

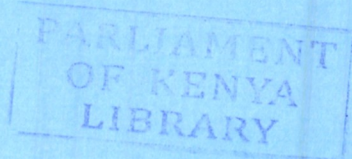
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MASINDE MULIRO UNIVERSITY OF SCIENCE
AND TECHNOLOGY

FOR THE YEAR
ENDED 30 JUNE 2018





MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

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



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I. UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

(c) VISION

To be the Premier University in Science, Technology and Innovation

(d) MISSION

To provide excellent University education, training and research through integrating science, technology and innovation into quality programmes to suit the needs of a dynamic world.

(e) PHILOSOPHY

MMUST holds the view that science and technology is an indispensable tool in harnessing resources of nature for sustainable development and in creating an environment in which human beings can survive and realize their potential. Thus, the human being has the moral obligation to creatively improve the environment. This can be achieved through a well-conceptualized educational, scientific and technological package through which every human being must rightfully experience and acquire the tools to facilitate this philosophy.

To meet the requirements of the Vision, Mission and Philosophy, MMUST upholds the following values:

- i. Customer focus
- ii. Accountability
- iii. Collegiality
- iv. Equity
- v. Excellence
- vi. Innovativeness
- vii. Professionalism

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UNIVERSITY INFORMATION AND MANAGEMENT (Continued)

(f) Key Management

The Council members who held office during the Financial Year ended 30th June 2018 and up to the date of this report were:

No.	Name	Designation	Appointment Date	Retirement Date
1.	Dr. Jeremy Bundi	Council Chairman	14-3-17	
2.	Prof.Eng.FredrickA.O.Otieno	Vice Chancellor/Secretary	1-11-13	
3.	Mr. Don.R.O. Riaroh	Council Member	14-3-17	
4.	Ms.Dorothy Kimeu	Council Member	16-6-11	
5.	Mr. David Watene	Council Member	21-02-13	04-04-18
6.	Ms. Joyce MugureNderitu	Council Member	14-3-17	
7.	Dr. Samson Muchelule	Council Member	14-3-17	
8.	Kosiom Frank Ole Kibelekenya	Council Member	14-3-17	
9.	Ms.Vayonda J. Sirma Koross	Council Member	14-3-17	
10.	Mr. Samwel Joseph Otieno	Council Member	04-4-18	

(d) Fiduciary Management

The key management personnel who held office during the Financial Year ended 30th June 2018 and who had direct fiduciary responsibility were:

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

(e) Fiduciary Oversight Arrangements

The Fiduciary oversight arrangements are performed by the Council through its relevant committees namely:

1. The Audit, Risk and compliance Committee whose membership is composed of council members and chaired by an independent member. The committees work is to review reports from the internal audit department and recommends relevant actions.
2. The Finance and resource mobilization committee is concerned with budgeting approvals and implementation as well as approval of financial reports of the university.

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II. UNIVERSITY INFORMATION AND MANAGEMENT (Continued)

(f) University Headquarters

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

(g) University Contacts

Telephone: 254 702 597360/1
E-mail: info@mmust.ac.ke, vc@mmust.ac.ke
Website: www.mmust.ac.ke

(h) University Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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







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III. THE CHANCELLOR AND THE UNIVERSITY COUNCIL

 Chancellor	<p>Dr. Peter Wanyaga Muthoka, <u>D.ML</u> EBS MBS FKIB FKIM Honorary Degree of Doctor of Management and Leadership (D.ML)(Honoris Causa) (MUA)MA(UCLA),BA (Hons) University of East Africa (UEA)</p>
 Chairman of Council	<p>Dr. Jeremy Bundi , PhD, MILT-UK, Irap Associate Doctor of Philosophy (PhD) – In Transport Geography(UoN), Master of Arts (M.A)-In Transport Geography(UoN) and Bachelor of Arts (B.A.)(UoN) The Chartered Institute of Transport Professional Memberships; CIT- UK, MILT-UK</p>
 Member	<p>Prof. Eng. Fredrick. A.O Otieno, FAAS, FSAICE, MIEK PhD (Civil Eng.), University of New Castle Up on Tyne, MSc (Civil Eng.), University of New Castle Up on Tyne, MBA, University of Durban BSc, University of Nairobi</p>
 Member	<p>Dr. Samson Muchelule Master in Business Administration – MBA (Strategic Management)University of Nairobi, Kenya</p> <p>Bachelor of Veterinary Medicine (BVM). University of Nairobi, Kenya Diploma in Sales Management and Marketing Cambridge Tutorial College – England</p>
 Member	<p>Joyce MugureNderitu- Master's in Business Administration- Marketing Option, University of Nairobi. Bachelors in Commerce- Marketing Option, University of Nairobi. International Management of Information Systems (UK)</p>






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III. THE CHANCELLOR AND THE UNIVERSITY COUNCIL (Continued)

 Member	<p>Ms. Vayonda J. Sirma Koross University of Nairobi, 2014-Masters of Legal Laws (LLM) Degree Kenya School Of Law- Diploma in Law Bachelor of Laws (LL.B) Degree Moi University</p>
 Member	<p>Kosiom Frank Ole Kibelekenya Master of Philosophy in Educational Administration- Moi University Bachelors of Education (Arts) Kenya Education Management Institute(KEMI)- Diploma in Education</p>
 Member	<p>Mr. Don. R.O. Riaroh, MSc. University of Leicester (UK) B.Sc. University of Nairobi, B.A (University of Nairobi)</p>
 Member	<p>Ms Dorothy N Kimeu, MBS. Representing CS/ The National Treasury & Planning MA International Studies, University of Nairobi BA Political Science (Government) University of Nairobi</p>
 Member	<p>Mr. Samwel Joseph Otieno, MBS Alternate to PS- Ministry of Education BA (Hons) Government University of Nairobi</p>
 Member	<p>Mr. David Watene Alternate to PS- Ministry of Education, Science and Technology. MEd in Educational Administration and Planning(University of Nairobi) BEd Accounting and Economics</p>






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IV. UNIVERSITY MANAGEMENT BOARD

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

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IV. UNIVERSITY MANAGEMENT BOARD (Continued)

 <p>Mr. Christopher Wafula Noah</p>	<p>Ag. Registrar in charge of Administration and responsible to the DVC (A&F) and VC in discharging his mandate. Holds B.A and M.A degrees both from Egerton University. He has over 20 years experience in human resource management, secretarial services and general administration. He joined the University Management in 2015.</p>
 <p>Dr. Caroline Onyancha</p>	<p>Ag. Registrar in charge of Academic Affairs responsible to the DVC (A&SA). She holds B. Sc Geology, MSc Eng. Geology and PhD Eng. Geology all from the University of Nairobi. She has over 20 years university teaching, research and leadership experience.</p>
 <p>Dr. Patrick Wanguche</p>	<p>Senior Medical Officer Responsible to the DVC (A&F) on all matters university health services. He holds a Bachelor of Medicine and Bachelor of Surgery. MB, ChB (U.O.N) 1989 Areas of Specialization: Health Systems Management especially the application of efficiency measures in control of health expenditure in organizations. I am currently finalizing a thesis for the award of Master of Public Health degree at the Mount Kenya University</p>
 <p>Dr. Bernadette Abwao</p>	<p>Ag. Dean of Students Responsible to the DVC (A&SA) on student affairs. Holds M.ED (Counseling Psychology)(KU) and PhD(MMUST).</p>
 <p>Mr. Vincent Chibini</p>	<p>Ag. University Librarian Responsible to the DVC (A&SA). He holds Diploma in information Science, Bachelor Degree in Information Science and Masters of philosophy, library and information Science. He has 21years of experience in Library management service. He joined the University in 2015.</p>

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V. CHAIRMAN OF COUNCIL'S STATEMENT



On behalf of Masinde Muliro University of Science and Technology Council, I am pleased to present the Annual Report and Financial Statements for the year ended 30th June 2018. The University maintained the momentum of recovery from financial challenges recorded in the previous financial years.

The President and Commander-in-Chief of the Kenya Defence Forces of the Republic of Kenya appointed a new Chancellor, Dr. Peter Wanyaga Muthoka, in December 2017 following the retirement of former Chancellor H.E Former President Hon. Mwai Kibaki whose tenure had ended. This has brought in new leadership and diversity at the University. At the University, the Council is key in the formulation and approval of various policies to ensure that all operations are founded and grounded on the Mwongozo Code of Governance. It is worth noting that the 2016/2017 Evaluation of Council performance was carried out in July, 2017 and that the Council performed extremely well. To enhance governance attributes in the FY, Council attended a training Course and a Council Retreat in Corporate Governance.

We shall continue to rely on our Council for direction and guidance to achieve our objectives as set out in the University Charter, Statutes and the Strategic Plan which the Council reviewed in October 2017. The University Council has committed to the highest level of probity in the conduct of its business and continues to offer leadership and guidance to the Senate and the University Management Board in order to achieve the University's strategic objectives.

