

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

DATE: 04 AUG 2021

DAY:  
Wed (AM)

TABLED  
BY:

Hon. E. WANJAU  
Majority WBIP

**OF**

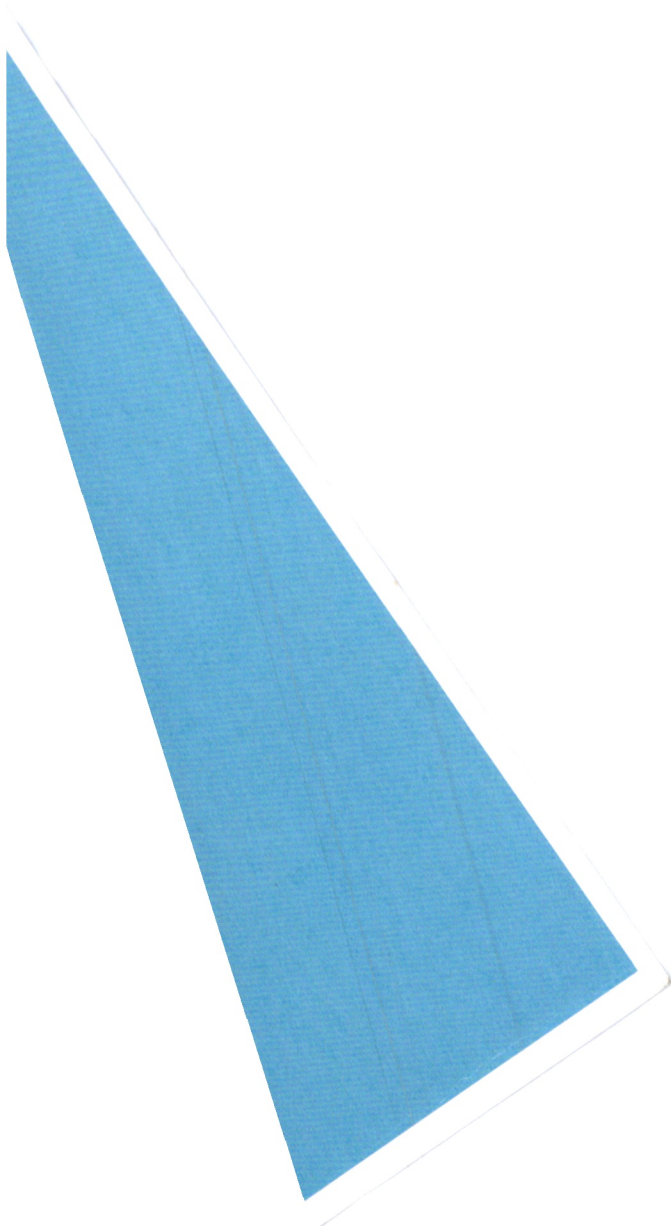
PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**MERU UNIVERSITY OF SCIENCE  
AND TECHNOLOGY**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





---

**MERU UNIVERSITY  
OF  
SCIENCE AND TECHNOLOGY  
ANNUAL REPORT AND FINANCIAL  
STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2019**

---

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

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

**TABLE OF CONTENTS**

	Page
TABLE OF CONTENTS .....	i
PART ONE: ANNUAL REPORTS.....	ii
KEY ENTITY INFORMATION AND MANAGEMENT.....	iii
THE UNIVERSITY COUNCIL .....	vi
MANAGEMENT TEAM.....	x
CHAIRMAN’S STATEMENT .....	xiii
REPORT OF THE VICE CHANCELLOR.....	xv
CORPORATE GOVERNANCE STATEMENT .....	xvii
MANAGEMENT DISCUSSION AND ANALYSIS.....	xxi
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....	xxvi
REPORT OF THE COUNCIL .....	xxix
STATEMENT OF COUNCIL’S RESPONSIBILITIES.....	xxx
REPORT OF THE AUDITOR GENERAL .....	xxxi
PART TWO: FINANCIAL STATEMENTS.....	1
STATEMENT OF FINANCIAL PERFORMANCE.....	1
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF CHANGES IN NET ASSETS .....	3
STATEMENT OF CASH FLOWS.....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	5
NOTES TO THE FINANCIAL STATEMENTS .....	6
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....	32
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY.....	33
APPENDIX III: INTER-ENTITY TRANSFERS.....	34
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES .....	35

**PART ONE: ANNUAL  
REPORTS**

**KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Through the Legal Notice No.103 of July 18, 2008, the then Meru College of Technology was upgraded to a constituent college of Jomo Kenyatta University of Agriculture and Technology and renamed Meru University College of Science and Technology. On March 1 2013, the University College acquired fully fledged university status and became Meru University of Science and Technology. The University is located 16 km from Meru town along Meru-Maua road in Meru County, Tigania West Constituency.

**(b) Principal Activities**

The principal activities of the University are to:

- a) Provide and advance university education and training to appropriately qualified candidates leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing, contribute to labour market needs;
- b) Play a leading role in the development and expansion of opportunities for higher education and research in agriculture, forestry, mining, energy, water and environmental sciences on arid and semi-arid lands;
- c) Contribute to industrial and technological development through innovations and technology transfer;
- d) Contribute to agricultural, industrial and technological development of Kenya in collaboration with industry and other institutions through transfer of appropriate technology.

**(c) Key Management**

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

- University Senate
- University Management Board

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name	Remarks
1.	Vice Chancellor	Prof. Romanus Odhiambo	6 August 2018 - 30 June 2019
2.	<ul style="list-style-type: none"> <li>• Deputy Vice Chancellor (Administration, Finance and Planning)</li> <li>• Acting Vice Chancellor</li> </ul>	Prof. Charity W. Gichuki	<ul style="list-style-type: none"> <li>▪ Acting VC from 1 July 2018 to 5 August 2018.</li> <li>▪ DVC (AFP) up to 16 June 2019</li> </ul>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

3.	Ag. Deputy Vice Chancellor (Administration, Finance and Planning)	Dr. Eunice Marete	<ul style="list-style-type: none"> <li>▪ 17 June 2019 to 30 June 2019.</li> <li>▪ Ag. Registrar (ASA) from 1 July 2018 to 31 December 2018</li> </ul>
4	Deputy Vice Chancellor (Academic, Research and Student Affairs)	Prof. Gitonga Mburugu Nkanata	1 July 2018 to 12 January 2019
5.	Ag. Deputy Vice Chancellor (Academic, and Student Affairs)	Dr. George Mugambi	13 January 2019 to 30 June 2019
6.	Director (Research Development and Extension)	Dr. Guyo Huka	
7.	Registrar (Administration and Planning)	Dr. Elijah Walubuka	
9.	Registrar (Academic and Students Affairs)	Prof. Simon Thurania	1 January 2019 to 30 June 2019
10.	Finance Officer	CPA Nephath Njeru	
11.	Deputy Registrar (Human Resources)	Ms. Evelyne Gitonga	

**(e) Fiduciary Oversight Arrangements**

**Audit Committee of the Council activities**

The Audit Committee of the Council assists the Council in fulfilling its responsibilities with respect to accounting and management control, and also financial reporting. Specifically, the Audit Committee is responsible for overseeing:

- The internal audit function and the work of external auditor,
- That the system of the management control in the University is robust and effective and protects the assets of the University on a reasonable and economic basis,
- Ensures that financial information is reliable and accurate,
- Monitors compliance with laws and regulations,
- Provides for proper authorization and recording of transactions.

**(f) The University Headquarters**

Meru University of Science and Technology  
Physical Address: Meru-Maua Road, 16 kilometres from Meru Town  
P.O Box 972 – 60200, **MERU**

**(g) Entity Contacts**

Telephone: (254) 0704 508 454  
E-mail: [finance@must.ac.ke](mailto:finance@must.ac.ke), [vc@must.ac.ke](mailto:vc@must.ac.ke)  
Website: [www.must.ac.ke](http://www.must.ac.ke)  
P.O Box 972 – 60200, Meru –Kenya

**(h) University Bankers**

1. National Bank of Kenya – Meru Branch  
P.O Box 1774 – 60200, **MERU**
2. Kenya Commercial Bank Ltd- Meru Branch  
P.O Box – 178 – 60200, **MERU**
3. Equity Bank –Makutano Branch  
P.O. Box 3137 -60200, **MERU**
4. Cooperative Bank- Makutano Branch  
P.O. Box 1328-60200, **MERU**
5. Central Bank of Kenya  
P.O. Box 60000-00200 Nairobi, Kenya

**(i) Independent Auditors**

Auditor General  
Office of the Auditor General,  
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

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**



**THE UNIVERSITY COUNCIL**

Council is the University’s highest governing body, responsible for setting the general strategic direction of the University, for ensuring proper accountability, and for the management of its finances, property and investments and the general business of the university. It approves the University’s key policies and plans pertinent to its three core functions: teaching, research and public service. In that connection, the Council makes sure that the University always maintains high standards in the three core areas just mentioned. To ensure that MUST really does this, the Council reviews its performance from time to time. It also appoints persons to various leadership positions in the University.



The Council conduct of business is guided by University Act No. 42 of 2012, Mwongozo Code of Conduct 2015, Commission for University Education Regulations and Standards 2014 and MUST Charter.

The University Council is composed of a Chairperson, the Vice Chancellor and seven other members. All the members other than the Vice Chancellor are drawn from outside the University.

The following are the Council members who served during the period:

<p><b>1. PROF. DULACHA GALGALO BARAKO</b></p> 	<p>Prof. Barako served as Treasurer to the Council of Moi University (2009 – 2012), and Chairman of Council of Dedan Kimathi University of Technology (2013 – 2017). He was appointed Chairman of Council of Meru University of Science and Technology in March 2017. He is a Fellow of the <i>Institute of Public Accountants</i>, Australia and a member of the <i>Accounting and Finance Association of Australia and New Zealand (AFAANZ)</i>. He is also a member of the Institute of Certified Investment and Financial Analysts, Kenya (ICIFA – K) as well as member Kenya Institute of Management (KIM).</p> <p>He completed Bachelor of Commerce (1993) and Master of Business Administration (1996) degrees at the University of Nairobi. He completed his PhD at the University of Western Australia. He has published widely in accounting and finance.</p>
<p><b>2. MS FELICITY BIRIRI</b></p> 	<p>Felicity N Biriri holds a Bachelor of Arts degree in Human Resource Management and a Master’s degree in Conflict Resolution and Peace Management from Kenyatta University.</p> <p>Ms. Biriri has also undergone professional trainings on Corporate Governance, Enterprise Risk Management, Performance Management, Project and Contract Compliance and the Mwongozo Code of Ethics among others.</p> <p>Ms. Biriri is a Human Resource professional with more than 18 years’ experience in various sectors including banking, advertising and manufacturing. Ms. Biriri has sat in several Boards such as Geothermal Development Company, Kenya Private Sector Alliance (KEPSA) and is a trustee of the KEPSA Foundation, COMESA-FEMCOM, Moi University Council, the National Environmental Ombudsman NECC and The Kenya Pipeline Company. She is the current Chairperson of the Kenya Pipeline Company Retirement Benefits Scheme.</p>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

<p>3. <b>MS. MARY W MUGO</b></p> 	<p>Ms Mary W Mugo holds a Bachelor of Education (Business Studies and Economics) degree from University of Nairobi and a Master of Arts (Counselling Psychology) from Kenyatta University.</p> <p>Ms Mugo is a long-serving education specialist having worked in the Government of Kenya as a Civil Servant for over 20 years and over 5 years in Non-Government Organizations. She has worked in the education sector at different capacities including leadership and management, policy development, education programming, engagement and partnership. She taught at Tala High School, Machakos. She then moved to the Ministry of Education headquarters as the Peace Education National Coordinator. She also served in the Office of the President as the Chief Government Counsellor and later joined Teachers Service Commission as the Senior Principal Administration officer. She joined World Vision Kenya and served as an Associate Director of Education and Protection. She has served as the Country Director, Build Africa Kenya Country Office. Currently she is the Country Director of EDUKANS Kenya overseeing Education and Skills Development Programmes in Uganda, South Sudan among others</p> <p>Ms Mugo has served as a Board Member of Christ Compassion Rehabilitation Centre.</p>
<p>4. <b>MRS. MARGARET M MUKOBA</b></p> 	<p>Margaret M. Mukoba holds a Master degree in Business Administration from the United States International University USIU (Strategic Management and IT management). She is a graduate electrical engineer from Moi University, Eldoret and has a certificate in Financial Markets from the Securities Institute of Australia. She is an ISACA certified professional in IT Governance and Information Security Management.</p> <p>Margaret has over 25 years' experience in business technology spanning ICT services, News &amp; Information, Agriculture and Manufacturing industries. She has held senior management roles in planning and implementing corporate and IT strategy, leading corporate teams in dealing effectively with technology related risks and deriving maximum value from data and technology enabled business processes; identifying, assessing and advising on IT risks and controls, and relating them to the wider business environment. She has led, planned and implemented strategies and business technology solutions within 14 countries in the East African region and the Indian Ocean islands, and worked with different teams in multi-cultural and multi-skilled environments in Africa, Asia and Europe.</p>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**5. MR. OMAR KASSIM  
ABIKAR**



Mr. Omar Kassim holds a Master of Business Administration (Strategic Management) from Moi University and Higher Diploma in Water Engineering. He is a registered Tech. Engineer with Engineers Registration Board.

Currently, he is the Executive Director of Kenya Muslims Charitable Trust, an NGO working in the areas of Development, Health, Education, Humanitarian, Culture and Environmental programs among others. He has previously worked with Ministry of Water Development, National Water Conservation & Pipeline Corporation and Telkom Kenya in various capacities. He has undertaken various Consultancies, Evaluations and Research studies in Project Management with a blend of Engineering, Administration and Management skills in public, private and non-governmental sectors of society.

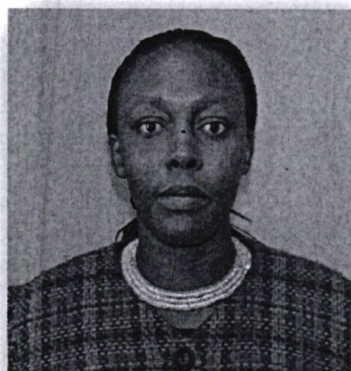
**6. MR. ROBERT KIPKIRUI  
MUTAI**



Mr. Kipkirui holds a Master in Business Administration degree (JKUAT) and an Electrical & Electronics Engineering degree (JKUAT). He is also an advance management graduate of Strathmore/IEESE Business School.

Mr. Kipkurui is a telecommunications Leader with over 15 years' experience in ICT sector. Currently, he serves as head of Technology Strategy, Assurance & Governance at Safaricom.

**7. CPA ISABELLA KOGEI**






CPA Isabella Kogei is a qualified Certified Public Accountant of Kenya.

CPA Isabella has vast experience in finance and accounting in both public and private sectors. She has worked in senior roles in finance and administration and contributed to organizational resource planning, financial reporting and management at strategic level. CPA Isabella is a member of the Secretariat to Intergovernmental Budget and Economic Council (IBEC) and the Institute and Certified Public Accountants of Kenya (ICPAK). She is also Senior Finance Officer at the National Treasury and the Parliamentary Liaison Officer who links National Treasury and both Houses of Parliament in all parliamentary businesses.

