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REPORT

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OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MURANG'A UNIVERSITY COLLEGE

FOR THE YEAR ENDED
30 JUNE 2016

OFFICE OF THE AUDITOR GENERAL
CENTRAL HUB

28 SEP 2016

R E C E I V E D
P. O. Box 267 - 10100, NYERI



MURANG'A UNIVERSITY COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

My

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I. KEY MURANG'A UNIVERSITY COLLEGE INFORMATION AND MANAGEMENT

(a) Background information

Murang'a University College (MRUC) was established in September 2011 via Murang'a University College order legal notice No. 129 of September 2011 as a constituent College of Jomo Kenyatta University of Agriculture and Technology. MRUC is the successor of Murang'a College of Technology. The University College currently operates under the provisions of the Universities Act 2012 CAP 210 B of the laws of Kenya. MRUC's academic programmes are innovative in design and the curricula implementation focus on development of grandaunts with sound knowledge and professional competencies and values that enable them to fit in the job market both locally and internationally. This is achieved through concerted and collaborative efforts of teaching, consultancy, research and innovation. The University College is committed to continuously develop her courses so as to attract more student enrolment while building capacity of her staff. The University College intends to build technology and innovations while underscoring the principle of cohesiveness in line with Vision 2030 Medium Term Plan 2012-2017 "building national values and ethics".

(b) Principle Activities

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

(c) Key Management

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

Principal	-Professor Dickson M. Nyariki
Deputy Principal (AFP&D)	-Professor Grace N. Njoroge
Deputy Principal (ARI&E)	-Professor Fredrick O. Wanyama
Registrar (AP&D)	-Dr. Godrick M. Bulitia
Registrar (ARI&E)	-Dr. Richard O. Juma
Finance Officer	-Mr. Richard Ng'ang'a

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Principal	Prof. Dickson M. Nyariki
2	Deputy Principal (Administration, Finance & Planning)	Prof. Grace N. Njoroge
3	Deputy Principal (Academic, Research, Innovation and Extension)	Prof. Fredrick O. Wanyama
4	Registrar (Administration, Planning & Development)	Dr. Godrick M. Bulitia
5	Registrar (Academic, Research, Innovation and Extension)	Dr. Richard O. Juma
6	Finance Officer	Mr. Richard Ng'ang'a

(e) Fiduciary Oversight Arrangements

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

(f) Murang'a University College Headquarters

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

(g) Murang'a University College Contacts

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

(h) Murang'a University College Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser







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




II. UNIVERSITY COLLEGE COUNCIL MEMBERS

Name	Date of Birth Key qualifications and Work experience
 <p>Prof. Mohamud A. Jama</p>	<p>Date of birth: 18th April, 1953</p> <p>PhD Agricultural Economics (Washington State University – 1987)</p> <p>1980 – 1995: Ag. Director, Institute of Development Studies, UoN</p> <p>1995 – 2000: Director, Institute of Development Studies, UoN</p>
 <p>Prof. Dickson M. Nyariki</p>	<p>Date of birth: 4th December, 1959</p> <p>PhD Agricultural Economics (University of Reading - United Kingdom – 1997)</p> <p>March 2016 to date: Principal, Murang'a University College</p> <p>March 2013 to Feb 2016: Deputy Vice-Chancellor (Administration and Human Resource Management), South Eastern Kenya University.</p> <p>Jan 2010 to March 2013: Deputy Principal (Administration and Finance): South Eastern University College (Constituent College of the University of Nairobi).</p> <p>April 2009 to January 2010: Sub-Regional Coordinator, FAO Initiative on Soaring Food Prices (ISFP).</p> <p>February 2005 to December 2008: Regional Coordinator, IGAD Water Harvesting Pilot Project for Crop and Livestock Production to Enhance Food Security.</p>
 <p>Arch. Aida N. Munano</p>	<p>Master of Science Construction Project Management (JKUAT – 2012)</p> <p>1982 Assistant Architect</p> <p>1997-2003: Provincial Works Officer, Nairobi</p> <p>2003 – 2005: Architect, Ministry of Public Works</p> <p>2005 – 2014: Deputy Chief Architect, Ministry of Public Works</p> <p>2014 to date: Works Secretary, Ministry of Lands, Housing and Urban Planning</p> <p>Member up to 11th January 2016</p>




 <p>Dr. Felister M. Makini</p>	<p>Date of birth: 13th July, 1960</p> <p>PhD Plant Pathology (University of Greenwich, U.K. – 1999)</p> <p>1983 – 1994: Research Officer 1994 – 2010: Centre Director, KARI 2010 to date: Deputy Director, Department of Outreach and Partnerships</p>
 <p>Dr. Areba Nyang'ate</p>	<p>DODT (CEBU Doctors) Representing Principal Secretary Ministry of Education Science and Technology.</p> <p>Member up to 27th May 2016</p>
 <p>Mr. Anthony Lubulellah</p>	<p>Date of birth: 10th July, 1957</p> <p>Masters of Law (LLM) – University of Nairobi, 2007</p> <p>1983 to date Advocate</p>
 <p>Mr. Charles Kairu</p>	<p>Masters in Development Economics (Williams College, U.K. – 1993). Representing the Principal Secretary National Treasury.</p> <p>Member up to December 2015</p>
 <p>Dr. Adelaide Mbaika Mbithi</p>	<p>Date of birth: 14th December, 1960</p> <p>PhD Business Administration (University of Nairobi, 2014)</p> <p>1997 – 1999: Senior Administrative Assistant, Admissions (UON) 1999 – 2004: Assistant Registrar (Admissions), UON 2004 – 2008: Senior Assistant Registrar (ICT Centre) UON 2008 to date: Deputy Registrar (Examinations) UON</p>
 <p>Mr Peter Mwangi Kamau</p>	<p>Date of Birth: 4th August 1965</p> <p>Master of Science- University Of Sunderland UK- 2010</p> <p>Bachelor Of science- Kenyatta University -1990</p> <p>Prince Foundations and Practitioner- 2013</p> <p>Joined Council in December 2015</p>



