Entrepreneurship and Small Enterprises Management, Bachelor of Science in Human Resource Management and Diploma in Human Resource Management.

Liberal studies: Bachelor of Science in Criminology and Security studies, Diploma in Criminology and Security Studies and Diploma in Public Relations. The Building and Civil Engineering offers

Diploma in Water Resources Engineering, Diploma in Civil Engineering and Certificate in Building Construction. The following courses are offered in Electrical and Electronic Engineering: Diploma in Electrical Power Engineering, Diploma in Control and Instrumentation Engineering, Diploma in Electronic Communication Engineering and Certificate in Electrical and Electronic Engineering.

Mechanical Engineering department offers: Diploma in Automotive Engineering, Diploma in Production Engineering, Diploma in Refrigeration and Air Conditioning Engineering, Diploma in Plant Engineering and Certificate in Mechanical Engineering. The School of Pure and Applied Sciences offers Bachelor of Science in Mathematics and Computer Science, Bachelor of Science in Mathematics and Economics, Bachelor of Science in Applied Statistics with Programming, Diploma in Applied Biology, and Diploma in Science Laboratory Technology, Diploma in Analytical Chemistry and Certificate in Science Laboratory Technology. In Hospitality and Tourism the University College offers Bachelor of Science in Hospitality Management, Bachelor of Science in Tourism Management, Diploma in Hospitality Management, Diploma in Nutrition and Diabetics, Certificate in Hospitality Management and Certificate in Nutrition and Diabetics.

The School of Computing and Information technology offers Bachelor of Science in Information Technology, Bachelor of Science in Software Engineering, Diploma in Information Technology, Diploma in Computer Science, Diploma in Computer Engineering and Technology, Certificate in Information Technology and Certificate in Computer Repair and Maintenance.

To succeed in running these programs, the University College will continue to hire more qualified lecturers and invest more in teaching and research. The University College library and Computer Laboratory will be equipped with relevant materials and computers respectively.

Conclusion

I wish to take this opportunity to thank the Chairman and the Council members for their support throughout the year, I am grateful to Ministry of Education Science and Technology support and the National Treasury for funding. To the staff and management, thank you for dedication to duty and support as we continue to serve in Murang'a University College.



Prof. Dickson M. Nyariki
Principal/ Council Secretary

VI. CORPORATE GOVERNANCE STATEMENT

Murang'a University College is governed through various arms as stipulated in the Universities Act 2012. The University College is checked by external and internal organs to ensure that the mandate is well executed. The external arms are the line Ministry of Education Science and Technology and the National Treasury and The Office of The Auditor General. The Kenya national Audit office is the principal auditor among the other external regulatory bodies. Other external regulatory bodies include Kenya Revenue Authority, National Environment Management Authority, Public Works, National Social Security Fund, National Hospital Insurance Fund and Public Procurement Oversight Authority. The College Operates directly under the Principal Secretary Ministry of Education, Science and Technology who in turn reports to Cabinet Secretary, Ministry Of Education Science and Technology. The College gets financing mainly from the National Treasury through the line ministry.

The Council is appointed by the President on recommendation of the Cabinet Secretary. On gazettelement the council members then appoints the Key managers in the University College and oversees the operations using various committees of the council among them the Finance, Human Resource committee, Planning and Development, Executive committee, Audit and Risk committee. These committees meet quarterly and any other time when need arises.

The Role of the Council

As guided by the State Corporations Act, Cap 446 and other relevant laws of Kenya, the Council's role is to provide effective leadership and control, in terms of approving the University College's strategy and ensuring best practice of corporate governance.

The Council retains full and effective control over the University College by monitoring the implementation of Council plans and strategies, review of management accounts and all expenditure. It reviews processes for the identification and management of risks as well as those concerning compliance with key regulatory and legal areas.

The Council approves senior management appointments, organisational changes and remuneration matters. It is concerned with key elements of the governance processes which sustain the operations of the University College, performance reporting processes as well as other disclosure requirements.

On a quarterly basis, the Council considers reports from each Council Committees and meets at least once a quarter.

Council effectiveness

The independence of the Council from the University College's corporate management is ensured by the separation of the functions of the Chairman and the Principal and a clear definition of their responsibilities.

The Chairman is primarily responsible for providing leadership to the Council while the Principal is responsible for the day-to-day management of the University College. This achieves an appropriate balance of power, increased accountability and improved capacity for decision making.

Council member's remuneration

In accordance with guidelines provided in the State Corporations Act, the Council members are paid taxable sitting allowance for every meeting attended, as well as travel and accommodation allowance while carrying out their mandate at the University College. The Chairman is also paid a monthly honorarium.

Statement of Compliance

The Council Members confirm that Murang'a University College has throughout the 2014/2015 financial year complied with the entire Statutory and Regulatory requirement and has been managed in accordance with the principles of Corporate Governance.

Internal control and risk management:

Internal Control

The management of Murang'a University College is responsible for reviewing the effectiveness of the University College's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Strategic Plan

The operations of Murang'a University College are guided by the Strategic Plan. The Strategic Plan sets out the objectives of the University College and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The

Council on annual basis approves the Budget supported by the procurement plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

Murang'a University College continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. The processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key processes and operational and financial risks facing the University College, is approved by the Audit and Risk Committee which considers significant control matters raised by management and both the internal and external auditors and reports its findings to the full Council. Where weaknesses are identified, the Audit and Risk Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during 2014/15.

Audit & Risk Management Committee:

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

Finance, Planning and Development Committee

The primary responsibility of Finance, Planning and Development Committee is to provide advice to the Council on the University College's financial performance and their financial implications. The Committee reviews quarterly and annual financial reports and recommends to the council ways of raising and utilizing the University College's funds and the establishment of systems and procedures for efficient financial management.