In line with our strategic intent, the Council continued to implement the on-going capital projects aimed at improving the space needs at the University both for students and staff. In the FY 2017/2018, there were three on-going flagship projects and they are on the completion stage; i) Tuition Block, ii) Administration Block and iii) the Human Anatomy Laboratory. When complete, staff will have adequate office space and additional lecture facilities. All these development projects are being financed by the National Government allocations and retained earnings.

In the year 2017/2018, the Commission for University Education carried out a comprehensive audit on our academic programmes and teaching, research and library facilities to ensure that the University was still committed to quality teaching, research and outreach as hallmarks of our existence as a University of Choice. All our

V. CHAIRMAN OF COUNCIL'S STATEMENT(Continued)

academic programmes are accredited by the Commission for University Education and plans are underway to maintain high level of quality that we offer.

The University witnessed its 12th Graduation Ceremony since inception on 15th December 2017 which was presided over by our new Chancellor, Dr. Peter Wanyaga Muthoka at the Main Campus. During this FY, the University Chancellor also made an extensive visitation to the University at Kakamega Main Campus and held very successful consultative meetings with the internal stakeholders of Masinde Muliro University of Science and Technology i.e. the Senate, the University Management Board, the Student leaders and the Unions.

I wish to convey the Council's appreciation to the entire student fraternity, the staff, University Management Board, the Senate, Council members and the National Government for having worked tirelessly in ensuring that the key objectives for the FY 2017/2018 were achieved and key challenges identified. I want to assure all our stakeholders of the Council's continued support in the coming years to strengthen MMUST and position it as envisaged in our Strategic Plan to continue to be the University of Choice.

The University Council wishes to thank all stakeholders who contributed in one way or another to make the year successful including the teaching staff, non-teaching staff, suppliers, students, the community surrounding the University and, most importantly, the Government of Kenya for continuing to fund the University. God bless you all.

I look forward to a prosperous FY 2018/2019.



**Dr. Jeremy Bundi, PhD, MILT- UK, iRAP Associate
Chairman of Council**



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VI. REPORT FROM THE VICE CHANCELLOR



It is with great pleasure that I present to you the Annual Report and Financial Statements for the year ended 30th June 2018. As a University, we continue with our quest to make Masinde Muliro University of Science and Technology a world class institution. We are still striving towards providing better services to all our stakeholders, quality teaching, research and consultancy all which form our core mandate as a University.

Governance and Leadership

The President of the Republic of Kenya, H.E Hon. Uhuru Muigai Kenyatta, on 14th December 2017 gazetted Dr. Peter Wanyaga Muthoka as the new MMUST Chancellor. Dr. Muthoka took over from H.E Hon. Mwai Kibaki, the retired president of the Republic of Kenya, who served as Chancellor since the inception of the University. Dr. Wanyaga was unveiled to the public and inaugurated on Friday, 15th December 2017 during the 12th Graduation Ceremony. The Chancellor's Visitation to the University took place on Friday, 18th May 2018 and Saturday, 19th May 2018. This Visitation is part of the Chancellor's mandate as enshrined in the Universities Act (2012) and the MMUST Statutes. During the Visitation, the Chancellor was accompanied by the Chairman of Council, Dr. Jeremy Bundi, and two Council members: Dr. Samson Muchelule and Mr. Don Riaroh. The Chancellor met and interacted with different members and groups of staff including; the Executive Management Board, the University Management Board, Senate, the Strategic Plan Implementation Committee, the Students Executive Council and the three MMUST Chapter Unions; UASU, KUSU and KUDHEIHA.

Financial Reforms and Results

The University Council has continued to deepen reforms aimed at improving the financial health of the University. The reforms have borne certain fruits namely, timely preparation of quarterly financial statements, compliance with statutory obligations, increase in staff morale and general improvement in service delivery to our key stakeholders and customers.

In the FY 2017/2018, the University recorded decrease in its surplus position to Kshs.133, 287,195 down from Kshs. 305,764,628 from the previous year. This low performance resulted from industrial unrest which extended the Semester beyond the Financial Year thus reducing fee collection. The Balance Sheet of the University



REPORT FROM THE VICE CHANCELLOR (Continued)

improved in terms of non-current assets to Kshs. 2,734,085,764 in June 2018 from Kshs. 2,375,423,850 in June 2017. Although this growth included the Turkana University College item of Kshs. 1,139,507,500, the University is surely on an upward trajectory that is poised to realize our Motto of being the University of Choice. It is important to note that the receivables from exchange transactions have increased from Kshs. 1,241,318,882 in 2017 to Kshs. 1,325,508,898 in 2018. This high level of receivables is of great concern to the Council and adequate strategies have been explored to ensure that a thorough reconciliation is carried out in 2018/2019. The liabilities have reduced marginally from Kshs. 1,053,115,331 in 2017 to Kshs. 939,161,639 in 2018. The composition of these liabilities includes PSSP Arrears and non-allocated payments of fees by students. I assure all our stakeholders that our University is a going concern as the key Liquidity Ratio stood at 1:1.77 a clear indication that the University was capable of meeting all its obligation when they fall due. The cash position stood at Kshs. 246,976,770 in 2018.

Creating a Student-Centered University

The University has established a vibrant Talent Scholarship aimed at promoting and nurturing talent in games, sports and creative arts. MMUST is now a leadership University in this area. For example, MMUST are now the most prolific University in drama and music, the East Africa champions for soccer and national champions in rugby. In addition, we have finalized the MMUSO Constitution (2010) which was reviewed in line with the Universities Act (2012). The review of the Constitution saw the decentralization of the Students Elections to School level for efficiency and effectiveness. We also strive to improve our service delivery by incorporating the use of technology in teaching and learning. We have also created and appointed a Director and a Board to coordinate careers development and student placement at the University.

Enhancing Internationalization of the University

The University has immensely improved in its webometrics ranking with it ranking position seven (7) nationally and 5,940 globally. We have introduced the position of Adjunct Professors and Visiting Professors in the School of Engineering and the Built Environment (SEBE) to fill the gap in the Engineering field. In line with our Performance Contract signed with the Government of Kenya, we have also hosted international conferences, for example, the Pan African International Research Conference (PAIRC) and the World Conference on Transformative Education (WCTE). We also continue to encourage continuous staff and students exchanges as well as admission of international students and employment of international staff in various capacities.

REPORT FROM THE VICE CHANCELLOR (Continued)
Infrastructural Development

MMUST Council implemented a number of capital projects aimed at improving the space needs at the University both for students and staff. We are happy to note that the University has been able to complete the construction of the Human Anatomy Laboratory for the School of Medicine, the new Office Block which is now ready for occupancy, construction of a gymnasium which will result in a healthier and efficient workforce, pavement of paths within the University, construction of the lecture rooms Phase II, which is about 70% complete, as well as improved security due to enhanced lighting at the University.

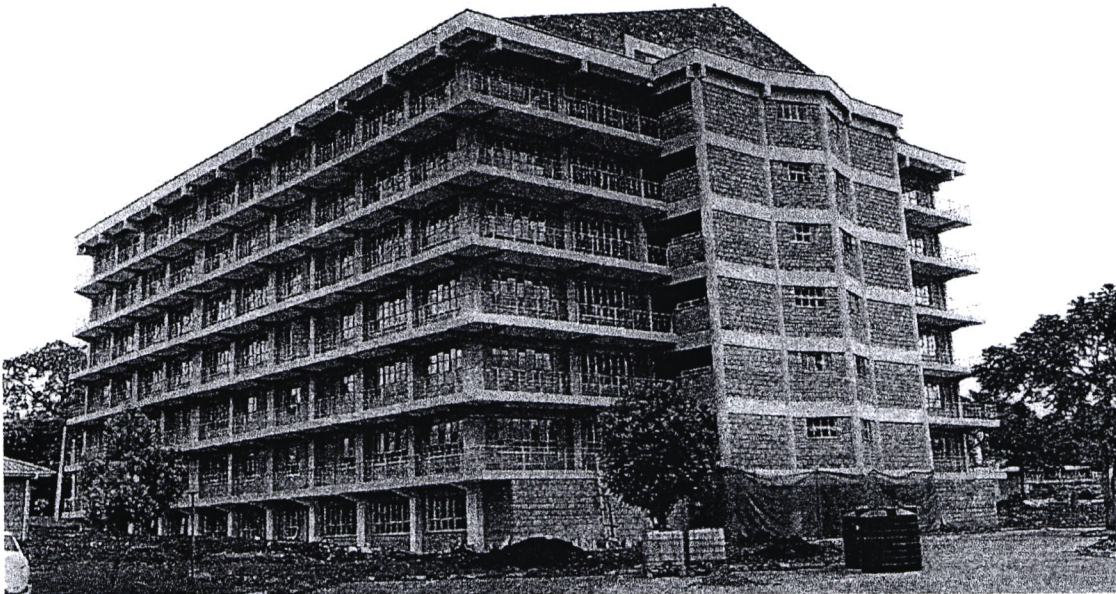


Fig 1: The new Office Block

REPORT FROM THE VICE CHANCELLOR (Continued)