CPA Isabella represents the Principal Secretary, The National Treasury, in the Council

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

<p><b>8. MS MARGARET IYASI LESUUDA</b></p> 	<p>Ms Margaret Iyasi Lesuuda holds a Master of Arts - Peace-building from Coventry University. She also holds a Master of Ed. Administration from the University of Nairobi and a Bachelor of Education from Kenyatta University. Currently she is pursuing PhD in Higher education management at the University of Bath, UK.</p> <p>Ms. Lesuuda is the Regional Coordinator of Education in the Central Kenya region. She represents the Permanent Secretary, Department of University Education in the Council.</p>
<p><b>9. PROF. ROMANUS ODHIAMBO OTIENO</b></p> 	<p>Prof. Odhiambo holds a PhD in Statistics from Kenyatta University, MSc in Statistics Kenyatta University. He also holds Executive Master of Science in Organisational Development form USIU and a Bachelor of Education (Double Mathematics) from Kenyatta University. Prof. Odhiambo is a Professor of Statistics with over 26 years' experience in academics and research. He has served in a number of administrative leadership positions at JKUAT over the years as; Chairman of an academic department for two successive terms, Dean of a faculty for two successive terms, and Deputy Vice-Chancellor Academic Affairs for 10 years. He has distinguished himself in organizational development and management aspects such as resource mobilization, projects management and leading change. He has also supervised a number of students at Masters and Doctoral level. He is a member of International Biometric Society (IBS), Institute of Mathematical Statistics (IMS) and Kenya Inter-University Association of Mathematicians and Computer Science. He served as Vice-Chancellor with effect from 6<sup>th</sup> August 2018.</p>
<p><b>10. PROF. CHARITY W. GICHUKI</b></p> 	<p>Prof. Gichuki holds a PhD (1994) from the University of Glasgow and Bachelor of Veterinary Medicine (BVM, 1987) from the University of Nairobi.</p> <p>Prof. Gichuki has practiced as a veterinary surgeon with the Government of Kenya. She has also worked with the Kenya Trypanosomiasis Research Institute (KETRI) as a Senior Research Officer. She lectured at Kenyatta University between 1999 and 2011, where she grew through the ranks to an Associate Professor. In May 2011, she joined the Presbyterian University of East Africa as a Research Professor. While working there, she grew to become the Deputy Vice-Chancellor, in charge of Academic Affairs, Administration and Finance. In 2014, she joined Meru University of Science and Technology as a Deputy Vice-Chancellor in charge of Administration, Finance and Planning. She served as acting Vice-Chancellor from 1 July 2018 to 5<sup>th</sup> August 2018.</p>

**MANAGEMENT TEAM**

Management team that served during financial year 2018/19

**The Vice Chancellor**



**PROF. ROMANUS ODHIAMBO**

B.Ed.(KU), M.Sc.(KU), EMOD (USIU), Ph.D. (KU)

*From 6 August, 2018 to 30 June 2019*

**Deputy Vice Chancellor (Administration, Finance and Planning)**



**PROF. CHARITY W. GICHUKI**

BVM. (UoN), Ph.D. (Glasgow)

*Ag. Vice Chancellor from 1 July 2018 to 5 August 2018.*

*DVC (AFP) up to 16 June 2019*

**Ag. Deputy Vice Chancellor (Administration, Finance and Planning)**



DR. EUNICE MARETE, B.Sc. (JKUAT), M.Sc. (JKUAT)  
Ph.D. (University College Dublin)

*Acting Registrar (ASA) from 1 July 2018-31 December 2018*

*Acting DVC( AFP) from 17 June 2019-30 June 2019*

**Deputy Vice Chancellor (Academic, Research and Students Affairs)**



**PROF. GITONGA MBURUGU NKANATA**

B.Ed. (UoN), M.Sc. (UoN), Ph.D. (University of Dundee,  
Scotland)

*DVC (ASA) from 1 July 2018 to 12 January 2019*



**Ag. Deputy Vice Chancellor (Academic, Research and Students Affairs)**

**DR. GEORGE MUGAMBI**

B.SC. BOTANY & ZOOLOGY (UON), M.SC. MYCOLOGY (UON), PH.D. BIOLOGICAL SCIENCE (University of Illinois, Chicago –USA)

*DVC (ASA) from 13 January 2019 to 30 June 2019*



**Registrar (Academic, Research and Students Affairs)**

**PROF. SIMON THURANIRA**

B.Ed. (KU), M.Ed. (KU), Ph.D. (University of Maryland-USA)

*From 1 January 2019 to 30 June 2019*



**Director -Research Development and Extension**

**DR. GUYO SARR HUKA**

B. ED. ARTS (Egerton), MBA (Bangalore), PH.D. (MKU)



**Registrar (Administration and Planning)**

**DR. ELIJAH WALUBUKA**

MHRM, BA (Daystar), MBA (Egerton), Ph.D. (Kabarak)



**Deputy Registrar (Human Resources)**

**MS. EVELYNE K. GITONGA**  
MBA (KU)



**Finance Officer**

**CPA NEPHAT NJERU**  
B. Com (KU), MBA(JKUAT), CPA(K)

## **CHAIRMAN'S STATEMENT**

This annual report reveals the great efforts the University made in the process of performing its core functions: training, research and public service in the Financial Year 2018/2019. The Council has continued to provide strategic oversight aligned to the University Vision - To be a world class university of excellence in science and technology. We are aware that it is the quality of research and student experience that will allow us to achieve our vision as a world class university. What underpins all of this, is the quality and commitment of our staff. It is imperative that we continue to celebrate their success and to make the University a great place not only to study but to work. The University provides an environment that enables employees and students realize their full potential.

During the financial year, a Strategic Plan covering the period 2019-2024 was developed. The strategic plan covering the period 2013-2019 had expired. The Strategic Plan had been developed for the purpose of optimizing use of resources and making service delivery systems efficient. The University had made significant achievements in the Strategic Plan 2013-2019. The quality of teaching, learning and scholarship has increased significantly since year 2013. Consequently, we have continued to attract more students. The number of students has grown from 3,000 in year 2013 to over 6,000 in 2019. We have developed and maintained infrastructure and facilities for university education. The process will continue in the new strategic period until the university acquires adequate infrastructure. The University was able to attract and retain productive human capital. In order to provide quality and efficient services to customers, the University enhanced and mainstreamed ICT Services in the University.

Pressure for job creation remains a top priority, as unemployment in our country is not a myth. On 8<sup>th</sup> March 2019, the University held its sixth graduation ceremony where 1,239 graduands were conferred with various degrees, diplomas and certificates. Our graduates were well prepared to face the job market.

### **Financing**

It is also important to recognize that the University is operating in a very challenging funding environment. The revenue budget allocation by the government has been declining over the years. That, coupled with increasing cost pressures, particularly for wage bill, invariably means we have to make efficiencies while also preserving the quality of the education we offer our students. In that context, our financial year end position should be viewed as a positive one achieved through stringent budget management. It is clear, however, that given the pressures on public funding in the medium to longer term we must work ever harder to increase and diversify our income streams to allow us to strengthen our competitive position and to continue to invest in the facilities and conditions that enable world class staff to inspire students to come here from all over the country and the world.

### **Executive Movement**

A number of executive changes occurred during the course of financial year 2018/2019.

- Prof Romanus Odhiambo was appointed as the Vice Chancellor and reported on 6 August 2018

- The contract for the Deputy Vice Chancellor (Academic and Students Affairs), Prof. Gitonga Mburugu Nkanata, ended on 6 January 2019. Dr. George Mugambi was appointed to act as the DVC (ASA). Although the Council had initiated the process of recruiting a new DVC (ASA), the law was changed in January 2019. The law requires that the recruitment of deputy vice chancellors be conducted by the Public Service Commission.
- The first term for Prof. Charity Gichuki, the Deputy Vice Chancellor (Administration, Finance and Planning) ended on 16 June 2019. She proceeded on sabbatical leave and Dr. Eunice Marete was appointed to act as the DVC (AFP).
- The Registrar, Academic, Research and Student Affairs, Prof. Simon Thurania was recruited during the financial year and reported on 1 January 2019. Dr. Eunice Marete had been acting as the Registrar (ASA) since 1 July 2018.

I am deeply grateful to the Council for its passionate stewardship, and the Senate for its academic wisdom. I am also grateful to the University Management Board, the Senate, the Deans Committee and the Students Association of Meru University and staff unions for their partnership within, investment in and commitment to the University vision and mission and to our national goals for a far more inclusive, transformed, caring and responsive institution. Our progress has been made prominent by the continued passion and dedication of our Chancellor, Dr. James Mwangi, and also that of our Vice Chancellor, deputy vice chancellors, heads of academic schools and departments, student leaders, our staff and students.



**PROF. DULACHA GALGALO BARAKO**  
**CHAIRMAN OF COUNCIL**

### **REPORT OF THE VICE CHANCELLOR**

I am pleased to present the annual report for the Financial Year 2018/2019. The FY 2018/19 proved extraordinarily challenging. Our students had lost a semester in the FY 2017/18 due to students' unrests experienced in that year. The University introduced a third semester in the financial year 2018/19 in order to make up for a lost semester.

#### **Financial Performance**

During the Financial year, the University reported a deficit of Kshs. **127,458,588** as compared to a deficit of Kshs. **126,648,027** in FY 2017/18. The Total Income increased by 5% as compared with the FY2017/18. The government grants decreased by 12%. Income from Tuition increased by 80%. The increase in AIA was as a result of the three semesters in the financial year.

#### **Teaching**

The University's outstanding reputation for research, learning and teaching, and its investment in facilities is contributing to making the University an attractive choice for the best undergraduate and postgraduate students from across the country. The University's commitment to teaching and learning excellence has been demonstrated by the results of the 2018 admission by Kenya Universities and Colleges Central Placement Services with the University getting about 70% of the universities' declared available slots or a total of 1,499 students. The first year students reported on 3<sup>rd</sup> June 2019. Out of 1,499 students who selected our University, 88 decided to transfer to other universities. Nevertheless, a total of 140 students also transferred from other universities to our University.

#### **Research**

The University continues to win competitive research grants and 2018/19 saw the University's highest ever research grants awards. Growth was particularly strong in multidisciplinary research areas and in large grants. This growth has been facilitated by recent investments in research facilities and the extensive capacity building among the academic staff.

#### **Professional development**

Professional development of our staff remains a key priority and the latest data from our Human Resources department shows that all our academic staff have at least a PhD qualification or are finalizing their PhD programmes.

#### **Student employability**

In March, 2019 a total of 1,239 students graduated and released into the labour market. The University continues to work to increase student engagement in their future career and employment opportunities. The University has taken some initiatives to integrate employability and sustainability into the curriculum as features of good practice at the University. Work-based placement or attachments are part of the students' academic studies. The University offers career guidance and encourages students to seek workplace internships and volunteering opportunities.

### **Challenges**

The University encountered a number of challenges during the year. The ballooning wage bills are technically unsustainable. After collective bargaining agreement between the unions and the government, universities are allocated money to pay arrears only. Subsequently, the government does not support the increased wage bill causing universities massive financial problems.

The number of students joining the parallel programmes in universities in Kenya has continued to decline. In the calendar year 2018, all the students who attained a C+ and above were absorbed by Kenya Universities and Colleges Central Placement Services (KUCCPS). The number that joined our university's parallel program during the year did not increase.


The University is committed to implementing its strategic plan. However, it is forced to curtail its operation as a result of the reduced capitation. The University relies heavily on government funding with over 70% of the budget coming from the government.

### **Way Forward**

The above challenges have negatively impacted on the University performance. However, the University has taken actions to manage costs in order to improve the operating performance for the subsequent years.

In the financial year 2019/20, the University will focus its efforts on continuing the implementation of its strategic plan and transformation towards a world-class university of excellence in science and technology. The University will focus on excellent teaching staff, high quality teaching, physical and technological infrastructure, student experience, support provision, student retention and employability. Through judicious financial management, MUST will be able to maintain its high academic standards, while ensuring that critical infrastructure and academic projects and maintenance of existing assets are not compromised. The University will spend more than half a billion shillings on development in the financial year 2019/20. In order to attract more students, the University will also come up with a predictable university calendar, make efforts to curb student and staff unrest by engaging students and staff and their unions in dialogues. Staff development will also be given priority. MUST will diversify the sources of income and increase the allocation to research. We shall encourage public-private-partnerships in funding university education.

Credit is owed to our tremendous staff, students and alumni, and friends in government, industry, philanthropists at all levels of communities. I would like to thank all up-front, because the efforts you put enable MUST to make valuable contributions to society. The journey ahead may be increasingly difficult, but let us not be weary as difficult roads will often lead to beautiful destinations.



**PROF. ROMANUS ODHIAMBO, Ph. D.**  
**VICE CHANCELLOR**

### **CORPORATE GOVERNANCE STATEMENT**

The members of Council and members of University Management Board (UMB) are bound by the highest standards of integrity in carrying out their responsibilities and in the relationship of the University with stakeholders. All members exercise their responsibilities in the interests of the University as a whole rather than as representative of any constituency. The University maintains a register of interests of members of the Council and UMB members. Council members are expected to attend scheduled meetings as regularly as possible. The role of Council members is similar to that of the non-executive directors of a company. They have collective responsibility for Council decisions. They observe the clear distinction between their strategic governance role and that of operational management of the University (a role being played by the University Management Board chaired by the Vice-Chancellor). The Council receives presentations from the officers on specific issues.

#### **Full Council Attendance**

1. Prof. Dulacha Galgalo	12/12
2. Mr. Omar Kassim	12/12
3. Ms. Felicity Biriri	9/12
4. Mrs. Margaret Mukoba	12/12
5. Ms. Mary Mugo	9/12
6. Mr. Robert Mutai	7/12
7. Mrs. Margaret Lesuuda	10/12
8. CPA Isabella Kogei	12/12
9. Prof. Romanus Odiambo	11/12
10. Prof. Charity Gichuki	1/12

The Council has four (4) committees and the Council and the Council committees have four scheduled meetings per annum.

#### **Committees of the Council**

The following are the committees of the council:

- i. Finance Committee
- ii. Audit Committee
- iii. Human Resources Committee
- iv. Academic Committee

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Committee Membership during FY 2018/19**

<b>Name of the Committee</b>	<b>Members</b>
Finance Committee	<ol style="list-style-type: none"> <li>1. <b>Ms. Felicity Biriri - Chair</b></li> <li>2. CPA Isabella Kogei</li> <li>3. Ms Margaret Iyasi Lesuuda</li> <li>4. Mr. Robert K. Mutai</li> <li>5. Mrs. Margaret M. Mukoba</li> <li>6. Prof. Romanus Odhiambo</li> </ol>
Audit Committee	<ol style="list-style-type: none"> <li>1. <b>Mr. Omar Kassim – Chair</b></li> <li>2. CPA Isabella Kogei</li> <li>3. Ms Margaret Iyasi Lesuuda</li> <li>4. Ms. Mary W Mugo</li> <li>5. Mrs. Margaret M. Mukoba</li> </ol>
Human Resource	<ol style="list-style-type: none"> <li>1. <b>Mrs. Margaret M. Mukoba - Chair</b></li> <li>2. CPA Isabella Kogei</li> <li>3. Ms Margaret Iyasi Lesuuda</li> <li>4. Ms. Felicity Biriri</li> <li>5. Ms. Mary W Mugo</li> <li>6. Prof. Romanus Odhiambo</li> </ol>
Academic	<ol style="list-style-type: none"> <li>1. <b>Ms Mary W. Mugo - Chair</b></li> <li>2. CPA Isabella Kogei</li> <li>3. Ms Margaret Iyasi Lesuuda</li> <li>4. Mr. Robert K. Mutai</li> <li>5. Mr. Omar Kassim</li> <li>6. Prof. Romanus Odhiambo</li> </ol>

**Finance Committee**

The Finance Committee is responsible for monitoring and advising Council on the financial health of the university, including the financial strategy, budget setting, annual accounts, investment activity, and consideration of capital expenditure. The Committee also has responsibility for monitoring institutional level Key Performance Indicators in order to measure and monitor university performance against agreed strategies and targets. The Committee also monitors and advises on the conduct of the university's estates/infrastructure activity including revenue and capital expenditure. The Committee may draw on professional expertise beyond that available within the Council membership.