Human Resources Management Committee:

This Committee advises the Council on the University College's human resource policies and guidelines which include the scheme of establishment and career progression and terms and conditions of service for the staff.

The Principal who is the Chief Executive Officer of the College is deputized by the deputy principals and assisted by registrars, deans of schools and directors in day to day running of the College. To assist the principal in the execution of the university college mandate, committees are constituted to ensure compliance with set policies and the constitution. Among the main committees is the

Academic board which is charged with the responsibility of guidance in all academic matters from the admission of students up to administration of examinations. The other committee is the Deans committee that makes recommendations from the schools and faculties to the academic board for approval. The other critical board is the management which assists the Principal in the general day to day running of the University College.

The other committees dealing with procurement are the Tender Committee and Procurement Committee intended to enforce the Public Procurement and Disposal Act 2005 and the regulations of 2006.

The principal has further appointed directors and heads of department to cascade the management decisions to all members of staff in the University College. The heads of departments have also shared responsibilities on section basis to ensure specialization.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Murang'a University College statutes and the strategic plan 2013/2018 commit the University College to enhance and strengthen strategic collaborations/linkages, extensions and community outreach services. This CSR statement is to present a policy framework for the management, support and development of strategic collaboration/linkages, extensions and community outreach services and provide a strategy on how to achieve linkages, extensions and community outreach services in the University College.

Universities hold three missions and mandates, teaching, research and outreach. The third mandate involves integrating or connecting university activities to society and the economy, in pursuant of the commission for University education guidelines (CUE, 2013), approved standards and guidelines, Which states that a university shall engage in community outreach and promote cultural and social life of the society. In the discharge of its functions and the exercise of its powers as stipulated by the universities Act no 42 of 2012, a university shall engage in community service, which may include but not limited to extension, consultancies, public lectures, corporate social responsibility, environmental conservation and promotion of cultural and social life of the society, and disseminate outcomes of research to the community. In addition the University College should take advantage of more opportunities within and without the institution to publicize, promote and recognize both strategic collaborations and community service with a view of creating a positive culture of cooperation. In order to achieve these objectives and functions, the university college will establish and develop a linkages, extensions and community outreach framework to guide it in the establishment of linkages, extensions and community outreach programmes.

VIII. REPORT OF THE COUNCIL MEMBERS

The Council submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the Murang'a University College's affairs.

Principal activities

The principal activities of the Murang'a University College continue to be provision of high quality training, research, innovation and extension services in Entrepreneurship, Science and Technology for Socio – Economic Development in dynamic world.

Results

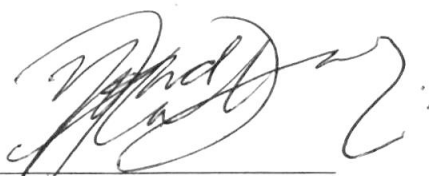
The results of the Murang'a University College for the year ended June 30, 2015 were deficit of Kshs 12,236,714 (2013/2014 was deficit of Kshs 164,830,844) as set out on page 1. These are transferred to reserves.

Directors

The council members who served during the year are shown on page v.

Auditors

The Auditor General is responsible for the statutory audit of the Murang'a University College.



Prof. Mohamud Abdi Jama
Council Chairman



Prof. Dickson M. Nyariki
Principal/ Council Secretary

Date 4.8.2016

Date 21.7.2016

IX. STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES

Section 68 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Council Members to prepare financial statements in respect of Murang'a University College, which give a true and fair view of the state of affairs of the University College at the end of the financial year/period and the operating results of the University College for that year/period. The Council Members are also required to ensure that the University College keeps proper accounting records which disclose with reasonable accuracy the financial position of the University College. The Council Members are also responsible for safeguarding the assets of the University College.

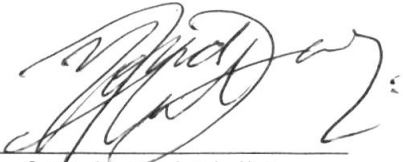
The Council Members are responsible for the preparation and presentation of the University College's financial statements, which give a true and fair view of the state of affairs of the University College for and as at the end of the financial year (period) ended on June 30, 2015. This responsibility 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 College; (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 College; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the University College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council Members are of the opinion that the University College's financial statements give a true and fair view of the state of Murang'a University College's transactions during the financial year ended June 30, 2015, and of the University College's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the University College, which have been relied upon in the preparation of the University College's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council Members to indicate that Murang'a University College 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 Murang'a University College's financial statements were approved by the Council on 7th August 2015 and signed on its behalf by:



Prof. Mohamud Abdi Jama
Council Chairman



Prof. Dickson M. Nyariki
Principal/ Council Secretary

4.0 Unsupported prior year Adjustment

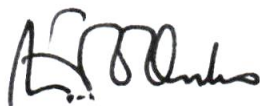
The statement of changes in net assets reflects prior year adjustment balance of Kshs.1,210,530 for the year ended 30 June 2015. However, the details of this adjustment were not provided for audit review. Consequently, the accuracy and validity of the adjustment of Kshs.1,210,530 for the year ended 30 June 2015 could not be confirmed.

5.0 Sustainability of Service

The University College recorded a deficit of Kshs.12,236,714 in 2014/2015 compared to a deficit of Kshs.164,830,844 reported in 2013/2014, which further decreased the accumulated fund from Kshs.1,099,878,118 to Kshs.1,086,430,874 as at 30 June, 2015. Further, current liabilities balance of Kshs.161,467,641 exceeded total current assets of Kshs.106,906,508, resulting to a negative working capital of Kshs.54,561,133, an indication that the University may be experiencing difficulties in settling maturing obligations as and when they fall due. However, the financial statements have been prepared on a going concern basis on the assumption that the University will continue to receive support from the Government and its creditors.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



FCPA Edward R. O Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 September 2016

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MURANG'A UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Murang'a University College set out on pages 1 to 22, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

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

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

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1.0 Accuracy and Completeness of the Financial Statements

As previously reported, the University College did not submit financial statements for 2011/2012 period for audit review contrary to section 13 of the Public Audit Act. 2003. In absence of certified financial statements for the year ended 30 June 2012, the source and accuracy of the opening balances for 2012/2013 financial statements as at 1 July 2013 and subsequent years could not be confirmed. Further, the statement of financial position as at 30 June 2015 was not signed as required.