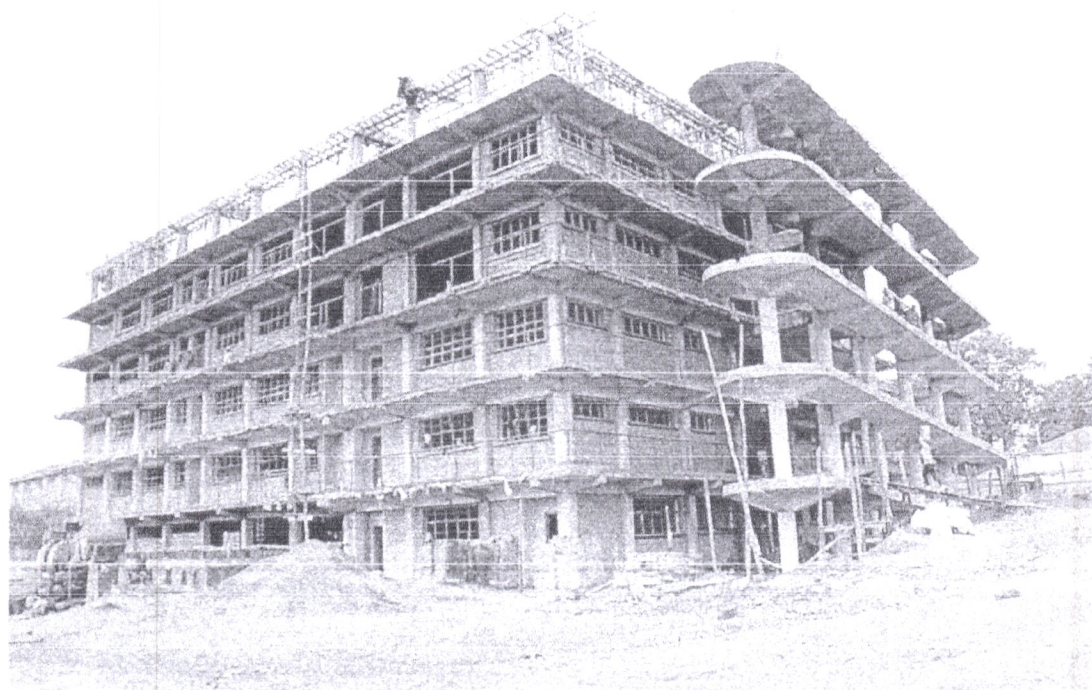


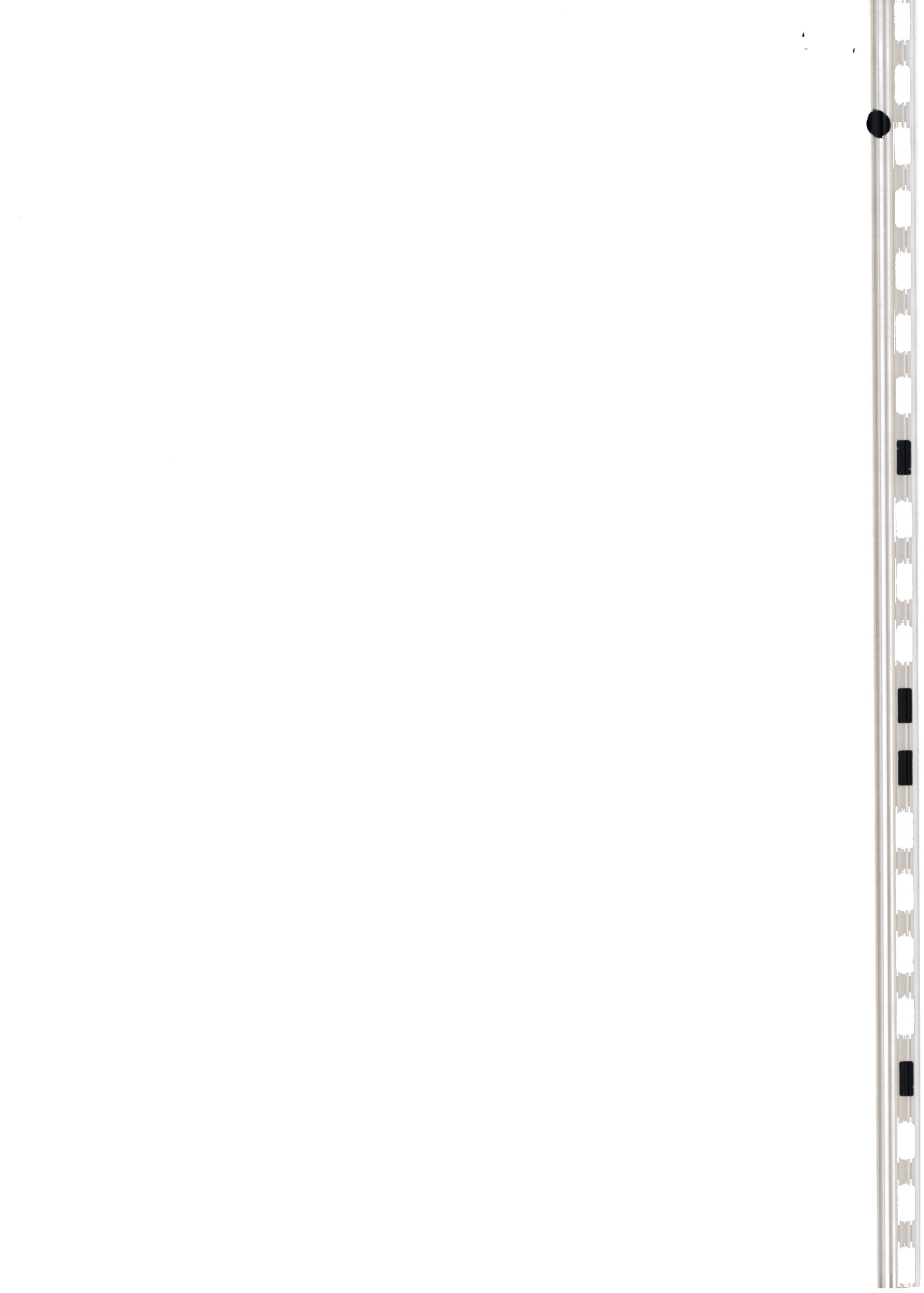
Fig 2. Construction of the Phase II of the Lecture Block

Staff Training and Development

The Council approved various staff development activities during the year ended 30th June 2018. Training and development of our staff ensures that both teaching and non-teaching staff are equipped with requisite skills, knowledge and abilities through provision of training opportunities for professional growth and development. A number of scholarships have been offered to academic staff to study PhD in other universities around the world. This was negotiated by the Vice Chancellor through his international linkages. Also, the University has sponsored staff to attend seminars and conferences and has established an Awards and Rewards Policy to staff and students who raise money for the University. Non-teaching staff have also been trained through the Staff Establishment and Training and the National Industrial Training Authority (NITA).

Academic programmes

In the year 2017/2018, the Commission for University Education carried out a comprehensive audit on our academic programmes and teaching, research and library facilities to ensure that the University was still committed to quality teaching, research and outreach as envisioned as hallmarks of our existence. All our academic programmes are accredited by the Commission for University Education and plans



*MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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REPORT FROM THE VICE CHANCELLOR (Continued)

are underway to maintain high level of quality that we offer. In addition, all our professional programmes are accredited by the respective professional bodies. Among these are Engineering programmes, Food and Nutrition programmes, and Medical Laboratory programmes among others.

The University held its 12th Graduation Ceremony on 15th December 2017 which was presided over by the new Chancellor, Dr. Peter Wanyaga Muthoka. A total of 2,891 students graduated from all the Schools of the University. A total of 45% students graduated in the Science, Technology, and Engineering and Mathematics fields while a total of 55% graduated in the social sciences field.

Enhanced Community Outreach Programmes

The University continues to play its rightful role of being of relevance to the community. We have become a natural choice as a destination of hosting national and international events. Among those in the 2017/2018 financial year include the Kenya Music Festivals, regional drama festivals, national delegates' conferences, sports activities, school visits among others. Plans are also at an advanced stage to launch the Sickle Cell Research Centre at MMUST in collaboration with Ball State University in the USA, WHO Regional Office for Africa, several Lake Region County Governments led by their First Ladies (Kakamega, Bungoma, Kisumu, Siaya, Homa Bay, Kisii, Migori, Vihiga, Nyamira, and Busia) and several hospitals and NGOs. The University also acquired thirty four (34) and seventeen (17) acres of land from the Rehabilitation School and Wakukha Community respectively to expand its programmes.