**Finance Committee Attendance**

1. Ms. Felicity Biriri	4/6
2. Mrs. Margaret Mukoba	6/6
3. Mr. Robert Mutai	5/6
4. Mrs. Margaret Lesuuda	5/6
5. CPA Isabella Kogei	6/6
6. Prof. Romanus Odhiambo	5/6
7. Prof. Charity Gichuki	1/6

**Audit Committee (Gazette notice of April 2015)**

The Audit Committee has responsibility for monitoring the effectiveness of the university's risk management, control and governance arrangements, along with the arrangements to promote economy, efficiency and effectiveness throughout the institution, and advises the Council accordingly. The Committee exercises oversight over internal audit arrangements. It considers

internal audit reports and recommendations for the improvement of the university's systems of internal control, together with management's responses and implementation plans. The Committee also exercises oversight over external audit arrangements, such as the nature, scope and effectiveness of the process, and considers the audit aspects of the institution's financial statements.

**Audit Committee Attendance**

1. Mr. Omar Kassim	5/5
2. Mrs. Margaret Mukoba	5/5
3. Ms. Mary Mugo	5/5
4. Mrs. Margaret Lesuuda	4/5
5. CPA Isabella Kogei	5/5

**Human Resources Committee**

The Committee monitors and reviews the development and implementation of good governance practice. The Committee is responsible for the oversight of human resource strategy, policies and associated procedures including the use of performance and development systems, indicators and benchmarks.

**Human Resource Committee Attendance**

1. Mrs. Margaret Mukoba	4/4
2. Ms. Felicity Biriri	4/4
3. Ms. Mary Mugo	4/4
4. Mrs. Margaret Lesuuda	4/4
5. CPA Isabella Kogei	4/4
6. Prof. Romanus Odhiambo	3/4
7. Prof. Charity Gichuki	1/4

**The Academic Committee of the Council**

The Academic Committee of the Council assists the Council in fulfilling its oversight of the university academic programs, strategic academic plans, student learning, graduation matters and related activities such as:

- i. To advise Council on students' access and admissions, curriculum design, course and fees structure, academic and mentoring support, provision and use of learning resources and students' welfare.
- ii. To establish and review structures and mechanisms for assuring the implementation of academic policies, the maintenance of standards and enhancement of good practice;
- iii. To oversee and co-ordinate activities associated with national and external agencies involved in quality assurance;
- iv. To consider the overall balance of academic activities and provision of resources;
  - v. To develop, amend, repeal and approve regulations concerning academic programmes;
  - vi. To receive and consider proposals and nominations for the award of honorary degrees and recommend to Council award of honorary degrees;
- vii. To consider and advice Council on all matters related to research and innovation in the University.
- viii. To authorize on behalf of Council the application of the University Seal on documents.

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

**Academic Committee Attendance**

1. Ms. Mary Mugo	4/4
2. Mr. Omar Kassim	4/4
3. Mr. Robert Mutai	2/4
4. Mrs. Margaret Lesuuda	3/4
5. CPA Isabella Kogei	4/4
6. Prof. Romanus Odhiambo	3/4
7. Prof. Charity Gichuki	1/4

**Ad hoc Committee**

The Council may appoint an ad hoc committee to handle a special matters.

**Ad Hoc Committees Attendance**

1. Ms. Mary Mugo	2/2
2. Mr. Omar Kassim	2/2
3. Ms. Felicity Biriri	2/2
4. Mrs. Margaret Mukoba	2/2
5. Mrs. Margaret Lesuuda	2/2
6. CPA Isabella Kogei	2/2

**Conflict of interest**

The University has adopted a conflict of interest policy which applies to the Council, Management and Staff. All persons governed by the policy are under the obligation to avoid and disclose ethical, legal, financial, or other conflicts of interest involving the University, and remove themselves from a position of decision-making authority with respect to any conflict situation involving the University. Any person who has a material personal interest in a particular matter and who is able to influence the decision will not vote on the matter when it is being discussed or considered.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**SECTION A**

**The University's operational and financial performance**

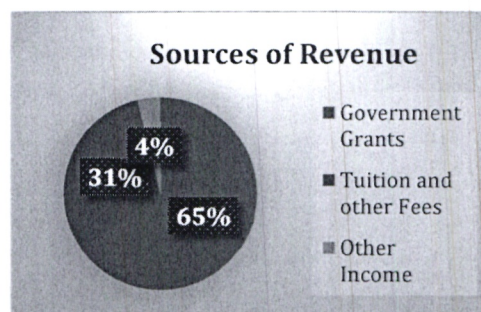
**REVENUE**

**Government grants**

The major source of the University revenue during the FY 2018/19 was government grants. The University received a total of Kshs. 676 Million from the government for the recurrent expenditure or 65% of total income.

**Table 1: Sources of Revenue**

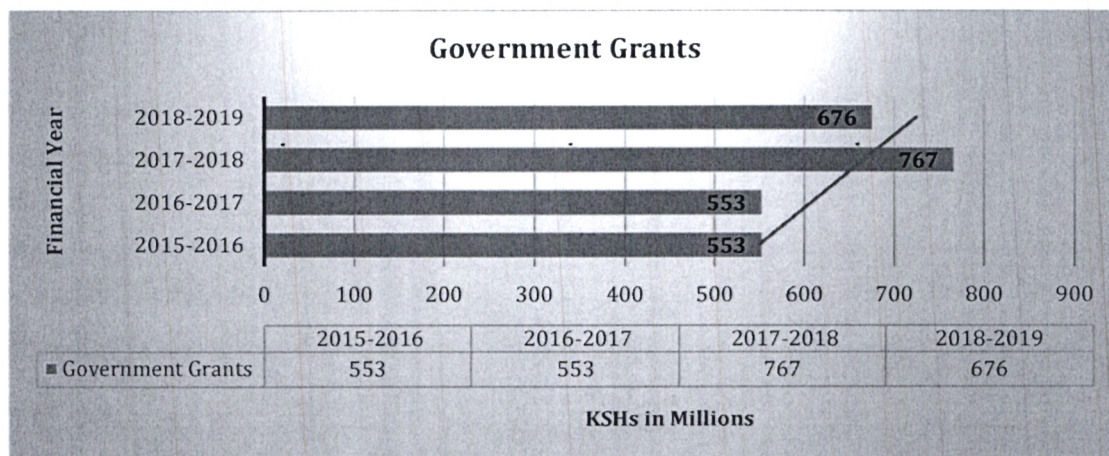
	2018-2019	
	Kshs.	percent age
Government Grants	676,226,316	65%
<b>Appropriation in Aid</b>		
Tuition and other Fees	322,986,019	31%
Other Income	39,084,415	4%
<b>Total Appropriation in Aid</b>	<b>362,070,434</b>	
<b>Total revenue</b>	<b>1,038,296,750</b>	



The revenue from Tuition Fees was Kshs. 322,986,019 or 31% of the total revenue, while revenue from other income generating activities was Kshs. 39,084,415 or 4% of total revenue.

**Table 2: Government Grants**

	2018-2019	2017-2018	2016-2017	2015-2016
	Kshs.	Kshs.	Kshs.	Kshs.
Government Grants	676,226,316	668,864,780	553,088,149	553,088,071
Add: Funds for arrears	-	98,000,000	-	-
	<b>676,226,316</b>	<b>766,864,780</b>	<b>553,088,149</b>	<b>553,088,071</b>

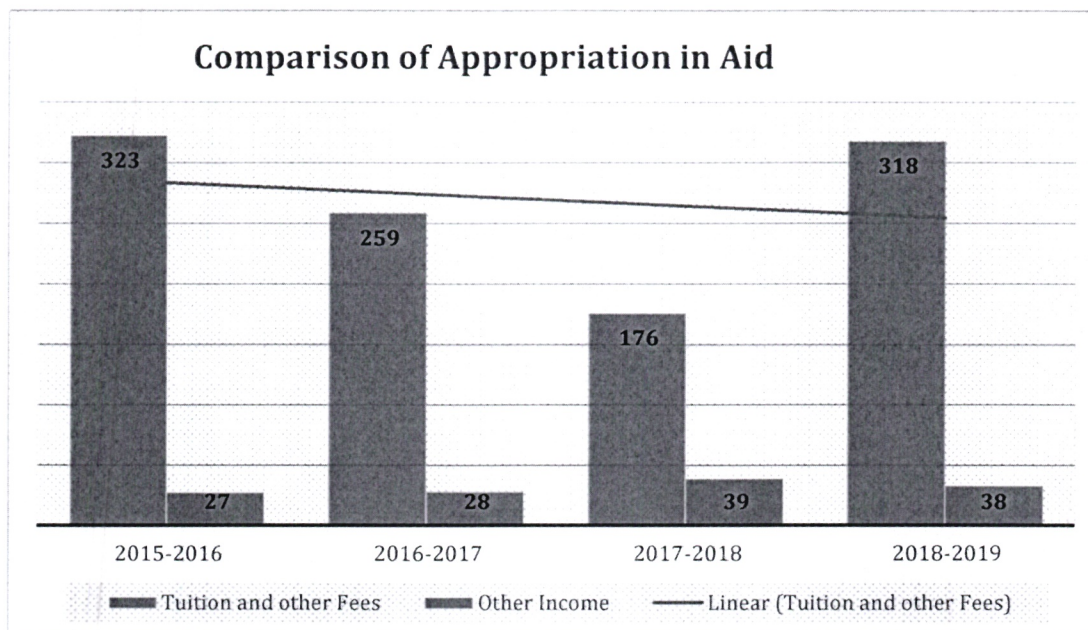


**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

Although expenses have been increasing steadily year after year due to salaries increments, inflations and other factors, the government grants have either remained constant or increased marginally.

**Table 3: Appropriation in Aid**

Financial Year	2018-2019	2017-2018	2016-2017	2015-2016
Tuition and other Fees	322,986,019	176,446,022	258,942,829	322,785,401
Other Income	39,084,415	39,253,031	28,129,459	27,380,087
	<b>362,070,434</b>	<b>215,699,053</b>	<b>287,072,288</b>	<b>350,165,487</b>



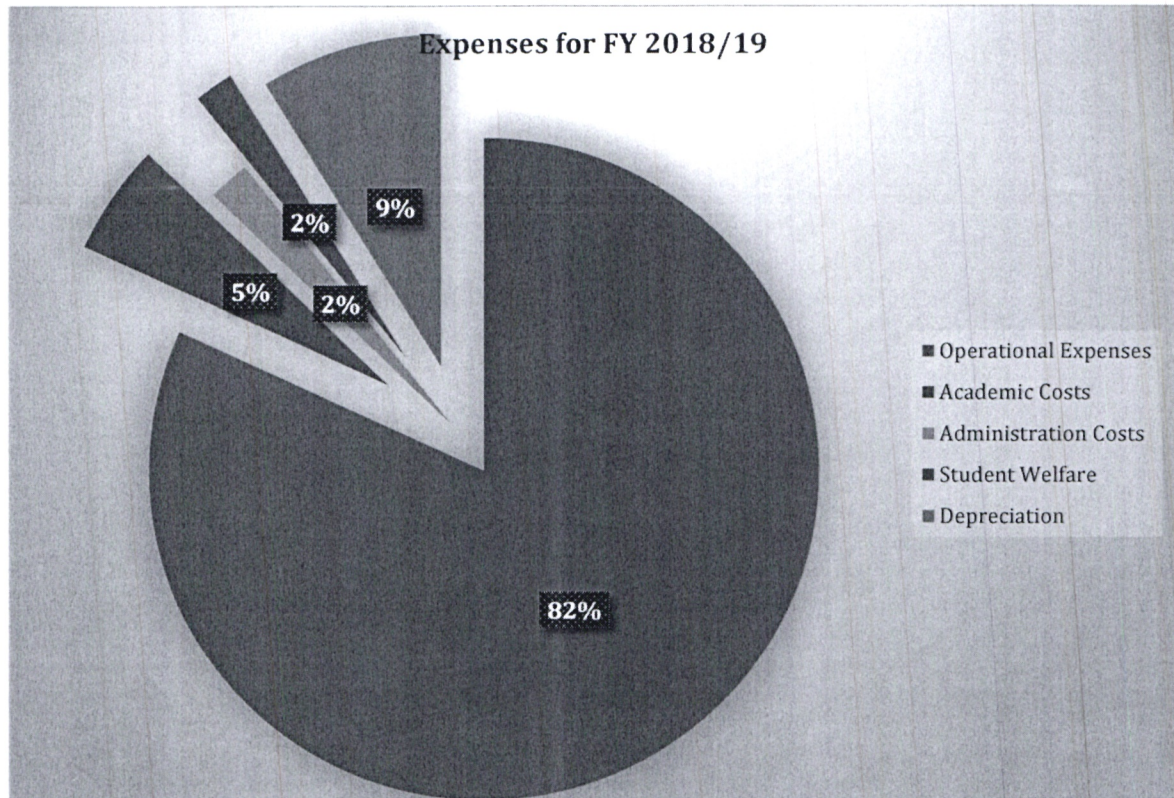
Income from Tuition and Other Fees increased significantly due to the additional of a semester during the financial year.

**EXPENSES**

	2018-2019	2017-2018	2018-2019	
			Increment	
Expenses	Kshs.	Kshs.	Kshs	%
Operational Expenses				
a) Personnel Emoluments	765,207,539	763,530,193	-1,677,346	0%
b) Maintenance Costs	21,652,570	33,441,180	11,788,610	54%
c) Council Expenses	14,002,537	16,929,485	2,926,948	21%
d) Other Operational Expenses	154,146,244	157,969,273	3,823,029	2%
e) Depreciation	102,287,376	55,865,527	-46,421,849	-45%
<b>Total Operational Expenses</b>	<b>1,057,296,266</b>	<b>1,027,735,658</b>	<b>-29,560,608</b>	<b>-3%</b>
Academic Costs	62,793,121	44,103,038	-18,690,083	-30%
Administration Costs	23,449,360	24,421,000	971,640	4%
Student Welfare	22,216,591	12,952,166	-9,264,425	-42%
<b>Total expenses</b>	<b>1,165,755,338</b>	<b>1,109,211,862</b>	<b>-56,543,476</b>	<b>-5%</b>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

All the students in the Main Campus and the learning centres were in session for three full semesters. The operational costs consequently increased significantly as a result.