 <p>Mr Paul Maina Mwangi</p>	<p>Date of Birth: 19th May 1970</p> <p>Master of Science pure mathematics – Kenyatta University – 2011</p> <p>Bachelor of Education Science- Mathematics and Chemistry – Egerton University – 1996</p> <p>Joined Council on 1st June 2016</p>
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III. MANAGEMENT TEAM

Name, key profession/ academic qualifications	Area of responsibility
 <p>Prof. Dickson M. Nyariki</p> <p>PhD Agricultural Economics (University of Reading - United Kingdom – 1997)</p>	<p>March 2016 to date: Principal, Murang’a University College</p>
 <p>Prof. Grace N. Njoroge</p> <p>PhD Botany (JKUAT – 2005)</p>	<p>From 28th July 2014 to date: Deputy Principal (Administration, Finance, Planning & Development), Murang’a University College</p>
 <p>Prof. Fredrick O. Wanyama</p> <p>PhD in Political Science (Maseno University - 2004)</p>	<p>From July 2015 to date: Deputy Principal (Academic, Research, Innovation & Extension Services), Murang’a University College.</p>



Dr. Richard Juma

PhD in Development Studies (2009 – Victoria University of Wellington, New Zealand)

From February 2015 to date: Registrar (Academics, Research, Innovation & Extension) Murang'a University College.



Dr. Godrick Bulitia

PhD in Business Administration (2014 – Maseno University)

From June 2013 to date: Registrar (Administration, Finance, Planning & Development), Murang'a University College



Mr. Richard Ng'ang'a

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

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

IV. CHAIRMAN'S STATEMENT

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

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

To manage the increased enrolment, efforts have been put in place to increase the facilities and infrastructure. Some of these projects include: Vision 2030 flagship projects of Water tank and Twin laboratories which have been completed. During this financial year, the University College has also been able to complete Hostel Block Phase 1(Wing 1) and Gate works and ablution block. Tuition block phase 2 constructions is underway. The University College is also mentoring construction of Gatanga, Kamukunji and Kandara Technical Training Institutes.

Some of the challenges faced by the University College include stiff competition from other Universities for self-sponsored students as well as delayed Government of Kenya capitation. However, I take this opportunity to express my sincere appreciation to the Government, our Stakeholders, Management, Staff and Fellow Council Members for their continued support which made us achieve these results despite these challenges.



Prof. Mohamud Abdi Jama
Council Chairman



V. REPORT OF THE PRINCIPAL

I have the pleasure to present the annual report and financial statements for Murang'a University College for the year ended 30th June 2016.

Budget

The University College was allocated Kshs 330,928,350 recurrent capitations and Kshs 110,511,311 for development. The recurrent budget was mainly to fund personnel emoluments, operational expenses, repairs and maintenance and capital expenditure. Development funds were earmarked for completion of hostel block phase 1, completion of Gate works and ablution blocks and construction of tuition block phase 2.

Revenue

The University College received Kshs. 326,164,954 compared to Kshs 321,095,017 in 2014/2015 as revenue from non-exchange transactions which was Government of Kenya recurrent capitation. A total of Kshs 148,558,065 (which comprised mainly of tuition Kshs 86,700,676 and other income of Kshs 61,857,389 from services rendered, interest and other internally generated income) was raised from exchange transactions. This compares to Kshs 114,151,972 in Fy 2014/2015. As the University grows, we will continually identify opportunities for increasing revenue generation in terms of increased efficiency and broadened revenue base.

Expenditure

The total expenses stood at Kshs 510,410,964 compared to Kshs 447,483,702. This translates to 14% increase in expenditure which is attributable to increase in the following expenditure lines: personal emoluments (6%), Council expenses (4%) general operational and administrative expenses (35%) and depreciation expense (22%). The University College experienced an increase in both administrative and teaching staff to support her expansion. The capitalization of completed Hostel block phase 1 and Gate works increased the University College's asset base and corresponding depreciation charge. Despite these increased expenditures, care was taken to spend within the approved budget ceilings.

Development projects

I am delighted to report that during the year, the University College successfully completed construction of Hostel Block Phase 1 wing 1. This milestone will ease the accommodation challenge since this hostel has a capacity to accommodate 264 students. A modern gate and ablution block was also completed. This has enhanced security within the University College and improved the



institutional image. The Tuition block phase 2 is above 50% completion. The University College continues to mentor Gatanga, Kamukunji and Kandara Technical Training Institutes.



H.E. William Ruto, EGH, The Deputy President of the Republic of Kenya being briefed on the progress of the Proposed Kamukunji Technical Training Institute, Mentored by MRUC

In an effort to continually develop and maintain adequate infrastructure and facilities in tandem with her strategic objectives and Vision 2030, the University College equipped the Information Communication Technology laboratory by purchasing 60 desktop computers and fabricating 60 workstations.

In order to enhance her human resource capacity, the University College undertook the following: developed human resource policy, identified skills gaps in existing human resource, took staff for skills enhancement training, appraised staff and advertised and employed staff in various posts. In an effort to integrate Information Technology in service delivery, the University College automated the library, purchased accessories (printers, copiers and projectors) and enhanced institutional website to be navigable and interactive. On corporate governance front the University College was ISO 9001-2008 re- certified in Quality Management System. The University College continues to engage other stakeholders to alleviate the challenge of provision of adequate accommodation to the increasing student population.



Hostel Block phase 1(Wing 1)

Academic programs and courses offered during financial year:

The University College has five schools namely: School of Business and Economics, School of Engineering and Technology, School of Pure and Applied Sciences, School of Hospitality and Tourism and lastly School of Computing and Information Technology. The following courses are offered:

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

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

Liberal studies: Bachelor of Science in Criminology and Security studies, Diploma in Criminology and Security Studies and Diploma in Public Relations. The Building and Civil Engineering offers Diploma in Water Resources Engineering, Diploma in Civil Engineering and Certificate in Building Construction. The following courses are offered in Electrical and Electronic Engineering: Diploma in Electrical Power Engineering, Diploma in Control and Instrumentation Engineering, Diploma in Electronic Communication Engineering and Certificate in Electrical and Electronic Engineering.