Conclusion

I wish to take this opportunity to thank the Council, the University Management Board, Senate and other organs of the University for their leadership and commitment to the course of this institution in the FY 2017/2018. We look forward to more meaningful developments and relationships in the FY 2018/2019. I wish to thank all our students who, albeit difficult year occasioned by industrial actions, remained calm to ensure smooth running of the University programmes. My appreciation also goes out to the entire staff for their steady commitment that realized the progress recorded in the year ended 30th June 2018. Finally, I wish to particularly appreciate the support of the National and County Governments and other stakeholders in fulfilling their commitments to our University and we assure you of our continued cooperation and prudent utilization of resources bestowed on us.

Thank you very much. God bless you


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



CORPORATE GOVERNANCE STATEMENT

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

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

The University Council has adopted a Statement of Primary Responsibilities which are published on the University's Strategic Plan and Website. These Statements set out the Council's responsibilities in respect of the proper conduct of public business, strategic planning, monitoring effectiveness and performance, finance, audit, estate management, human resource management, equality and diversity, student welfare, health and safety and the appointment of the University officers.

i) The Appointment and Retirement of the Council

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

ii) The Role and Functions of the Council

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

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

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CORPORATE GOVERNANCE STATEMENT (Continued)

iii) Committees of the Council

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

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

The following are the Committees of MMUST Council:

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

iv) Full Council and Committee Meetings

a) Full Council

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

Schedule of Full Council Meetings from July 2017 to June 2018

Members	8/7/17	19/7/17	22/9/17	12/10/17	7/11/17	17/11/17	6/12/17	14/12/17	14/12/17
Dr. Jeremy Bundi							X	X	X
Prof. Fred A.O.Otieno	X	X	X	X	X	X	X	X	X
Mr. Don. R.O. Riaroh	X	X	X	X	X	X	X	X	X
Ms. Dorothy Kimeu	X	A	X	X	X	X	X	X	X
Mr. David Watene	X	X	X	X	X	X	X	X	X
Ms. Joyce MugureNderitu	X	X	X	X	X	X	X	X	X
Dr. Samson	X	X	X	X	X	X	X	X	X

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Muchelule									
Kosiom Frank Ole Kibeleyenya	X	X	X	X	X	X	X	X	X
Ms. Vayonda J. Sirma Koross-	X	X	X	X	X	X	X	X	X
Mr. Samwel Joseph Otieno	NY	NY	NY	NY	NY	NY	NY	NY	NY

Continuation of Full Council

12/1/18	19/3/18	27/3/18	3/5/18	8/6/18	29/6/18
X	X	X	X	X	X
X	X	X	X	X	X
X	X	X	X	X	X
X	X	X	X	X	X
X	X	X	E	E	E
X	X	X	X	X	X
X	X	X	X	X	X
X	X	X	X	X	X
X	X	X	X	X	X
NY	NY	NY	X	X	X

b) The Finance and Resource Mobilization Committee

Members	7/7/17	20/9/17	9/10/17	11/1/18	13/4/18	28/5/18
Prof. Fred Otieno	X	X	X	X	X	X
Mr. David Watene	X	X	X	X	X	X
Ms. Dorothy Kimeu	X	X	X	X	X	
Dr. Samson Muchelule	X	X	X	X	X	X
Ms. Joyce Nderitu	X	X	X	X	X	X

c) Strategy, Planning and Development

Members	8/9/17	9/10/17	27/11/17	11/1/18	13/4/18
Mr. Don Riaroh	X	X	X	X	X
Prof. Fred Otieno	X	X	X	X	X
Dr. Samson Muchelule	X	X	X	X	X
Mr. Frank Ole Kibeleyenya	X	X	X	X	X

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CORPORATE GOVERNANCE STATEMENT (Continued)

The Human Resources Committee

Members	7/7/17	19/7/17	8/9/17	27/11/18	15/2/18	28/5/18
Prof. Fred Otieno	X	X	X	X	X	X
Mr. David Watene	X	X	X	X	X	X
Ms. Joyce Nderitu	X	X	X	X	X	X
Ms. Vayonda J. S. Koross	X	X	X	X	X	X

d) The Audit, Governance, Risk Management and Compliance Committee

Members	20/9/17	30/11/17	9/2/18
Mr. David Watene	X	X	X
Ms. Dorothy Kimeu	X	X	X
Mr. Don Riaroh	X	X	X
Mr. Frank Ole Kibelekenya	X	X	X
Ms. Vayonda J. S. Koross	X	X	X

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

A Register of Interests is maintained and declarations of any Conflicts of Interest are made at the start of each Committees and Council meetings. In order to ensure the effectiveness of the system of internal control, in addition to meeting at regular intervals, the Council sometimes receives the minutes and a report from the Chair of the Audit, Governance, Risk Management and Compliance Committee at each Council meeting which includes steps being taken by the University to manage risks. Audit, Governance, Risk Management and Compliance Committee also provides oversight of the University's risk management processes and considers regular reports from the University's independent internal audit, which includes the internal auditor's independent opinion on the adequacy and effectiveness of the University's system of internal control.

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

(g) Remuneration of Council

Council members shall be remunerated for their services in accordance with the prevailing relevant legislative provisions and/or guidance from the relevant authority. In line with best practice, the remuneration should include base pay, attendance allowances and bonuses.

CORPORATE GOVERNANCE STATEMENT (Continued)

The following shall apply:

1) Chairman

(a) Monthly Honoraria

A monthly taxable honorarium of up to a maximum of KShs.80,000.00 may be paid to the Chairman.

(b) Telephone Services for Chairman only

(i) Mobile phone airtime; up to a maximum of KShs.5,000/= per month.

(ii) Land-line prepaid telephone card: up to a maximum of KShs.2,000/= per month.

2) All Members

(a) Sitting Allowance

A taxable sitting allowance of up to a maximum of KShs.20,000/= per sitting may be paid to Chairman and members. In addition, sitting allowance may be payable when on official duty in and outside the country.

(h) Conflict of Interest

A conflict of interest may arise where a Council member or close family member such as a spouse, child, parent or sibling has private interests that could improperly influence the performance of the Council member's official duties and responsibilities. Conflict may also arise where a Council member uses their office for personal gain.

Council members are required to avoid conflict of interest and deal at arm's-length in any matter that relates to the organization. However, a Council member who identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Council. In so reporting, the Council member is required to provide all relevant information, including information which relates to their immediate family members by blood or marriage which is related to the area of conflict. When declared, the Council member shall abstain from decisions where the conflict exists.

The Corporation Secretary should keep a record of conflicts of interest declared, for accountability purposes, and as a rule of good practice on appointment and on regular intervals or at any time when circumstances change, all members shall in good faith disclose to the Council for recording, any other business or interest likely to create a potential conflict of interest.

Evaluation of Council Performance

The Council will conduct an annual evaluation to appraise its performance. This evaluation will be carried out in accordance with the Council Evaluation Tool.

CORPORATE GOVERNANCE STATEMENT (Continued)

The Council evaluation provides an opportunity for Council members to identify strengths, collective skill gaps and individual areas of improvement. The Council will also review the performance of each committee against the agreed Terms of Reference.

The Council will also evaluate the performance of the CEO and Corporation Secretary.

Process of appointment and removal of Council members

- i. The relevant appointing authority shall select and appoint Council members. Every appointment shall be by name and by notice in the Kenya Gazette but shall cease if the Council member:
 - (a) Serves the appointing authority with a written notice of resignation; or
 - (b) Is absent, without the permission of the Chairperson, from three consecutive meetings; or
 - (c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
 - (d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of Council; or
 - (e) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of Council.
- ii. Any removal of a Councilmember under (i) above, shall be through formal revocation.
- iii. The Corporation Secretary will ensure that a record of the appointment letter, gazette notice and written acceptance by the Council member are kept in the personal file of the Council member.

(i) Governance Audit

The Council should ensure that a governance audit of the organization is undertaken on an annual basis. The purpose of the governance audit is to ensure that the organization conforms to the highest standards of good governance. The governance audit should cover the following parameters among others:

- (a) Leadership and strategic management;
- (b) Transparency and Disclosure;
- (c) Compliance with Laws and Regulations;
- (d) Communication with stakeholders;
- (e) Council independence and governance;
- (f) Council systems and procedures;
- (g) Consistent shareholder and stakeholders' value enhancement; and
- (h) Corporate social responsibility and investment.

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VII. MANAGEMENT DISCUSSION AND ANALYSIS

a) Financial operating results and review of performance

The University achieved revenue of Kshs 2,964,407,987 representing a growth of 8 % from the previous year of Kshs. 2,728,377,231. There was a marginal increase in recurrent grants from the National Government at 42% compared to the previous year. The Government gave a supplementary budget of Kshs 354,831,546 to cater for CBA arrears for FY 2013/2017. Tuition and related charges decreased by 22% in the year 2017/2018 compared to the previous year. There was an Increase in research grants income of 25 % in the year 2017/2018 compared to the previous year. Our main revenue streams of Recurrent Grants, Tuition and related charges contributed over 97.8% of the total revenue compared to 96.98% in the previous year. The marginal decrease in tuition and related revenue is attributable to stiff competition for the same market for students from an increasing number of Universities and Industrial unrest that faced the University during the year. Surplus for the year decreased from Kshs.305, 764,628 in 2016/2017 to Kshs. 133,287,195 in 2017/2018 giving percentage decrease in profitability of 56%.