**DEFICIT**

The University reported a deficit of Kshs. 127 Million. The deficit did not change from previous year. Although there was a significant increase in Tuition and Other Fees, the expenditure also increased significantly due to the extra semester added during the financial year.

	2018-2019	2017-2018	2016-2017	2015-2016	2018-2019	
					Increment	
	Kshs. M	Kshs. M	Kshs. M	Kshs. M	Kshs. M	%
<b>Surplus / (Deficit)</b>	<b>(127)</b>	<b>(127)</b>	<b>(58)</b>	<b>85</b>	<b>(5)</b>	<b>4%</b>

The University is wary about future financial sustainability considering that it has reported a deficit for the third year running. If the trend continues, the university will suffer technical insolvency. The University will avoid going into technical insolvency by diversifying income generated internally and managing cost so that marginal cost will be equivalent to or less than the marginal revenue.

● **Increase Revenue**

The University will venture into other sources of revenue generation. Other than government grants and fees from students, the University will explore other income generating activities.

● **Manage Cost**

The University Management will institute cost management strategies. The Management will ensure that wastages are eliminated and efficiency is increased. We shall embrace innovation and

automation in our operations. Further, we shall benchmark with the best universities or other organizations in order to adopt the best practices in our operations.

All decisions will be made prudently. When making decisions, the financial implications of the decisions will be considered. We shall focus on consolidating what we already have instead of starting new projects, departments or faculties. We shall merge roles where they have been duplicated. We shall strictly adhere to the budget allocations.

#### **CAPITAL EXPENDITURE**

The Council plans to transform the University into a modern, sustainable learning and working environment that is innovative and engaging for both staff and students. The University will spend a total of Kshs 500 million on capital expenditure in the next financial year and a total of Kshs. 20 billion is planned over the next 10 years.

The development grants from the government have declined significantly over the years.

### **SECTION B**

#### **The University's compliance with statutory requirements**

The University complied with all statutory requirements. The University withheld taxes where it was required to do so. All withheld taxes, payroll deductions-NHIF, NSSF, PAYE, Pension and other deductions were paid fully and on time.

### **SECTION C**

#### **Key projects and investment decisions the University is planning/implementing**

The University is undertaking the following major projects:

##### **Construction of Engineering Complex**

The Building had an initial cost of Kshs. 535 million. It is being built in phases. As at 30 June 2019, Phase one was complete and in use. Phase 2 was at 90% complete while Phase 3 was at 10%. The building is expected to be completed in the financial year 2019/2020.

##### **Water Reservoir/ Water Treatment Plant**

The University is in a water deficient region. Water is collected from various sources- rain water, bore-hole, and from a stream in the nearby forest. The water is collected initially in a filtration tank before it is moved in a series of tanks in a bid to purify it. By 30 June 2019, we had managed to construct a filtration tank, a 6 million litre tank, a storage tank, and install water treatment equipment. Construction of clean water tanks is ongoing.

##### **Sports Fields**

The University had planned to construct two football and rugby pitches with running tracks, a hockey pitch, basketball pitch and a tennis court. The process was stopped due to a court case.

## **SECTION D**

### **Major risks facing the University**

#### **Operational risks**

The University is located in a water deficient region. Most of the water consumed in the University comes from boreholes. During dry season, some of the bore holes dry up. The University has invested in water storage facilities.

Just like in any other establishment in Kenya, the risk of terrorism is real. The University has invested heavily in a bid to mitigate against the risk by installing a biometric system, CCTV cameras in sensitive places, security men at the entrance of major buildings and having armed security men in the university for 24 hours a day. Even with these measures, the University perimeter fence (diameter of 7.5 km) is poorly fenced (chain link). It is possible for an individual to cut through chain link and enter the compound from any direction. The solution is a stone fence. The University has budgeted for a stone fence in the financial year 2020/2021.

The number of students joining the university under the parallel programme has been declining year after year. The parallel programme is a major source of revenue for the University. Financial sustainability of the University is therefore under threat. The University is investing heavily on facilities and other resources and has also stepped up the promotion of its programs in order to attract as many students as possible.

## **SECTION E**

### **Material arrears in statutory/financial obligations**

The University did not have any material financial obligation during the year.

## **SECTION F**

### **The University's financial probity and serious governance issues**

There were no financial impropriety reported during the year.

No governance issues were reported during the year.

## CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

### 1. Meru University of Science and Technology Career Day



Meru University of Science and Technology (MUST) is committed to providing Quality University Education through training, research, nurturing innovation and consultancy to all MUST stakeholders. MUST Career Day is a student-based programme, uniquely designed to offer a bridge between high school students and the MUST University experience.

MUST career day took place on 24<sup>th</sup> May 2019 where 500 students from various high schools participated in this function.

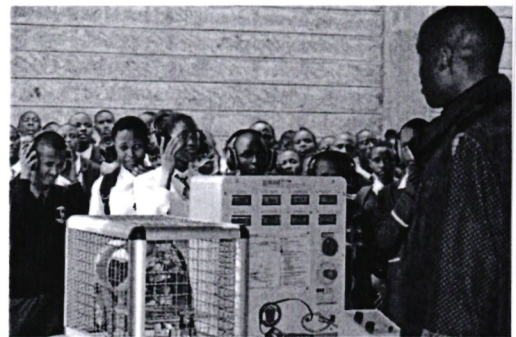
#### The students got to experience the following:

1. A guided tour of the MUST Campus; Life as a University student
2. Acquire in-depth information on the courses offered along with the precise requirements
3. Visit some of the award winning projects in our Campus
4. Talk on career opportunities



Additionally, MUST conducts educational visits which is a valuable opportunity to

empower the students with the knowledge and experience required. In the 2018/2019 Financial year, the University has hosted over 500 students for the educational visits.



### 2. The New Seed Varieties Farmers Day Show

The University in partnership with Kenya Plant Health Inspectorate Service (KEPHIS) and the County Government of Meru held an event dubbed “The New Seed Varieties Farmers Day” on Thursday, February 21, 2019 at the MUST Main Campus.



Guided by its theme “*Equipping farmers with new technologies for food security and economic empowerment*” the event aimed at educating farmers on new seed varieties suitable for their agro-ecological zones and emerging technologies in farming.

Over 400 farmers had a chance to interact with various seed companies, agrochemical companies, societies, farmer groups and other stakeholders on challenges faced while farming and the emerging technologies used in farming. A guided tour through an elaborate demonstration farm, was one of the key learning methods used in this auspicious

farmer’s day show. Some of the products showcased were diverse varieties of maize, tomatoes, sunflower, capsicum, onions, kale, cabbages and plenty of grains.

The farmers from communities in the immediate vicinity of MUST including; Tigania west, Nchiru, Ruiru, Muriri/Ngundune, Kagaene/Kimaachia and Mbeu were advised on the most effective techniques used in planting various crops.

### 3. Kenya Peace Ambassadors Visit Aina's Children Home



*Let there be Peace in Kenya and Let It Begin with Me!* This is the slogan adopted by members of the Kenya Peace Ambassadors who visited Aina Children Home - Meru County, in an event dubbed 'Chapati Forum' on Sunday, 18<sup>th</sup> November 2018. The team under Kenya Ambassadors Integration Organization (PAMBIO) comprised of students from Meru University of Science and Technology (MUST) Chapter, The Nutrition Club (MUST) and Chuka University Chapter. This noble cause aimed at supporting and interacting with the vulnerable in society. The members of Kenya Peace

Ambassadors cooked, cleaned, played with the children, conducted health check-ups and sat with the eager children on matters LIFE.

### 4. Official Launch of the Meru University of Science and Technology Bio-Resource Based Sanitation at Kunene Primary School, Nchiru



The Official Launch of the Meru University of Science and Technology (MUST) Bio-resource Based Sanitation at Kunene Primary School took place on Monday, 22<sup>nd</sup> October, 2018. The activity is a product of a Joint Research 'Paradigm Shift in Feecal Sludge Management for Environmental Protection and Food Security in Kenya' between Meru

University of Science and Technology Sanitation Research Centre and Aston University, United Kingdom. MUST has installed toilets in various schools to assist in solving sanitation issues in those schools.

## 5. Environmental Sustainability

### Tree Planting at Meru University of Science and Technology



Meru University of Science and Technology (MUST) held a Tree planting event on Saturday, November 3, 2018. The theme of the Tree Planting exercise was *"Panda Miti, Boresha Maisha"*. MUST is among the sites identified in Tigania West sub-county by the Government of Kenya for tree planting exercise. The nationwide exercise aims to increase the overall forest cover in our country to 10% by 2022.

More than 10,000 trees were planted at the University while 5,000 were planted at Nchuura Hill. Nchuura Hill which is only 2 KM from the university was once heavily forested but is currently bare. MUST donated 700 tree seedlings for planting at Nchuura Hill. The County Government of Meru donated 2,000 tree seedlings to the University towards this environmental conservation initiative.

The University joined the world in conserving the environment by planting trees during the World Environmental Day 2019 and the occasion was graced by the Cabinet



*Chairman of Council Prof. Dulacha Galgalo, Deputy-Governor Meru County Hon. Titus Ntuchiu, Cabinet Secretary Ministry of Environment and Forestry Mr. Keriako Tobiko CBS, Governor of Meru County H.E Hon. Kiraitu Murungi and our Vice-Chancellor Prof. Romanus Odhiambo plant a tree during the World Environmental Day.*

## **REPORT OF THE COUNCIL**

The University Council submits its report together with the audited financial statements for the year ended June 30, 2019 which show the state of the University's affairs.

### **Principal activities**

The principal activities of the University continue to be provision and advancement of university education and training to appropriately qualified candidates leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate may from time to time determine and in so doing, contribute to labour market needs.

### **Results**

The financial performance results of the University for the Year ended June 30, 2019 are set out on page 1.

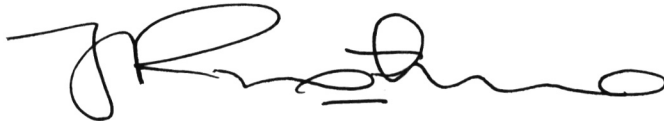
### **University Council**

The members of the University Council who served during the year are shown on pages v to viii.

### **Auditors**

The Auditor General is responsible for the statutory audit of MUST in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Council.



**Prof. Romanus Odhiambo**  
**Council Secretary/ Vice Chancellor**  
**Date: November 15,, 2019**

**STATEMENT OF COUNCIL'S RESPONSIBILITIES**

Section 81 of the Public Finance Management (PFM) Act, 2012 and section 47 of the Universities Act No. 42 of 2012, require the University 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 University 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 University Council is also responsible for safeguarding the assets of the University.

The University 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 2018/2019. 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 University Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public-Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The University 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, 2019, and of the University's financial position as at that date. The University Council further confirms the completeness of the accounting records maintained by 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 University Council to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The University's financial statements were approved by the Council on 27 September 2019 and signed on its behalf by:

**Vice Chancellor**  


**Chairman**  


**Council Member**  


**REPORT OF THE AUDITOR GENERAL**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



OFFICE OF THE AUDITOR GENERAL

*Enhancing Accountability*

**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2019**

---

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of Meru University of Science and Technology set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2019, and the statement financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Meru University of Science and Technology as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accruals Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

#### **Basis for Qualified Opinion**

##### **1.0 Inaccuracies in the Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects a revenue budget of Kshs.1,035,485,977 and an expenditure budget of Kshs.1,163,581,653. However, the University's budget approved by The National Treasury and provided for audit review reflected a revenue budget of Kshs.1,094,372,000 and an expenditure budget of Kshs.1,089,227,000 resulting into an unexplained and unreconciled variance of Kshs.58,866,023 and Kshs.74,354,653 respectively.

In the circumstances, the accuracy of the budgeted revenue and expenditure balances reflected in the statement of comparison of budget and actual amounts could not be confirmed.

## **2.0 Biological Assets**

The statement of financial position reflects an amount of Kshs.807,077 in respect to biological assets. However, supporting documents including the register showing weight and vaccinations history, progress on health of the animals, date of acquisition and disposal was not provided for audit review. Further, relevant disclosures relating to the biological assets as required under paragraph 38 to 51, of International Public Sector Accounting Standards No.27 were not made in the financial statements.

In the circumstances, the accuracy of the biological assets balance of Kshs.807,077 and adherence to the disclosure requirements could not be ascertained.

## **3.0 Stock Variance**

The statement of financial performance reflects operational expenses of Kshs.1,057,296,266 which as reflected under Note 7(d) to the financial statements includes Kshs.154,146,244 in respect to other operational expenses of which Kshs.276,241 related to stock variance. However, supporting documents, reason for the variance and action taken by Management were not provided for audit review.

In the circumstance, the accuracy and validity of the stock variance of Kshs.276,241 could not be confirmed.

## **4.0 Inventory**

The statement of financial position reflects an inventory balance of Kshs.8,762,076 as at 30 June, 2019. However, the inventory valuation report as at 30 June, 2019 reflected Kshs.819,431 in respect to twenty-three (23) sampled items of inventory while the inventory report from Microsoft Dynamics Navision system used to record inventory reflected a negative balance of Kshs.7,810,170 for the same items resulting into an unexplained and unreconciled variance of Kshs.8,629,601.

In addition, the reported inventories balance of Kshs.8,762,076 includes Kshs.2,494,088 and Kshs.401,103 in respect to central store and kitchen store respectively, both totalling to Kshs.2,895,191. Included in the balance of Kshs.2,895,191 is an amount of Kshs.1,845,817 in respect to eighty-six (86) items of inventory. However, recalculation of the value of the eighty-six (86) items using First In First Out (FIFO) method of inventory valuation adopted by the University, resulted in a value of Kshs.1,773,996 resulting into an unexplained and unreconciled variance of Kshs.71,821.

In the circumstances, the completeness and accuracy of the reported inventory balance of Kshs.8,762,076 could not be confirmed.

## **5.0 Council Allowances**

The statement of financial performance reflects operational expenses of Kshs.1,057,296,266 which, as disclosed in Note 7(c) to the financial statements, includes Kshs.14,002,537 in respect to Council expenses, which further includes an amount of Kshs.5,440,000 in respect to Council sitting allowances. However, analysis of attendance

registers and activities of the Board revealed that a total of Kshs.5,240,000 was spent in respect to sitting allowances during the year under review resulting into unexplained or unreconciled variance of Kshs.200,000.

In the circumstances, the accuracy of the reported Kshs.5,440,000 in respect to Council sitting allowances could not be confirmed.

#### **6.0 Receivables from Exchange Transactions**

The statement of financial position reflects Kshs.68,794,763 in respect to receivables from exchange transactions which, as disclosed under Note 13 to the financial statements, includes Kshs.67,909,517 relating to students' debtors. However, the student debtors increased by Kshs.11,194,593 or 20% from the Kshs.56,714,924 reported in the prior year. Management did not make any provisions for bad and doubtful debts against the balance and no evidence of measures instituted to ensure recovery of the amounts was provided for audit.

