
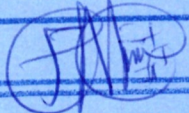


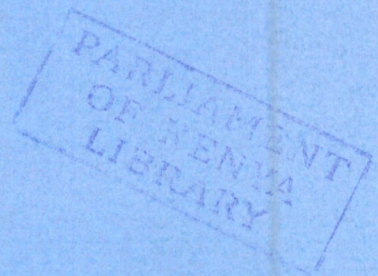
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 26 FEB 2019	DAY: TUESDAY
TABLED BY:	MAJORITY LEADER
CLERK-AT THE TABLE:	



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
MASENO UNIVERSITY

FOR THE YEAR ENDED  
30 JUNE 2018







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**MASENO UNIVERSITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2018**

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



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**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background of Maseno University**

Maseno is a Public University created by Maseno University Act 2000 and now operates under the Universities Act 2012. The precursor, Maseno University College, was established through the merging of Maseno Government Training Institute (GTI) with Siriba Teacher's Training College as a Constituent College of Moi University.

**b) Principal Activities**

Principal Activity/mission of Maseno University is to discover, harness, apply, disseminate and preserve knowledge for the good of Humanity. The University has embarked on a mission to develop and deliver academic programmes that not only respond to the needs of industry but also prepare workers for the knowledge economy, in line with the Vision 2030.

**c) Key Management**

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

1. The Maseno University Senate
2. The University Management Board.

**d) Fiduciary Management**

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

<b>Name</b>	<b>Designation</b>
1. Prof. Julius O. Nyabundi	Vice-Chancellor
2. Prof. Catherine A. Muhoma	Deputy Vice-Chancellor(A,F&D)
3. Prof. Mary Kipsat	Deputy Vice-Chancellor(ASA)
4. Prof. Joseph S. Chacha	Deputy Vice-Chancellor(PRI)
5. Mr. Edward M. Kitati	Finance Officer

**e) Fiduciary Oversight Arrangements**

Planning, Finance and Investment Committee of the University Council - Reviewed Quarterly Financial Statements before they were recommended to the University Council for approval.

Audit and Risk Committee the University Council - Reviewed the reports from the internal audit department.

The University Council - Approved the Budget for FY2017/2018 and approved Quarterly Financial Statements before they were submitted to The National Treasury at end of every quarter of FY2017/2018.

**f) Maseno University Headquarters**

Private Bag, MASENO

Maseno University Head Office - College Campus on Kisumu-Busia Road

MASENO, KENYA

**g) Maseno University Contacts**

Private Bag MASENO

**Tel:**057-351622

**FAX:**057-351221

**email:** [vc@maseno.ac.ke](mailto:vc@maseno.ac.ke)

**Website:** [www.maseno.ac.ke](http://www.maseno.ac.ke)

**h) Maseno University Bankers**

Kenya Commercial Bank Ltd

Kisumu Branch

Standard Chartered Bank Ltd

Kisumu Branch

Equity Bank Ltd.

Luanda Branch

**i) Independent Auditors**

Office of the Auditor - General

Anniversary Towers, University Way

P O Box 30084-00100

NAIROBI, KENYA

II. MEMBERS OF THE UNIVERSITY COUNCIL

**CHAIRMAN OF MASENO UNIVERSITY  
COUNCIL**



Prof. Abdullah Naji Said  
BSc(UoN), MSc(UoN), Ph.D.

Prof. Abdullah Naji Said is a Professor of Animal Production system. He is the immediate former Chairman of Council, Laikipia University and has also served on the Egerton University Council. He is also the current chairman of Malindi Museum Society.

**MEMBER**



Mr. Edwins Mukabanah  
BA (UoN), MSc (Westminster)




Mr. Edwins Mukabanah works in the transport industry. He has specialised in transport planning, operation and management.




**MEMBER**



Ms. Sophia Abdi Hassan,  
BSc ((Malardem), MSc ((Malardem)

Ms. Sophia Abdi Hassan works in the banking industry, she is specialised in investment, portfolio management and liquidity management.

<p style="text-align: center;"><b>MEMBER</b></p>  <p style="text-align: center;">Mr. Gerald Kariithi Mira BA (Moi), MSc (JKUAT)</p>	<p>Mr. Gerald Kariithi Mira is a practising insurance professional with specialization in Entrepreneurship.</p>
<p style="text-align: center;"><b>MEMBER</b></p>  <p style="text-align: center;">Ms. Lucy A. Osmerah Dip. Ed(KU), BA(UoN), MA(UoN)</p>	<p>Ms. Lucy A. Osmerah is a consultant and trainer in Financial Management Programmes for women</p>
<p style="text-align: center;"><b>MEMBER</b></p>  <p style="text-align: center;">Mrs. Ruth Rukunga BEd (Nairobi), MEd (Leeds)</p>	<p>Mrs. Ruth Rukunga is a Career Educator</p>

<p style="text-align: center;"><b>MEMBER</b></p>  <p style="text-align: center;">Mr. Andrew Rukaria BA(UoN), MBA(Moi) <b>Rep. Principal Secretary Ministry of Education</b></p>	<p>Mr. Andrew Rukaria works in the Ministry of Education as Director of Administration in the state Department of Early Learning and Basic Education is a career public Administrator. His experience is in Public Administration.</p>
<p style="text-align: center;"><b>MEMBER</b></p>  <p style="text-align: center;">Mr. Samuel Kiptorus BA(UoN), M.A(DAR) <b>Rep. Cabinet Secretary National Treasury</b></p>	<p>Mr. Samuel Kiptorus works in the National Treasury as a senior Deputy Director Intergovernmental Fiscal Relations. His experience is in Economic Planning and strategic management.</p>
<p style="text-align: center;"><b>VICE-CHANCELLOR AND SECRETARY TO THE UNIVERSITY COUNCIL</b></p>  <p style="text-align: center;">Prof. Julius O. Nyabundi, OGW BSc.(UoN), MSc.(UoN), Ph.D.(California, Davis),</p>	<p>Prof. Nyabundi is the immediate former Principal of Muranga University College and a former Acting Deputy Vice-Chancellor (A&amp;F) at Maseno University. He had previously served as the Managing Director, Chemelil Sugar Company. He is a renowned scholar who has published widely in refereed journals and has presented papers in local and international conferences. He earned his Ph.D. from the University of California.</p>

**III. MANAGEMENT TEAM OF THE UNIVERSITY**



Prof. Julius O. Nyabundi, OGW  
BSc.(UoN), MSc.(UoN), Ph.D.(California, Davis),  
**Vice-Chancellor**

Prof. Julius O. Nyabundi Ph.D., OGW is the Vice-Chancellor of Maseno University. He is the Academic and Administrative Head of Maseno University.



Prof. Catherine A. Muhoma,  
BEd.(Maseno), M.A, (Maseno) Ph.D.,  
**Deputy Vice-Chancellor (A,F&D)**

Prof. Catherine A. Muhoma, Ph.D is the Deputy Vice-Chancellor in charge of Administration, Finance and Development.



Prof. Mary Kipsat,  
BSc(UoN), MSc.(UoN), Ph.D.(Moi)  
**Deputy Vice-Chancellor (ASA)**

Prof. Mary Kipsat, PhD. is the Deputy Vice-Chancellor in charge of Academic and Student Affairs.



Prof. Joseph Chacha,  
BSc(UoN)., MSc(UoN)., Ph.D(Ottawa).,  
**Deputy Vice-Chancellor (PRI)**

Prof. Joseph Chacha, Ph.D. is the Deputy Vice-Chancellor in charge of Partnership, Research, and Innovations.



Mr. Mathew O. Onyango,  
BEd (UoN), MEd (Manchester)  
**REGISTRAR (Administration)**

Mr. Mathew O. Onyango is the Registrar in charge of Administration and Central Services.





Ms. Christine A. Achola,  
B.A(UoN), M.A (Maseno)  
**REGISTRAR (Academic & Student Affairs)**

Ms. Christine A. Achola is the registrar in charge of Academic and Student Affairs.



Mr. Raymond E. Ochoggia,  
BLS (Loughborough), M.Phil, (Moi) MKLA  
**UNIVERSITY LIBRARIAN**

Mr. Raymond E. Ochoggia is the University Librarian.

	<p>Mr. Edward M. Kitati is the University Finance Officer.</p>
<p>Mr. Edward M. Kitati, BSc.(UoN), Msc (UoN), MBA (SEKU), CPA(K) <b>FINANCE OFFICER</b></p>	<p>Dr Vitalis Ouko Ogilo, is the Chairman Health services in the University</p>
	
<p>Dr. Vitalis Ouko Ogilo, MBChB (UoN), MPH (Maseno) <b>HEAD, MEDICAL SERVICES</b></p>	
<p><b>LEGAL OFFICER</b></p>	<p>Vacant</p>

#### IV. CHAIRMAN'S STATEMENT

I am pleased to present the annual report and financial performance of Maseno University for the year ended 30.06.2018. Maseno University has continually focused on quality teaching, research and outreach activities in fulfilment of its Vision and Mission. The University is on track in the implementation of the 2017-2022 Strategic Plan. The process of reviewing the Strategic Plan to align it to the national development priority provided in the Vision 2030, Medium-Term Plan III and also the "Big four" Agenda in view of the existing economic realities has commenced. This will enable prioritisation of projects that are central to the growth of the University. The University Council is intent in promoting Partnerships and Linkages with its peer institutions and industry; such relationships are central in transforming the University into a truly global institution.

The year 2017/2018 marked the third year of the implementation of the *Mwongozo*- The Code of Governance for State Corporations. This framework focuses on addressing matters of effectiveness of the Council, transparency and disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship. The Maseno University Council and indeed the entire University community is committed to the full implementation of the provisions of the *Mwongozo* code, which takes cognisance of the importance of good corporate governance and citizenship on the development of the institution and the Community it seeks to serve.

While the University has made great strides so far, it continues to face challenges in terms of constrained financial resources as a result of reduced Government funding, unrealised Government budgetary allocation and declining pool of Self-Sponsored students. In response, the University operates on a highly constrained budget with little capacity to respond to emerging budgetary dynamics which may challenge continued optimisation of University operations.