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

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

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

In line with the University College's quest to meet market demand, the following innovative programs were mounted during 2015/2016 financial year: Bachelor of Science in Economics, Bachelor of Science in Analytical Chemistry, Bachelor of Science in Computer Science and Bachelor of Science in Chemistry.

Conclusion

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



Prof. Dickson M. Nyariki
Principal/ Council Secretary

VI. CORPORATE GOVERNANCE STATEMENT

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

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

The Role of the Council

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

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

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

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



Council effectiveness

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

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

Remuneration of the Council

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

Statement of Compliance

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

Internal control and risk management:

Internal Control

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

Strategic Plan

The operations of Murang'a University College are guided by the Strategic Plan. The Strategic Plan sets out the objectives of the University College and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Council on annual basis approves the Budget supported by the procurement plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

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

Audit & Risk Management Committee:

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

Finance, Planning and Development Committee

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

Human Resources Management Committee:

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

The Principal who is the Chief Executive Officer of the College is deputized by the deputy principals and assisted by registrars, deans of schools and directors in day to day running of the College. To assist the principal in the execution of the university college mandate, committees are constituted to ensure compliance with set policies and the constitution. Among the main committees is the Academic board which is charged with the responsibility of guidance in all academic matters from the admission of students up to administration of examinations. The other committee is the Deans committee that makes recommendations from the schools and faculties to the academic board for approval. The other critical board is the management which assists the Principal in the general day to day running of the University College.

The Principal appoints ad hoc evaluation committees in line with new Public Procurement and Disposals Act 2015 to independently evaluate procurement tenders. He further appointed directors and heads of department to cascade the management decisions to all members of staff in the University College. The heads of departments have also shared responsibilities on section basis to ensure specialization.

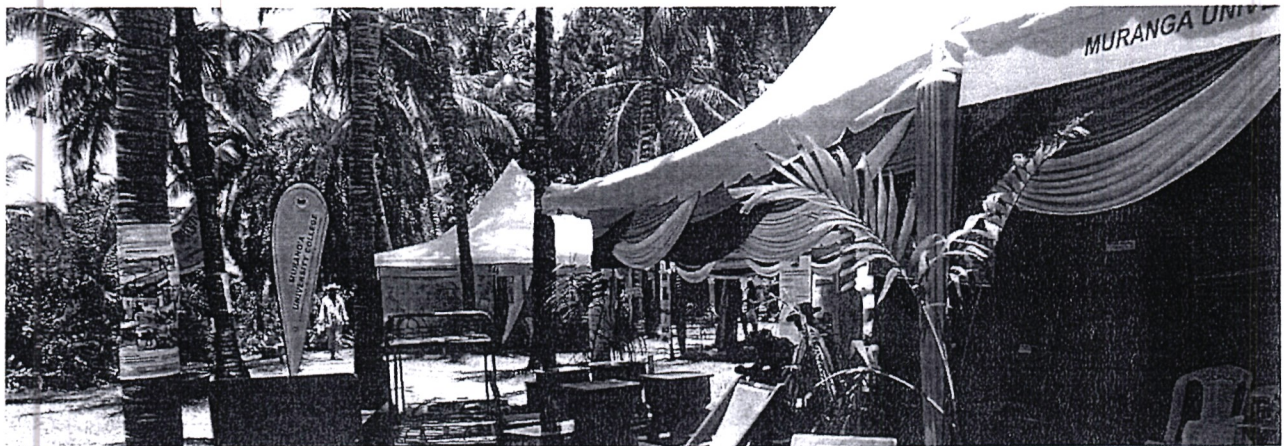
The number of meetings attended by these committees during the year was:

Committee of council	Number of meetings
Finance, Planning and Development Committee	7
Audit & Risk Management Committee	7
Executive committee	9
Full Council meetings	19

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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



Murang'a University College Stand at the Commission for University Education 2016 Exhibition in Mombasa

VIII. REPORT OF THE COUNCIL

The Council submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Murang'a University College's affairs.

Principle activities

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

Results

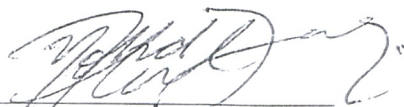
The results of the Murang'a University College for the year ended June 30, 2016 was a deficit of Kshs 35,687,945 (In 2014/2015, the deficit was Kshs 12,236,714) as set out on page 1. These are transferred to reserves.

Directors

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

Auditors

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



Prof/Mohamud Abdi Jama
Council Chairman



Prof. Dickson M. Nyariki
Principal/ Council Secretary

Date 20-9-2016

Date 20-9-2016



IX. STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITIES

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

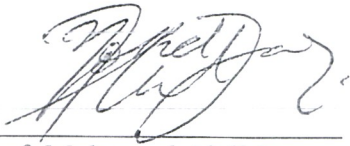
The Council Members are responsible for the preparation and presentation of the University College's financial statements, which give a true and fair view of the state of affairs of the University College for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University College; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University College; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the University College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council Members are of the opinion that the University College's financial statements give a true and fair view of the state of Murang'a University College's transactions during the financial year ended June 30, 2016, and of the University College's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the University College, which have been relied upon in the preparation of the University College's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Murang'a University College's financial statements were approved by the Council on.....
2016 and signed on its behalf by:



Prof. Mohamud Abdi Jama
Council Chairman



Prof. Dickson M. Nyariki
Principal/ Council Secretary





OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MURANG'A UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Murang'a University College set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion of these financial statements based on the audit and report in accordance with the provision of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with the provisions of Article 229(7) of Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the

management, as well as an evaluating the overall presentation of the financial statements.