2.0 Property, Plant and Equipment

As reported in the previous year, the property, plant and equipment balance of Kshs.1,238,344,742 as at 30 June 2015 includes undetermined value of assets inherited from Murang'a Institute of Technology at the time of inception of the university college. Further, the balance includes parcels of land whose titles are still in the name of Murang'a Institute of Technology. In addition, the ownership documents for motor vehicles have not been transferred to the name of Murang'a University College. Similarly, the university college did not maintain a Fixed assets Register to record its non-current assets.

In the circumstances, the accuracy and ownership of the property, plant and equipment balance of Kshs.1,238,344,742 as at 30 June 2015 could not be confirmed.

3.0 Investments

As reported in the previous year, the statement of financial position reflects investments balance of Kshs.25,318,800 as at 30 June 2015. However, the details of these investments were not disclosed or explained in the notes to the financial statements.

In the circumstances, the accuracy and the source of investment balance of Kshs.25,318,800 as at 30 June 2015, could not be confirmed.

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2015

	<u>Notes</u>	<u>2014/2015</u> <u>Kshs.</u>	<u>2013/2014</u> <u>Kshs.</u>
Income			
Revenue From Non Exchange Transactions:			
GoK Grants	3	321,095,017	234,305,583
Revenue From Exchange Transactions:			
Tuition	4	70,453,258	47,826,191
Other Income	5	43,698,714	38,108,478
Total Income		<u>435,246,989</u>	<u>320,240,252</u>
Expenses			
Personal Emoluments	6	322,812,350	268,355,029
Board Expenses		6,552,187	3,813,478
Depreciation and Amortization Expense	7	27,219,055	23,089,181
Repairs & Maintenance	8	3,210,111	7,398,356
General Expenses	9	68,408,129	75,008,189
Teaching Expenses	10	5,837,283	16,486,649
Students Welfare	11	13,132,558	15,049,441
CBA Refund	12	0	75,653,378
Provision for Bad Debts	13	312,028	217,395
Total Expenditure		<u>447,483,702</u>	<u>485,071,096</u>
Surplus/(Deficit) For The Year		<u>(12,236,714)</u>	<u>(164,830,844)</u>

The notes set out on pages 6 to 19 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	<u>Notes</u>	<u>2014/2015</u> <u>Kshs.</u>	<u>2013/2014</u> <u>Kshs.</u>
Assets			
Current Assets			
Cash & Cash Equivalents	14	57,305,012	32,062,407
Trade & Other Receivables	15	45,425,495	16,900,438
Inventories	16	4,176,001	0
Total Current Assets		<u>106,906,508</u>	<u>48,962,845</u>
Non - Current Assets			
Property ,Plant & Equipment	20	1,238,344,742	1,149,270,030
Works In Progress	20	143,668,176	148,620,116
Long-Term Investments	17	25,318,800	25,318,800
Total Non Current Assets		<u>1,407,331,718</u>	<u>1,323,208,946</u>
Total Assets		<u>1,514,238,226</u>	<u>1,372,171,792</u>
Liabilities			
Current Liabilities			
Trade and other Payables	18	161,467,641	161,673,963
Total Current Liabilities		<u>161,467,641</u>	<u>161,673,963</u>
Long-Term Liabilities			
Long-Term Liabilities		0	0
Total Long-Term Liabilities		<u>0</u>	<u>0</u>
Total Liabilities		<u>161,467,641</u>	<u>161,673,963</u>
Net Assets			
Accumulated Fund	19	1,352,770,585	1,210,497,829
Total Net Assets And Liabilities		<u>1,514,238,226</u>	<u>1,372,171,792</u>

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

 Prof. Mohamud Abdi Jama
 Council Chairman

 Prof. Dickson M. Nyariki
 Principal/ Council Secretary

III. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2015

	Capital Fund	Revaluation reserves	Development grant	Accumulated Fund
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Balance at July 1, 2013	1,264,708,961	-	-	1,264,708,961
Surplus (deficit) for the Year	(164,830,844)			(164,830,844)
Revaluation for the Year		-		-
Development Grants for the Year			110,619,711	110,619,711
Changes in the Year	-	-	-	-
Balance at June 30, 2014	1,099,878,118	-	110,619,711	1,210,497,829
Balance at July 1, 2014	1,099,878,118	-	110,619,711	1,210,497,829
Surplus (deficit) for the Year	(12,236,714)			(12,236,714)
Revaluation for the Year		-		-
Development Grants for the Year			155,720,000	155,720,000
Prior year Adjustment - Pension Payable	(1,210,530)	-	-	(1,210,530)
Balance as at June 30, 2015	1,086,430,874	-	266,339,711	1,352,770,585