In the circumstances, the recoverability of the student's receivables balance of Kshs.67,909,517 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Meru University of Science and Technology Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Emphasis of Matter**

##### **Financial Performance**

The statement of financial performance reflects a deficit of Kshs.127,458,588 (2018: Kshs.126,648,028). Further, the deficit decreased the negative balance of the reserve fund to Kshs.317,758,163 (2018: Kshs.190,299,575). If measures are not put in place to reverse the loss-making trend, the University is likely to face financial challenges in the near future hence lose its ability to sustain services.

##### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

#### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

##### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness

and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1.0 Property, Plant and Equipment**

#### **1.1 Use of Wrong Procurement Method**

During the year under review, machinery and equipment costing a total of Kshs.2,938,080 were procured using request for quotations contrary to the requirements of the First Schedule to the Public Procurement and Disposal (Amendment) Regulations, 2013 which stipulates that the maximum level of expenditure for request for quotations method is Kshs.1,500,000 for goods.

In the circumstance the University was in breach of the law and as a result, it has not been possible to ascertain that value for money was obtained in the expenditure of Kshs.2,938,030.

#### **1.2 Failure to Adhere to Procurement Procedures**

Included in the expenditure balances of Kshs.20,685,765 and Kshs.267,417,183 in respect to computers, and machinery and equipment is Kshs.2,257,740 and Kshs.3,763,680 totalling Kshs.6,021,420 relating to computers and machinery and equipment procured during the year under review. However, the respective quotations included the name and model of the computers and equipment to be supplied contrary to Section 60(4) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that technical requirements should not refer to a particular trademark, name, patent, design, type, producer or service provider or to a specific origin.

Further, envelopes used in submission of the quotations showing the quotation number and signed by the tender opening committee members were not provided for audit review contrary to Section 77(1), (2) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that tender documents submitted shall be sealed in an envelope which shall bear the tender number assigned and be signed on one or more pages by each member of the tender opening committee.

In the circumstances, the University was in breach of the Law.

### **2.0 Prepayments**

As disclosed in Note 12 to the financial statements, the statement of financial position reflects a balance of Kshs.25,038,609 in respect to prepayments which increased by Kshs.18,182,655 or 265% from the Kshs.6,855,954 reported in the prior year. The prepayments balance included other prepaid expenses of Kshs.1,260,694. This is contrary to Section 83 of the Public Finance Management (National Government)

Regulations, 2015 which requires that sound cash management includes avoiding prepayments for goods or services unless required by the contractual arrangements.

### **3.0 Irregular Procurement of Goods and Services**

The statement of financial performance reflects operational expenses of Kshs.1,057,296,266 which, as disclosed in Note 7(d) to the financial statements includes Kshs.154,146,244 in respect to other operational expenses. The latter balance includes an amount of Kshs.13,751,055 in respect to advertising and publicity which further includes Kshs.955,900 paid to local media houses for advertising various intakes for the University. However, it was not possible to ascertain whether the service provider was competitively sourced as required under Section 106 (2)(b) of the Public Procurement and Asset Disposal Act, 2015 since quotations, Evaluation Committee minutes and Local Service Order (LSO) were not provided for audit review.

In the circumstance, it was not possible to ascertain that the University got value for money from the expenditure of Kshs.955,900.

### **4.0 Wasteful Expenditure**

Included in other operational expenses of Kshs.154,146,244 is an amount of Kshs.3,641,834 in respect of conferences and seminars. The latter balance includes Kshs.495,000, Kshs.80,000 and Kshs.72,000 all totalling to Kshs.647,000 in respect to payments to a hotel in Nanyuki for conference facilities, retreat allowance to sixteen (16) members of the Strategic Committee and another hotel in Nanyuki for a retreat of Deans and Directors to strategize for financial year 2019/2020. However, no explanation was provided as to why the meetings were held outside the University Headquarters contrary to Section 7 of The National Treasury Circular No. 20 of 2015 which requires Accounting Officers to ensure that all workshops and retreats with majority of participants drawn from one duty station are held within the precincts of the duty station.

In the circumstances, the propriety and value for money on the expenditure amounting to Kshs.647,000 could not be ascertained.

### **5.0 Insurance**

The other operational expenses of Kshs.154,146,244 also includes Kshs.19,235,391 in respect to insurance which further includes an amount of Kshs.80,113 in respect to motor vehicle insurance for KCK 640U. However, the valuation report showing how the insurance premiums of Kshs.80,113 charged was arrived at including the Insurance Policy showing terms and conditions of the cover were not provided for audit review. In addition, quotations, Evaluation Committee minutes and Local Service Order (LSO) were also not provided for audit.

In the circumstances, the propriety and value for money on the expenditure amounting to Kshs.80,113 could not be ascertained.

## **6.0 Regional Balancing**

As at 30 June, 2019, the University had three hundred and eighty-three (383) employees out of which two hundred and sixty-four (264) or 69% were from the same ethnic community contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires all public offices to seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment, should have more than one third of its staff from the same ethnic community.

In the circumstance, the University was in breach of the Law.

## **7.0 Delayed Completion of Engineering Tuition Block**

The statement of financial position reflects a balance of Kshs.2,027,828,983 in respect to property, plant and equipment. As reported in the prior year, an amount of Kshs.474,896,783 was spent on construction of an Engineering Tuition Block as at 30 June, 2017. Two addendums dated 28 January, 2015 and 1 September, 2019 extended the construction contract period from 2013 to 2020 and payments totalling Kshs.136,738,893 for fourteen (14) interim payment certificates and seven (7) payments to consultants were made. In addition, the original bills of quantities for the construction of the Engineering Tuition Block B were revised by Kshs.49,097,971 or 29% from Kshs.171,446,091 to Kshs.220,544,062 contrary to Section 139(4)(c) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that quantity of works varied shall not exceed twenty per cent (20%) of the original contract quantity.

Further, no evidence was provided that the contract variation was reported to the Public Procurement Regulatory Authority contrary to Section 139(5) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that an Accounting Officer of a procuring entity shall submit a quarterly report of the varied or amended procurement contracts to the Authority. Physical verification carried out in October, 2019 revealed that the engineering tuition block was divided into three (3) blocks: Block A was complete and in use, Block B was substantially complete and in use while the construction of Block C was still in progress.

In the circumstances, the propriety and value for money on the expenditure on the project could not be ascertained.

## **8.0 Progress on Follow up of Auditor Recommendations**

Contrary to the Public Sector Accounting Standards Board (PSASB) financial reporting template for regulatory and other non-commercial government owned entities issued in June 2019, six (6) issues contained in the report of the Auditor General for the financial year 2017/2018 were not included in the progress on follow up of auditor recommendations. The PSASB template requires an entity to include progress on follow up of auditor recommendations including action taken on all issues raised in the audit report.

In the circumstances, the presentation of the University's financial statements was not in compliance with the PSASB template.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

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

### **Responsibilities of Management and the University Council**

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

In preparing the financial statements, Management is responsible for assessing the University's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of intention to terminate the University or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the University's financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements

are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the Meru University of Science and Technology's policies and procedures may deteriorate.

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

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

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**06 July, 2021**

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018-2019 Kshs.	2017-2018 Kshs.
<b>Revenue from non-exchange transactions</b>			
Grants in Aid	3	676,226,316	766,864,780
Donations and Gifts	4	835,537	391,823
		<b>677,061,852</b>	<b>767,256,603</b>
<b>Revenue from exchange transactions</b>			
Tuition and other Fees	5	322,986,019	176,446,022
Other Income	6	38,248,879	38,861,208
		<b>361,234,897</b>	<b>215,307,230</b>
<b>Total revenue</b>		<b>1,038,296,750</b>	<b>982,563,833</b>
<b>Expenses</b>			
Operational Expenses	7	1,057,296,266	1,027,735,657
Academic Costs	8	62,793,121	44,103,038
Administration Costs	9	23,449,360	24,421,000
Student Welfare	10	22,216,591	12,952,166
<b>Total expenses</b>		<b>1,165,755,338</b>	<b>1,109,211,862</b>
<b>Surplus / (Deficit)</b>		<b>(127,458,588)</b>	<b>(126,648,028)</b>


The notes set out on pages 6 to 35 form an integral part of these Financial Statements

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**


**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Note	2018-2019	2017-2018
<b>Assets</b>			
<b>Current Assets</b>			
		<b>Kshs</b>	<b>Kshs</b>
Cash and cash equivalents	11	375,841,402	409,488,892
Prepayments	12	25,038,609	6,855,954
Receivables from exchange transactions	13	68,794,763	57,389,147
Receivables from exchange non transactions	14	53,672,954	-
Inventory	15	8,762,076	8,260,554
		<b>532,109,804</b>	<b>481,994,547</b>
<b>Non-current assets</b>			
Property, plant and equipment	16	2,027,828,983	1,880,916,585
Biological Assets	17	807,077	1,938,725
Intangible Asset (ERP)	18	14,484,437	17,381,324
		<b>2,043,120,496</b>	<b>1,900,236,634</b>
<b>Total assets</b>		<b>2,575,230,300</b>	<b>2,382,231,181</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	19	304,101,201	166,448,576
Provisions	20	40,000,000	52,535,375
Deferred Income	21	27,315,346	54,515,471
<b>Total liabilities</b>		<b>371,416,547</b>	<b>273,499,422</b>
<b>Net assets</b>		<b>2,203,813,753</b>	<b>2,108,731,759</b>
Capital	22	2,495,308,979	2,272,768,397
Reserve Fund	23	(317,758,163)	(190,299,575)
Revaluation Reserve	24	26,262,937	26,262,937
<b>Total net assets and liabilities</b>		<b>2,203,813,753</b>	<b>2,108,731,759</b>

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

  
**CPA Nephath Njeru**  
**Member No. 7145**  
**Finance Officer**  
 Date: November 15,, 2019

**Prof. Romanus Odhiambo**  
**Vice Chancellor**  
 Date: November 15,, 2019

  
**Prof. Dulacha Galgalo Barako**  
**Chairman of the Council**  
 Date: November 15,, 2019

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

Details	Capital	Revaluation Reserve	Revenue Reserve	Total
Balance as at 1 July 2017	2,070,060,703	15,768,795	(68,631,601)	2,017,197,897
Add: Revaluation Surplus		16,351,313		16,351,313
Less: Revaluation Loss		(877,116)		(877,116)
Development Grants	13,356,900	-	-	13,356,900
ADB Equip Donation	189,350,794			189,350,794
Deficit	-	-	(126,648,028)	(126,648,028)
Depreciation	-	-4,980,055	4,980,055	-
<b>Balance as at 30 June 2018</b>	<b>2,272,768,397</b>	<b>26,262,937</b>	<b>(190,299,575)</b>	<b>2,108,731,759</b>
Development Grants	222,540,582	-	-	222,540,582
Surplus	-	-	(127,458,588)	(127,458,588)
<b>Balance as at 30 June 2019</b>	<b>2,495,308,979</b>	<b>26,262,937</b>	<b>(317,758,163)</b>	<b>2,203,813,753</b>

**Revenue Reserve**

Revenue reserve is the accumulated surpluses/deficits made by the University over the years.

**Capital**

Capital is composed of:

- The assets inherited from Meru College of Technology in July 2009 less liabilities as at that time.
- The accumulated development funds from the Government of Kenya or other external donors since the financial year 2008/09.

**Revaluation Reserve**

Revaluation reserve was created when Furniture, Computers, Machinery and Equipment, and Motor Vehicles were revalued.

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	NOTE	2018/19 KSHS.	2017/18 KSHS.
Surplus for the year		(127,458,588)	(126,648,028)
<b>Adjustment for :</b>			
(Gain)/ Loss on Revaluation of biological asset	17	(205,500)	343,900
Depreciation Charge	6 (e)	102,287,376	55,865,527
Operating surplus before working capital changes		<u>(25,376,712)</u>	<u>(70,438,601)</u>
Decrease(increase) in Debtors		(83,261,225)	(30,166,040)
Decrease(increase) in Stocks		(501,522)	(1,357,748)
Increase(Decrease) in Creditors		97,917,126	86,468,531
		<u>14,154,379</u>	<u>54,944,743</u>
<b>Net cash generated from Operating Activities</b>		<u><b>(11,222,334)</b></u>	<u><b>(15,493,858)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Buildings	16	-	(905,100)
Work In Progress	16	(208,690,631)	(50,430,421)
Furniture & Fittings	16	(6,170,465)	(9,317,283)
Computers	16	(9,392,411)	(2,803,775)
ERP		-	-
Motor Vehicle		-	-
Machinery & Equipment	16	(22,049,379)	(5,363,238)
Biological Assets	17	1,337,148	(1,482,225)
<b>Net cash flows from investing Activities</b>		<u><b>(244,965,738)</b></u>	<u><b>(70,302,042)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Grants allocated to Finance Capital Fund	22	<u>222,540,582</u>	<u>13,356,900</u>
Net Increase (Decrease) in cash and cash equivalents		<u><b>(33,647,490)</b></u>	<u><b>(72,439,000)</b></u>
Cash and cash equivalents at beginning of year		409,488,892	481,927,892
<b>Cash and cash equivalents at end of year</b>	11	<u><u><b>375,841,402</b></u></u>	<u><u><b>409,488,892</b></u></u>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE PERIOD ENDED 30 JUNE 2019**

	Original budget 2018-2019	Adjustments 2018-2019	Final budget 2018-2019	Actual on comparable basis 2018-2019	Performance difference 2018-2019	Remarks
	Kshs	Kshs	Kshs	Kshs	Kshs	%
<b>Revenue</b>						
Grants in Aid	635,258,533	40,967,783	676,226,316	676,226,316	-	0%
Tuition and other Fees	405,533,835	(81,549,382)	323,984,453	322,986,019	(998,434.30)	0%
Other Income	48,508,906	(13,233,698)	35,275,208	39,084,415	3,809,207.26	11%
<b>Total income</b>	<b>1,089,301,274</b>	<b>(53,815,297)</b>	<b>1,035,485,977</b>	<b>1,038,296,750</b>	<b>2,810,773</b>	<b>0%</b>
<b>Expenses</b>						
Operational Expenses						
a) Personnel Emoluments	721,348,839	44,174,878	765,523,717	765,207,539	316,178	0%
b) Maintenance Costs	18,095,537	480,000	18,575,537	21,652,570	(3,077,033)	-17% a
c) Council Expenses	13,200,000	-	13,200,000	14,002,537	(802,537)	-6%
d) Other Operational Expenses	167,453,300	(9,254,548)	158,198,752	154,146,244	4,052,508	3%
Academic Costs	68,507,063	(2,045,304)	66,461,759	62,793,121	3,668,638	6%
Administration Costs	19,103,953	-	19,103,953	23,449,360	(4,345,407)	-23% b
Student Welfare	23,400,100	1,000,000	24,400,100	22,216,591	2,183,509	9%
Depreciation	58,117,835	40,000,000	98,117,835	102,287,376	(4,169,541)	-4%
<b>Total expenses</b>	<b>1,089,226,627</b>	<b>74,355,026</b>	<b>1,163,581,653</b>	<b>1,165,755,338</b>	<b>(2,173,685)</b>	<b>0%</b>
	<b>74,647</b>	<b>(128,170,323)</b>	<b>(128,095,676)</b>	<b>(127,458,588)</b>	<b>637,088</b>	<b>0%</b>

**NOTES**

The statement has been prepared using the adjusted budget.