I wish to thank the Government for the continued support. Likewise, I thank Management, staff and stakeholders, for the sustained operations. Last but not least, I wish to commend the student body for their cooperation and understanding, which has contributed greatly to the stability and growth of the University. With the support of all stakeholders we look forward to even greater achievements in the coming financial year.



Prof. Abdullah Naji Said, Ph.D.

**Chairman of Maseno University Council**

## V. REPORT OF THE VICE-CHANCELLOR

I take great pleasure in presenting the annual report and financial statements of Maseno University for the financial year 2017/2018. The University is committed to its vision and mission as contained in the Strategic Plan 2017/2022.

### University Financial Performance

Maseno University's financial performance during the year was stable despite the challenging financial environment. The Government capitation still remained the University's main source of income, followed by tuition fees and research. The Government capitation increased by **Kshs.106,925,711** compared to the amount received in 2016/17. The government also granted **Kshs.625,326,033** towards the settlement of the 2013/2017 CBA arrears and the resulting salary increase. The University posted a deficit of Kshs.17,035,808 in the year which was as a result of impairment provision. The development grants received in the year was **Kshs.40,864,678** as compared to the approved allocation of **Kshs.280,000,000**. In the 2016/2017 financial year, the University received **Kshs.180,000,000**.

Despite the financial constraints, Maseno University has prioritised and complied with the statutory obligations, including timely remittance of PAYE, NHIF, HELB, SACCO dues, staff pension, and all other staff deductions. The exception remains government's remittance of employer component of pension of Kshs.83.4Million pension from 2013/2017 CBA. The University has several on-going projects including the library, tuition block and laboratory complex, security wall and internal roads network all of which are essential to cater for achievement of sustainable quality education.

In pursuit of its mandate, Maseno University engaged in various core and support functions within the financial year within its short term objectives. These and other medium term objectives remain the key focus of the University as follows:-

#### I. Academic programmes

The School of Medicine developed two programmes in 2017/2018 Financial Year namely; Bachelor of Science in Pharmacy with Information Technology (B. Pharm. With IT) and Master of Medicine in General Surgery; these have been approved by the University Senate. In the year 2018/19 the University shall develop a Bachelor of Laws degree (LLB).

The School of Medicine's pioneer class for the programme of Bachelor of Medicine and Surgery have completed their programme, are on internship awaiting graduation in December 2018.

**II. Student Welfare**

The University has improved the relationship with the students' body. The needy students are placed on paid work study programmes as appropriate.

**III. Research and Development**

Research is one of the core mandates of the University. However, the quality of the research, particularly scientific and technological research requires substantial investment in research facilities and qualified researchers. The University is keen to develop proposals in key thematic areas in line with SDGs, Vision 2030 and the Big Four Initiatives. This is expected to address key areas such as food security, universal health care and environmental issues such as climate change.

I wish to thank the Government, the University Council, staff, parents, students, local and international partners, and all our stakeholders for their contributions and support during the year. As we move forward, we continue to count on their support in our endeavour to transform Maseno University into a world class University whose Vision is excellence in discovery and dissemination of knowledge.



Prof. Julius O. Nyabundi, Ph.D., OGW

**Vice-Chancellor**



## **VI. CORPORATE GOVERNANCE STATEMENT**

### **Introduction**

Maseno University is governed by the University Council. The Universities Act 2012 gives the University Council the necessary powers to oversee the proper management of resources of the University. As per the Universities Act 2012, the Council shall have powers to:-

- Manage, supervise and administer the assets of the University in such a manner as best promotes the purpose for which the university is established;
- Determine the provisions to be made for capital and recurrent expenditure and for reserves of the University;
- Receive any grants, donations or endowments on behalf of the University and make legitimate disbursements therefrom;
- Enter into association, collaboration or linkages with other bodies or organizations within or outside Kenya as the University may consider desirable or appropriate and in furtherance of the purpose for which the University is established; and
- Open a banking account or accounts for the funds of the University.

### **Corporate Governance Principles**

This is the third year of the implementation of *Mwongozo*-The Code of Governance for State Corporations. This code was issued by his His Excellency, The President Hon. Uhuru Kenyatta, C.G.H., in January, 2015. Before the issuance of the code State Corporations did not have a singular document of reference in matters of governance best practice and good corporate citizenship.

The University has strived to adhere to the corporate governance principles as contained in the *Mwongozo* code. The University is happy to report that a number of activities have been undertaken geared towards compliance with the *Mwongozo* Code.

### **Progress of *Mwongozo* Code implementation**

Members of the University Council were inducted on the provisions of the *Mwongozo* code. The Board work plan and Board charter were prepared and signed by the Chairman of Council during the year.

### **Council Size, Composition and Appointment**

The Maseno University Council currently is made up of 8 members appointed by the Cabinet Secretary for the time being responsible for University Education as follows -

- a) Chairperson;
- b) The Principal Secretary in the Ministry for the time being responsible for the University Education;
- c) The Principal Secretary in the Ministry for the time being responsible for Finance;
- d) Five members appointed by the Cabinet Secretary through an open process; and
- e) The Vice-Chancellor who shall be an ex-officio member of the Council.
- f) Any other officer that may be invited as required for a specified task during the meeting

The current Council is composed of members from diverse professional backgrounds. Due to the diversity of the Council the University has been able to harness the vast experience of the Council members in promoting good governance.

### **Council Remuneration**

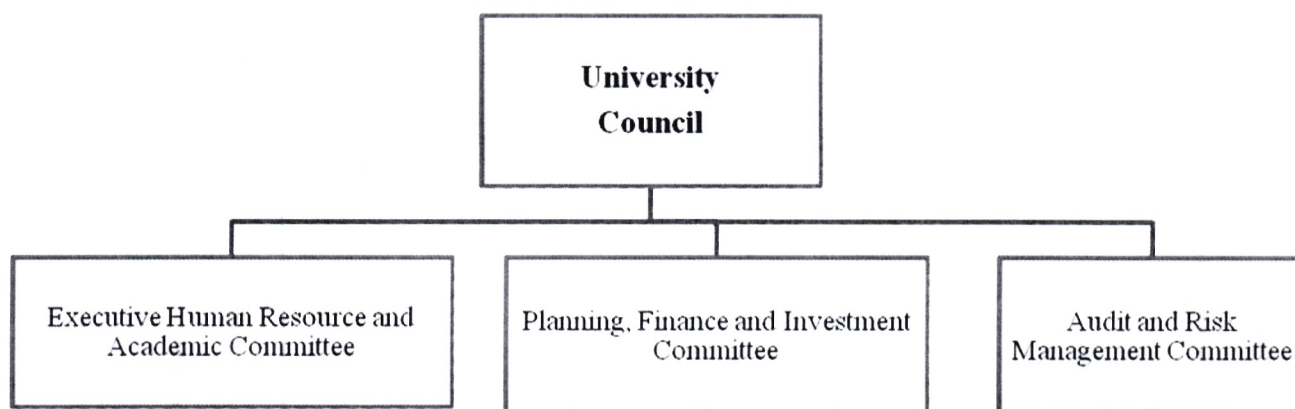
The University Council members other than the Vice-Chancellor do not receive a salary. Instead they are paid a taxable sitting allowance whenever they attend meetings of Council. The Chairman of Council is paid a monthly honorarium as prescribed by the Government. In the year 2017/18, the University spent **Kshs. 17,539,272** on sitting allowances and other expenses to Council members, compared to the budget for the year of **Kshs.28,000,000**.

### **Board Committees and responsibilities**

The Council through its Committees ensures effective, accurate, timely and transparent disclosure of information regarding Maseno University's operations and performance in line with the Constitution, various Acts, regulations and guidelines.

This is in addition to ensuring that the operations of the University adhered to within the existing legislative frameworks and best practice.

The following are the Committees of Council;



### **1. Executive, Human Resource and Academic Committee**

The Executive Committee of Council has the following terms of reference;

- Deal with urgent and critical issues on behalf of Council as need arises and submit to Council for ratification.
- Receive, consider and recommend the University Statutes and make appropriate recommendations to Council for approval.
- Consider proposal for the application of the University Seal and submit to council for approval
- Consider and submit to Council approvals from Senate on candidates for award of degrees of the University.
- Advertise, interview, and recommend for appointment of the Vice-Chancellor, Deputy Vice-Chancellor, Principals and Deputy Principals of Colleges and Campuses through a competitive process and report to the council for ratification.
- Conduct interviews for employment, appointment and promotion of senior members of faculty and management from grade 14 and above.
- Co-ordinate the agenda and conduct of committees and advice council on their performance
- Develop, execute, monitor and report to council on the performance of Vice-Chancellor, Deputy Vice-Chancellors and Principals of Colleges
- Receive recommendation from Senate of the names of top three applicants for the position of Chancellor, ranked by the alumni association and report to the council for noting and onward transmission to the Cabinet Secretary.
- Receive, consider and/or approve proposal for affiliations, linkages, partnerships and associations and report to the council for ratification

- Oversee the conduct of interviews for employment, appointment and promotion of members of faculty and staff from grade 13 and below and submit reports to council;
- Consider and recommend for approval terms and conditions of service; criteria for recruitment, appointment and promotion of staff;
- Oversee the development and implementation of a Human Resource strategy;
- Receive and consider reports on staff welfare;
- Receive and consider proposals for the provision of Occupational Safety and Health facilities and systems for staff and students;
- Receive, consider and recommend for approval regulations governing students and staff conduct and discipline;
- Receive, consider, discuss and recommend to council proposals on staff establishment of the University;
- Adjudicate on staff and student disciplinary appeals;
- Oversee the mainstreaming into policies and practices on gender balance, equality of opportunities, equalization of persons with disabilities, minorities and other marginalized groups and submit reports to Council;
- Receive reports on gender balance, equality of opportunities, equalization of persons with disabilities, minorities and other marginalized groups;
- Receive and consider reports from Senate and make recommendations to Council on Academic Matters
- Receive and consider reports on students' welfare;
- Oversee the constitution of an Alumni Association and receive reports on their proposals and recommendations
- Transact any other business as directed by Council