Table1. Comparative Contributions to revenues from various sources

	2017/2018	2016/2017		
Revenue Source	Amount in Kshs.	Amount in Ksh	Growth in Kshs.	% Growth
Recurrent Grants	1,864,556,766	1,315,031,252	549,525,514	42
Tuition & Related Charges	1,035,336,426	1,331,029,755	(293,472,329)	(22)
Research Grants	26,391,166	21,072,925	5,318,241	25
Income Generating Unit	15,958,141	27,970,219	-12,012,078	(43)
Other Income	22,165,489	33,273,079	-11,107,590	(33)
TOTAL	2,964,407,987	2,728,377,230	238,251,757	8

Revenue from other income includes catering sales, interest earned etc. as detailed in note 7 on page 21 of this document.

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

Table2. Growth in revenues and surplus over the last 5 years

Year/Description	2014	2015	2016	2017	2018
Revenues(Kshs.)	2,194,006,302	2,410,230,245	2,653,544,505	2,728,377,230	2,964,407,987
Operating Surplus(Deficit) (Kshs.)	(112,091,778)	183,131,828	168,387,257	305,764,627	133,287,195

b) Key Investments

In the year 2017/2018, the Council of MMUST continued midwifing Turkana University College premises in Lodwar. The University has so far paid Kshs. 1,139,507,500. This investment by the National Government is expected to open up the large Turkana County for university education and propel economic development.

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MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The University had various ongoing capital projects namely; i) the Tuition Block (70%), ii) Anatomy Lab for School of Medicine (100%) and iii) The Administration Block(83%) which are at advanced stages of implementation. These three projects are projected to cost the University a total of Kshs. 400,000,000 upon completion with the attendant benefits of providing Office, teaching and research space. The University completed the implementation of ERP system that has seen a commendable improvement in service delivery and effective generation of information for decision making. A number of initiatives are being implemented to position the university as a student-centred institution.

VIII. COMMUNITY OUTREACH (SOCIAL RESPONSIBILITY) STATEMENT

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

a) Pre- Devolution Youth Conference- 21st April 2018.

As a University, in collaboration with National Youth Council, County Government of Kakamega and various organizations, we organised this conference as a way of enlightening the community and the public at large on the importance of the devolved system of governance and how youths can get access to government available opportunities. Youths were able to understand what they should expect from the National and County governments.

County government officials took centre stage in explaining the difference between the county government and the national government. By doing this, the University is better placed in matters of promoting education and awareness as the youth were able to be educated through the conference hosted by MMUST

The knowledge impacted to the youth by the invited guests and the County government officials was vital for their development. They were encouraged to look for skills for them to be able to secure jobs and other opportunities.

b) Kakamega Agri-Expo- 11th May 2018

The University organised and hosted an Agri-Expo whereby various agricultural products and technologies were showcased. A number of farmers from Western Kenya, alongside research institutions and companies participated. Through the Agri-Expo, many people were sensitized on matters of agricultural technology and new farming methods towards improving food security in the country.

c) Kakamega Youth Career Fair- 19th May 2018.

Youth employment has continued to be a thorny issue in this country. As a way of trying to be part of the solution, the University, in partnership with the Office of the Senator Kakamega County, organised a Youth Career Fair whereby over 5000 youths from across the country benefited from information delivered by various employers, leaders and government agencies. This positively impacted on the lives of youths as most of them were able to know what employers expect of them. The Senator also urged youths to open accounts where they can start youth groups to directly get funds from the Government.

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COMMUNITY OUTREACH (SOCIAL RESPONSIBILITY) STATEMENT
(Continued)

d) Public Sensitization through Web-based Information

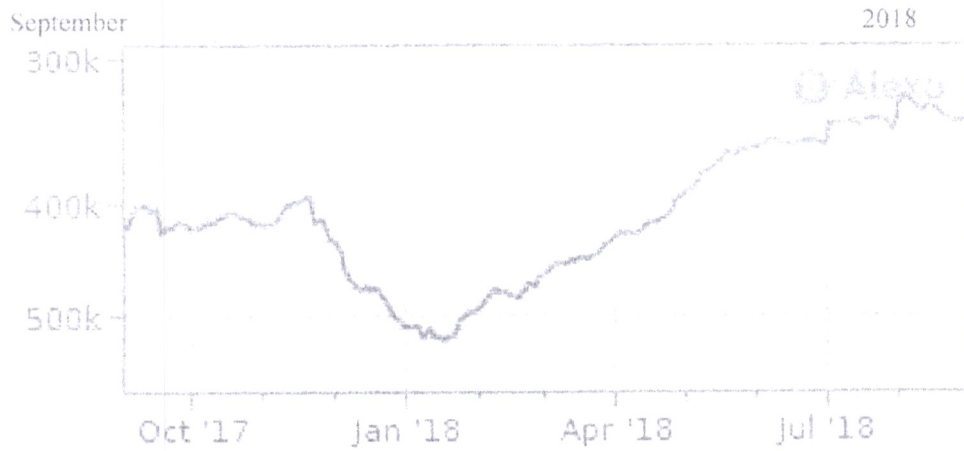
The University has enhanced dissemination of information by regularly publishing news and events on the webpage, newspapers, television, radio and various other media channels. This has led to improvement of the visibility of MMUST around the world, as items such as those listed in Table 1 have contributed to the University web ranking to position 7 from 10, as evidenced in the growing number of visitors on the MMUST Webpage (Figure 1).

Title	Published date
MMUSO Leaders Vow to Improve Student Welfare	03 July 2018
MMUST ICT Innovation on AfDB Radar	28 June 2018
MMUST in Collaborative GEF-Funded project on Agriculture and Environment	17 June 2018
MMUST Angels for Music Industry through US-Based Global Youth Groove	17 June 2018
MMUST and Nation Media Group strategize on Research and Innovation.	14 June 2018
MMUST Expands Collaborative Networks to Ball State University in USA	14 June 2018
MMUSO Electoral Commission carries out Vote Sensitization	14 June 2018
MMUST-UNIVEN Collaboration Offers New Post Doc Experience	12 June 2018
FRISBEE: MMUST Displays Potential against Kisumu Black Fish	08 June 2018
MMUST Steers Environmental Conservation	08 June 2018
RUGBY: MMUST RFC Crowned Kings Rugby 7s	08 June 2018
HANDBALL: MMUST Women Conquer Rivals	08 June 2018
SOCCER: MMUST Queens thrash KU	08 June 2018
MMUST-VTOK Strategize on Peace Building amidst Global Terrorism	05 June 2018
MMUST Visited By Scientists From Purdue University, School of Agriculture	31 May 2018
I feel privileged to serve MMUST- Chancellor Dr. Peter Muthoka	24 May 2018
CAREERS: MMUST hosts Career and Job Expo 2018 to Stem Youth Unemployment	24 May 2018
ENVIRONMENT: MMUST Aligns to Global Chemical Waste Management Policy	24 May 2018

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SCRABBLE: MMUST Teams shine at National KUSA In-Door Games	23 May 2018
RUGBY: MMUST are the invincible	21 May 2018
SOCCER: MMUST are the champions	21 May 2018
MMUST hosts the Kakamega Agri Expo 2018	16 May 2018

Fig 3: Number of Visitors on the MMUST Webpage from September 2017 to 3rd





**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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IX. REPORT OF THE UNIVERSITY COUNCIL

The University Council submit their report together with the audited financial statements for the year ended June 30th, 2018 which show the state of Masinde Muliro University of Science and Technology's affairs.

Principal activities

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

Financial Performance

The results of the University for the Period ending June 30, 2018 are set out on pages 29 to 33. The University recorded a surplus of Kshs.133, 287,195 in 2017/2018 compared to Kshs. 305,764,628 during the financial year 2016/2017

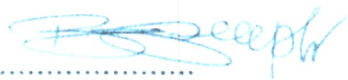
Council

The members of the University Council who served during the year are shown on page 4 of this report

Auditors

The Auditor General is responsible for the statutory audit of the Masinde Muliro University of Science and Technology in accordance with Article 229 of the Constitution and the Public Audit Act of 2015.

By Order of the Council

Sign.....

Date: 13/2/2019

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



X. STATEMENT OF UNIVERSITY COUNCIL'S RESPONSIBILITIES

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

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 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 accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act and the Universities Act No. 42 of 2012. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 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 remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The University's financial statements were approved by the Board on 21st September 2018 and signed on its behalf by:

Signature _____

**Dr. Jeremy Bundi
Chairman of Council**

Signature _____

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



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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Masinde Muliro University of Science and Technology set out on pages 29 to 74, 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 and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the 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 do not comply with the Universities Act, 2012.