**a) Maintenance Cost:**

The cost increased by Kshs.3.08 million or 17% due to additional repair works in the various centres such as Laare, Marimba and Mariene. The fact that the students were in session for technically the whole 12 months of the financial year meant that there was over use of resources. That required constant maintenance and repair works. The students also participated in many sports and field activities which increased the travels hence the repairs for motor vehicles.

**b) Administration Costs:** This increased due to

- The need to train more staff
- The need to protect computers and data by procuring the necessary accessories and anti-virus
- Increased travelling due to increased activities during the financial year.

**NOTES TO THE FINANCIAL STATEMENTS**

**GENERAL INFORMATION**

The University is established by and derives its authority and accountability from University Act 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya.

**STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

**ADOPTION OF NEW AND REVISED STANDARDS**

**Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>(a) Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>(b) Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>(c) Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<b>IPSAS 42: Social Benefits</b>	<b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul>

**Early adoption of standards**

The University did not early – adopt any new or amended standards in year ended 30 June, 2019.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Revenue recognition**

#### **Revenue from non-exchange transactions – IPSAS 23**

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

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

##### *Government Grants and Assistance*

Financial assistance provided by the Government is recognised in the year it was received or when the entitlement for the revenue is established. Most of the government grants and assistance received are considered to be contributions. A contribution occurs when the University receives an asset without having to give equal value to the other party / parties of the transfer. If the consideration received is in the form of a contribution, the income is to be recognised as revenue when all of the following conditions have been satisfied:

The University obtains control of the contribution or the right to receive the contribution;  
It is probable that the contribution will flow to the University; and  
The amount of the contribution can be reliably measured.

Income is therefore, only recognised when the University has control over the contribution, which is usually achieved through receipt or when entitlement for the revenue is established. If the government contributions are received with conditions attached, and contributions have to be refunded if the conditions are not met, then revenue should not be recognised until all of those conditions are met and treated as income in advance or monies held from the government.

#### **Revenue from exchange transactions – IPSAS 9**

The University recognises revenue arising from the following transactions and events:

- Student fees and charges;
- The rendering of services; and
- Other revenue.

##### *Measurement of Revenue*

Revenue is measured at the fair value of the consideration received or receivable, where in most cases, the consideration is in the form of cash or cash equivalents.

##### *Recognition of Revenue*

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the University and specific criteria have been met for each of the following activities as described below.

##### *Student Fees and Charges*

Student fees and charges are recognised as revenue in the year which the service is provided to students. Student fees and charges received that relate to the service to be rendered in the future period are treated as income in advance.

*Rendering of Services*

Revenue recognition based on contracts to provide services require income to be recognised in stages of completion often as a percentage of services performed to the total of services to be provided as stipulated in the contract. Revenue associated with the sale of services is recognised by reference to the stage of completion of the transaction at the reporting date when the outcome of a transaction involving the rendering of services can be estimated reliably. The outcome of a transaction can be estimated reliably when all of the following conditions are satisfied:

- i. The amount of revenue can be measured reliably;
- ii. It is probable that the economic benefits associated with the transaction will flow to the University;
- iii. The stage of completion of the transaction at the reporting date can be measured reliably; and
- iv. The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the University. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

*Other Revenue*

Other revenue represents miscellaneous income and other grant income not derived from core business and is recognised when it is earned.

**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. 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 presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

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

**d) 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 determines the classification of its financial assets at initial recognition.

***Loans and receivables***

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

***Impairment of financial assets***

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

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

**e) Inventories – IPSAS 12**

Inventory is measured at cost upon initial recognition. After initial recognition, inventory is measured at the lower of cost and net realizable value.

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

**f) Provisions – IPSAS 19**

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.

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.

**g) Nature and purpose of reserves**

The University creates and maintains reserves in terms of specific requirements. The University has one reserve namely Revenue Reserve.

Revenue Reserve is composed of accumulated surplus or deficits.

Capital is composed of the following:

- Value of non-current assets as at 30 June 2009,
- Development grants received from the government from July 2009 to date, and
- Transfers from Revenue Reserve. Capital expenditure over and above the development grants from the Government is financed by the Revenue Reserve.

**h) Changes in accounting policies and estimates – IPSAS 3**

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.

**i) Employee benefits – IPSAS 25**

**Retirement benefit plans:** The University provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the University pays fixed contributions into a separate University Pension Scheme (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.

**j) Related parties – IPSAS 20**

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. Members of key management are regarded as related parties and comprise the Chancellor, the Council members, the Vice Chancellor, the Deputy Vice Chancellors, and senior managers.

**k) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank and also call accounts.

**l) Comparative figures**

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

**m) Subsequent events – IPSAS 14**

The University adjusts the financial statement for events after the reporting date together with the appropriate disclosures. The University adjusts the amount recognised in its financial statement to reflect the adjusting events after reporting date. Some examples of adjusting events include:

- i) Settlement after the reporting date of a court case
- ii) The receipt of information after reporting date indicating that an asset was impaired at the reporting date
- iii) Determination after reporting date of the cost of an asset purchased before reporting date
- iv) Discovery of fraud or errors that show that the financial statements were incorrect.

**n) Biological Asset – IPSAS 27**

The university biological assets are measured on initial recognition and at each reporting date at their fair value less costs to sell, except for the case where the fair value cannot be measured reliably.

**1. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY–  
IPSAS 1**

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

***Estimates and assumptions***

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

***Useful lives and residual values***

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

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

The following are the estimated useful lives of the various assets:

<b>Details</b>	<b>Rate of depreciation</b>	<b>Life</b>
Buildings	4%	25 years
Furniture & Fittings	10%	10 years
Computers	20%	5 years
Motor Vehicles	20%	5 years
Machinery & Equipment	10%	10 years
Biological Asset	Not depreciated	
Work in Progress	Not depreciated	
Land	Not depreciated	

It is the policy of the University to charge full year's depreciation on the year of purchase and nil depreciation on the year of disposal.

***Provisions***

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

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

**2. POLICY ON BIOLOGICAL ASSETS**

The University recognises a biological asset or agricultural produce when and only when:

- the University controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the University; and
- the fair value or cost of the asset can be measured reliably.

In agricultural activity, control may be evidenced by, for example, legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning. The future benefits are normally assessed by measuring the significant physical attributes. A

biological asset is measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. Cost may sometimes approximate fair value, particularly when:

- little biological transformation has taken place since initial cost incurrence or
- the impact of the biological transformation on price is not expected to be material

If an active market does not exist, the University uses one or more of the following, when available, in determining fair value:

- the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period;
- market prices for similar assets with adjustment to reflect differences; and
- sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat.

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Notes to the Financial Statements Continued...**

**3. GRANTS IN AIDS**

**a) Capitation:**

	<b>2018/19</b>	<b>2017/18</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
Monthly Capitation	676,226,316	668,864,780
CBA Arrears	-	98,000,000
<b>Total</b>	<b>676,226,316</b>	<b>766,864,780</b>

**b) Transfers from Ministries, Departments and Agencies**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund	Total grant income during the year	Total grant income during the financial year 2017-2018
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Education	676,226,316	-	222,540,582	898,766,898	780,221,680
<b>Total</b>	<b>676,226,316</b>	<b>-</b>	<b>222,540,582</b>	<b>898,766,898</b>	<b>780,221,680</b>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Notes to the Financial Statements Continued...**

NOTE	DETAILS	2018/19	2017/18
		<u>KSHS</u>	<u>KSHS</u>
4	<b>Donations and Gifts</b>		
	Donations and Gifts	835,537	391,823
5	<b>TUITION AND OTHER FEES</b>		
	Tuition Fees	160,704,547	92,759,100
	ID/Registration Fees	4,208,053	3,830,040
	Examination Fees	41,281,428	21,653,025
	Material Development Fees	6,308,420	4,910,250
	Laboratory Workshop Materials Fees	9,309,311	4,207,250
	Medical Fees	26,310,383	13,650,283
	Computer Fees	13,156,075	6,933,316
	Library Fees	8,077,468	4,428,195
	Activity Fees	7,941,240	4,308,700
	Field Trips/Attachment Fees	26,473,644	13,527,663
	Clinical Transport-Field	246,500	108,500
	Junior Clerkship	370,000	
	Examinations Marking	9,000	10,000
	Application Fees	635,650	456,500
	Accommodation fee	17,954,300	5,663,200
	<b>SUB-TOTAL</b>	<b>322,986,019</b>	<b>176,446,022</b>
6	<b>OTHER INCOMES</b>		
	<b>a) Other incomes</b>		
	Surcharges and Fines	606,584	502,790
	Printing and Photocopy	167,955	55,018
	Library Fines	41,539	12,301
	Transport Charges	252,535	453,008
	Sale of Tender Documents	11,000	10,000
	Miscellaneous Income	6,637,701	1,389,065
	Hospital Income	-	492,186
	Hire of Equipment	-	-
	Food Science Sales	270,425	190,150
	Chemistry sale of Detergent Income	7,750	4,280
	Gain on revaluation:	205,500	-
	Rental Income-Safaricom Mast	132,300	126,000
	Farm Sales -Dairy Farm	55,280	252,040
	Farm Sales-Beef	2,150,954	209,355
	Farm Sales -Food Crops	598,940	545,475
	Farm Sales -Grass	630,840	1,036,385
	Farm Sales - Fish	20,000	-

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Notes to the Financial Statements Continued...**

<b>NOTE</b>	<b>DETAILS</b>	<b>2018/19</b>	<b>2017/18</b>
		<u><b>KSHS</b></u>	<u><b>KSHS</b></u>
	Agriculture Dept Income-Demo farm	29,560	17,010
	Graduation Fees	5,477,000	3,550,800
	Hire of Academic Attire	345,000	587,800
	Students P.A.Y.E Sales	3,079,580	3,162,435
	Staff Cafeteria Sales	12,200,235	7,596,294
	Discount Received	-	-
	Conference Facilities	-	97,500
	Pay in Lieu of Notice	136,363	
	Admin ChargeTuition Refund	8,000	
	Stock Variance Adjustment		5,144,513
	<b>SUB-TOTAL</b>	<b>33,065,041</b>	<b>25,434,405</b>
	<b>b) Income for Deposits and Call Accounts</b>		
	Interest on Deposits	<b>5,183,838</b>	<b>13,426,803</b>
	<b>TOTAL OTHER INCOMES</b>	<b>38,248,879</b>	<b>38,861,208</b>
<b>7</b>	<b>OPERATIONAL EXPENSES</b>		
	<b>a) Personnel Emoluments</b>		
	Basic Salary	301,878,326	363,350,494
	House Allowance	151,194,641	156,006,998
	Bus fare Allowance	17,275,132	16,745,972
	Use of own Car Allowance	32,763,902	30,029,000
	Non Practice Allowance	1,246,451	900,000
	Entertainment Allowance	10,043,986	9,141,587
	Responsibility Allowance	14,650,131	12,161,392
	Extraneous Allowance	5,972,275	5,658,198
	Leave Allowance	1,807,390	1,724,670
	Passage and Baggage	297,350	359,600
	Risk Allowance	176,774	201,984
	Domestic Work Allowance	2,559,572	1,837,500
	Book Allowance	710,000	750,000
	Management Allowance	5,879,333	5,941,774
	Water and Electricity Allowance	1,172,800	904,387
	Telephone Allowance	5,134,760	4,825,919
	Tender Allowance	-	48,000
	VC Commuter Allowance	794,602	220,000
	Duty House Allowance	2,182,000	2,100,000
	Security Allowance	1,416,161	1,050,000
	Acting Allowance	927,014	527,169

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Notes to the Financial Statements Continued...**

NOTE	DETAILS	2018/19	2017/18
		<u>KSHS</u>	<u>KSHS</u>
	Casual Wages	19,454,564	18,201,187
	Part-Time Teaching	124,568,875	52,111,875
	Overtime	43,948	-
	Students' Work Study Programme	504,000	167,680
	Gratuity	14,899,860	34,529,362
	Pension -Employer's Contribution	46,304,234	42,956,445
	Other Personnel Allowance	301,000	56,000
	Non use of official car allowance	930,000	1,023,000
	Car Benefit Allowance	16,258	
	Settlement Allowance	102,200	
	<b>SUB-TOTAL</b>	<b>765,207,539</b>	<b>763,530,193</b>
<b>b)</b>	<b>Maintenance Costs</b>		
	Marimba Centre Maintenance	1,422,990	1,690,100
	Mariene Centre Maintenance	-	1,864,272
	Maintenance of Plant and Machinery	1,163,924	712,804
	Maintenance of Furniture and Fittings	594,106	26,250
	Maintenance of Buildings	7,635,827	8,535,312
	Maintenance of Water and Sewerage	1,517,548	2,554,837
	Maintenance or Roads	797,855	3,336,700
	Maintenance of Grounds	522,846	3,903,270
	Motor Vehicle Repair and Maintenance	4,163,136	3,133,220
	Maintenance of Computers	1,592,986	2,934,135
	Computer Software Maintenance	2,241,352	4,750,280
	<b>SUB-TOTAL</b>	<b>21,652,570</b>	<b>33,441,180</b>
<b>c)</b>	<b>Council Expenses</b>		
	Council Sitting Allowance	5,440,000	6,706,000
	Council Subsistence	5,059,600	5,623,800
	Council Monthly Honoraria	960,000	960,000
	Council Fare	177,000	281,412
	Council Mileage	2,257,137	3,123,453
	Council Telephone	60,000	60,000
	Council Air Travel	48,800	166,820
	Council Lunch	-	8,000
	<b>SUB-TOTAL</b>	<b>14,002,537</b>	<b>16,929,485</b>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Notes to the Financial Statements Continued...**

NOTE	DETAILS	2018/19	2017/18
		<u>KSHS</u>	<u>KSHS</u>
	<b>d) Other Operational Expenses</b>		
	Advertising & Publicity	13,751,055	5,119,219
	Audit Fees	870,000	870,000
	Bank Charges -O.D. Interest, Ledger Fee	967,988	635,197
	Chancellor Expenses	1,200,000	1,200,000
	Conferences and Seminars	3,641,834	1,840,110
	Contracted Professional Charges	-	732,792
	Drug Abuse Prevention	59,500	-
	Electricity	12,399,717	8,191,841
	Security Services	17,327,290	16,053,480
	External Travel	122,100	230,801
	Funeral Expenses	143,100	554,000
	Gender and Disability Expenses	125,112	141,184
	Generator Expenses	635,135	745,289
	HIV AIDS Prevention	21,850	-
	Insurance	19,235,391	26,701,099
	Internet	14,596,809	17,877,228
	ISO Expenses	2,343,519	791,650
	Legal Fee	6,195,324	4,851,980
	Library Expenses	1,682,033	18,308,299
	Medical Expenses -In Patient	2,326,280	-
	Medical Expenses -Out Patient	4,947,706	4,674,737
	Medical Supplies	6,633,319	1,994,348
	Motor Vehicle Fuel	5,339,875	4,865,882
	Newspaper & Journals	-	34,520
	Performance Contracting	793,700	8,980
	Postal and Telegram	134,707	38,156
	Public Celebrations	293,250	-
	Publishing, Printing and Photography	5,255	407,600
	Rent and Rates	14,818,348	19,993,800
	Sanitation	14,978,781	14,270,155
	Show Expenses	580,450	690,470
	Uniform and Clothing	695,621	451,795
	University Comitees	-	-
	Dental Optical Expenses	2,165,815	2,522,597
	Official Entertainment	62,500	-
	Subscription Expenses	977,352	381,702
	Payment in lieue of annual leave	-	-
	Lost Cash Expense	-	-
	Loss on disposal	-	343,900
	Industrial Training Fee	-	-