## **2 Planning, Finance and Investment Committee**

This committee of Council has the following terms of reference;

- Receive, consider and recommend for Council approval, annual estimates of revenue and expenditure and overseeing compliance of budgetary allocation as approved within its annual budgets.
- Generate and receive proposals for subscription, donations and bequest for onward transmission to Council for consideration
- Oversee proper recording of accounts of the income, expenditure and assets of the University and submission of financial reports as by law required.
- Oversee proper vesting of all immovable property, shares, funds and securities in the name of the University
- Receive and consider for onward transmission to Council proposal for investing University funds subject to legal requirements
- Receive for consideration and onward transmission to Council reports on management and administration of University property
- Receive and consider proposals for University fees and any other charges and recommend to the council for consideration and approval
- Receive recommendation for onward transmission to Council on scholarships, bursaries and other awards
- Receive proposals on opportunities for investments, for processing and onward transmission to council for consideration and approval
- Receive and consider proposals on acquisition of fixed assets and recommend to Council for appropriate action
- Receive reports on performance of University investments and submit proposals for Council consideration oversee the development, review and implementation of the University Strategic Plan in conformity with the medium term fiscal frame work and policy objectives
- Receive, consider and submit for Council approval the annual Procurement Plan of the University;
- Recommend for Council approval the sale, purchase, exchange, lease, or take on of movable and immovable property;

- Subject to the laid down government procedures, to recommend for Council approval the borrowing of money on behalf of the University; Mortgaging or charging all or any part of movable and immovable property.
- Receive for consideration and recommendation to Council opening, and/or closing of bank account(s) for the funds of the University;
- Receive, consider and make recommendation to Council on reports of implementation of the University Master Plan bi-annually;
- Receive, consider and submit for Council approval proposals on new projects;
- Review the performance of all ongoing projects and submit reports to Council on a quarterly basis;
- Transact any other business as directed by Council

### **3 Audit and Risk Management Committee**

The Audit and Risk Management Committee has the following terms of reference;

- Receive, review and recommend internal control mechanisms towards improving efficiency, effectiveness, transparency and accountability;
- Receive and discuss internal and external audit reports and make recommendations to Council;
- Review and oversee the settlement and implementation of recommendations from the Public Accounts and Public Investments Committees (PAC/PIC)
- Review and regularly report to Council on the effectiveness and efficiency of the internal audit function;
- Review Management procedures and make proposals to Council for mainstreaming of Risk Management, Controls and Governance;
- Review and submit proposals to Council on improvement of efficiency and effectiveness of Management systems, including and not limited to high risk areas such as public finance, human resource, academic programs, and general internal controls;
- Review and submit a report to Council on compliance with policies, laws, regulations, procedures, plans, and ethics;
- Initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency;
- Transact any other business as directed by Council.

**Attendance of Meetings**

The frequency of meetings is provided for by article 8 (1a) of the State Corporations Act which states that; “the Council of every state corporation shall meet not less than four times in every financial year and not more than four months shall elapse between the date of one meeting and the date of the next meeting.” The Maseno University Council meets as per the Council Almanac prepared and approved every year. Special meetings are held as and when necessary. The Maseno University Council works through its various committees which report to the full council.

## **VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The University considers sustainability in light of the following;

1. Social Sustainability
2. Environmental Sustainability
3. Economic Sustainability

### **Social Sustainability**

#### **Staff Welfare and Development**

The University has been identifying and supporting staff for PhD education. The University has supported academic members of staff in training at Masters and PhD levels on full time both locally and internationally. In addition a number were also granted scholarships through the graduate assistants program.

#### **Gender Mainstreaming**

The University has embraced gender equity and has developed a policy for its administration with an appointed committee.

#### **Community Engagement**

The University has been engaging the local communities in technology dissemination in public health, enhancing farm productivity and sustainable environment management.

Maseno University School of Medicine and School of Nursing students undertake a community based attachment each year in their third year of study. This exercise is important for a number of reasons; it not only helps them in honing their medical skills but also it provides medical services and care that are in short supply in the community and Country in general. The students in the School of Education offer teaching services to several secondary schools in the neighbouring counties whose staffing levels are low.

Commissioning of hotspots to allow for full Internet access at the University has created an opportunity for staff and students as well as the surrounding community to network, learn, and research and outreach all of which advertise the institution and its programmes.

### **Environmental Sustainability**

The University is committed to promoting the physical environment to ensure sustainability for the current and future generations. In line with the increased significance and increased recognition of the responsibility bestowed on us to protect the environment for posterity; the University has developed a policy on the environment. In this regard a number of programmes have been put in place;

- Marking of the World Environment day
- Maseno University and environs cleaning day
- Maseno University has a tree planting day each year.

These are now part of the University calendar and it's hoped with time that they will be inculcated into the psyche of the Maseno University community.

The University is keen to construct a Sewerage Disposal System to replace the existing one through partnership with the County Government of Kisumu as the population of Maseno has grown tremendously. To this end, the University has allocated Kshs. 200Million in the 2018/2019 towards the same.

### **Economic Sustainability**

#### **Innovations in core operations**

Maseno University operates an e-Campus that offers distance learning comfortably. The University also continues to offer undergraduate degree programmes 'with IT'. This is in recognition of the role played by IT not only as a tool at the workplace but as a key resource. The IT skills imparted on the Maseno University graduate are crucial in enabling them stand out at the workplace. These initiatives have enabled the University to grow the student numbers and generate more income internally.

The University supports its post graduate students in their final year of study to conduct research by providing them with funds from the Post-Graduate research fund annual allocation.

#### **Research and Technology Development**

Research and Technology Development is one of the principal missions of a University. It is for this reason that Maseno University has established the Directorate of Research and Innovations. Its primary objective is to enhance the capacity to undertake research and technology development as well as attracting research funds for various donors both locally and internationally. In doing so, Science and Technology thus has become a powerful tool for fighting poverty, food insecurity and tropical diseases.

**Transition from ISO 9001:2008 to ISO 9001:2015 Certification**

The University is committed to continuously improving its processes and systems in line with the ISO 9001:2008 certification. Efficiency and effectiveness are essential for ensuring value for money as the University renders services to all the stakeholders. Maseno University is currently in the process of transiting from ISO9001:2008 to ISO 9001:2015

**Income Sustainability**

The University is dependent on the Government for all its development grants. The University is keen to grow its internally generated revenue from Tuition fees, University Enterprises and Research to become self-sufficient in terms of recurrent expenditure. The Government funding on recurrent expenditure does not cover the payroll costs for each month, hence the need to grow the internally generated revenues.

**Going concern status**

The University is a going concern into the foreseeable future despite the funding gaps from time to time. Although the University posted a deficit of **Kshs.17,035,808** in the FY 2017/2018, the current ratio computed as current asset divided by current liability was **2:1**. The ratios indicate that the University is a going concern. The University is investing significantly in infrastructure and is not expected to curtail its operations in the coming year on the expectation that there will be support from the Government.

**VIII. REPORT OF MASENO UNIVERSITY COUNCIL**

The University Council submits the FY2017/2018 report together with the audited financial statements for the year ended June 30, 2018 which shows the state of affairs of Maseno University.

**Principal activities**

Principal activity of Maseno University is to discover, harness, apply, disseminate and preserve knowledge.

**Results**

The results of Maseno University for the year ended June 30,2018 are set out on pages 1 to 38.

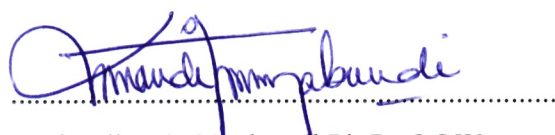
**Maseno University Council**

The members of Maseno Council who served during the year are shown on pages v to x. In accordance with Government regulations.

**Auditors**

The Office of the Auditor General is responsible for the statutory audit of Maseno University's financial statements FY2017/2018 in accordance with section 81 of the Public Finance Management (PFM) Act,2012.

By order of Maseno University Council



Prof. Julius O. Nyabundi Ph.D.,OGW

**Vice-Chancellor and Secretary to Maseno University Council**

Dated.....

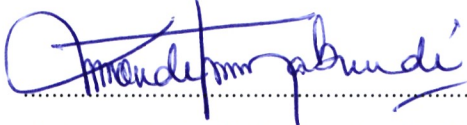
**IX. STATEMENT OF THE COUNCIL'S RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Council to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council 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 Council are 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, 2018, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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



.....  
Professor Julius O. Nyabundi, Ph.D.,OGW

**Vice-Chancellor**



.....  
Professor Abdullah Naji Said,Ph.D.

**Chairman of Maseno University Council**

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON MASENO UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Maseno University set out on pages 1 to 38, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, 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 effects 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 Maseno University as at 30 June, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1. Property, Plant and Equipment

The statement of financial position for the year ended 30 June 2018 indicates a property, plant and equipment balance of Kshs.2,468,125,378. Included in this figure was land valued at Kshs.215,922,317 as per note 22 to the financial statements. However, two parcels of land owned by the university; Maseno Township/Block 2/250 measuring 41.45 hectares and Maseno Township/Block 2/2 measuring 15.07 hectares were not included in the financial statements. Further, a valuation of the university's assets has not been done to establish the current values.

Consequently, the accuracy, valuation and completeness of the value of land of Kshs.215,922,317 could not be ascertained as at 30 June 2018.

##### 2. Receivables From Exchange Transactions

The statement of financial position for the year ended 30 June 2018 indicates receivables from exchange transactions balance of Kshs.236,763,551. Included in this

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*Report of the Auditor-General on the Financial Statements of Maseno University for the year ended 30 June 2018*

amount were advances to Tom Mboya University of Kshs.20,772,325. However, the records maintained and obtained from Tom Mboya University indicate that payables to Maseno University were Kshs.67,958,848 as shown below:

	<b>Kshs.</b>
Seconded Staff	46,405,334
Procured items from Maseno University	5,864,636
Maseno University advance	15,688,878
<b>Total</b>	<b>67,958,848</b>

A reconciliation of the variance of Kshs.47,186,523 between the two figures has not been provided for audit review.

Consequently, the accuracy and completeness of the value of Kshs.20,772,325 relating to advances to Tom Mboya University could not be ascertained as at 30 June 2018.