XIV. STATEMENT OF CASH FLOWS

	<u>Notes</u>	<u>2014/2015</u> <u>Kshs.</u>	<u>2013/2014</u> <u>Kshs.</u>
Cash flows from operating activities			
Surplus/(Deficit) for the Year		(12,236,714)	(164,830,844)
Adjustments for :			
Depreciation	7	27,219,055	23,089,181
Increase/Decrease in provision for bad debts		312,028	217,395
Cash flow from operating activities before working capital Changes		15,294,370	(141,524,268)
Working Capital Changes			
(Increase)/decrease in Trade & Other Receivables	15	(28,837,085)	83,965,101
(Increase)/decrease in Inventories	16	(4,176,001)	0
Increase/(decrease) in Trade And Other Payables	18	(206,321)	119,779,255
Net cash flow from operating activities		(33,219,407)	203,744,356
Cash flows from investing activities			
(Increase)/decrease in fixed assets	20	(116,293,768)	(20,886,753)
(Increase)/decrease in Work in progress	20	4,951,940	(148,620,116)
(Increase)/decrease in Investments	17	0	0
Net cash flow from investing activities		(111,341,827)	(169,506,869)
Cash Flow From Financing Activities			
Capital Fund		154,509,470	110,619,711
Long-Term Liabilities		0	0
Net cash flow from financing activities		154,509,470	110,619,711
Net movement in cash and cash equivalents		25,242,605	3,332,931
Cash and Cash Equivalents At Beginning of Year		32,062,407	28,729,477
Cash and Cash Equivalents At End of Year	14	57,305,012	32,062,407

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget Kshs.	Adjustments Kshs.	Final Budget Kshs.	Actual on comparison basis Kshs.	Variance Kshs.	% Variance
Revenue						
GOK grants	291,928,350	-	291,928,350	321,095,017	29,166,667	10%
Tuition	46,831,600	-	46,831,600	70,453,258	23,621,658	50%
Other income	41,513,800	-	41,513,800	43,698,714	2,184,914	5%
Total income	380,273,750	-	380,273,750	435,246,989	54,973,239	
Expenses						
Personal emoluments	324,608,812	-	324,608,812	322,812,350	1,796,461	1%
Board expenses	7,000,000	-	7,000,000	6,552,187	447,813	6%
Depreciation and Amortization expense	-	-	-	27,219,055	(27,219,055)	100%
Repairs & maintenance	5,000,000	-	5,000,000	3,210,111	1,789,889	36%
General expenses	99,648,667	-	99,648,667	68,408,129	31,240,538	31%
Teaching expenses	17,900,000	-	17,900,000	5,837,283	12,062,717	67%
Students welfare	17,600,000	-	17,600,000	13,132,558	4,467,442	25%
Provision for bad debts	-	-	-	312,028	(312,028)	100%
Total expenditure	471,757,478	-	471,757,478	447,483,702	24,273,776	
	(91,483,729)	-	(91,483,729)	(12,236,714)	(79,247,015)	

Budget variance explanations:

1. Tuition (Budget variance 50%)
Explanation: Higher tuition fees collected than budgeted resulted from strict implementation of the University College fees payment policy coupled with increase in students' enrolment from 1314 to 1874.
2. Depreciation and amortization expense (Budget variance 100%)
Explanation: Due to uncertainty of timely release of development funds by the Government hence completion of projects, the University College could not reliably estimate the depreciation/amortization expense hence this was not budgeted for.
3. Repairs and maintenance, General expenses, teaching expenses and students' welfare (Each had a budget variance of over 10%)
Explanation: Since the University College was operating on a deficit budget, deliberate efforts were made to control and avoid some of the expenses so as to spend within allocated funds. Therefore most of the noncore general expenses were forfeited.
4. For purposes of fair presentation of financial statements, a 5% general provision for other debtors has been made. This was not in the budget.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

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

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Government Grants

Murang'a University College receives grants from Government for both recurrent and development requirements. These revenues from non – exchange transactions with government are measured at fair value and recognized on obtaining control of the cash and when it is probable that the economic benefits or service potential related to the asset will flow to the University College and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

Murang'a University College recognizes revenue from rendering teaching services to students and charging them tuition fees. This income is recognized when the actual teaching has been done and is charged per semester or term. Tuition fees received in advance is treated as deferred income.

Sale of goods

Murang'a University College sales food and beverages in the cafeteria to both staff and students. The University College also sales tender documents and stationery items in the Book Shop. Revenue from such sales is recognized as and when payments are received.

Interest income

Interest income for the University College is derived from the fixed deposits. This is recognised when the amount is credited to the University bank account.

Dividends

Murang'a University College has shares in Bamburi Cement. It receives dividends from these shares which are recognized once the University College's right to receive payments is established.

Rental income

The University College accommodates students in the hostels and charges them a fee for this service. This is recognised once payments are received. Also a few staff members who occupy University College staff houses are charged market rate rental income.

Other income

The University College recognizes other income from examinations, computer services, industrial attachments and medical services.

b) Budget information – IPSAS 24

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 University College. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Murang'a University College differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanations of the variances between actual and final budget have been provided at the statement of comparison of budget and actual amounts.

c) Taxes – IAS 12

The University College is exempted from taxation under the first schedule section 10 of the income tax Act Cap 470.

d) Investment property – IPSAS 16

The University College does not have investment property.

e) Property, plant and equipment – IPSAS 17

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

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

Asset class	Percentage depreciation rate
Buildings	2%
Plant and Equipment	10%

Office Equipment	10%
Kitchen Equipment	10%
Furniture and Fittings	10%
Motor vehicles	20%
Computer hardware, software, networking and internet	30%

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

f) Leases – IPSAS 13

The University College does not have either finance or operating lease obligations.

g) Intangible assets – IPSAS 31

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

The useful life of the intangible assets is in line with the University College's depreciation policy of Property Plant and Equipment at 3.3 years.

i) Research and development costs

Murang'a University College expenses research costs as incurred. Development costs on an individual project are capitalized when the University College can demonstrate:

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated depreciation/amortization and accumulated impairment losses. The depreciation policy of Property, Plant and Equipment of the University College is applied once the asset is complete and ready for use.

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Receivables

Murang'a University College recognizes receivables from outstanding student fees and does not charge interest on these outstanding fees.