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

Basis for Disclaimer of Opinion

1. Accuracy and Completeness of the Financial Statements

As previously reported, the University College did not submit financial statements for 2011/2012 period for audit contrary to section 35 of the Public Audit Act, 2003. In absence of certified financial statements for the year ended 30 June 2012, the source and accuracy of the opening balances for 2012/2013 financial statements as at 1 July 2013 and subsequent years could not be confirmed. Further, the statement of financial position as at 30 June 2016 was not signed as required.

2. Investments

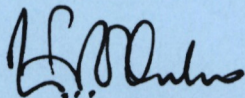
As reported in the previous year, the statement of financial position reflects investments balance of Kshs.25,318,800 as at 30 June 2016. However, the details of these investments were not disclosed or explained in the notes to the financial statements. In the circumstances, the accuracy, source and existence of investment balance of Kshs.25,318,800 as at 30 June 2016, could not be confirmed.

3. Sustainability of Service

The University during the financial year 2015/2016 recorded a deficit of Kshs.35,687,945 compared to deficit of Kshs.12,236,714 reported in 2014/2015, which further decreased the accumulated fund from Kshs.1,086,430,874 to Kshs.1,050,742,929 as at 30 June, 2016. Further, current liabilities balance of Kshs.159,340,474 exceeded total current assets of Kshs.127,057,917, resulting to a negative working capital of Kshs.32,282,557, an indication that the University may be experiencing difficulties in settling maturing obligations as and when they fall due. However, the financial statements have been prepared on a going concern basis on the assumption that the University will continue to receive support from the Government and creditors.

Disclaimer of Opinion

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



FCPA Edward R. O Ouko, CBS

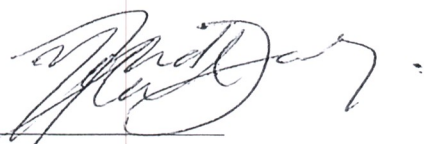
AUDITOR-GENERAL

Nairobi


12 September 2017

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2016

	<u>NOTES</u>	<u>2016</u> <u>Kshs.</u>	<u>2015</u> <u>Kshs.</u>
INCOME			
REVENUE FROM NON EXCHANGE TRANSACTIONS:			
GOK GRANTS	2	326,164,954	321,095,017
REVENUE FROM EXCHANGE TRANSACTIONS:			
TUITION	3	86,700,675	70,453,258
OTHER INCOME	4	61,857,389	43,698,714
TOTAL INCOME		474,723,019	435,246,989
EXPENSES			
PERSONAL EMOLUMENTS	5	342,574,456	322,812,350
BOARD EXPENSES		9,398,122	6,552,187
DEPRECIATION AND AMORTIZATION EXPENSE	6	32,860,992	27,219,055
REPAIRS & MAINTENANCE	7	3,987,089	3,210,111
GENERAL EXPENSES	8	93,057,062	68,408,129
TEACHING EXPENSES	9	10,683,841	5,837,283
STUDENTS WELFARE	10	17,632,017	13,132,558
CBA REFUND	11	0	0
PROVISION FOR BAD DEBTS	12	217,385	312,028
TOTAL EXPENDITURE		510,410,964	447,483,702
SURPLUS/(DEFICIT) FOR THE YEAR		(35,687,945)	(12,236,714)



Prof. Mohamud Abdi Jama
Council Chairman

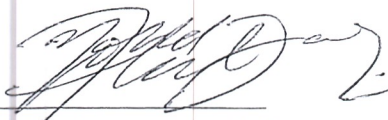


Prof. Dickson M. Nyariki
Principal / Council Secretary

XVI. STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	<u>NOTES</u>	<u>2016</u> <u>Kshs.</u>	<u>2015</u> <u>Kshs.</u>
ASSETS			
CURRENT ASSETS			
CASH & CASH EQUIVALENTS	13	71,790,327	57,305,0
TRADE & OTHER RECEIVABLES	14	52,009,365	45,425,4
INVENTORIES	15	3,258,224	4,176,0
TOTAL CURRENT ASSETS		<u>127,057,917</u>	<u>106,906,5</u>
NON - CURRENT ASSETS			
PROPERTY ,PLANT & EQUIPMENT	16	1,378,116,945	1,238,344,7
WORKS IN PROGRESS	17	56,440,763	143,668,1
LONG-TERM INVESTMENTS	18	25,318,800	25,318,8
TOTAL NON CURRENT ASSETS		<u>1,459,876,508</u>	<u>1,407,331,7</u>
TOTAL ASSETS		<u>1,586,934,424</u>	<u>1,514,238,2</u>
LIABILITIES			
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	19	159,340,474	161,467,6
TOTAL CURRENT LIABILITIES		<u>159,340,474</u>	<u>161,467,6</u>
LONG-TERM LIABILITIES			
LONG-TERM LIABILITIES		0	
TOTAL LONG-TERM LIABILITIES		<u>0</u>	
TOTAL LIABILITIES		<u>159,340,474</u>	<u>161,467,6</u>
NET ASSETS		<u>1,427,593,951</u>	<u>1,352,770,5</u>
ACCUMULATED FUND		1,427,429,947	1,352,770,5
TOTAL NET ASSETS AND LIABILITIES		<u>1,586,934,424</u>	<u>1,514,238,2</u>

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



Prof. Mohamud Abdi Jama
Council Chairman



Prof. Dickson M. Nyariki
Principal / Council Secretary



XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2016

	CAPITAL FUND	REVALUATION RESERVES	DEVELOPMENT GRANT	ACCUMULATED FUND
Balance At July 1, 2014	1,099,878,118	0	110,619,711	1,210,497,829
Surplus (deficit) for the Year	(12,236,714)			(12,236,714)
Revaluation for the Year		0		0
Development Grants for the Year			155,720,000	155,720,000
Changes in the Year	(1,210,530)	0	0	(1,210,530)
Balance At June 30, 2015	1,086,430,874	0	266,339,711	1,352,770,585
Balance At July 1, 2015	1,086,430,874	0	266,339,711	1,352,770,585
Surplus (deficit) for the Year	(35,687,945)			(35,687,945)
Revaluation for the Year		0		0
Development Grants for the Year			110,511,311	110,511,311
Prior year Adjustment - Pension Payable	0	0	0	0
Balance As At June 30, 2016	1,050,742,929	0	376,851,022	1,427,593,951