### **3. Payables**

The statement of financial position for the year ended 30 June 2018 reflects a payables balance of Kshs.293,601,764. However, documentary evidence to support the following amounts have not been made available for audit review:

	<b>Amount Kshs.</b>
Benevolent Fund	4,946,880
Maseno University Sacco	2,024,881
Siaya County Advances	5,000,000
Placement Fees	6,888,000
<b>Total</b>	<b>18,859,761</b>

Further, the aged analysis of payments due to part time lecturers of Kshs.130,893,288 was not provided for audit review.

Consequently, the accuracy, validity and completeness of the payables balance of Kshs.293,601,764 could not be ascertained as at 30 June 2018.

### **4. Employee Costs**

The statement of financial performance for the year ended 30 June 2018 shows employee costs of Kshs.2,664,384,046. Included in this amount were payments in relation to the Collective Bargaining Agreement (CBA) of 2010 totaling Kshs.504,191,520 as indicated in note 11 to the financial statements. However, the agreement was not made available for audit review to confirm that the payments had been correctly computed and paid legally.

Consequently, the completeness and validity of the Kshs.504,191,520 expenditure on employees relating to the CBA could not be confirmed as at 30 June 2018.

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

## Emphasis of Matter

### 1. Budget Performance

The comparison of budget against actual amounts is shown below:

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Variance</b>
<b>Revenue</b>	<b>(Kshs)</b>	<b>(Kshs)</b>	<b>(Kshs)</b>	<b>%</b>
Government Capitation Grants	1,514,135,060	2,139,461,094	(625,326,034)	-41%
Research Grants	84,493,793	178,866,801	(94,373,008)	-112%
Tuition fees	1,022,259,264	939,913,585	82,345,679	8%
Other income	258,608,548	207,917,628	50,690,920	20%
<b>Total Income</b>	<b>2,879,496,665</b>	<b>3,466,159,108</b>		
<b>Expenses</b>				
Employee Costs	2,598,997,720	2,664,384,046	(65,386,326)	-3%
Council Expenses	28,000,000	19,783,272	8,216,728	29%
Audit fees	952,000	952,000	-	
Depreciation	102,965,506	102,965,506	-	
Operating Expenses	485,687,840	417,131,366	68,556,474	14%
University Enterprise Expenses	100,682,154	60,197,043	40,485,111	40%
Repairs and Maintenance	81,106,640	31,677,774	49,428,866	61%
General Expenses	162,213,280	176,860,471	(14,647,191)	-9%
<b>Total Expenses</b>	<b>3,560,605,140</b>	<b>3,473,951,478</b>	<b>86,653,662</b>	<b>2%</b>
<b>Surplus/deficit</b>	<b>(681,108,475)</b>	<b>(7,792,371)</b>		

The increase in revenue was due to funds received to cater for the Collective Bargaining Agreement. There was also an increase in research grants but a drop in tuition fees and other income. There were savings in all expense items except employee costs and general expenses.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, are of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other 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. Staff Ethnicity**

The payroll statistics revealed that sixty two per cent (62%) of the senior management were from one ethnic community while sixty four per cent (64%) of academic and non-teaching staff were from one ethnic community. This is contrary to National Cohesion and Integration Commission Act, 2008 section 7 (1) which requires that all public establishments seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

#### **2. Audit Fees**

The statement of financial position for the year ended 30 June 2018 indicates that the payables balance was Kshs.293,601,764. Included in this amount is audit fees

payable of Kshs.2,854,000 which has remained unpaid for three years. Non-payment of audit fees is a contravention of section 41(1) of the Public Audit Act, 2015.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Internal Controls Effectiveness, Governance and Risk Management Systems section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Non- Integration of the University's Management Information System**

A review of the University's management information system revealed that servers in Kisumu hotel and the city campus are not linked to main servers in Maseno University main campus. They operate on different platforms and as stand alone systems. Therefore, the system at the main campus does not automatically collate fees and other direct bank deposits from students from the two sub units but this has to be done manually. This manual intervention may lead to errors and omissions and thus negates the use of the information system.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 Those Charged with Governance**

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, whether due to fraud or error 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 ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the or to cease operations, or have no realistic alternative but to do so.

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

In addition to the responsibility for the preparation and presentation of the 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 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 about 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 and that public resources are applied in an effective way, 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 non compliance. 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 policies and procedures may deteriorate.

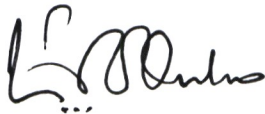
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 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 as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**07 January 2019**

STATEMENT OF FINANCIAL PERFORMANCE

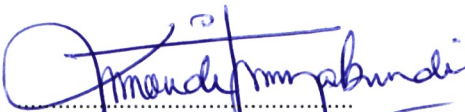
For the year ended 30<sup>th</sup> June, 2018

		2017/18	2016/17
		KShs.	KShs.
<b>Revenue from non-exchange transactions</b>			
Government Capitation Grants	4	2,139,461,094	1,407,209,350
Research Income	5	178,866,801	50,577,003
		<b>2,318,327,895</b>	<b>1,457,786,353</b>
<b>Revenue from exchange transactions</b>			
Tuition Fees	6	939,913,585	1,187,220,313
Revenue from University Enterprises	7	136,712,094	141,374,893
Interest income	8	8,237,294	21,326,834
Other income	9	62,968,240	51,214,159
		<b>1,147,831,213</b>	<b>1,401,136,199</b>
<b>Total revenue</b>		<b>3,466,159,108</b>	<b>2,858,922,552</b>
<b>Expenses</b>			
Employee Costs	11	2,664,384,046	1,978,245,450
Council Expenses	17	19,783,272	23,604,711
Audit Expenses		952,000	952,000
Depreciation	12	102,965,506	103,112,872
Operations Expenses	13	417,131,366	426,979,827
University Enterprises Expenses	14	60,197,043	76,071,611
Repairs and maintenance	15	31,677,774	39,186,020
General expenses	16	176,860,471	107,381,675
<b>Total expenses</b>		<b>3,473,951,479</b>	<b>2,755,534,165</b>
<b>Other gains/(losses)</b>			
Gain on sale of assets	10	756,153	1,456,415
Impairment loss	18	(9,999,590)	(12,185,024)
<b>Surplus/(Deficit)</b>		<b>(17,035,808)</b>	<b>92,659,778</b>


The notes set out on pages 7 to 36 form an integral part of the Financial Statements.

**STATEMENT OF FINANCIAL POSITION**  
As at 30<sup>th</sup> June 2018

	Note	2017/18 KShs.	2016/17 KShs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19(i)	356,022,663	345,865,432
Receivables from exchange transactions	20	236,763,551	273,995,392
Receivables from non-exchange transactions	20	63,443,001	63,443,001
Inventories	21	56,698,716	54,498,364
		<b>712,927,931</b>	<b>737,802,189</b>
<b>Non-current assets</b>			
Property, plant and equipment	22	2,468,125,378	2,305,562,999
Intangible Assets	23	8,990,834	13,486,251
Biological Assets	24	8,610,400	10,707,800
		<b>2,485,726,612</b>	<b>2,329,757,050</b>
<b>Total assets</b>		<b>3,198,654,543</b>	<b>3,067,559,239</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	25	293,601,764	188,942,730
Students Caution Money	26	9,559,800	10,824,400
Provision for Audit Fees	27	2,854,000	2,854,000
		<b>306,015,564</b>	<b>202,621,130</b>
<b>Non-current liabilities</b>			
Students Caution Money	28	14,552,400	10,680,400
<b>Total liabilities</b>		<b>320,567,964</b>	<b>213,301,530</b>
<b>Net assets</b>			
Capital Fund		2,382,733,770	2,341,869,092
Accumulated Surplus		495,352,807	512,388,615
<b>Total net assets and liabilities</b>		<b>3,198,654,543</b>	<b>3,067,559,239</b>

  
.....  
Professor Julius O. Nyabundi, Ph.D.,OGW.

**Vice-Chancellor**

  
.....  
Professor Abdullah Naji Said, Ph.D.

**Chairman of Maseno University Council**

**STATEMENT OF CHANGES IN NET ASSETS**

**As at 30<sup>th</sup> June, 2018**

**Attributable to the owners of the controlling entity**

		<b>Capital Fund</b>	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>Notes</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Balance as at 30 JUNE 2016</b>		2,161,869,092	419,728,837	2,581,597,929
Capital grant		180,000,000	-	180,000,000
Surplus/(deficit) for the period			92,659,778	92,659,778
Transfers to/from accumulated surplus		-	-	-
<b>Balance as at 30 JUNE 2017</b>		<b>2,341,869,092</b>	<b>512,388,615</b>	<b>2,854,257,707</b>
Capital grant	4	40,864,678	-	40,864,678
Surplus/(deficit) for the period			(17,035,808)	(17,035,808)
<b>Balance as at 30 JUNE 2018</b>		<b>2,382,733,770</b>	<b>495,352,807</b>	<b>2,878,086,577</b>

**Nature and Purpose of Reserves**

The accumulated surplus comprises of surpluses that have been accumulated over the years. This reserve is not distributable but is used for capital regeneration.