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Notes to the Financial Statements Continued...**

<b>NOTE</b>	<b>DETAILS</b>	<b>2018/19</b>	<b>2017/18</b>
		<u><b>KSHS</b></u>	<u><b>KSHS</b></u>
	Marimba Water Bottling Plant Expenses	-	19,500
	Stock Variance	276,241	-
	National Cohesion & Intergration	85,400	
	Dairy Production Expenses	1,353,360	765,200
	Farm Crops Inputs	2,248,948	529,000
	Farming/Production Costs	111,580	195,497
	Marimba Centre Maintenance		
	Purchases	-	937,265
	<b>SUB-TOTAL</b>	<u><b>154,146,244</b></u>	<u><b>157,969,273</b></u>
<b>e</b>	<b>DEPRECIATION and AMORTIZATION</b>		
	<b>DEPRECIATION</b>		
	Buildings	38,166,352	38,166,352
	Furniture & Fittings	11,537,387	-
	Motor Vehicles	14,802,288	14,802,288
	Computers	5,171,441	-
	Machinery	29,713,020	-
	<b>SUB-TOTAL</b>	<u><b>99,390,489</b></u>	<u><b>52,968,640</b></u>
	<b>AMORTIZATION</b>		
	ERP	2,896,887	2,896,887
	<b>SUB-TOTAL</b>	<u><b>102,287,376</b></u>	<u><b>55,865,527</b></u>
	<b>TOTAL OPERATIONAL EXPENSES</b>	<u><b>1,057,296,266</b></u>	<u><b>1,027,735,657</b></u>
<b>8</b>	<b>ACADEMIC COSTS</b>		
	External Training - Students	95,000	-
	Student Admission Expenses	72,000	154,000
	Quality Assurances CUE Expenses	14,700	-
	Programme Inspection Expenses	-	387,840
	Travel and Accommodation Academic	2,280,720	1,671,626
	Field Trips	5,112,146	683,913
	Graduation Expenses	7,487,146	5,016,866
	Industrial Attachment	3,925,255	2,321,482
	KUCCPS	1,384,500	6,832,500
	University Research Expenses	10,557,242	6,121,465
	Stationery Academic	4,903,977	2,844,109
	Student Examinations	5,650,149	2,035,736
	Teaching Materials	14,237,617	2,440,317
	Telephone Academic	85,100	78,894

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Notes to the Financial Statements Continued...**

<b>NOTE</b>	<b>DETAILS</b>	<b>2018/19</b>	<b>2017/18</b>
		<u><b>KSHS</b></u>	<u><b>KSHS</b></u>
	Training -Academic Staff	1,216,638	1,652,057
	Entertainment Academic	2,410,311	1,138,148
	Curriculum Development Expenses	3,210,921	10,724,085
	MUST Innovate for Africa Hackathon	149,700	
	<b>SUB-TOTAL</b>	<b>62,793,121</b>	<b>44,103,038</b>
<b>9</b>	<b>ADMINISTRATION COSTS</b>		
	Travelling and Accommodation Admin	8,967,534	6,950,394
	Telephone Admin	64,420	101,120
	Entertainment Admin	2,648,709	3,101,886
	Stationery Admin	6,828,001	12,589,242
	Computer Expenses Admin	1,134,984	100,820
	Training -Non-Teaching Staff	3,805,712	1,577,538
	<b>SUB-TOTAL</b>	<b>23,449,360</b>	<b>24,421,000</b>
<b>10</b>	<b>STUDENT WELFARE</b>		
	Student Hostels Expenses	-	-
	Cooking Fuel	1,039,700	1,344,527
	Student Recreation Activities	7,195,913	1,920,225
	Foodstuffs	13,347,743	8,736,498
	Crockery & Kitchen Equipment	312,760	690,381
	Entertainment Student Welfare	320,475	260,535
	<b>SUB-TOTAL</b>	<b>22,216,591</b>	<b>12,952,166</b>
<b>11</b>	<b>CASH AND BANK BALANCES</b>	<b>2017-2017</b>	<b>2017-2018</b>
	<b>Financial institution</b>	<b>Kshs</b>	<b>Kshs</b>
	BANK A/C (NBK) Main	25,808,576	5,248,079
	Bank A/C (NBK) Farm –	37,112,381	6,586,276
	Bank A/C (NBK) Project	3,007,939	221,114
	Bank A/C (KCB) Fees Collection	13,267,174	84,466,239
	Bank A/C (KCB) Operations	109,302,691	114,151,182
	Bank Equity-Fee collection account	36,675,531	10,941,357
	Bank CO-OP Bank- Fee Collection A/c	150,667,110	160,074,684
	Central Bank TB	-	27,799,961
	<b>SUB TOTAL</b>	<b>375,841,402</b>	<b>409,488,892</b>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

**Detailed analysis of the cash and cash equivalents**

<b>Financial institution</b>	<b>Account number</b>	<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>a) Current account</b>			
Kenya Commercial bank	1117775917	13,267,174	84,466,239
Kenya Commercial bank	1121458165	109,302,691	114,151,182
National Bank of Kenya	102139008700	25,808,576	5,248,079
National Bank of Kenya	0124239008700	37,112,381	6,586,276
National Bank of Kenya	0102140013000	3,007,939	221,114
Equity Bank	1040297858661	36,675,531	10,941,357
Cooperative Bank		150,667,110	160,074,684
<b>Sub- total</b>		<b>375,841,402</b>	<b>381,688,931</b>
<b>b) Treasury Bills</b>			
Central Bank of Kenya		-	27,799,961
<b>Sub- total</b>		-	<b>27,799,961</b>
<b>Grand total</b>		<b>375,841,402</b>	<b>409,488,892</b>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

NOTES TO FINANCIAL STATEMENTS CONTINUED...

NOTE	DETAILS	2018/19 <u>KSHS</u>	2017/18 <u>KSHS</u>
<b>12</b>	<b>PREPAYMENTS</b>		
	Rent Deposits	2,792,750	418,640
	Electricity Deposits	716,000	2,004,500
	Prepaid Insurance	19,200,165	4,432,814
	Security on motor vehicle fuel	1,069,000	-
	Other Prepaid expenses	1,260,694	-
	<b>SUB TOTAL</b>	<b>25,038,609</b>	<b>6,855,954</b>
<b>13</b>	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	Staff Debtors	122,462	319,600
	Students Debtors	67,909,517	56,714,924
	Imprest Debtors	291,908	160,478
	Trade Debtors	-	7,921
	Withholding Tax	155,876	119,725
	Practical/Research/ Professional dev	-	24,000
	Payment in Advance	315,000	-
	<b>SUB TOTAL</b>	<b>68,794,763</b>	<b>57,389,147</b>
<b>14</b>	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	GoK Receivable	53,672,954	-
	<b>SUB TOTAL</b>	<b>53,672,954</b>	-
<b>15</b>	<b>INVENTORY</b>		
	Estate Hardware Store	4,726,048	3,884,135
	Central Store	2,494,088	1,360,751
	Health Drug Store	1,140,837	1,027,773
	Kitchen Store	401,103	1,987,895
	Stationery Stores	-	-
	Transport Store	-	-
	<b>SUB TOTAL</b>	<b>8,762,076</b>	<b>8,260,554</b>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)...**

**16. Property, plant and equipment**

	LAND	BUILDINGS	WORK IN PROGRESS	FURNITURE & FITTINGS	COMPUTERS	MOTOR VEHICLES	MACHINERY & EQUIPMENT	TOTAL
RATE	0%	4%	0%	10%	20%	20%	10%	Kshs
<b>Cost/Valuation 30.6.2017</b>	108,292,000	953,253,701	554,418,144	166,138,448	23,147,400	74,011,440	117,753,732	<b>1,997,014,865</b>
Additions: Purchases	-	905,100	50,430,421	9,317,283	2,803,775	-	5,363,238	<b>68,819,817</b>
Add: ADB Equipment Donation	-	-	-	-	-	-	189,350,794	<b>189,350,794</b>
	108,292,000	954,158,801	604,848,565	175,455,731	25,951,175	74,011,440	312,467,764	<b>2,255,185,476</b>
<b>Less Provision for Deprec. (30.6.17)</b>	-	-	-	69,404,337	8,609,264	-	50,586,242	<b>128,599,843</b>
	108,292,000	954,158,801	604,848,565	106,051,394	17,341,911	74,011,440	261,881,522	<b>2,126,585,633</b>
Revaluation Gain/(Loss)	-	-	-	3,152,011	(877,116)	-	13,199,302	<b>15,474,197</b>
<b>Cost/Valuation 30.6.2018</b>	108,292,000	954,158,801	604,848,565	109,203,405	16,464,795	74,011,440	275,080,824	<b>2,142,059,830</b>
Additions	-	-	208,690,631	6,170,465	9,392,411	-	22,049,379	-
<b>Cost/Valuation 30.6.2019</b>	<b>108,292,000</b>	<b>954,158,801</b>	<b>813,539,196</b>	<b>115,373,870</b>	<b>25,857,207</b>	<b>74,011,440</b>	<b>297,130,203</b>	<b>2,388,362,716</b>
<b>Provision for Deprec. (30.6.17)</b>	-	180,355,607	-	69,404,337	8,609,264	27,818,998	50,586,242	<b>336,774,448</b>
Depreciation	-	38,166,352	-	-	-	14,802,288	-	<b>52,968,640</b>
<b>Provision for Deprec. (30.6.18)</b>	-	218,521,959	-	-	-	42,621,286	-	<b>261,143,245</b>
Depreciation	-	38,166,352	-	11,537,387	5,171,441	14,802,288	29,713,020	<b>99,390,489</b>
<b>Provision for Deprec. (30.6.19)</b>	-	<b>256,688,311</b>	-	<b>11,537,387</b>	<b>5,171,441</b>	<b>57,423,574</b>	<b>29,713,020</b>	<b>360,533,734</b>
<b>Net Book Value</b>								
NBV As at 30.06.2017	108,292,000	811,028,242	474,896,783	100,418,291	15,919,138	47,273,290	73,804,028	<b>1,631,631,772</b>
NBV As at 30.06.2018	108,292,000	735,636,842	604,848,565	109,203,405	16,464,795	31,390,154	275,080,824	<b>1,880,916,585</b>
NBV As at 30.06.2019	<b>108,292,000</b>	<b>697,470,490</b>	<b>813,539,196</b>	<b>103,836,483</b>	<b>20,685,765</b>	<b>16,587,866</b>	<b>267,417,183</b>	<b>2,027,828,983</b>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**Notes to the Financial Statements (Continued)...**

**17 BIOLOGICAL ASSETS**

<b>COST</b>	<b>Dairy Cattle</b>	<b>Beef Cattle</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
Net Book Value as at 30.06.2017	783,900	16,500	800,400
Additions	-	1,482,225	1,482,225
	783,900	1,498,725	2,282,625
Less Disposal	24,500	319,400	343,900
Net Book Value as at 30.06.2018	759,400	1,179,325	1,938,725
Additions	-	-	-
Changes in fair value	156,500	49,000	205,500
	915,900	1,228,325	2,144,225
Less Disposal	156,000	1,181,148	1,337,148
<b>Net Book Value as at 30.06.2019</b>	<b>759,900</b>	<b>47,177</b>	<b>807,077</b>

Biological assets are dairy and beef cattle.

**18: INTANGIBLE ASSET**

<b>RATE</b>	<b>ERP</b>
	<b>10%</b>
Cost as at 30.6.2016	28,968,872
<b>Accumulated Depreciation</b>	
Provision for Deprec. (30.6.17)	8,690,661
Depreciation Expense	2,896,887
Provision for Deprec. (30.6.18)	11,587,548
Depreciation Expense	2,896,887
Provision for Deprec. (30.6.19)	<b>14,484,435</b>
<b>Net Book Value</b>	
NBV As at 30.06.2017	20,278,211
NBV As at 30.06.2018	17,381,324
<b>NBV As at 30.06.2019</b>	<b>14,484,437</b>

Intangible asset is Enterprise Resource Planning system known as Microsoft Navision. The system was commissioned in the Financial Year 2014/15 and is expected to serve the University for a period of ten years.

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

NOTE	NOTES TO FINANCIAL STATEMENTS CONTINUED... DETAILS	2018/19	2017/18
		<u>KSHS</u>	<u>KSHS</u>
<b>19</b>	<b>TRADE AND OTHER PAYABLES</b>		
	CDF Account	368,215	136,370
	Cystic Echinococcosis Project-Prof Magambo -	6,121,460	12,191,122
	Dr. Eunice Marete -Research Project	458,650	458,650
	Dr. Joshua Arimi NACOSTI	2,500	2,500
	HELB Control Account	69,500	410,500
	Insurance Claim Refunds	130,000	130,000
	MUST Alumni Association	7,540,833	6,089,233
	MUST Pension Scheme	251,291	251,291
	Quality Assurance(QUE) Fees	2,735,000	-
	Quality Audit Fees	21,499,529	13,012,700
	Placement Fees (KUCCPS)	8,313,200	4,539,000
	Accreditation (Regulating Body) Fees	1,592,000	1,356,700
	Students Indexing by Regulator Fees	1,147,450	636,650
	Teaching Practice Fees	2,028,300	4,948,000
	Research Administration Fund	701,494	701,494
	Retention Money for Projects	21,142,674	22,541,622
	SAMU Subscriptions	865,187	350,387
	Sundry Creditors	99,429,437	49,482,755
	NBK Recurrent Unidentified deposits	43,172	43,172
	NBK Fees Collection A/c Unidentified Deposits	140,150	162,800
	NBK Project A/C Unidentified Deposits	906,900	789,250
	Equity Fees A/c Unidentified Deposits	371,658	326,158
	KCB Fees Coll Unidentified Deposits	1,474,208	1,192,028
	Co-op Fees Coll Unidentified Deposits	545,545	561,385
	NBK Main Unidentified Deposits	175,205	87,500
	KCB Operational Unidentified	41,200	
	VAT on Purchases	166,069	58,426
	MEIWA Project	848,580	478,250
	Joy Riungu-Utafiti Project	981,180	707,274
	Research Funds	9,982,031	14,036,582
	Salaries General	15,633	2,614
	Gratuity Owing	25,359,459	29,719,777
	Leave Allowance Owing	-	887,350
	HELB -Payment	-	157,035
	EA WHO Research Centre	56,279,248	
	Students Fees Prepayment	32,374,243	
	<b>SUB TOTAL</b>	<b>304,101,201</b>	<b>166,448,576</b>
20	<b>PROVISIONS</b>		
	Provision for Part-time	40,000,000	52,535,375
	<b>SUB TOTAL</b>	<b>40,000,000</b>	<b>52,535,375</b>
21	<b>DEFERRED INCOME</b>		
	Deferred Tuition Fee	27,315,346	54,515,471
	<b>SUB TOTAL</b>	<b>27,315,346</b>	<b>54,515,471</b>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