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V. STATEMENT OF CASH FLOWS

		2016 Kshs.	2015 Kshs.
Cash flows from operating activities			
Surplus for the Year		(35,687,945)	(12,236,714)
Adjustments for :			
Depreciation	16	32,860,992	27,219,05
Increase/Decrease in provision for bad debts		217,385	312,02
Cash flow from operating activities before working capital Changes		(2,609,569)	15,294,37
WORKING CAPITAL CHANGES			
(Increase)/decrease in Trade & Other Receivables	14	(6,801,254)	(28,837,085)
(Increase)/decrease in Inventories	15	917,777	(4,176,001)
Increase/(decrease) in Trade And Other Payables	19	(2,127,168)	(206,321)
Net cash flow from operating activities		(8,010,645)	(33,219,407)
Cash flows from investing activities			
(Increase)/decrease in fixed assets	16	(172,633,195)	(116,293,768)
(Increase)/decrease in Work in progress	17	87,227,413	4,951,94
(Increase)/decrease in Investments	18	0	
Net cash flow from investing activities		(85,405,782)	(111,341,827)
CASH FLOW FROM FINANCING ACTIVITIES			
Capital Fund		110,511,311	154,509,47
Long-Term Liabilities		0	
Net cash flow from financing activities		110,511,311	154,509,47
Net movement in cash and cash equivalents		14,485,315	25,242,60
Cash and Cash Equivalents At Beginning of Year		57,305,012	32,062,40
Cash and Cash Equivalents At End of Year	13	<u>71,790,327</u>	<u>57,305,01</u>

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	ORIGINAL		FINAL	ACTUAL ON	
	BUDGET	ADJUSTMENTS	BUDGET	COMPARISON	VARIANCE
	Kshs.	Kshs.	Kshs.	BASIS	Kshs.
				Kshs.	
REVENUE					
GoK Grants	330,928,350	0	330,928,350	326,164,954	(4,763,396)
Tuition	67,500,000	0	67,500,000	86,700,675	19,200,675
Other Income	46,062,800	0	46,062,800	61,857,389	15,794,589
TOTAL INCOME	444,491,150	0	444,491,150	474,723,019	30,231,869
EXPENSES					
Personal Emoluments	359,951,000	0	359,951,000	342,574,456	17,376,544
Board Expenses	10,000,000	0	10,000,000	9,398,122	601,878
Depreciation And Amortization Expense	35,000,000	0	35,000,000	32,860,992	2,139,008
Repairs & Maintenance	4,000,000	0	4,000,000	3,987,089	12,911
General Expenses	147,685,220	0	147,685,220	93,057,062	54,628,157
Teaching Expenses	27,400,000	0	27,400,000	10,683,841	16,716,159
Students Welfare	20,900,002	0	20,900,002	17,632,017	3,267,985
Provision For Bad Debts	400,000	0	400,000	217385	182,615
TOTAL EXPENDITURE	569,936,222	0	569,936,222	510,410,964	59,525,258
	(125,445,072)	0	(125,445,072)	(35,687,945)	(89,757,126)

Budget variance explanations – above 10%:

1. Tuition and other income:

Explanation: These budget lines had positive variance 28% and 34% respectively. Increased student enrolment and strict adherence to fees payment policy resulted to higher fees collection. There were more workshop activities than budgeted thereby contributing to higher income from other sources of revenue.

2. General expenses, teaching expenses and students' welfare (Each had a budget variance of over 10%)

Explanation: Due to limited capacity to generate substantial A in A, deliberate efforts were made to control and avoid some of the expenses in line with the available income.

XVI. NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Government Grants

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

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

Other income

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

b) Budget information – IPSAS 24

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

c) Taxes – IAS 12

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

d) Investment property – IPSAS 16

The University College does not have investment property.

e) Property, plant and equipment – IPSAS 17

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

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

Asset class	Percentage depreciation rate
Buildings	2%
Plant and Equipment	10%
Office Equipment	10%
Teaching Equipment	30%
Furniture and Fittings	10%

Motor vehicles	20%
Computer hardware, software and networking	30%

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

f) Leases – IPSAS 13

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

g) Intangible assets – IPSAS 31

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

i) Research and development costs

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

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

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

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Receivables

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

Impairment of financial assets

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

ii) Financial liabilities

The University College financial liabilities amounted to 159,340,474 which mainly comprised of Kshs 75,653,378 Collective Bargaining Agreement (CBA) funds payable. These financial liabilities are initially recognised at their fair values and are classified at initial recognition.

i) Inventories – IPSAS 12

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

j) Provisions – IPSAS 19

Provisions are recognized when the Murang'a University College has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The University College recognises at year end by expensing them directly and crediting the provision account. This is extinguished as the actual claims are presented for payment.

The University Colleges makes a provision of 5% of debtors in the financial statements.

Increase In students debtors	21,009,487.00	17,886,037.00	3,123,450.00
Increase in MRUC Pension scheme	2,198,780.00	974,540.00	1,224,240.00
			4,347,690.00
Provision at 5%			217,385.00

k) Nature and purpose of reserves - IPSAS 1

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

	Nature of reserve	Purpose of the reserve	Balance as at 30 th June 2016 in Kshs
1	Capital Fund	This was the initial capital for the College which has been growing through annual surpluses from operations. The deficits from the statement of financial performance reduce the fund.	1,050,578,924
2	Revaluation reserves	This is created for both revaluation deficits and surpluses when the University College assets are revalued and	

		compared to the net book values.	Nil
3	Development grant	This caters for the annual development capitation that the University College receives from the Government. The development projects once completed are amortized as they continue being used.	376,851,022
4	Accumulated Fund	This is the sum of the total funds of the University College comprising of the capital, revaluation reserves and development grants.	1,427,593,424

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits – IPSAS 25

Retirement benefit plans

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

n) Foreign currency transactions – IPSAS 4

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

o) Borrowing costs – IPSAS 5

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

p) Related parties – IPSAS 20

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

Type of related party	Nature of relationship	Transactions with related party	Remuneration in Kshs
Jomo Kenyatta University of Agriculture and Technology	Parent University of the University College.	Personal emoluments to staff that had been seconded to the University College.	1,123,526
University College Council	Provision of effective leadership and control in terms of approving the University College's strategy and best practice of corporate governance.	Payment of Council allowances and honorarium during council meetings.	9,398,122

q) Service concession arrangements – IPSAS 32

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

r) Cash and cash equivalents

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

s) Comparative figures

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

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

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Murang'a University College based its assumptions and estimates on parameters available when the financial statements were

prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Murang'a University College.