**STATEMENT OF CASHFLOWS**  
**For the year ended 30<sup>th</sup> June 2018**

	Note	2017/18 KShs.	2016/17 KShs.
<b><u>Cash flow from operating activities</u></b>			
Surplus/(Deficit) for the year		(17,035,808)	92,659,778
<b><u>Adjustments for non-cash and non-operating activities</u></b>			
Interest Received	8	(8,237,294)	(21,326,834)
Depreciation	12	102,965,506	103,112,872
(Increase)/Decrease in Biological assets	24	2,097,400	(2,701,300)
Provisions - Audit Fees	27	952,000	952,000
Profit on sale of Fixed Assets		(756,153)	(1,456,415)
Payment of Audit Fees		(952,000)	-
<b>Operating Profit before working capital changes</b>		<b>79,033,651</b>	<b>171,240,101</b>
<b><u>Changes in Working Capital</u></b>			
(Increase) / Decrease in Receivables	20	37,231,841	(25,587,847)
(Increase) /Decrease in Inventory	21	(2,200,352)	(11,543,082)
Increase /(Decrease) in Payables	25	104,659,034	(288,722,046)
<b>Net changes in working capital</b>		<b>139,690,523</b>	<b>(325,852,975)</b>
<b>Cash Generated from Operations</b>		<b>218,724,175</b>	<b>(154,612,875)</b>
<b><u>Cash flow from Investing Activities</u></b>			
Interest Received	8	8,237,294	21,326,834
Proceeds from disposal		980,000	2,265,000
Acquisition of Fixed Assets	22	(261,256,315)	(160,530,281)
		<b>(252,039,021)</b>	<b>(136,938,447)</b>
<b><u>Cash flow from Financing Activities</u></b>			
Development grants from GOK	4	40,864,678	180,000,000
Caution Money Refund-Aggregate	26	2,607,400	5,096,600
		<b>43,472,078</b>	<b>185,096,600</b>
<b>Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>10,157,232</b>	<b>(106,454,722)</b>
Cash & Cash Equivalent at 1st July 2017		345,865,496	452,320,218
Cash & Cash Equivalent at 30th June 2018	19(i)	<b>356,022,728</b>	<b>345,865,496</b>
<b>Represented by:</b>			
Bank balances	19(ii)	305,877,463	94,606,570
Cash balances		145,200	135,852
<b>Cash and cash balances</b>		<b>306,022,663</b>	<b>94,742,422</b>
Short Term Deposits		50,000,000	251,123,010
		<b>356,022,663</b>	<b>345,865,432</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

For the Year Ended 30<sup>th</sup> June, 2018

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference
	2017/18	Kshs	2017/18	Kshs	2017/18	Kshs	2017/18	Kshs	
<b>Revenue</b>									
Government Capitation Grants	1,514,135,061		-		1,514,135,060		2,139,461,094		625,326,034
Research Grants	84,493,793		-		84,493,793		178,866,801		94,373,008
Tuition Fees	1,022,259,264		-		1,022,259,264		939,913,585		(82,345,679)
Other income	258,608,548		-		258,608,548		207,917,628		(50,690,920)
<b>Total income</b>	<b>2,879,496,666</b>		-		<b>2,879,496,665</b>		<b>3,466,159,108</b>		<b>586,662,443</b>
<b>Expenses</b>									
Employee Costs	2,598,997,720		-		2,598,997,720		2,664,384,046		(65,386,326)
Council Expenses	28,000,000		-		28,000,000		19,783,272		8,216,728
Audit Expenses	952,000		-		952,000		952,000		-
Depreciation	102,965,506		-		102,965,506		102,965,506		-
Operations Expenses	485,687,840		-		485,687,840		417,131,366		68,556,474
University Enterprises Expenses	100,682,154		-		100,682,154		60,197,043		40,485,111
Repairs and maintenance	81,106,640		-		81,106,640		31,677,774		49,428,866
General expenses	162,213,280		-		162,213,280		176,860,471		(14,647,191)
	<b>3,560,605,140</b>		-		<b>3,560,605,140</b>		<b>3,473,951,479</b>		<b>86,653,661</b>
<b>Surplus for the period</b>	<b>(681,108,474)</b>		-		<b>(681,108,475)</b>		<b>(7,792,371)</b>		<b>673,316,105</b>

**Explanations on Variances**

1. Government capitation increased by Kshs. 625,326,034 as a result of the 2013/17 CBA
2. The increase in Research grants was as a result of funding from the National Research Fund.
3. The reduction in tuition fees is attributed to the decline in the number of students and completion of the double intake that graduated in 2016/2017
4. A number of the University enterprises did not do well, for example Kisumu Hotel performance was affected by the long electioneering period.
5. The University runs a deficit budget and as a result we have been pursuing cost containment and therefore expenditure is bound to be lower than the budget.

**Budget Information**

The Rationalised Budget for the year was approved by the University Council in August 2017. There have been no adjustments to the approved budget.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Note 1. Statement of compliance and basis of preparation- IPSAS 1**

The entity'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 entity and all values are rounded to the nearest shilling. Cash balances held in foreign currency have been reported using the closing rate. 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.

### **Note 2. Significant judgments and sources of estimation uncertainty - IPSAS 1**

In the process of applying the University's accounting policies, the management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on the managements' knowledge of current events and actions, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Board's accounting policies, judgments have been made in determining:-

- a) The classification of financial assets;
- b) The going concern
- c) Useful lives and residual values
- d) Provisions (Additional disclosure of these estimates of provisions is included in **Note 27**)

### **Note 3. Summary of significant accounting policies**

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

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

Revenues from non-exchange transactions (Government grants) are measured at fair value and recognized on obtaining control of the asset with the exception of cases where from past experience it is more likely than not the University will obtain control of the asset. In such a case the revenue is recognized when it is

probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

The University recognizes revenues from non-exchange transactions from other entities (non-government) when the event occurs and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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

##### Rendering of services- Tuition Fees

The entity recognizes revenue from rendering of services (Tuition Fees) at fair value on obtaining control of the asset.

##### Other Revenues from Exchange Transactions

The University recognizes revenue from other exchange transactions when the event occurs or by reference to the stage of completion of the service and the asset recognition criteria are met.

#### **b) Budgetary information (IPSAS 24)**

The University budget is prepared using cash basis. IPSAS 24 requires disclosure of budget information through the Statement of Comparison of budget. The University Budget is prepared before the beginning of every financial year and is approved by the University Council. Any variations to this approved budget are taken to the University Council for ratification.

#### **c) Investment property- IPSAS 16**

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

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

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

**d) Property, plant and equipment- 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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. 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.

Depreciation is calculated on the straight-line basis to write the cost of its residual values over its estimated useful life, except for Motor Vehicles as below:

Motor Vehicles	- 20% per annum on Cost after allowing for 10% Residual value on the Purchase price.
Plant & Equipment	- 12.5% per annum on Cost
Furniture & Fittings	- 12.5% per annum on Cost
Buildings	- 2.5 % per annum on Cost
Land	- not depreciated as it is deemed to have an indefinite life

Gains and Losses on disposal of property, plant & equipment are determined by reference to their carrying amount and are taken into account in determining the operating profit.

**e) Leases- IPSAS 13**

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**f) Intangible assets - IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The University has elected to amortize its intangible assets over a useful life of 5 years.

**g) Biological Assets - IPSAS 27**

Maseno University recognizes a biological asset or agricultural produce when and only when:

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

A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell. The fair value of the biological asset is based on its present location and condition.

Livestock are measured at their fair value less costs to sell. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

Any gains or losses arising from the measurement at the yearend as a result of physical gains is recognized in the statement of financial performance.

**g) 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.

**Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are subsequently measured at cost, less impairment; losses arising from impairment are recognized in the surplus or deficit. The policy on impairment of receivables was developed and approved in January 2017.

The University has elected to give an allowance of 5% of the total trade receivables and Student debtors as an impairment allowance for receivables.

**Financial liabilities**

**Initial recognition and measurement**

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

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

**Loans and borrowing**

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**h) Inventories- IPSAS 12**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

**i) Provisions- IPSAS 19**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. Provisions were raised and management determined an estimate based on the information available.

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

**j) 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.

**k) Employee benefits- IPSAS 25**

**Retirement benefit plans**

The University provides retirement benefits for its employees. The University operates a defined contribution retirement benefit scheme for all employees. The Defined contribution plans are postemployment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the scheme are held in a separate trustee administered fund that is funded by contributions from both the University and the Employees. The University's contributions to this scheme are charged against income in the year in which they become payable. Benefits are paid to retiring staff in accordance with scheme rules.

**l) Foreign currency transactions- IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Balances that are in foreign currency are carried in the books of the University at the closing rate.

**m) Borrowing costs- IPSAS 5**

Borrowing costs have been charged to the statement of financial performance. In the event that borrowing costs relate to funds borrowed for the construction of an asset, then these costs are capitalized.

**n) Related parties- IPSAS 20**

The Entity 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise members of the University Council.

**o)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 various commercial banks at the end of the financial year.

**p) Comparative figures**

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

**q) Financial Risk Management**

**Objectives and Policies**

The Audit and Risk Committee of Council has initiated a process that will see the enhancement of risk management. The University has an integrated risk management framework/strategy. The Council's approach to risk management shall be based on risk governance structures, risk management policies, risk identification, measurement, monitoring and reporting.

The risk management policies and systems are reviewed regularly to ensure they are in tandem with the micro and macro environment, regulatory guidelines, industry practice, market conditions as well as the services offered.

**r) 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, 2018.

Note 4. Transfers from Government

	2017/18	2016/17
	KShs.	KShs.
<b>Unconditional grants</b>		
Operational grant- Capitation	2,139,461,094	1,407,209,350
<b>Conditional grants</b>		
Development grant	<b>40,864,678</b>	<b>180,000,000</b>
<b>Total government grants and subsidies</b>	<b>2,180,325,772</b>	<b>1,587,209,350</b>
Government grants and subsidies - Capital	40,864,678	180,000,000
Government grants and subsidies - Operating	2,139,461,094	1,407,209,350
<b>Total government grants and subsidies</b>	<b>2,180,325,772</b>	<b>1,587,209,350</b>

The capital grants are conditional grants from the national government; these amounts received from the government are for specific development projects as per the national government printed estimates for the specific year.

Note 5. Research Grants

	2017/18	2016/17
	KShs.	KShs.
Research grants	178,866,801	50,577,003

The research grants were received by various researchers on their successful project proposals to several donors.