Impairment of financial assets

None of the financial assets of Murang'a University College were impaired during the financial year.

ii) Financial liabilities

The University College financial liabilities comprised of Kshs 75,653,378 Collective Bargaining Agreement (CBA) funds and trade and other payables of Kshs 160,771,641. These financial liabilities are initially recognised at their fair values and are classified at initial recognition.

i) Inventories – IPSAS 12

Murang'a University College recognises inventory at lower of cost and net realizable value. The University College expenses inventory and other consumable items at the time of purchase and not the time of issue. At end of the financial period an annual stock take of all the inventory items is undertaken and valued. These values are recognized as stock and reduces the respective expenditures.

j) Provisions – IPSAS 19

Provisions are recognized when the Murang'a University College 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. The University College recognises at year end by expensing them directly and crediting the provision account. This is extinguished as the actual claims are presented for payment.

The University Colleges makes a provision of 5% of debtors in the financial statements and restated the bad debtor's provision of 2013/2014 to recognise them.

Contingent liabilities

There were no contingent liabilities during the financial year.

Contingent assets

There were no contingent assets during the financial year.

k) Nature and purpose of reserves - IPSAS 1

Murang'a University College creates and maintains reserves in form of accumulated and development fund where surplus/ (deficits) during the financial periods are transferred to. These reserves are listed below:

	Nature of reserve	Purpose of the reserve	Balance as at 30 th June 2015 in Kshs
1	Capital Fund	This was the initial capital for the College which has been growing through annual surpluses from operations. The deficits from the statement of financial performance reduce the fund.	1,086,430,874
2	Revaluation reserves	This is created for both revaluation deficits and surpluses when the University College assets are revalued and compared to the net book values.	Nil
3	Development grant	This caters for the annual development capitation that the University College receives from the Government. The development projects once completed are amortized as they continue being used.	266,339,711
4	Accumulated Fund	This is the sum of the total funds of the University College comprising of the capital, revaluation reserves and development grants.	1,352,770,585

l) Changes in accounting policies and estimates – IPSAS 3

Murang'a University College recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. The University College has not changed the accounting policies and estimates during the financial year.

m) Employee benefits – IPSAS 25

Retirement benefit plans

Murang'a University College provides retirement benefits for its employees. It maintains a defined contribution plan whereby the employee contributes 10% of basic pay and University College contributes 20% of employee's basic pay. The pension scheme is registered with independent trustees.

n) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are accounted for at the ruling rate of exchange on the date of the transaction. Such transactions are minimal since most of the University College expenses are carried out in Kenya Shillings.

o) Borrowing costs – IPSAS 5

The University College did not incur any borrowing costs during the financial year.

Related parties – IPSAS 20

Murang'a University College regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the University College, or vice versa. Jomo Kenyatta University of Agriculture and Technology (JKUAT), the University College Council and members of key management are regarded as related parties.

Type of related party	Nature of relationship	Transactions with related party	Remuneration in Kshs
Jomo Kenyatta University of Agriculture and Technology	Parent University of the University College.	Personal emoluments to staff that had been seconded to the University College.	1,123,526
University College Council	Provision of effective leadership and control in terms of approving the University College's strategy and best practice of corporate governance.	Payment of Council allowances and honorarium during council meetings.	6,552,187
University College key management	The authority and responsibility to plan and control the activities of the University College, to manage the resources, and ensure the overall achievement of objectives. Implement the University College strategy, policies and programs	Payment of monthly salaries and allowances as stipulated in the terms of service of each key management member.	25,666,552

q) Service concession arrangements – IPSAS 32

The University College did not have any service concessions during the financial year.

r) Cash and cash equivalents

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

s) Comparative figures

There have been no changes in comparative figures for the previous financial year since the basis of preparation of the financial statements has not changed except for restatement of provision for bad debtors.

t) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

Estimates and assumptions

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

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal: The condition of the asset based on expert assessment of the Valuer contracted by the University College and the nature of the asset its susceptibility and adaptability to changes in technology and processes.

u) Risk management – IPSAS 30

The University College's principal financial assets are, trade receivables and cash and short term deposits which arise directly from its operations. The University College has financial liabilities comprising trade and other payables.

The University College has exposure to the following risks:

- i) Market risks
- ii) Liquidity risk
- iii) Credit risks

The Audit and Risk management committee of the council assesses the risk exposure of the University College and her risk appetite. There is a risk management framework established.

The University College's risk management policies are established to identify and analyses the risks faced by the University College, to set appropriate risk limits and controls, and to monitor risks. Risk management policies and systems are reviewed regularly to reflect changes in economic conditions and the organization's activities.

Market risk management

Interest rate risk

The University College has fixed deposit amounts where interest is earned. There is no risk associated with the fixed deposits since the interest rate is set at the time of placing the deposit. The fixed deposits are made with Government owned banks with strong capital base.

Foreign currency risk

The University College's transactions are mainly in local currency with very few cases where suppliers quote in foreign currency mostly in US dollars. In such cases, there is minimal exposure to exchange rate risk due to fluctuations in exchange rate of the Kenya Shilling against US dollar. These are managed in the budget process.

Liquidity risk

Liquidity risk is the risk that the University College will not be able to meet her financial obligations as they fall due. The University College's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University College's reputation and going into overdraft. Typically the University College ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations.

Credit risk

Credit risk is the risk of financial loss to the University College if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The University College receives fees from students which minimizes the credit risk exposure. The University College has a student's fees payment policy which defines how and when fees are supposed to be paid hence minimizes credit risk. Other customers settle their obligations within a maximum credit period of 30 days.

Classification of credit risk bearing assets

The table below represents University College's maximum exposure to credit risk as at 30 June 2015 and 2014.