Useful lives and residual values

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

u) Risk management – IPSAS 30

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

The University College has exposure to the following risks:

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

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

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

Market risk management

Interest rate risk

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

Foreign currency risk

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

Liquidity risk

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

Credit risk

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

Classification of credit risk bearing assets

The table below represents University College's maximum exposure to credit risk as at 30 June 2016 and 2015.

30th June 2016

	Fully performing Kshs	Past due Kshs	Impaired Kshs	Total Kshs
Trade receivables	52,009,365	-	-	52,009,835
Bank and cash balances	71,790,327	-	-	71,790,327
Total	<u>123,800,162</u>	<u>-</u>	<u>-</u>	<u>123,800,162</u>

30th June 2015

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

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

v) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

w) Currency:

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

2. Government Grants	2015/2016	2014/2015
	<u>Kshs.</u>	<u>Kshs.</u>
Recurrent grants received	326,164,954	321,095,017
Total recurrent grants received	<u>326,164,954</u>	<u>321,095,017</u>

3. Tuition Fees	2015/2016	2014/2015
	<u>Kshs.</u>	<u>Kshs.</u>
Tuition Fee SSP - Central Vote	59,831,191	58,421,743
Tuition Fee GOK - Central Vote	26,869,484	12,031,515
Totals	<u>86,700,675</u>	<u>70,453,258</u>

4. Other Incomes	2015/2016	2014/2015
	<u>Kshs.</u>	<u>Kshs.</u>
40080 Computer Fee - Central Vote	8,003,842	4,180,976
40100 Registration Fee - Central Vote	713,356	415,150
40120 Internal Examinations - Central Vote	10,005,532	6,026,481
40130 Examinations Material Fee - Central Vote	10,400	17,986
40140 Activity And Sports Fee - Central Vote	2,350,071	1,459,028
40160 Medical Fee - Central Vote	5,567,453	3,292,721
40180 Library Fee - Central Vote	8,065,499	3,891,655
40240 Industrial Attachment Levy - Central Vote	9,481,596	3,745,783
40260 Student IDs - Central Vote	470,840	315,320
40280 Internet fee- Central Vote	0	12,850
40320 Application Fee - Central Vote	608,246	584,000
40360 Lost/Damaged Items - Central Vote	69,356	38,072
40420 Bank Charge Fee - Central Vote	2,825	2,450
40440 Student Fines - Central Vote	5,010	0
40500 Laboratory/Workshop Fee- Central Vote	0	10,000
42000 Hire Of Facilities - Central Vote	20,800	131,500
42020 Rent Income - Central Vote	353,500	346,500
42040 Interest on Fixed Deposits - Central Vote	205,398	2,464,863
42060 Bamburi Dividends - Central Vote	0	1,322,907
42080 Sale Of Tender Documents - Central Vote	43,312	112,410
42100 Hostel Fee -Accommodation	3,884,400	2,211,735
42150 Other Incomes - Central Vote	164,664	1,964,532
42180 Administration Charges - Central Vote	159,125	162,612
42200 Donor Support - Central Vote	49,075	0
43000 Sale of Food & Beverages - Catering PAYE	4,577,347	5,076,753

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43000	Sale of Food & Beverages - Cafeteria	1,398,009	1,653,315
43000	Sale of Food & Beverages - Hospitality & Tourism Department	70,540	30,340
43100	Bookshop Sales - MRUC Workshops Services	16,460	46,998
43120	Fuel Saving Jikos Sales - MRUC Workshops Services	300	2,022,874
43160	Sales - MRUC Workshops Services	3,404,847	281,853
43180	Farm Sales - MRUC Workshops Services	1,690	43,190
43190	Hire of Facilities - MRUC Workshops Services	2,146,191	221,175
43200	Woodwork Income - MRUC Workshops Services	7,705	1,612,684
TOTALS		61,857,389	43,698,714

5. Personal Emoluments

	2015/2016	2014/2015
	Kshs.	Kshs.
Basic Salaries	154,292,187	149,086,761
House Allowance	90,835,312	90,307,994
Pension Employers Expense	24,291,868	22,161,842
Responsibility Allowance	1,658,340	1,444,016
Telephone Allowance	2,468,620	2,337,042
Acting Allowance	823,996	1,007,734
Special Duty Allowance	10,916	0
Management Allowance	18,202,462	14,680,428
BOG & Other Gratuities	9,348,057	2,396,713
Leave Travel Allowance	1,089,960	1,288,440
Bus fare Allowance	17,254,555	19,553,471
Car Allowance	10,324,442	7,108,065
Non-Use of Official Car	503,000	257,419
Entertainment Allowance	3,660,511	3,383,622
Electricity & Water Allowance	2,160,692	1,930,412
Passage and Baggage Allowance	90,390	94,515
Domestic Workers Allowance	1,476,632	1,804,032
Risk Allowance	126,000	126,000
Extraneous Allowance	2,649,016	2,688,137
Coordination Allowance	873,500	945,709
Research Allowance	150,000	150,000
Book Allowance	600,000	60,000
Non-Practice Allowance	180,000	0
Council Secretariat Allowance	44,000	0
	342,574,456	322,812,350