Note 6. Tuition Fees

	2017/18	2016/17
	KShs.	KShs.
<b>Tuition Fees Incomes</b>		
KUCCPS Tuition Fees	397,710,723	434,573,427
Direct Entry - Tuition Fee	275,260,794	401,394,100
Postgraduate Fees	21,398,850	25,824,966
	<b>694,370,367</b>	<b>861,792,493</b>
<b>Kisumu Campus Tuition fees</b>	<b>224,949,342</b>	<b>254,798,355</b>
E-learning	20,095,176	18,434,530
Homabay Tuition Fees	498,700	49,428,635
Collaborations (IAT, RIBM, KISE)	-	2,766,300
	<b>20,593,876</b>	<b>70,629,465</b>
<b>Total Revenue from Tuition Fees</b>	<b>939,913,585</b>	<b>1,187,220,313</b>

Note 7. Revenue from University Enterprises

	2017/18	2016/17
	KShs.	KShs.
Bookshop sales	11,283,449	5,484,294
Farm Sales	9,449,906	12,207,952
Kisumu Hotel sales	91,101,786	97,107,647
Varsity Plaza Restaurant	1,346,610	2,405,660
City Campus cafeteria	1,809,290	988,044
Catering Food Sales	8,148,750	10,441,607
I.G.A. - Tent Food Sales	1,754,465	2,858,715
Varsity Plaza rental	11,817,838	9,880,974
<b>Total of University Enterprises Income</b>	<b>136,712,094</b>	<b>141,374,893</b>

**Note 8. Interest Income**

	2017/18	2016/17
	KShs.	KShs.
Interest Income (On Short Term Deposits)	8,237,294	21,326,834

The University earned **Kshs. 8,237,294** from Term deposits held with KCB and Equity Bank during the year. Further disclosures on this can be found in **Note 19**.

**Note 9. Other Incomes**

	2017/18	2016/17
	KShs.	KShs.
Accommodation Fees	25,006,400	26,610,500
Student fines and damages	442,910	87,500
Convocation Fees	12,544,555	8,888,866
Direct Entry Form Sales	639,400	807,000
House Rent Income	4,810,500	3,867,500
Imprest Recovery	-	289,551
Imprest Under Exp.	1,408,810	884,867
Salary Pay In lieu of notice	75,165	-
Staff Surcharge/Fines	1,053,294	490,390
Tender Document Sales	2,000	-
Library Fines & Books Disposal	32,770	88,480
Misc Income	2,343,407	100,344
Water Sales	197,983	206,500
Misc. Income-Health	24,570	91,753
Shuttle Income	-	36,790
Sale of Postgrad. Forms	108,000	235,000
Other Incomes	1,754,855	1,250,820
Insurance Rebates	639,724	1,370,643
T.P. Lesson Plan	660,970	645,890
Library Binding Services	534,500	563,580
Cyber Cafe Income	150,115	120,460
Disposal Catalogue	11,500	-
Ethical Review Charges	1,394,993	1,876,425
Gain on Biological Assets	-	2,701,300
Refund from Tom Mboya	9,131,819	-
<b>Total revenue from Other incomes</b>	<b>62,968,240</b>	<b>51,214,159</b>
<b>Total revenue from exchange Transactions</b>	<b>1,147,875,708</b>	<b>1,401,136,199</b>

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**Note 10. Gain on Sale of Assets**

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	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Motor vehicle disposal	756,153	1,456,415
	<b>756,153</b>	<b>1,456,415</b>

**Note 11. Employee costs**

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Basic Emoluments	947,533,096	858,604,443
House Allowance	458,578,395	457,792,963
Car Allowance + non use of official car	25,910,120	26,107,688
Entertainment allowance	20,605,205	19,514,132
Responsibility Allowance	38,220,357	25,423,218
Telephone Allowance	9,543,505	7,991,235
Water & Electricity Allowance	5,842,751	5,424,667
Acting allowance	921,446	766,142
Special Duty Allowance	385,740	182,855
Co-ordination Allowance	-	609,377
Tax Refund	741,242	9,898
Over recovery refund	902,251	267,450
Pension Deduction refund	1,025	2,797
Imprest recovery refunds	34,000	504,472
Utility Allowance	170,000	507,000
Non-practicing allowance	18,460,000	17,176,420
Book Allowance	6,249,426	5,140,000
Leave Allowance	8,791,534	6,776,483
Commuting allowance	193,046,154	162,116,283
Risk Allowance	8,581,400	6,540,868
Passage and Baggage allowance	253,834	212,842
Gratuity & Retirement Benefits	188,614,137	219,133,261
Part-time Teaching Payments	130,958,652	77,916,195
Examination coordination	5,202,354	1,042,000
Thesis Examination	2,900,000	3,698,100
Domestic workers	2,885,000	3,756,954
Casual Wages	28,091,051	22,962,591
Other Allowances- Extraneous allowance	36,974,351	34,016,320
Call Allowance	11,591,500	10,735,096
MUERC Allowances	-	206,000
Project Examination	644,000	-
Project and Thesis Supervision	5,280,000	809,200
eCampus Facilitation	-	283,500
Management Support Allowance	2,280,000	2,015,000
Adjusted Salaries and Arrears (2013/2017 CBA)	504,191,520	-
<b>Total Employee Costs</b>	<b>2,664,384,046</b>	<b>1,978,245,450</b>
Audit Fees Expenses	952,000	952,000

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**Note 12. Depreciation and amortization expense**

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Buildings	53,497,707	51,744,627
Motor Vehicles	9,208,983	5,711,295
Plant and Equipment	30,119,959	35,357,038
Furniture and Fittings	5,643,440	5,804,494
Management Information System - Amortization	4,495,417	4,495,417
<b>Total depreciation and amortization</b>	<b>102,965,506</b>	<b>103,112,871</b>

**Note 13. Operations expenses**

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Stationery & Stores	15,986,672	25,013,988
Travelling & Accommodation	16,443,309	22,226,586
Teaching materials	3,055,062	2,401,637
Computer Materials	85,175	181,927
Committee Expenses	272,280	331,064
Office Entertainment	1,067,622	1,108,983
Field Trips/Industrial Attach.	9,481,900	12,669,217
Supply of Electricity	24,591,464	20,952,839
Students Welfare & Games	2,408,000	65,900
Students Activity	18,881,790	11,153,460
Purchase of Cleaning Materials	6,258,461	5,708,244
Telephone Expenses	3,460,977	2,883,843
Legal Expenses & Fees	6,056,227	7,805,424
Advertising & Publicity	9,748,901	13,140,433
Contingency Fund	1,111,369	674,631
Senate Expenses	51,004	194,470
Postal & Telegram Expenses	10,960	58,720
Transport Operating- Fuel & Generator fuel	22,035,663	17,137,626
Transp. Oper. Exp-Tyres	5,004,956	3,558,223
External Travel	394,069	446,778
Rent & Rates	1,225,000	2,999,416
Insurance Related Expenses	12,678,149	9,537,907
Water Bill Charges	8,716,846	8,834,943
Laboratory Reagents	1,895,731	1,083,551
Fuel for Boilers & Generators	1,940,592	2,795,780
Cooking Fuel/Gas	4,167,677	4,247,089
Bank Charges	552,007	1,236,000
Hired Security Services	49,050,155	46,787,308
Sanitary Expenses	2,278,577	2,053,648
Examination Material	15,433,283	13,405,808
Teaching Practice Expenses	7,437,854	9,547,028
Purch. of Library Books	9,454,740	9,100,177
Purch. of Periodicals	39,360	125,030
Post Graduate Expenses	4,189,285	4,971,458
University Level Research	-	940,100
Research Programme	86,878,044	76,461,019
Admission Related Expenses	707,848	1,601,415
Bindery Material	-	1,011,341
External Examiners	4,013,065	2,877,830
Licences & Fees	10,000	-
IGA - Purch of Food	25,058,714	42,503,094

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Review of curriculum	-	970,000
Course Development Expenses	4,666,000	2,744,949
Offshore Moodle Hosting	1,630,337	678,495
Renewal of Driving Licence	4,350	14,830
e- Campus Expenses	1,320,700	2,081,040
Internet Services	22,513,253	25,467,244
Tender committee expenses	-	20,500
Calibration Of equipment	1,829,981	1,984,684
Broadcasting Frequency - License	15,000	30,000
Community Health Attachment	2,684,350	1,886,750
RIBM Expenses	124,600	-
KISE Expenses	14,280	497,000
IAT Expenses	195,728	770,400
	<b>417,131,366</b>	<b>426,979,827</b>

**Note 14. University Enterprises Expenses**

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Animal Feeds	3,413,968	5,729,500
Livestock Drugs	87,000	44,600
Crop Inputs and Land preparation	66,000	62,000
Purch. of Chicken	-	85,000
Vertinery Services	76,500	30,000
Casual Wages - Farm	4,207,056	3,552,564
Kisumu Hotel Purch. of Food	14,852,811	20,948,359
Ksm Hotel Bar Purchases	3,178,083	3,531,039
Kisumu Hotel Accommodation Transfers	1,791,500	-
Purchase of Cutlery	-	25,000
Catering Levy - Kisumu Hotel	1,821,926	1,942,153
Kisumu Hotel - Expenses	21,731,331	33,786,333
Bookshop purchases	8,970,868	6,306,063
Bookshop Marketing	-	29,000
	<b>60,197,043</b>	<b>76,071,611</b>

**Note 15. Repairs and maintenance**

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Maint. of Office Equipment	148,600	2,957,861
Maint-Water Supply/Sewerage	370,206	129,980
Maint-Office Buildings	22,773,679	9,468,368
Maintenance of Grounds	156,872	2,509,151
Repair & Maintenance of boilers	-	41,749
Repair & Maintenance of Generator	126,324	362,580
Minor Works & Construction	918,321	4,877,680
Maint. of Hostels	2,642,095	7,121,832
Main. Of Plant & Equip.	1,418,617	5,010,346
Lecture Halls Maintenance	364,200	3,947,613
Lift Maintenance	2,758,860	2,758,860
<b>Total repairs and maintenance</b>	<b>31,677,774</b>	<b>39,186,020</b>

**Note 16. General expenses**

The following are included in general expenses:

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Purchase of Drugs	13,657,371	20,618,900
Payment of Medical Bills.	37,567,419	35,357,512
Dental Optical Services	2,499,166	3,921,742
Staff Developments	3,446,300	3,550,828
Seminars & Conferences	395,910	1,046,934
Shows & Exhibitions	1,512,634	3,808,378
Staff Welfare - Misc	1,554,253	1,188,202
Student Work Study Programme	-	562,275
External Linkage	311,100	-
Graduation Expenses	19,233,770	9,520,400
Animal House	-	10,000
Kenya Music Festival	325,000	1,668,100
Capacity Building Trainers	253,200	-
PGDE- Teaching Expenses	209,700	553,600
Planning Studio	74,000	362,900
KUCCPS Expenses	4,755,000	11,643,000
Subscriptions & Journal	1,797,000	1,519,750
Varsity Plaza - Expense	9,288	-
ICT Development	-	5,074,752
ISO Certification	1,564,830	1,793,407

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Strategic Plan Certification	3,944,000	1,422,475
Professional Membership Fees	297,700	144,210
Network Access & Expansion	3,405,591	949,628
Cuisine Day	400,000	239,682
Monitoring & Evaluation	-	75,000
Software Development & Licence	672,000	2,350,000
Prior Year Period expenses committed in current year	76,877,839	-
Loss on Biological Assets	2,097,400	-
<b>Total general expenses</b>	<b>176,860,471</b>	<b>107,381,675</b>

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**Note 17. Council Expenses**

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	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Council Expenses	17,539,272	21,097,377
Council Chairman Honoraria	1,044,000	1,307,334
Chancellor's Honorarium	1,200,000	1,200,000
	<b>19,783,272</b>	<b>23,604,711</b>

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**Note 18. Impairment Loss**

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	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Allowance for Impairment loss on receivables	9,999,590	12,185,024

Further disclosures on this item are in **Note 20**.