30th June 2015

	Fully performing	Past due	Impaired	Total
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Trade receivables	45,425,495	-	-	45,425,495
Bank and cash balances	57,305,012	-	-	57,305,012
Total	<u>102,730,507</u>	<u>-</u>	<u>-</u>	<u>102,730,507</u>

30th June 2014

	Fully performing <u>Kshs</u>	Past due <u>Kshs</u>	Impaired <u>Kshs</u>	Total <u>Kshs</u>
Trade receivables	16,900,438	-	-	16,900,438
Bank and cash balances	32,062,407	-	-	32,062,407
Total	<u>48,962,845</u>	<u>-</u>	<u>-</u>	<u>48,962,845</u>

All the University College's receivables are fully performing and are expected to be repaid. Bank balances includes cash in hand and deposits held with banks.

v) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

w) Currency:

These financial statements have been presented in Kenya Shillings (Kshs).

3. Government Grants

	<u>2014/2015</u> <u>Kshs.</u>	<u>2013/2014</u> <u>Kshs.</u>
Recurrent grants received	321,095,017	234,305,583
Total recurrent grants received	<u>321,095,017</u>	<u>234,305,583</u>

4. Tuition Fees

	<u>2014/2015</u> <u>Kshs.</u>	<u>2013/2014</u> <u>Kshs.</u>
Tuition Fee SSP - Central Vote	58,421,743	40,039,500
Tuition Fee GOK - Central Vote	12,031,515	7,786,691
TOTALS	<u>70,453,258</u>	<u>47,826,191</u>

5. Other Income

	<u>2014/2015</u> <u>Kshs.</u>	<u>2013/2014</u> <u>Kshs.</u>
Computer Fee - Central Vote	4,180,976	2,249,992
Registration Fee - Central Vote	415,150	523,685
Internal Examinations - Central Vote	6,026,481	2,345,764

Examinations Material Fee - Central Vote	17,986	598,431
Activity And Sports Fee - Central Vote	1,459,028	1,328,194
Medical Fee - Central Vote	3,292,721	2,697,017
Library Fee - Central Vote	3,891,655	1,524,699
Field/Academic Trips - Central Vote	-	274,563
Industrial Attachment Levy - Central Vote	3,745,783	27,524
Student IDs - Central Vote	315,320	439,527
Internet fee- Central Vote	12,850	12,144
Application Fee - Central Vote	584,000	731,645
Lost/Damaged Items - Central Vote	38,072	226,789
Bank Charge Fee - Central Vote	2,450	3,974
Student Fines - Central Vote	-	7,000
Laboratory/Workshop Fee- Central Vote	10,000	-
Hire Of Facilities - Central Vote	131,500	116,000
Rent Income - Central Vote	346,500	381,645
Interest on Fixed Deposits - Central Vote	2,464,863	4,705,217
Bamburi Dividends - Central Vote	1,322,907	-
Sale Of Tender Documents - Central Vote	112,410	589,987
Hostel Fee -Accommodation	2,211,735	3,120,000
Other Incomes - Central Vote	1,964,532	53,710
Administration Charges - Central Vote	162,612	101,402
Sale of Food & Beverages - Catering PAYE	5,076,753	6,656,171
Sale of Food & Beverages - Cafeteria	1,653,315	1,536,040
Sale of Food & Beverages - Hospitality & Tourism Department	30,340	19,060
Bookshop Sales - MRUC Workshops Services	46,998	125,400
Fuel Saving Jikos Sales - MRUC Workshops Services	2,022,874	2,066,836
Photocopy Income - MRUC Workshops Services	-	14,262
Mechanical Sales - MRUC Workshops Services	-	339,600
Sales - MRUC Workshops Services	281,853	1,416,597
Farm Sales - MRUC Workshops Services	43,190	51,290
Hire of Facilities - MRUC Workshops Services	221,175	26,500
Woodwork Income - MRUC Workshops Services	1,612,684	894,263
County Government Training	-	2,903,550
TOTALS	43,698,714	38,108,478

6. Personal Emoluments

	2014/2015	2013/2014
	Kshs.	Kshs.
Basic Salaries - Central Vote	149,086,761	117,681,078
House Allowance - Central Vote	90,307,994	80,635,446
Pension Employers Expense - Central Vote	22,161,842	18,109,303
Responsibility Allowance - Central Vote	1,444,016	1,718,652
Telephone Allowance - Central Vote	2,337,042	1,923,455

Acting Allowance - Central Vote	1,007,734	715,905
Management Allowance - Central Vote	14,680,428	13,890,388
BOG & Other Gratuities - Central Vote	2,396,713	184,440
Leave Travel Allowance - Central Vote	1,288,440	1,031,880
Bus fare Allowance - Central Vote	19,553,471	21,890,145
Car Allowance - Central Vote	7,108,065	0
Non-Use of Official Car - Central Vote	257,419	450,000
Entertainment Allowance - Central Vote	3,383,622	3,053,193
Electricity & Water Allowance - Central Vote	1,930,412	1,764,116
Passage and Baggage Allowance - Central Vote	94,515	456,838
Domestic Workers Allowance - Central Vote	1,804,032	1,092,581
Risk Allowance - Central Vote	126,000	84,000
Extraneous Allowance - Central Vote	2,688,137	2,499,610
Coordination Allowance - Central Vote	945,709	754,000
Research Allowance - Central Vote	150,000	300,000
Book Allowance - Central Vote	60,000	120,000
	<u>322,812,350</u>	<u>268,355,029</u>

7. Depreciation and amortization Expense

	<u>2014/2015</u>	<u>2013/2014</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Depreciation Expense - Central Vote	27,219,055	23,089,181
	<u>27,219,055</u>	<u>23,089,181</u>

8. Repairs and Maintenance

	<u>2014/2015</u>	<u>2013/2014</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Repairs & Maintenance of Buildings and Stations - Central	3,210,111	7,398,356
	<u>3,210,111</u>	<u>7,398,356</u>