Basis for Adverse Opinion

1. Revenue from Tuition and Related Charges

The statement of financial performance for the year under review reflects tuition and related charges of Kshs.1,035,336,426 together with the student debtors brought forward of Kshs.1,220,107,856 amounting to total fees receivable of Kshs.2,255,444,282. However, only Kshs.953,338,560 representing 42% was collected during the year under review, leading to a balance of Kshs.1,302,105,722 or approximately 58% uncollected as at 30 June 2018 contrary to the University Semester Studies and Fee Payment Policy 2016 Item 3.1 which requires students to pay all the fees before reporting for semester studies at the university and that no student should proceed for field attachment or any form of third semester studies without payment of the fees.

However, no reason was provided by the management for partial adherence to the fee payment policy and subsequently allowing students to report for semester studies at the

Report of the Auditor-General on the Financial Statements of Masinde Muliro University of Science and Technology for the year ended 30 June 2018

university or students proceeding for field attachment and third semester studies before payment of the fees. In addition, the sub-ledger balances were noted to have been netted off and the appropriate balances brought forward could therefore not be traced in the student ledger statements.

Further, it was noted that 219 students who had fee balances totalling Kshs.20,706,047 brought forward from previous year were invoiced with negative balances of Kshs.10,363,316 thereby reducing their accounts with an amount Kshs.10,363,316 while other 14 students who had nil prior year balances were invoiced with negative advices of Kshs.106,704 and therefore ending up with over payments of Kshs.278,295 thus distorting the accuracy of the balances of tuition and related charges.

2. Provision for Bad Debts

The statement of financial performance for the year ended 30 June 2018 reflects provision for bad debts figure of Kshs.11,163,821. However, the supporting note 15 does not show how the figure was derived as required by IPSAS 30.

Consequently, the accuracy and completeness of Kshs.11,163,821 for provision for bad debts could not be confirmed

3. Receivables from Exchange Transactions

The receivables from exchange transactions balance reflects Kshs.1,325,508,898 comprising of Income Generating Units(IGU) receivables, prepaid expenses, provision for unbanked cash, receivable recurrent grants and student debtors balances. In addition, the student debtors receivables figure of Kshs.1,302,105,722 differs with the amount of Kshs.1,328,744,311 generated from the ABNO UniSol ERP Systems resulting to an unexplained difference of Kshs.26,638,589. Further, examination of the ABNO UniSol ERP System generated student debtors' receivables reveals that the system may not have been fool proof in input and processing of the data. As a result, re-computations based on the system data on student debtors produced a balance of Kshs.1,356,140,321 which varies with the figure in Note 17 of Kshs.1,302,105,722 by an unexplained and unreconciled difference of Kshs.54,034,599. Consequently, it has not been possible to confirm that receivables from exchange transactions balance of Kshs,1,325,508,898 is fairly stated.

4. Property, Plant and Equipment

The University had previously carried out a revaluation on selected classes of assets according to provisions of IPSAS 17, under the revaluation model. A revaluation reserve of Kshs.11,119,725 is included on the statement of changes in net assets. However, the following have not been disclosed as required by International Public Sector Accounting Standard No.17:

- (i) The effective date of the revaluation and whether the valuation was done by an independent and competent valuer;

- (ii) the revaluation surplus, including changes during the period and any restrictions on the distribution of the balance;
- (iii) For each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model.
- (iv) The current year depreciation component of revalued assets had not been transferred from the revaluation reserve to the accumulated revenue reserves on the statement of changes in net assets.

Consequently, the management was in contravention of International Public Sector Accounting Standard No.17.

5. Biological Assets

The biological assets balance reflects Kshs.320,000 as at 30 June 2018. However, there is no disclosure in the financial statements as required by IPSAS 27 to describe the nature of activities the University uses the biological assets for and non-financial measures or estimates of physical quantities of output during the period.

In view of the foregoing, it has not been possible to confirm that biological assets balance of Kshs.320,000 as at 30 June 2018 is fairly stated.

6. Trade and Other Payables from Exchange Transactions

The trade and other payables from exchange transactions balance reflects Kshs.589,116,268 as at 30 June 2018 and which in turn includes balance of Kshs.201,293,735 as disclosed in note 24 to the financial statements that were not analysed and supported as detailed below:

Balance Details	Amount (Kshs)	Remarks
Accounts Recurrent Payables	73,006,869	These are pending accounts due from various suppliers whose analysis and documentation was not provided, including previous balances. The propriety of this amount could not therefore be verified.
HELB Control	54,487,304	These are remittances from HELB which the university had not been able to identify and post to the respective students' accounts. Further analysis revealed that some of the students could not be traced in the system.
Projects Retention Money	41,438,205	These are recoveries for retention funds deducted from contractors but could not be analysed due to lack of a retention register. It was not clear how deductions can be made but it is not known from which contractors.
CDF Control	32,361,357	These are bursaries from the CDFs whose details were not posted into the students accounts and were therefore hanging in the records
Total	201,293,735	

Consequently, it has not been possible to confirm that trade and other payables from exchange transactions balance of Kshs.589,116,268 is fairly stated.

7. Refundable Deposits from Customers

The refundable deposits balance reflects Kshs.320,068,284 as at 30 June 2018 comprising prepayments of Kshs.222,177,031, old student debts of Kshs.68,846,353 and caution money of Kshs.29,044,900 as disclosed in note 25 to the financial statements. However, it was noted that though the prepayments balance of Kshs.222,177,031 reconciled with the schedule provided for audit review, it differed with the re-computed balance of Kshs.85,805,294 based on the data obtained from the Abno-Unisol systems ledger, resulting into an unreconciled variance of Kshs.136,371,737. In addition, the prepayments figure of Kshs.222,177,031 and old student debts figure of Kshs.68,846,353 included some prepayments that have been outstanding for more than seven years. Also, the refundable deposits from customers total of Kshs.317,846,284 as detailed under note 25 to the financial statements differ with Kshs.320,068,284 reflected in the statement of financial position.

As a result of variations in figures reflected in records maintained by the University and those in the statement of financial position and the corresponding note (25), it has not been possible to confirm that the refundable deposits from customers of Kshs.320,068,284 as at 30 June 2018 is fairly stated.

8. Prior Year Adjustment

The statement of changes in net assets for the year ended 30 June 2018 reflects a prior year adjustment of Kshs.9,544,178 under accumulated revenue reserves. However, the adjustment has not been explained or a disclosure made in the financial statements to explain what the adjustment relates to.

Consequently, the accuracy statements of changes in net assets as well as statement of cashflows could not be confirmed.

9. Unresolved Previous Year Audit Issues

The following issues reported in the previous year and which have an impact on the accuracy, presentation and disclosure of the current financial statements have remained unresolved:

- (i) Trade and other payables from exchange transactions not fairly stated as at 30 June 2017.
- (ii) Unsupported and reconciled cash and cash equivalents as at 30 June 2017.
- (iii) Un-explained adjustments of Kshs.638,407,401 on revenue surplus.
- (iv) Irregularities and unsupported adjustments on property, plant and equipment.

The failure to resolve these matters and re-state the prior period financial statements continue to affect the accuracy of subsequent financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in my professional 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 my 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

No.	Key Audit Matter	How the Audit Addressed the Key Audit Matter
1	Academic (Teaching, Research and Extensions) Expenses	
	The statement of financial performance reflects academic (teaching, research and extensions) expenses figure of Kshs.322,404,325. There was risk of misstatement by charging ineligible expenditure or mixing up or duplication with general expenses. The expenditure item is also key in determining the efficiency of delivery of the core mandate of the University of research.	The following audit procedures were performed: <ul style="list-style-type: none"> • Reviewed the budget to establish the provision for both academic and general expenses. • Established the criteria for classification of the expenses and confirmed from the chart of accounts. • Checked that there is distinct coding for the expenditure with appropriate approvals from the relevant authorized persons. • Analysed expenditure amounts/items against other related records and obtained reconciliations or explanations for any variances.
2	Revenue from Exchange Transactions	

The statement of financial performance reflects revenue from exchange traction figure of Kshs.1,073,460,056. The component has a high risk of misstatement due to the numerous sources/classifications. It is also susceptible to fraud. There are also challenges about how this revenue is recognized and determination of the cut-off point given the nature of operations of the University

The following audit procedures were performed:

- Reviewed the budget to establish the provision for the revenue from exchange transactions and established reasons for unusual variances
- Checked that there is distinct coding for each class of revenue and applicable rates defined
- Confirmed that the recording of the revenues in the ledger is complete from source records.
- Obtained system reports for all classes of revenue and confirm the summaries to the ledger and source records.
- Established the designated revenue accounts and checked any corrections and unusual movements of accounts.
- Checked that the recognized and recorded revenues are as per the defined recognition criteria and cut-off.
- Evaluated amounts of revenue against management reports, related records and expenditure and obtain reconciliations or explanations for variances.