Note 19. Cash and cash equivalents

	2017/18	2016/17
	KShs.	KShs.
Bank Balances and Guarantee	305,877,463	94,606,570
Cash	145,200	135,852
Short term Deposits at Equity / KCB	50,000,000	251,123,010
<b>Total cash and cash equivalents</b>	<b>356,022,663</b>	<b>345,865,432</b>

Note 19. (i) Summary of Bank Balances and Bank Guarantee (Additional Details in Note 30)

	2017/18	2016/17
	KShs.	KShs.
Cash held in;		
Equity Bank Kenya	25,100,413	9,076,957
Standard Chartered Bank	46,082,615	24,165,400
Kenya Commercial Bank	231,694,435	58,364,213
Bank Guarantee with KCB	3,000,000	3,000,000
<b>Total Cash in Bank</b>	<b>305,877,463</b>	<b>94,606,570</b>

Cash balances held in foreign currency have been reported using the closing exchange rate by Central Bank and respective banks.

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**Note 20. Receivables**

**(i) From exchange transactions**

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
<b>Current Trade receivables</b>		
Kisumu Hotel Debtors	44,598,450	38,063,114
Varsity Plaza Rent Debtors	8,815,501	8,810,831
Bookshop Debtors	2,713,831	803,936
	<b>56,127,782</b>	<b>47,677,881</b>
Less: Impairment Allowance (5%)	(2,806,389)	(2,383,894)
	<b>53,321,393</b>	<b>45,293,987</b>
Student Debtors	143,864,023	196,022,603
Less: Impairment Allowance	(7,193,201)	(9,801,130)
<b>Student Debtors</b>	<b>136,670,822</b>	<b>186,221,473</b>
<b>Total trade receivables</b>	<b>189,992,215</b>	<b>231,515,460</b>

Impairment assessment has been done on trade debtors and an allowance of 5% of total receivables outstanding provided in report for FY 2017/2018.

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
<b>Current Non-Trade receivables</b>		
Sundry Debtors	5,374,516	5,484,657
Prepaid Rent - Homabay	-	299,552
Prepaid insurance	7,159,485	6,403,656
Imprest Outstanding	7,143,380	7,360,518
Advances to MURBS	6,321,629	2,159,224
Advances to Tom Mboya University	20,772,325	20,772,325
<b>Total non-trade receivables</b>	<b>46,771,335</b>	<b>42,479,932</b>
<b>Total Receivables from Exchange Transactions</b>	<b>236,763,551</b>	<b>273,995,392</b>

Reconciliation of allowance for impairment of receivables

	Current Receivable		Non-Current Receivable	Total
	Trade Receivables	Student Receivables		
	KShs.	KShs.		
At 1 July 2016	2,412,927	330,111,302	-	332,524,229
Charge for the Year	2,383,894	9,801,130	-	12,185,024
At 30 June 2017	4,796,821	339,912,433	-	344,709,254
Charge for the Year	2,806,389	7,193,201	-	9,999,590
At 30 June 2018	7,603,210	347,105,634	-	354,708,844

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**(ii) From non-exchange contracts**

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
<b>Current receivables</b>		
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	51,799,015
	<b>51,799,015</b>	<b>51,799,015</b>
<b>Other Assets</b>		
Deposit with High Court from Court Judgement	11,643,986	11,643,986
	<b>63,443,001</b>	<b>63,443,001</b>
<b>Total Receivables</b>	<b>300,206,552</b>	<b>337,438,393</b>

The University paid a deposit of **Kshs. 11,643,986** as a result of a High Court judgment entered against the University.

Note 21. Inventories

	2017/18	2016/17
	KShs.	KShs.
Farm Stocks	3,226,670	625,780
Bookshop Stores	8,428,032	8,500,894
Stationery Stocks	6,407,406	6,385,599
Catering Stores	2,310,858	2,282,086
Medical Stores	1,904,248	3,656,276
Maintenance Stores	22,119,665	16,628,368
Hostel Stores	1,387,614	1,118,604
Kisumu Hotel Store	9,827,758	12,210,200
Games Store	-	1,640,650
Varsity Plaza Store	1,086,467	1,449,906
<b>TOTAL</b>	<b>56,698,716</b>	<b>54,498,364</b>

Note 22. Property, Plant and Equipment

	LAND KSHS	BUILDINGS KSHS	MOTOR VEHICLE KSHS	PLANT & EQUIPMENT KSHS	FURNITURE & FITTINGS KSHS.	W.I.P KSHS.	TOTAL KSHS
<b>COST/VALUATION</b>							
As at 30.06.2016	215,922,317	2,061,081,041	104,330,099	615,118,338	82,394,124	376,378,739	3,455,224,658
Additions	-	-	21,688,518	20,371,651	4,825,344	113,644,768	160,530,281
Transfers/adjustments	-	8,704,049	-	-	-	(8,704,049)	-
Disposals	-	-	(8,085,853)	-	-	-	(8,085,853)
<b>As at 30.06.2017</b>	<b>215,922,317</b>	<b>2,069,785,090</b>	<b>117,932,764</b>	<b>635,489,989</b>	<b>87,219,468</b>	<b>481,319,458</b>	<b>3,607,669,086</b>
Additions	-	-	19,431,600	11,563,359	1,365,109	228,896,247	261,256,315
Transfers/adjustments	-	70,123,193	-	-	-	(70,123,193)	-
Disposals	-	-	(2,238,471)	-	-	-	(2,238,471)
<b>As at 30.6.2018</b>	<b>215,922,317</b>	<b>2,139,908,283</b>	<b>135,125,893</b>	<b>647,053,348</b>	<b>88,584,577</b>	<b>640,092,512</b>	<b>3,866,686,930</b>
<b>DEPRECIATION</b>							
As at 30.06.2016	-	564,104,850	86,667,641	500,792,977	59,200,433	-	1,210,765,901
Disposals	-	-	(7,277,268)	-	-	-	(7,277,268)
Charge for the year	-	51,744,627	5,711,295	35,357,038	5,804,494	-	98,617,454
<b>As at 30.06.2017</b>	<b>-</b>	<b>615,849,477</b>	<b>85,101,668</b>	<b>536,150,015</b>	<b>65,004,927</b>	<b>-</b>	<b>1,302,106,087</b>
Disposals	-	-	(2,014,624)	-	-	-	(2,014,624)
Charge for the year	-	53,497,707	9,208,983	30,119,959	5,643,440	-	98,470,089
<b>As at 30.6.2018</b>	<b>-</b>	<b>669,347,184</b>	<b>92,296,028</b>	<b>566,269,973</b>	<b>70,648,367</b>	<b>-</b>	<b>1,398,561,552</b>
<b>NET BOOK VALUE</b>							
As at 30.6.2017	215,922,317	1,453,935,613	32,831,096	99,339,975	22,214,541	481,319,458	2,305,562,999
As at 30.6.2018	215,922,317	1,470,561,099	42,829,865	80,783,375	17,936,210	640,092,512	2,468,125,378

Note 22. (i) Analysis of WIP

	As at 01/07/17	Additions	Transfers	As at 30/06/18
<u>Analysis of WIP</u>	Kshs.	Kshs.	Kshs.	Kshs.
Admin Block	34,955,700	25,720,391	-	60,676,091
Microbiology Lab (Phase II)	23,674,747	9,085,229	(32,759,976)	-
Sewerage Project	39,919,253	-	-	39,919,253
Access Roads Maintenance	12,381,068	-	-	12,381,068
Library Project	332,653,735	15,257,773	-	347,911,508
Microbiology Lab (Phase I)	29,475,217	-	(29,475,217)	-
Master Plan	3,944,000	3,944,000	(7,888,000)	-
Installation of Lifts (Admin & Library)	4,315,736	-	-	4,315,736
Tuition Block and Laboratory	-	161,434,045	-	161,434,045
Perimeter Wall & CCTV	-	13,454,809	-	13,454,809
	<b>481,319,456</b>	<b>228,896,247</b>	<b>(70,123,193)</b>	<b>640,092,510</b>

Note 23. Intangible Assets - Management Information System

	<b>KSHS.</b>
<b>COST/VALUATION</b>	
<b>As at 30.06.2016</b>	22,477,085
Additions	-
Transfers/adjustments	-
Disposals	-
<b>As at 30.06.2017</b>	<b>22,477,085</b>
Additions	-
Transfers/adjustments	-
Disposals	-
<b>As at 30.6.2018</b>	<b>22,477,085</b>
<b>DEPRECIATION</b>	
<b>As at 30.06.2016</b>	4,495,417
Disposals	-
Charge for the year	4,495,417
<b>As at 30.06.2017</b>	<b>8,990,834</b>
Disposals	-
Charge for the year	4,495,417
<b>As at 30.06.2018</b>	<b>13,486,251</b>
<b>NET BOOK VALUE</b>	
<b>As at 30.6.2017</b>	<b>13,486,251</b>
<b>As at 30.6.2018</b>	<b>8,990,834</b>

Note 24. Biological assets

	2017/18	2016/17
Reconciliation of Biological Assets	KShs.	KShs.
Carrying amount at 1 July	10,707,800	8,006,500
Gain/(Loss) on biological assets	(2,097,400)	2,701,300
Carrying amount at 30 June	<u>8,610,400</u>	<u>10,707,800</u>

The University owns biological assets which are mainly livestock. The biological assets are measured at fair value less costs to sell; the fair value is established from quoted market prices less costs to sale. The loss on biological asset of Kshs. 2,097,400 arose from decreases in fair values as a result of physical changes.