9. General Expenses

	<u>2014/2015</u>	<u>2013/2014</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Travel and Subsistence - Central Vote	8,052,504	8,482,206
Fuel and oils - Central Vote	2,832,956	2,650,493
Maintenance of Vehicles - Central Vote	1,295,171	1,524,787
Vehicle Insurance - Central Vote	932,794	516,436
Office Stationery - Central Vote	2,630,971	5,011,493
Printing and Publishing - Central Vote	40,810	167,420
Advertising and Publicity Vacancies and Others - Central Vote	1,042,762	1,852,074
Advertising and Publicity Intake and Informatials - Central	2,116,213	3,559,412
Research, Development, Shows and Exhibitions - Central Vote	959,688	755,533
Marketing Activities - Central Vote	602,656	1,814,963
Governance - Central Vote	-	6,401,113

Conference - Principal	212,985	328,477
Conference -Deputy Principal - AFP&D	86,305	-
Conference -Deputy Principal - ARIE	90,557	-
Conference - Registrar (AFP &D)	109,123	125,687
Conference - Finance	44,361	9,119
Conference - Dean of Students	-	68,525
Conference - Accomodation	-	12,800
Conference - Dean School of Business & Economics	2,010	4,225
Staff Development and Training - Central Vote	1,590,262	-
Seminars & Workshops - Central Vote	456,372	-
Staff Welfare - Central Vote	51,257	-
Staff Medical Expenses - Central Vote	3,499,217	1,756,405
Benevolent Expenses - Central Vote	153,490	-
Professional Subscription - Central Vote	91,558	232,936
Purchase of Uniforms - Central Vote	7,500	64,780
Payment of Rent and Rates - Central Vote	1,649,736	2,062,170
Professional Consultancy and Professional Services - Central Vote	376,621	436,698
Construction - Central Vote	696,000	-
Audit fees - Central Vote	275,279	338,073
Telephone Expenses - Central Vote	2,478,692	470,000
Internet Charges - Central Vote	2,586,032	1,055,792
Books, Journals and Magazines - Central Vote	-	354,950
Newspapers - Central Vote	726,180	2,033,292
ISO & SP Expenses - Central Vote	141,493	148,862
Bank Charges - Central Vote	4,544,833	3,556,456
Electricity - Central Vote	6,390,961	4,028,454
Water and Conservancy - Central Vote	7,265,184	5,599,862
Cleaning and Fumigation - Central Vote	1,026,000	1,046,932
Tender and Procurement expenses - Central Vote	285,055	-
Software Licence Renewal	6,993,840	5,289,650
Hire of Security Services- Central Vote	2,045,850	4,012,670
Casual Wages - Central Vote	239,170	696,524
Partitioning & Branding - Central Vote	50,000	-
Inauguration Expenses - Central Vote	3,730,116	8,538,920
Workshops Unit Expenses	5,568	-
Mechanical Expenses-MRUC Workshops Services	68,408,129	75,008,189

10. Teaching Expenses

	2014/2015	2013/2014
	Kshs.	Kshs.
Purchase of Teaching Materials - Central Vote	1,182,086	1,820,104
Curriculum and Development - Central Vote	445,031	1,189,515

Academic Trips Registrar - Central Vote	3,150	0
Part time Teaching - Central Vote	1,840,224	12,051,576
Examination Materials - Central Vote	926,935	941,953
External Examiners - Central Vote	443,242	483,501
Industrial Attachment Expenses - Central Vote	996,615	0
	<u>5,837,283</u>	<u>16,486,649</u>

11. Students Welfare Expenses

	2014/2015 Kshs.	2013/2014 Kshs.
Purchase of Gas, Charcoal and firewood - Central Vote	1,235,241	1,242,290
Purchase of foodstuffs - Central Vote	9,052,448	9,900,131
Purchase of Utensils, beddings & fittings - Central Vote	48,701	894,700
Sports Activities - Central Vote	1,728,096	1,284,974
Health Unit Expenses - Central Vote	1,058,572	1,709,799
Student Work study Programme - Central Vote	9,500	17,547
	<u>13,132,558</u>	<u>15,049,441</u>

12. CBA Refund

	2014/2015 Kshs.	2013/2014 Kshs.
CBA Refund	-	75,653,378
	<u>-</u>	<u>75,653,378</u>

13. Provision for Bad Debts

	2014/2015 Kshs.	2013/2014 Kshs.
Provision for Bad and Doubtful Debts - Central Vote	312,028	217,395
	<u>312,028</u>	<u>217,395</u>

14. Cash and Cash Equivalent

	2014/2015 Kshs.	2013/2014 Kshs.
Fixed Deposits KCB	20,000,000	80,000,000
Cash in Hand KCB	15,949	36,361
Cash in Hand Equity	634	18,073
Cash in Hand Float	1,061	11,596
Cash at Bank KCB	30,228,181	(49,199,722)
Cash at Bank Consolidated Bank	-	67,603
Cash at Bank Co operative	-	516,589
Cash at Bank Equity Workshops	825,361	286,551

Cash at Bank Equity Woodwork	-	325,619
Cash at Bank Equity Mechanical	-	235
Manual Cash Payments Control	(497)	(497)
Cash at Bank KCB Paying Account	2,001,186	-
Cash at Bank KCB Gatanga T.T.I Account	4,233,138	-
	<u>57,305,012</u>	<u>32,062,407</u>

15. Trade and Other receivables

	<u>2014/2015</u>	<u>2013/2014</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Receivables from exchange transactions		
Student Debtors	17,886,037	13,951,021
Less Provision for Students Debt	(894,302)	(697,551)
Other Debtors	2,197,999	2,197,999
Less General provision for other debtors	(115,277)	-
House Rent Debtors	107,542	107,542
Imprest Debtors	941,594	960,167
MRUC Pension Scheme	974,540	381,260
Total from exchange transactions	<u>21,098,133</u>	<u>16,900,438</u>
Receivables from non exchange transactions		
Recurrent Grants Receivable	24,327,362	-
Total from non exchange transactions	<u>24,327,362</u>	<u>0</u>
Total trade and other receivables	<u>45,425,495</u>	<u>16,900,438</u>