NOTE	NOTES TO FINANCIAL STATEMENTS CONTINUED... DETAILS	2018/19	2017/18
		<u>KSHS</u>	<u>KSHS</u>
<b>22</b>	<b>CAPITAL</b>		
	Capital B/F	2,272,768,397	2,070,060,703
	Additional Capital during the year	222,540,582	13,356,900
		<b>2,495,308,979</b>	<b>2,083,417,603</b>
	Add: Donation-ADB Equipment	-	189,350,794
	<b>Capital C/F</b>	<b>2,495,308,979</b>	<b>2,272,768,397</b>
<b>23</b>	<b>REVENUE RESERVE</b>		
	Revenue Reserve B/F	(190,299,575)	(68,631,601)
	Transfer from revaluation reserve	-	4,980,055
		<b>(190,299,575)</b>	<b>(63,651,546)</b>
	Surplus for the Year	(127,458,588)	(126,648,028)
	<b>Revenue Reserves C/F</b>	<b>(317,758,163)</b>	<b>(190,299,575)</b>
<b>24</b>	<b>Revaluation Surplus</b>		
	Revaluation-Computers B/F	7,029,460	7,906,576
	Less: Depreciation-Computers	-	-
	less: Loss on Revaluation-Computers	-	877,116
	Net Revaluation Surplus (Computers)	<b>7,029,460</b>	<b>7,029,460</b>
	Revaluation-Motor Vehicles B/F	2,882,164	7,862,219
	Less: Depreciation-Motor Vehicles	-	4,980,055
	Net Revaluation Surplus (Motor-Vehicle)	<b>2,882,164</b>	<b>2,882,164</b>
	Revaluation Surplus-Equipment	13,199,302	13,199,302
	Revaluation Surplus- Furniture	3,152,011	3,152,011
	<b>Revaluation Surplus C/F</b>	<b>26,262,937</b>	<b>26,262,937</b>

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**25. Cash generated from operations**

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>Surplus for the year before tax</b>	(127,458,588)	(126,648,028)
<b>Adjusted for:</b>		
Depreciation	102,287,376	55,865,527
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	-	-
Gains and losses on disposal of assets	(205,500)	343,900
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	(501,522)	(1,357,748)
Increase in receivables	(83,261,225)	(30,166,040)
Increase in deferred income	-	-
Increase in payables	97,917,126	86,468,531
Increase in payments received in advance	-	-
<b>Net cash flow from operating activities</b>	<b>(11,222,334)</b>	<b>(15,493,858)</b>

**26. RELATED PARTY DISCLOSURE**

**Council**

The Council members, except the Vice Chancellor, were paid sitting allowances, per diem, mileage, and air fare, and for Chairman- Director's fee and telephone allowance. The University also paid for their medical insurance cover. The University paid the Council members a total of Kshs. **14,002,537** in form of allowances. None of the Council members was advanced a loan by the University during the Financial Year. None of the Council members had other dealings with the University other than as Council members.

**University Management Board Members**

The total amount paid to the University Management Board members in terms of salaries and allowances was Kshs. 46 million. None of the University Board members was advanced a loan by the University during the Financial Year. None of the University Management Board members had other dealings with the University other than as an employee of the university.

**Government**

The Government of Kenya is the largest single sponsor of the University. During the year, the University received Kshs. 898,766,898 from the Government for Recurrent and Capital expenditure. The Government is responsible for the appointment of the Council Members.

**27. CONTINGENT LIABILITIES**

There was no contingent liability worth reporting during the year.

## **28. FINANCIAL RISKS**

The University has initiated and facilitated the process that will see the enhancement of risk management. It has an integrated risk management framework. The University recognizes the critical role the risk management will continue to play in its endeavour to carry out its business in a dynamic environment. The University is committed to ensuring that corporate governance and risk management are deeply entrenched in its strategy and culture. An elaborate risk management strategy that will provide direction on matters of policy and guide the implementation and control has been developed.

This risk management framework captures the following among other things: -

- The University's risk appetite and parameters;
- The University's risk matrix that highlights the rating of risks;
- The structure of managing risks and accountabilities;
- The processes, procedures and reports that manage risks;
- The mitigating factors, prevention, contingency plans and controls.

The University's core business involves major engagements with financial transactions and processes which pose certain risks. The University Council has the overall responsibility for the establishment and oversight of the University's risk management framework. The University Council has delegated its risk management to the 'Audit Committee'. One of the responsibilities of this committee is to review risk management strategies in order to ensure business continuity and survival. Most of the financial risks arising from financial transactions and processes are managed by the 'Finance Committee' of the University Council.

The financial management objectives and policies are as outlined below: -

### **a) Liquidity Risk**

Liquidity risk is the risk that the University will not have sufficient financial resources to meet its obligations when they fall due or will have to do so at excessive costs. This risk can arise from mismatches in the timing of cash flows from revenue and capital/operational outflows, assets and liabilities according to their maturity profiles.

The objective of the liquidity management is to ensure that all foreseeable operational and capital commitment expenditure can be met under both normal and stressed conditions and the mismatch is controlled in line with allowable risk levels. The University has adopted an overall balance sheet approach which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity, cash flows and interest rate considerations. The University's liquidity and funding management process includes: -

- Projecting cash flows and considering the cash required and optimizing the short term requirements as well as the long term funding,
- Maintaining balance sheet liquidity ratios.

Prudent liquidity risk management includes maintaining sufficient cash to meet University obligations. The University manages liquidity risk by maintaining adequate cash reserves to ensure liabilities are paid as they fall due and to cushion against any liquidity risk. The table below shows the University's financial liabilities that will be settled on a net basis. The amounts disclosed are the contractual undiscounted cash flows:

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

<b>As at 30 June</b>	<b>2019</b>	<b>2018</b>
<b>Financial Assets</b>	<b>Kshs</b>	<b>Kshs</b>
Cash and cash equivalents	375,841,402	409,488,892
Receivables from exchange transactions	68,794,763	57,389,147
Prepayments	25,038,609	6,855,954
	<b>469,674,774</b>	<b>473,733,993</b>
<b>Financial liabilities</b>		
Payables	<b>344,101,201</b>	<b>218,983,951</b>
<b>Net Liquidity</b>	<b>125,573,573</b>	<b>254,750,042</b>
<b>Liquidity ratio</b>	<b>1.36</b>	<b>2.16</b>

A liquidity ratio of 1.36 indicate that the liquidity risk was low during the year.

**b) Market Risk**

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, prices and interest rates. The objective of market risk management policy is to protect and enhance the Statements of Financial Position and performance by managing and controlling market risk exposures within acceptable parameters, and to optimize the funding of business operations and facilitate capital expansion. The University is exposed to the following market risks: -

**(i) Currency Risk**

Currency risk arises primarily from purchasing imported goods and services from overseas or indirectly via local supplies, or services that are priced in foreign currency such as internet (US Dollars). Nevertheless, the currency risk is minimal as cash and cash equivalents held with banks are denominated in Kenya Shillings and there are minimal dealings in foreign currency.

**(ii) Interest Rate Risk**

The University is exposed to various risks associated with effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margin may increase, as a result of such changes but may reduce losses in the event that unexpected movement arises. The University closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities on the statement of financial position.

The interest rates on call deposits held in financial institutions are fixed and agreed upon on monthly basis. The Management is in regular contact with the bank in a bid to obtain the best interest rates and therefore able to plan for the resulting income.

The interest rate risk is minimal as the University does not have any borrowings.

**c) Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the University's processes, personnel, technology and infrastructure and from

external factors other than credit, market and liquidity risks such as legal and regulatory requirements and generally acceptable standards of corporate behaviour. The University seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor and report such risks. The University's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the University's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The responsibility is supported by the development of overall standards for the management of operational risk in the following areas: -

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of financial transactions;
- Compliance with regulatory and legal requirements;
- Documentation of controls and procedures;
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- Requirement for the reporting of operational losses and proposed remedial action;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where it is effective.

Operational risks are documented in the 'Risk Register and Opportunity Assessment Document' and are managed by the Risk Management Committee established to spearhead and coordinate risk management activities. The measures taken include proactively identifying, analysing and mitigating risks in all facets of the business.

**d) Compliance and Regulatory Risk**

Compliance and regulatory risk includes the risk of non-compliance with regulatory requirements. The University complied with all externally imposed requirements throughout the year.

**e) Legal Risk**

Legal risk is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or the loss for the University, failure to protect the title to and liability to control the rights to assets of the University (including intellectual property right), changes in law, or jurisdictional risk. The University manages legal risk through the legal office, legal risk policies and procedures and the effective use of internal controls and external lawyers.

**f) Credit Risk**

Credit risk is the risk that a borrower is unable to meet his financial obligations to the lender. The University's credit risk is attributable to its cash and cash equivalents and trade receivables. Both bank balances and trade receivables are fully performing and no debt has been impaired. The amount that best represents the University's maximum exposure to credit risk is made up as follows;

**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

Details	2018-2019	2017-2018	2016-2017
	Kshs.	Kshs.	Kshs.
Total revenue	1,038,296,750	982,563,833	840,160,437
Less: Total expenses	1,165,755,338	1,109,211,862	898,354,589
<b>Surplus / (Deficit)</b>	<b>(127,458,588.34)</b>	<b>(126,648,028.19)</b>	<b>(58,194,151.00)</b>

**29. OPERATING LEASES**

The University has two operating leases:

**i. Hart Towers**

Meru Town Campus is housed in Hart Towers. Hart Towers is a four storeyed building located in Meru Town centre. The University occupies 2<sup>nd</sup> and 3<sup>rd</sup> floors of the building. The lease is for six years with effect from the year 2018.

**ii. Marimba Farm**

On May 1<sup>st</sup>, 2014, the University entered into a fifteen years' lease agreement with the Ministry of Agriculture, Livestock and Fisheries for the lease of Marimba Farm. Marimba Farm is the property of Agricultural Development Corporation which is under the Ministry of Agriculture, Livestock and Fisheries. The lease agreement states that University will pay Kshs. 1,400,000 per annum for the first three years. After three years, the rent will be reviewed upwards. The lease agreement also provides that the fifteen-year contract is divided into three terms and each party can terminate the contract after every five-year term.

**30. Events after the reporting period**

No event, either adjusting or non-adjusting has been reported after the balance sheet date

**31. Ultimate and Holding Entity**

MUST is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

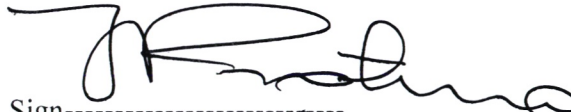
**32. Currency**

The financial statements are presented in Kenya Shillings (Kshs). The figures are rounded up to the nearest shilling.


**Meru University of Science and Technology**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person	Status	Time-frame
1.0 <b>Inaccuracy in the financial statements</b>	<b>1.1 Cash and bank balances</b> Note 12 to the financial statement reflected Kshs. 409,488,892 in respect to cash and bank balances which included Kshs. 27,799,961 in respect to Treasury Bills balance with the Central Bank of Kenya and whose reconciliation statement was not availed for audit review. In addition, the certificate of balance from the Central Bank of Kenya on Treasury Bills balance reflected a balance of Kshs. 28,000,000 resulting in un-reconciled variance of Kshs. 200,039 between the financial statements and the certificate of balance. In the circumstances, the accuracy of cash and bank balance of Kshs.409,488,892 reflected in the financial statements as at 30 <sup>th</sup> June 2018 could not be confirmed.	The management applied IPSAS Accrual in recognition of TB interest.	Mr. Nephath Njeru  Finance Officer	Resolved	
2.0 <b>Property, Plant and Equipment</b>	<b>2.1 Construction of an Engineering Tuition Block</b> The previous year's audit indicates that Kshs. 474,896,783 was spent in respect to the construction of an Engineering Tuition Block as at 30 June 2017. The financial statements for the year under review reflects a balance of Kshs. 1,880,916,585 in respect to property, plant and equipment balance of as at 30 June 2018. However, other than an addendum dated 28 January 2015 extending the construction contract period from 2013 to 2020 and Kshs. 38,070,664 comprising of three interim certificates amounting to Kshs. 31,767,070 and three payments to consultants amounting to Kshs. 6,303,594 no other document was availed for audit review to confirm the total cost incurred during the year, the overall completion level and cost of the project as at 30 June 2018. In the circumstances, it was not possible to ascertain how much has been spent in respect to the construction of the engineering tuition block including where there is a respective value for money.	The contract time extension was granted vide a Contract Addendum to a period of five years. Nevertheless, the contractor has indeed taken longer than expected. The Contractor has already requested for extension of time. A program of work is already developed. The contractor has made a written commitment that the project will be completed in August 2018. The University will demand strict adherence to the programme of work.	Dr. Elijah Walubuka  Registrar (A&P)	Resolved	

  
 Sign-----

**Vice Chancellor**  
**Date: November 15,, 2019**

  
 Sign-----

**Chairman of the Council**  
**Date: November 15,, 2019**

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

The University is not currently implementing any project funded by Development partners.

**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>Meru University of Science and Technology</b>					
Break down of transfers from the State Department of University Education					
<b>FY: 2018/2019</b>					
<b>a)</b>	<b>Recurrent Grants</b>	<b>Receipt No.</b>	<b>Bank Statement date</b>	<b>Amount (Kshs)</b>	<b>The FY to which the amount relates</b>
1	Capitation for July 2018	RC-113140	8/2/2018	52,938,211	2018/2019
2	Capitation for August 2018	RC-115839	8/30/2018	52,938,211	2018/2019
3	Capitation for September 2018	RC-113142	10/1/2018	52,938,211	2018/2019
4	Capitation for October 2018	RC-115842	11/7/2018	52,938,211	2018/2019
5	Capitation for November 2018	RC-120325	12/3/2018	49,761,919	2018/2019
6	Capitation for December 2018	RC-120214	12/27/2018	49,761,918	2018/2019
7	Capitation for January 2019	RC-131564	2/1/2019	51,879,447	2018/2019
8	Capitation for February 2019	RC-131567	3/7/2019	51,879,447	2018/2019
9	Capitation for March 2019	RC-132103	3/28/2019	48,703,153	2018/2019
10	Capitation for April 2019	RC-141671	5/2/2019	52,938,211	2018/2019
11	Capitation for May 2019	RC-141678	6/6/2019	52,938,211	2018/2019
12	Capitation for June 2019	RC-142069	6/28/2019	52,938,212	2018/2019
13	Supplementary II – Capitation 2018/19	RC-142	7/9/2019	53,672,954	2018/2019
<b>Total</b>				<b>676,226,316</b>	

<b>b)</b>	<b>Development Grants</b>	<b>Receipt No.</b>	<b>Bank Statement date</b>	<b>Amount (Kshs)</b>	<b>The FY to which the amount relates</b>
1		RC-120212	11/28/2018	14,736,681	2018/2019
2		RC-120213	11/28/2018	39,004,764	2018/2019
3		RC-131565	2/13/2019	4,539,822	2018/2019
4		RC-131566	2/13/2019	45,656,904	2018/2019
5		RC-131568	3/20/2019	12,408,096	2018/2019
6		RC-141682	6/27/2019	106,194,315	2018/2019
<b>Total</b>				<b>222,540,582</b>	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Officer  
Meru University of Science and Technology

Chief Accountant  
Ministry of Education

Sign 

Sign 