**Note 25. Trade and other payables from exchange transactions**

	2017/18	2016/17
	KShs.	KShs.
PAYE	38,316,424	37,470,542
NHIF	1,788,100	-
NSSF	158,700	167,800
Pension & Gratuity	22,735,218	-
Benevolent Fund	4,946,880	3,878,100
HELB Loan Repayments	143,449	230,073
Union Dues	1,344,095	1,117,097
Other Loans	35,688,363	334,969
Maseno Univ. Sacco	2,024,881	2,613,224
Other SACCOS	20,000	1,486,130
Part-time Teaching Claims	18,673,904	31,998,787
Bookshop Recoveries	180,920	175,585
Insurances	-	457,663
SOMU Activities -Bank balances	197,724	665,293
University Fees Prepaid	45,738,107	-
Withholding Tax	4,363,654	6,613,562
Retention on Construction contracts	44,263,322	22,471,513
Chancellor's Scholarship Fund	3,010,000	2,170,000
Trade Payables	58,120,022	65,204,392
Siaya County Advances	5,000,000	5,000,000
Placement Fees	6,888,000	6,888,000
<b>Total trade and other payables</b>	<b>293,601,764</b>	<b>188,942,730</b>

**Note 26. Refundable Deposits (Caution Money)**

	2017/18	2016/17
	Kshs	Kshs
Opening Balance	21,504,800	16,408,200
Deposits during the year	5,305,200	6,734,400
	26,810,000	23,142,600
Refunds during the year	(2,697,800)	(1,637,800)
Balance Carried Forward	<b>24,112,200</b>	<b>21,504,800</b>
Refundable within 12 months (Current)	9,559,800	10,824,400
Refundable after 12 months (Non-Current)	14,552,400	10,680,400
	<b>24,112,200</b>	<b>21,504,800</b>

**Note 27. Current provisions - Audit Fees**

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Balance at the beginning of the year	2,854,000	1,902,000
Additional provisions raised	952,000	952,000
Provision utilized	(952,000)	-
<b>Balance as at 30 June 2015</b>	<b>2,854,000</b>	<b>2,854,000</b>

**Note 28. Contingent Liabilities**

The University has a number of cases in court that are at various stages of litigation. The outcomes of these cases are not known and the amount of the obligation cannot be measured with sufficient reliability.

**Note 29. Related Party Disclosures**

**a) Nature of relationships**

Related party is an entity that is related to the entity preparing its financial statement. An entity is related to the reporting entity if the other entity has control or significant influence or member of key management personnel of the reporting entity. The related parties of Maseno University include;

- i) National government
- ii) Key management
- iii) Members of the University Council
- iv) Tom Mboya University College (A constituent of Maseno University)
- v) Maseno University Retirement Benefit Scheme

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**b) Related party transactions**

Refers to transfer of resources, services or obligations between a reporting entity and the related party regardless of whether a price is charged.

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Total grants received from government	2,180,325,772	1,587,209,350

**c) Due from related parties**

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs.</b>	<b>KShs.</b>
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	51,799,015
Maseno University Retirement Benefit Scheme	6,321,629	2,159,224
Tom Mboya University College	20,772,325	20,772,325
	<b>78,892,969</b>	<b>74,730,564</b>

## Note 30. Detailed Cash and Bank Balances

	2017/18	2016/17
	KShs.	KShs.
1 Main Campus Fee Collection Account (1120297065141) Equity Bank Ltd.	25,100,413	9,076,957
	<b>25,100,413</b>	<b>9,076,957</b>
2 Main Current Account 1103898094	154,281,658	36,765,965
3 Capital Development Account 1108378056	2,190,074	371,645
4 SGS / IRPS Account 1107735971	34,143,785	9,407,281
5 Kisumu Hotel Account 1101560894	1,944,558	1,418,962
6 City Campus Fee Collection 11041561076	6,325,034	1,770,919
7 IGA Account 1108378226	5,320,310	759,149
8 Bookshop Account 1101560703	827,696	351,042
9 KLIP Savings Account 11600049351 (RES. KSH)	4,938,806	4,565,691
10 KCB Flood Disaster Mgt 1176816284 (RES. KSH)	10,755,575	959,114
11 KCB Flood Disaster Mgt 1176816365 (RES. EURO)	10,769,215	1,329,152
12 Student Activity KCB S/A (1102264946)	46,903	1,546
13 Student Welfare KCB S/A (1102265055)	136,595	594,391
14 Student Activity KCB Current (1108266207) Kenya Commercial Bank Ltd.	14,226	69,356
	<b>231,694,435</b>	<b>58,364,213</b>
15 Standard Chartered 8752524018401 (RES. USD)	12,502,881	4,264,762
16 Standard Chartered 9352524018401 (RES. EURO)	20,894,738	5,257,006
17 Standard Chartered 0102024018401 (RES. KSH)	1,953,562	3,715,552
18 Standard Chartered 8752524018400 (BSU USD)	9,401,792	9,446,998
19 Standard Chartered 0102024018400 (BSU KSH) Standard Chartered Bank Ltd.	1,329,642	1,481,082
	<b>46,082,615</b>	<b>24,165,400</b>
Bank Guarantee	3,000,000	3,000,000
Total Cash in Bank	<b>305,877,463</b>	<b>94,606,570</b>

## Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

## Projects

Projects implemented by the State Corporation / SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment Kshs.	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
FLOOD DISASTER RISK REDUCTION IN BUNYALA, BUSIA COUNTY KENYA PROJECT	G-KE- KZO-ZZZ- 002	African Development Bank	30 Months	112,274,588	Yes	Yes

## Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual 2016/17	Sources of funds
1	Completion of new Library	188,956,302	127,905,414	96%	35,000,000	15,257,773	GoK
2	Microbiology Laboratory (Phase II)	32,733,485	32,759,976	100%	10,000,000	9,085,229	GoK
3	Reconstruction of Administration Block	89,900,245	60,676,091	85%	29,000,000	25,720,391	A-I-A
4	Tuition Block and Laboratory	478,704,822	161,434,045	47%	190,000,000	161,434,045	GoK
5	Perimeter Wall & CCTV	26,403,844	13,454,809	50%	50,000,000	13,454,809	A-I-A

APPENDIX II: INTER-ENTITY TRANSFERS

Break down of Transfers from the State Department of Education FY 2017/18				
<b>a.</b>	<b>Recurrent Grants</b>			
	<b>Narration</b>	<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>FY to which the amounts relate</b>
	Salary Arrears 2013-17	3-Jul-17	199,435,930	2017/2018
	Salary Arrears 2013-17	19-Jul-17	218,230,939	2017/2018
	Monthly Capitation	1-Aug-17	126,177,921	2017/2018
	Monthly Capitation	4-Sep-17	126,177,922	2017/2018
	Monthly Capitation	4-Sep-17	10,500,000	2017/2018
	Monthly Capitation	3-Oct-17	126,177,921	2017/2018
	Monthly Capitation	3-Oct-17	10,500,000	2017/2018
	Monthly Capitation	3-Nov-17	105,177,922	2017/2018
	Monthly Capitation	1-Dec-17	126,177,922	2017/2018
	Arrears for Five Months	1-Dec-17	86,524,652	2017/2018
	Monthly Capitation	2-Jan-18	126,177,921	2017/2018
	Enhanced Capitation	2-Jan-18	17,304,930	2017/2018
	Monthly Capitation	8-Feb-18	126,177,922	2017/2018
	Enhanced Capitation	8-Feb-18	17,304,930	2017/2018
	Monthly Capitation	13-Mar-18	126,177,922	2017/2018
	Enhanced Capitation	13-Mar-18	17,304,930	2017/2018
	Monthly Capitation	6-Apr-18	126,177,922	2017/2018
	Enhanced Capitation	6-Apr-18	17,304,930	2017/2018
	Monthly Capitation	2-May-18	126,177,922	2017/2018
	Enhanced Capitation	3-May-18	17,304,930	2017/2018
	Monthly Capitation	11-Jun-18	126,177,922	2017/2018
	Enhanced Capitation	11-Jun-18	17,304,930	2017/2018
	Monthly Capitation	28-Jun-18	126,177,922	2017/2018
	Enhanced Capitation	29-Jun-18	17,304,930	2017/2018
	<b>Total</b>		<b>2,139,461,091</b>	
<b>b.</b>	<b>Development Grants</b>			
	<b>Narration</b>	<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>FY to which the amounts relate</b>
	Development Grants	17-Apr-18	40,864,678	2017/2018
	<b>Total</b>		<b>40,864,678</b>	
<b>c.</b>	<b>Donor Receipts</b>			
	<b>Narration</b>	<b>Bank Statement Date</b>	<b>Amount (KShs)</b>	<b>FY to which the amounts relate</b>
	NRF Research Grants	6-Jul-17	438,000	2017/2018
	NRF Research Grants	7-Jul-17	2,215,000	2017/2018
	NRF Research Grants	7-Jul-17	1,913,940	2017/2018
	NRF Research Grants	13-Sep-17	13,967,177	2017/2018
	NRF Research Grants	3-Oct-17	5,117,310	2017/2018
	NRF Research Grants	26-Jan-18	31,952,818	2017/2018
	NRF Research Grants	22-Jun-18	4,200,000	2017/2018
	<b>Total</b>		<b>59,804,245</b>	

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

Finance Officer  
Maseno University

Head of Accounting Unit  
State Department of Education

Sign-----

Sign-----