Other Matter

1. Non-adherence to Occupational Safety and Health Act (OSHA)

Although the University has mainstreamed the requirements of the Occupation Safety and Health Act, 2007 under Section L.2 of human resource policies and procedures manual, the standing committee on OSHA was not functional and the University has not been following up the matters pertaining to the requirements of OSHA. For example, the minutes of the committee meetings and safety and health audit reports for the period under review or any other period were not availed for audit review contrary to Section 11 (1) of the Safety and Health Audits which requires that the occupier of a workplace shall cause a thorough safety and health audit of his workplace to be carried out at least once in every period of twelve months by a safety and health advisor, who shall issue a report of such an audit containing the prescribed particulars to the occupier on payment of a prescribed fee and shall send a copy of the report to the Director.

The management is therefore in breach of the law and occupational safety and health status of the University as a workplace cannot therefore be assured.

2. Lack of Annual Environmental Audit Report

During the year under review, there were no follow up reports made on any Environmental Impact Assessment Reports for the University projects that have been undertaken or being undertaken. This contravenes Section 34 (1) of the Environmental (Impact Assessment and Audit) Regulations, 2003 which states that in executing a

project, after the environmental impact assessment study report has been approved by the Authority, or after the initial audit of an ongoing project, the proponent shall take all practical measures to ensure the implementation of the environmental management plan. Further there was no environmental audit report to show that annual environmental audit was undertaken during the year as required by Environmental Management and Coordination Act (EMCA) Regulations.

Consequently, the University breached the law and may be cited and suffer penalties for failure to comply with the law.

3. Failure to Undertake an Investment Grade Energy Audit

The University has not developed clear energy management policy and undertaken an energy audit contrary to Section 5 and 6 of the Energy Management Regulations, 2012 which requires institutions to develop a clear energy management policy and undertake an energy audit at least once every three years. Further, the University runs a chain of backup generators requiring fuel and had not invested in economical lighting systems and has also not prepared and presented an energy investment plan nor undertaken an energy audit as required.

Consequently, the management breached the law and the University operations cannot be confirmed to be on an efficient energy system.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Report on Lawfulness and Effectiveness in Use of Public Resources below and in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Supply, Delivery, Installation, Testing and Commissioning of CCTV Cameras, Automated Gate and Biometric System

During the year under review, the University initiated the tender process for supply, delivery, installation, testing and commissioning of CCTV cameras and the contract was awarded to a local security company on 23 April 2018 at a cost of Kshs.14,070,733. According to the notification of award letter, the contract was to be signed within 14 days from the date of award. Similarly, the University initiated another tender for the same job description and awarded contract to another firm on 23 April 2018 for a contract sum of Kshs.23,618,500. According to the notification of award, the contract was to be signed within 14 days from the date of award.

However, as at the time of this audit, the University had not signed the contract agreements almost 8 months after the awards were made and no explanation has been provided for not signing the contracts contrary to Section 63(1) of the Public Procurement

and Assets Disposal Act, 2015, which states that an accounting officer of a procuring entity, may, at any time, prior to notification of tender award, terminate or cancel procurement or asset disposal proceedings without entering into a contract.

Consequently, the management breached the law and risks incurring nugatory expenditure through voidable court proceedings and fines.

4. Unsupported Expenditure on Academic Expenses

The academic (teaching, research and extensions) expenses figure of Kshs.322,404,325 for the year under review include payments totalling Kshs.5,890,988 that were not properly supported with requisite payment documents and approvals contrary to Section 104 (1) of the Public Finance Management (National Government) Regulations, 2015 which states that all receipts and payments vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation. In addition, payments totalling Kshs.3,246,500 in respect of training expenses were not supported by requisite documentation.

Consequently, the propriety of the total expenditure of Kshs.9,137,488 for the year under review could not be confirmed.

5. Repairs and Maintenance – Expenditure not Properly Supported

The repairs and maintenance expenses figure of Kshs.26,881,947 includes payments totalling Kshs.3,188,670 that were not adequately supported by delivery notes, requisitions, goods received notes and reports by inspection and acceptance committee contrary to Section 104 (1) of the Public Finance Management (National Government) Regulations, 2015 which states that all receipts and payments vouchers of public moneys shall be properly supported by pre-numbered receipts and payment vouchers and shall be supported by the appropriate authority and documentation. The payments are analysed below:

Voucher No.	Payee	Cheque No.	Description	Amount Kshs.	Remarks
15040	M/s Vickiat Electronics	052300	Supply of building materials to renovate hostels I, II, III, & IV	833,710	No evidence of delivery, no reports on requisitions based on assessments of works and supervision and completion certificate
15037	M/s Jaza Building Contractors	052306	“	1,756,600	“
15038	M/s Superior Products Africa Ltd	052299	“	598,360	“
Total				3,188,670	

Consequently, the propriety of the expenditure of Kshs.3,188,670 incurred on maintenance and repairs could be confirmed.

6. Outstanding Imprest

The receivables from non-exchange transactions balance of Kshs.40,420,067 represent staff imprest as disclosed in note 18 to the financial statements differ with the supporting schedule totalling Kshs.28,986,374, resulting into a variance of Kshs.11,433,693 which has not been reconciled. Although it was explained that the variance of Kshs.11,433,693 relates to imprests that were cancelled in the prior years, no documentary evidence was provided to support the cancellations. Further, the imprest balance of Kshs.40,420,067 includes imprests totalling Kshs.24,304,549 that should have been surrendered on or before 30 June 2018 contrary to Section 93(5 & 6) of the Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest accounts or surrenders the imprest within 7 working days after returning to duty station failure to which the accounting officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank rate. A review of the position in November 2018 revealed that imprests totalling Kshs.21,653,222 had been surrendered leaving a balance of Kshs.7,333,152 unaccounted for.

Consequently, the accuracy and recoverability of the imprest balance of Kshs.40,420,067 as at 30 June 2018 could not be confirmed.

7. Contracted Services - Avoidable Expenses

The contracted services figure of Kshs.114,326,880 includes an expenditure of Kshs.2,435,479 incurred in respect of salary and allowances paid to an officer comprising Kshs.2,234,479 for wrongful dismissal and Kshs.201,020 for legal fee. The officer who was a storeman, was dismissed from University employment on 17 June 2015 after suspension for a period of over one year due to his failure to account for stores valued at Kshs.6,029. The suspension of over a year was contrary to Clause 12.2 (i) and (iv) of the Collective Bargaining Agreement (CBA) for Universities Non-Teaching Staff Union (UNTESU) which provides that where misconduct by an employee requires investigations, the employee may be suspended from duty with half pay for a period not exceeding 21 days whilst an inquiry is being carried out. If suspension exceeds 21 days, the employee shall be reinstated unless an agreement has been reached between the union and management to extend the period of suspension to allow more time for investigations or for a court case to be concluded.

The officer was dismissed by the University Vice Chancellor despite the disciplinary committee of the University Council recommendations which had stated that the officer be reinstated from suspension and be given a warning letter for not keeping proper records; and also be surcharged Kshs.20,600.

The officer subsequently filed a suit at the Employment and Labour Relations Court in Kisumu to contest the dismissal to which the Court found that the University Vice Chancellor's decision to dismiss the employee was ultra vires as he acted without authority and against University statutes. In the judgement signed and delivered on 22 September 2017, the Judge ordered the reinstatement of the salary of the officer with

effect from 12 March 2014 and directed the University to meet the claimants cost of the suit. The payment of Kshs.2,435,479 excludes the costs of the suit due to the officer which he is yet to submit.

The expenditure of Kshs.2,435,479 together with the cost of the case that is yet to be submitted by the officer amounts to nugatory expenditure and was therefore avoidable.

8. Construction of Multipurpose Hall

The property, plant and equipment balance of Kshs.1,578,596,117 includes work in progress amount of Kshs.424,259,900 as disclosed in note 20 to the financial statements. The work in progress figure in turn include expenditure of Kshs.133,885,152 spent on the construction of a multipurpose hall. Information available indicates that the University awarded a tender to a contractor for construction of the hall at a contract sum of Kshs.69,987,541 on 29 June 2011. However, the contract was later on terminated on 28 November 2013 when an amount of Kshs.47,179,726 or approximately 67.4% of the contract sum had been paid to the contractor due to what was said to be non-performance.

The contract for completion of the building was later awarded to another firm on 21 July 2014 for a contract sum of Kshs.66,266,161 and was to be completed in 26 weeks, by 20 January 2015. However, the initial contractor went to court for arbitration and was subsequently awarded Kshs.10,478,792 being interest and penalty Kshs.7,105,420.17, arbitration cost Kshs.63,360 and legal fees of Kshs.2,420,811 all of which was paid during the year under review save for interest which was paid on 6 November 2018 to bring total expenditure relating to the first contract to Kshs.67,248,109 as at 30 June 2018. The second contractor was paid a total of Kshs.66,637,043, bringing the total incurred on the project to Kshs.133,885,152.

However, management has not explained why the project which was to cost Kshs.69,987,541 ended up costing Kshs.133,885,152, resulting in excess cost of Kshs.63,897,611 or approximately 91.3% above the original contract sum. Further, although the management indicated that the project is complete and in use, no evidence was availed to confirm that the project has been completed, inspected, accepted and handed over.