6. Depreciation and amortization Expense

	2015/2016	2014/2015
	Kshs.	Kshs.
Depreciation Expense	32,860,992	27,219,055
	32,860,992	27,219,055

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7.Repairs and Maintenance

3,987,089

3,210,011

Repairs & Maintenance of Buildings and Stations

8.General Expenses

Travel and Subsistence - Central Vote	14,680,218	8,052,504
Fuel and oils - Central Vote	2,397,959	2,832,956
Maintenance of Vehicles - Central Vote	1,705,631	1,295,171
Vehicle Insurance - Central Vote	888,593	932,794
Office Stationery - Central Vote	4,424,459	2,630,971
Printing and Publishing - Central Vote	0	40,810
Advertising and Publicity Vacancies and Others - Central Vote	1,373,251	1,042,762
Advertising and Publicity Intake and Informations - Central	1,163,124	2,116,213
Research, Development, Shows and Exhibitions - Central Vote	1,295,353	959,688
Marketing Activities - Central Vote	383,300	602,656
Expenses of Boards and Committees - Principal	36,210	0
Expenses of Boards and Committees - Deputy Principal - AFP&D	56,730	0
Expenses of Boards and Committees -Deputy Principal - ARIE	149,200	0
Expenses of Boards and Committees - Registrar	34,000	0
Expenses of Boards and Committees - Dean of Students	20,440	0
Expenses of Boards and Committees - Dean School of Business	9,500	0
Expenses of Boards and Committees - Dean School of Engineering	11,800	0
Expenses of Boards and Committees - Dean School of Hospitality	1,400	0
Governance Training & Induction - Central Vote	3,744,202	0
Conference - Principal	235,722	212,985
Conference -Deputy Principal - AFP&D	69,252	86,305
Conference -Deputy Principal - ARIE	151,439	90,557
Conference - Registrar (AFP &D)	55,098	109,123
Conference - Finance	34,938	44,361
Conference - Dean School of Business & Economics	2,000	2,010
Staff Development and Training - Central Vote	424,455	1,590,262
Seminars & Workshops - Central Vote	588,070	456,372
Staff Welfare - Central Vote	212,645	51,257
Staff Medical Expenses - Central Vote	5,207,689	3,499,217
Benevolent Expenses - Central Vote	168,600	153,490
Professional Subscription - Central Vote	123,400	91,558
Purchase of Uniforms - Central Vote	11,726	7,500
Payment of Rent and Rates - Central Vote	1,649,736	1,649,736
Consultancy and Professional Services - Central Vote	347,400	376,621
Audit Fees - Central Vote	696,000	696,000

Telephone Expenses - Central Vote	418,126	275,279
Internet Charges - Central Vote	3,953,245	2,478,692
Books, Journals and Magazines - Central Vote	2,460,067	2,586,032
ISO & SP Expenses - Central Vote	557,460	726,180
Bank Charges - Central Vote	150,106	141,493
Electricity - Central Vote	5,409,137	4,544,833
Water and Conservancy - Central Vote	9,607,563	6,390,961
Cleaning and Fumigation - Central Vote	9,928,562	7,265,184
Tender and Procurement expenses - Central Vote	388,000	1,026,000
Software License Renewal	739,155	285,055
Hire of Security Services- Central Vote	7,228,707	6,993,840
Honoraria- Central Vote	1,200,000	0
Casual Wages - Central Vote	1,817,230	2,045,850
Partitioning & Branding - Central Vote	157,815	239,170
Inauguration Expenses - Central Vote	3,000,000	50,000
Linkages - Central Vote	906,190	0
Workshops Unit Expenses	2,782,161	3,730,116
Mechanical Expenses-MRUC Workshops Services	0	5,568
	<u>93,057,062</u>	<u>68,408,129</u>

9. Teaching Expenses

Purchase of Teaching Materials - Central Vote	2,019,999	1,182,086
Curriculum and Development - Central Vote	0	445,031
Academic Trips Registrar - Central Vote	17,850	3,150
Internal Research Expenses - Central Vote	66,322	0
Part time Teaching - Central Vote	6,975,151	1,840,224
Examination Materials - Central Vote	1,154,086	926,935
External Examiners - Central Vote	444,963	443,242
Industrial Attachment Expenses - Central Vote	5,470	996,615
	<u>10,683,841</u>	<u>5,837,283</u>

10. Students Welfare Expenses

Purchase of Gas, Charcoal and firewood - Central Vote	1,286,060	1,235,241
Purchase of foodstuffs - Central Vote	11,581,259	9,052,448
Mattresses - Central Vote	309,961	48,701
Sports Activities - Central Vote	1,909,103	1,728,096
Health Unit Expenses - Central Vote	2,238,643	1,058,572
Student Work study Programme - Central Vote	306,990	9,500
	<u>17,632,017</u>	<u>13,132,558</u>

11. CBA refund

0

0

12. Provision of Bad Debts

Provision for Bad and Doubtful Debts - Central Vote			217,385	312,028
			<u>217,385</u>	<u>312,028</u>

Increase In students debtors	21,009,487.00	17,886,037.00	3,123,450.00
Increase in MRUC Pension scheme	2,198,780.00	974,540.00	1,224,240.00
			4,347,690.00
Provision at 5%			217,385.00

13. Cash and Cash Equivalents

Fixed Deposits KCB		0	20,000,000
Cash in Hand KCB		(51)	15,949
Cash in Hand Equity		(1)	634
Cash in Hand Float		(497)	1,061
Cash at Bank KCB		67,314,946	30,228,181
Cash at Bank Equity Workshops		3,315,835	825,361
Manual Cash Payments Control		(0)	(497)
Cash at Bank KCB Paying Account		(21,941,863)	2,001,186
Bank Clearing Account KCB Paying Account		9,672	0
Cash at Bank KCB Gatanga T.T.I Account		15,253,693	4,233,138
Cash at Bank KCB Kandara T.T.I Account		4,488,255	0
Cash at Bank KCB Kamukunji T.T.I Account		3,350,339	0
		<u>71,790,327</u>	<u>57,305,012</u>