16. Inventories

	<u>2014/2015</u>	<u>2013/2014</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Stock Central Stores	1,574,989	-
Stock Maintenance department	1,192,952	-
Stock Catering department	160,492	-
Stock Electrical	44,430	-
Stock House Keeping/Accommodation	92,209	-
Stock Health Unit	1,110,929	-
	<u>4,176,001</u>	<u>-</u>

17. Long Term Investments

	<u>2014/2015</u>	<u>2013/2014</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Bamburi Shares	25,318,800	25,318,800

25,318,800

25,318,800

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

18. Trade and Other Payables	2014/2015	2013/2014
	Kshs.	Kshs.
Trade and other payables from exchange transactions		
Creditors	6,137,565	42,410,175
Retention Account	24,034,922	14,385,996
Income Tax Withholding	684,155	1,666,162
VAT Withholding	476,798	-
Wages Payables	411,216	411,216
NHIF Deductions	960	-
PAYE Deductions	1,094,390	-
MRUC Pension Scheme Staff Deductions	310,174	-
MRUC Workshops Deductions Payable	51,977	89,636
Provision for 2014/2015 General Expenses Payable	3,719,699	-
Former BOG employees gratuity Payable	6,916,100	6,916,100
Part time Lecturers Payable	4,615,649	5,950,225
Sacco Deductions Nyeri Teachers Sacco	-	67,603
KUSU PAYABLE	1,137	-
Sacco Deductions SOUTH EASTERN KENYA UNIVERSITY SEKU	40,025	-
Other Payables	1,824,905	1,698,819
Students Caution Money	274,622	311,622
Student Union Fee	122,735	287,800
Attachment Levy	1,145,219	1,145,219
Library Books Fund	341,838	341,838
External Examinations KNEC	3,158,501	3,398,838
Chinese Project	5,114,730	5,144,315
JKUAT Payable	1,123,526	1,123,526
CBA Funds Refundable	75,653,378	75,653,378
Farm Fund	266,545	271,495
Provision for Audit fees	696,000	-
External Research	400,000	400,000
Total trade and other payables from exchange transactions	138,616,764	161,673,963
Trade and other payables from non exchange transactions		
Gatanga Technical Institute Fund	22,850,877	-
Total trade and other payables from non exchange transactions	22,850,877	-
Total trade and other payables	161,467,641	161,673,963

19. Accumulated Fund

	2014/2015	2013/2014
	Kshs.	Kshs.
Balance Brought Forward	1,210,497,829	1,264,708,961
Prior Year Adjustment - Pension Payable	(1,210,530)	0
Development Grants	155,720,000	110,619,711
Surplus (Deficit) for the Period	(12,236,714)	(164,830,844)
Balance Carried Forward	<u>1,352,770,585</u>	<u>1,210,497,829</u>

20. Work in progress

Project	Amount - Kshs
Hostel block phase 1	129,023,090.26
Proposed Gate works & Ablution Blocks	14,645,085.74
Total	143,668,176.00

20. Property, Plant and Equipment

	Free Hold Land	Building	Plant & Equipments	Office Equipments	Kitchen Equipments	Furniture & Fittings	Motor Vehicle	Computer Hardware	Computer Software	Networking & Internet Infrastructure	Total
RATES	0.0	0.02	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.3	
COST											
AT July 1, 2013	650,000,000	422,679,910	22,453,528	8,042,395	0	12,768,960	28,095,000	7,432,665	0	0	1,151,472,458
Additions During The Year	0	10,243,581	1,457,954	0	0	3,229,687	0	5,194,063	0	761,468	20,886,753
Disposal During The Year	0	0	0	0	0	0	0	0	0	0	0
AT June 30, 2014	650,000,000	432,923,491	23,911,482	8,042,395	0	15,998,647	28,095,000	12,626,728	0	761,468	1,172,359,211
AT July 1, 2014	650,000,000	432,923,491	23,911,482	8,042,395	0	15,998,647	28,095,000	12,626,728	0	761,468	1,172,359,211
Additions During The Year	0	104,247,690	4,555,049	0	0	1,335,356	3,937,330	1,165,553	0	1,052,790	116,293,768
Disposal During The Year	0	0	0	0	0	0	0	0	0	0	0
AT June 30, 2015	650,000,000	537,171,181	28,466,531	8,042,395	0	17,334,003	32,032,330	13,792,280	0	1,814,258	1,288,652,979
DEPRECIATION											
AT July 1, 2013	0	0	0	0	0	0	0	0	0	0	0
Depreciation For Year Ending June 30, 2014	0	8,658,470	2,391,148	804,240	0	1,599,865	5,619,000	3,788,018	0	228,440	23,089,181
AT June 30, 2014	0	8,658,470	2,391,148	804,240	0	1,599,865	5,619,000	3,788,018	0	228,440	23,089,181
AT July 1, 2014	0	8,658,470	2,391,148	804,240	0	1,599,865	5,619,000	3,788,018	0	228,440	23,089,181
Depreciation For Year Ending June 30, 2015	0	10,743,423	2,846,653	804,240	0	1,708,400	6,406,466	4,137,684	0	572,189	27,219,055
AT June 30, 2015	0	19,401,893	5,237,801	1,608,480	0	3,308,265	12,025,466	7,925,702	0	800,629	50,308,256
NBV AS AT June 30, 2015	650,000,000	517,769,287	23,228,730	6,433,915	0	14,025,738	20,006,864	5,866,578	0	1,013,629	1,238,344,752

VII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The University College has not received the audit report for 2013-2014 financial year.