14. Trade & Other receivables

	<u>2015/2016</u>	<u>2014/2015</u>
	<u>Kshs.</u>	<u>Kshs.</u>
Receivables from exchange transactions		
Student Debtors	21,009,487	17,886,037
Other Debtors	2,197,999	2,197,999
House Rent Debtors	107,542	107,542
Imprest Debtors	2,526,855	941,594
MRUC Pension Scheme	2,198,780	974,540
Less: Provision	<u>(1226,963)</u>	<u>(1,009,579)</u>
	<u>26,813,700</u>	<u>21,098,133</u>
Receivables from Non Exchange transactions		
Recurrent Grants Receivable	<u>25,195,665</u>	<u>24,327,362</u>
Total from Non Exchange Transactions	25,195,665	24,327,362
Total trade and other receivables	<u>52,009,365</u>	<u>45,425,495</u>

15. Stock

	<u>2015/2016</u>	<u>2014/2015</u>
	<u>Kshs.</u>	<u>Kshs.</u>

Stock Central Stores	1,481,409	1,574,989
Stock Maintenance department	845,949	1,192,952
Stock Catering department	65,689	160,492
Stock Electrical	166,544	44,430
Stock House Keeping/Accommodation	106,557	92,209
Stock Health Unit	592,076	1,110,929
	<u>3,258,224</u>	<u>4,176,001</u>

16. Property, Plant and Equipment 1,378,116,945 1,238,344,742

17. Work In Progress 56,440,763 143,668,176

18. Long Term Investments

	<u>2015/2016</u>	<u>2014/2015</u>
	<u>Kshs.</u>	<u>Kshs.</u>

Bamburi Shares	<u>25,318,800</u>	<u>25,318,800</u>
	<u>25,318,800</u>	<u>25,318,800</u>

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

19. Trade and other payables

Trade and other payables from Exchange Transactions

Creditors	16,325,182	6,137,565
Retention Account	17,015,512	24,034,922
Income Tax Withholding	1,401,336	684,155
VAT Withholding	2,057,121	476,798
Wages Payables	418,466	411,216
NHIF Deductions	0	960
PAYE Deductions	1,662,004	1,094,390
MRUC Pension Scheme Staff Deductions	158,424	310,174
MRUC Workshops Deductions Payable	89,636	51,977
Net Pay	108,408	0
Provision for General Expenses Payable	1,395,394	3,719,699
Former BOG employees gratuity Payable	6,916,100	6,916,100
Part-time Lecturers Payable	1,979,100	4,615,649
MRUC Staff Welfare Deductions	126,000	0
KUSU Payable	0	1,137
Sacco Deductions SOUTH EASTERN KENYA UNIVERSITY SEKU	0	40,025
Loan Deductions Family Bank	0	0
Other Payables	1,965,538	1,824,905
Students Caution Money	271,622	274,622
Student Union Fee	244,142	122,735
Attachment Levy	255,431	1,145,219
Library Books Fund	0	341,838
External Examinations KNEC	2,926,800	3,158,501

Chinese Project	5,114,730	5,114,730
JKUAT Payables	1,123,526	1,123,526
Farm Fund	(1)	266,545
Provision for Audit Fees	1,392,000	696,000
External Research	400,000	400,000
Total trade and other payables from Exchange Transactions	63,346,470	62,963,386

Trade and other payables from Non Exchange Transactions

CBA Funds Refundable	75,653,378	75,653,378
Gatanga Technical Institute Fund	15,432,233	22,850,877
Kandara Technical Institute Fund	2,989,222	0
Kamukunji Technical Institute Fund	1,919,170	0
Total Trade and other payables from Non Exchange Transactions	95,994,003	98,504,255

Total trade and other payables

159,340,474

161,467,641

20. Accumulated Fund

Balance Brought Forward	1,352,770,585	1,210,497,829
Prior Year Adjustment - Pension Payable	0	(1,210,530)
Development Grants	110,511,311	155,720,000
Surplus (Deficit) for the Period	(35,687,945)	(12,236,714)
Balance Carried Forward	1,427,593,951	1,352,770,585

Note 16: Property, Plant and Equipment

PROPERTY, PLANT AND EQUIPMENT

	FREE HOLD LAND	BUILDING	PLANT & EQUIPME NTS	OFFICE EQUIPME NTS	TEACHING EQUIPME NTS	FURNITURE & FITTINGS	MOTOR VEHICLE	COMPUTER HARDWARE	COMPUTER SOFTWARE	NETWORKING & INTERNET INFRASTRUCTURE	TOTAL
RATES	0.0	0.02	0.1	0.1	0.3	0.1	0.2	0.3	0.3	0.3	
COST											
AT July 1, 2015	650,000,000	537,171,181	28,466,531	8,042,395	0	17,334,003	32,032,330	13,792,280	0	1,814,258	1,288,652,979
Additions During The Year	0	158,958,576	3,923,352	0	2,632,545	4,260,194	0	2,478,527	0	380,000	172,633,195
Disposal During The Year	0	0	0	0	0	0	0	0	0	0	0
AT June 30, 2016	650,000,000	696,129,757	32,389,883	8,042,395	2,632,545	21,594,198	32,032,330	16,270,807	0	2,194,258	1,461,286,173
DEPRECIATION											
AT July 1, 2015	0	19,401,893	5,237,801	1,608,480	0	3,308,265	12,025,466	7,925,702	0	800,629	50,308,236
Depreciation For Year Ending June 30, 2016	0	13,922,595	3,238,988	804,240	789,764	2,159,420	6,406,466	4,881,242	0	658,277	32,860,992
AT June 30, 2016	0	33,324,488	8,476,789	2,412,720	789,764	5,467,685	18,431,932	12,806,944	0	1,458,906	83,169,228
NBV AS AT June 30, 2016	650,000,000	662,805,269	23,913,094	5,629,675	1,842,781	16,126,513	13,600,398	3,463,863	0	735,352	1,378,116,945