Consequently, the public may not have obtained value for money in respect of Kshs.133,885,152 spent on the project and the propriety of the expenditure could not therefore be confirmed.

9. Property, Plant and Equipment - Slow Pace of Works and Default in Contract Implementation

The statement of financial position reflects property, plant and equipment balance of Kshs.1,578,596,117 as at 30 June 2018 which include work-in-progress valued at Kshs.424,259,900 as disclosed in Note 20 to the financial statements. The work-in-progress figure of Kshs.424,259,000 include payments totalling Kshs.173,526,918.59 incurred during the year on two projects shown below but were behind schedule:

Project Description	Amount (Kshs)
Proposed Design and Build Office Block & Associated Works	107,130,813.50
Proposed Design and Build Tuition Block & Associated Works	66,396,105.09
Total	173,526,918.59

These two projects were at different levels of completion and various challenges were cited for delayed progress of works as detailed below:

Project	Remarks
Build Office Block	<p>According to the revised contract completion date, the University intended to occupy the building by 30 August 2018 but as at the time of the audit in November 2018, it was still not complete due to non-completion of electrical works by the sub-contractor. The main contractor had also failed in completion of the structured cable works.</p> <p>The project has also over run its budget following a variation order for additional cost quantified at Kshs.49,970,282 after the revision of the design and additional of a fifth floor; the floor plan was changed from 48 m by 26 to 48 m by 35 m to enhance usability; change of some office design from open to closed resulting to additional walls as well as finishing and electro-mechanical works; and, under provision for electrical and mechanical works. The initial budget was Kshs.199,194,250 but rose to Kshs.249,164,532 which is 25% more.</p>
Tuition Block	The revised contract completion date of the project was 21 March 2018. However, as at the time of audit in November 2018, the project was still incomplete due lack of adequate key materials; failure to have an approved works program; insurance cover and failure to attend site meetings.

Consequently, the University may not have obtained value for money on Kshs.173,526,919 incurred on the two projects for the year ended 30 June 2018.

10. Consultancy for Provision of Accounting Services for Student Debtors

During the year under review, the University engaged a consultant to provide accountancy services after advertising and seeking requests for proposals to provide provisional services. A Certified Public Accountant firm was awarded the tender vide letter Ref No. MMU/COR:311069(69) dated 26 February 2018 for a contract sum of Kshs.3,805,780. An agreement was subsequently signed on 02 May 2018 detailing among others the scope of work to be undertaken and the expected deliverables as detailed in Item 3 and 7 respectively. As at 30 June 2018, the firm had been paid Kshs.1,141,734 which was 30% of the contract sum, in respect of an inception report leaving a balance of Kshs.2,664,046 being 40% payable upon submission of draft report

and the final 30% upon the receipt by the University of an acceptable final report in accordance with the contract agreement.

According to the contract, the work was to be completed and final report submitted within six (6) weeks of commencement of the work. However, as at the time of audit in November 2018, the consultant had only submitted inception report. Although the balance of Kshs.2,664,046 was accrued and included in the recurrent payables balance of Kshs.73,006,869 as disclosed in note 24 to the financial statements, there was no evidence that the consultant had submitted a draft report and a final report acceptable to the University as per the contract agreement.

Further, although the consultant was to provide report of all students whose accounts had corrections and the nature of such corrections, performing and non-performing student debtors' reports, none was availed for audit review.

Also, the consultant was to prepare and submit a training report of staff in the receivables sections on the accounting practices and also give a report on the adequacy of internal control environment in the debtors' systems in place including the ABNO UniSol ERP system. However, no such reports were availed for audit review.

Consequently, the propriety of the expenditure of Kshs.3,805,780 incurred on consultancy services during the year under review could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Report on Effectiveness of Internal Controls, Risk Management and Governance and Adverse Opinion sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Duplicated Student Names and Admission Numbers

Analysis of the schedule supporting students tuition fees of Kshs.682,149,514 generated from the ABNO UniSol ERP System revealed that 806 cases with cumulative balance of Kshs.60,324,811 had duplicate numbers and names in the system. However, no reason

or explanation was provided for the duplication although the ERP system is supposed to only accept a student number and particulars account once.

Consequently, the controls in the University student management system are weak and the accuracy and authenticity of the information generated including the student tuition fees figure of Kshs.682,149,514 for the year ended 30 June 2018 cannot be confirmed.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires 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 University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the University 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 University's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion 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 University policies and procedures may deteriorate.

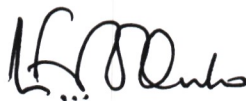
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue as a going concern.
- 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

19 June 2019



MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEARENDED 30TH JUNE 2018

XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2018

	Note	2018	2017
Revenue from non-exchange transactions			
		KSHS	KSHS
Recurrent Grant(GoK)	3	1,864,556,766	1,315,031,252
Research Grants	4	26,391,166	21,072,925
Total revenue from non-exchange transactions		1,890,947,932	1,336,104,177
Revenue from exchange transactions			
Tuition and Related Charges	5	1,035,336,426	1,331,029,755
Income Generating Units	6	15,958,141	27,970,219
Other Income	7	22,165,489	33,273,079
Total revenue from exchange transactions		1,073,460,056	1,392,273,054
Total revenue		2,964,407,987	2,728,377,231
Expenses			
Employee costs	8	2,067,372,454	1,643,644,184
Depreciation and amortization	9	83,186,374	81,886,632
Repairs and Maintenance Expenses	10	26,881,947	29,171,562
Contracted Services	11	114,326,880	108,044,628
General Expenses	12	183,510,452	174,170,625
Academic(Teaching, Research and Extensions)	13	322,404,325	352,771,165
Remuneration of Council	14	21,593,121	13,976,062
Chancellor Expenses	14	677,419	
Provision for bad debts	15	11,163,821	18,947,745
Total expenses		2,831,120,793	2,422,612,603
Surplus/(Deficit)		133,287,195	305,764,628

The notes set out on pages 31 to 69 form an integral part of these financial statements.






MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
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FOR THE YEARENDED 30TH JUNE 2018

XII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

	Notes	2018	2017
		KSHS	KSHS
ASSETS			
Current assets			
Cash and cash equivalents	16	246,976,770	431,766,000
Receivables from exchange transactions	17	1,325,508,898	1,241,318,882
Receivables from non-exchange transactions	18	40,420,067	45,276,600
Inventories	19	29,206,439	23,522,000
Total Current Assets		1,642,112,173	1,741,883,482
Non-current assets			
Property ,plant and equipment	20	1,578,596,117	1,391,780,461
Turkana university college Development	21	1,139,507,500	969,507,500
Biological Assets	22	320,000	0
Intangible assets	23	15,662,147	14,135,889
Total no - current assets		2,734,085,764	2,375,423,850
TOTAL ASSETS		4,376,197,937	4,117,307,332
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	24	589,116,268	748,358,785
Refundable deposits from customers	25	320,068,284	261,225,681
Deferred income	26	15,628,337	16,872,925
Employee benefit obligation	27	14,348,750	26,657,940
Total current liabilities		939,161,639	1,053,115,331
NET ASSETS			
Capital Grants Reserves		3,410,854,515	3,180,841,590
Accumulated Revenue Surplus		15,062,057	(127,769,314)
Revaluation Reserves		11,119,725	11,119,725
Total Net Assets		3,437,036,297	3,064,192,001
Total Net Assets and Liabilities		4,376,197,937	4,117,307,332

The Financial Statements set out on pages 29 to 75 were signed on behalf of the Council by:

		
Prof. Eng. Fredrick A.O. Otieno Vice Chancellor	CPA Stella G Kabuga Ag.Head of Finance ICPAK Number 10182	Dr. Jeremy Bundi Chairman of the Council

Date: 21/09/2018



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XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2018

Reserves	Capital Development Reserves	Accumulated Revenue Reserves	Revaluation Reserves	Total
	Kshs	Kshs		Kshs
Balance as at 1st JULY 2016	2,102,616,045	204,873,460	11,119,725	2,318,609,230
Revenue Reserve for the year	•	305,764,627		305,764,627
Capital Development Grants	36,225,545	-		36,225,545
Grants for Special projects	1,042,000,000			1,042,000,000
Prior Year Adjustments		(638,407,401)		(638,407,401)
Revaluation Reserves				0
Balance as at 30 JUNE 2017	3,180,841,590	(127,769,314)	11,119,725	3,064,192,001
Balance as at 1ST JULY 2017	3,180,841,590	(127,769,314)	11,119,725	3,064,192,001
Revenue Reserve for the year		133,287,195		133,287,195
Capital Development Grants	60,012,925	-		60,012,925
Grants for Special projects	170,000,000			170,000,000
Prior Year Adjustments		9,544,178		9,544,177
Revaluation Reserves			0	0
Balance as at 30 JUNE 2018	3,410,854,515	15,062,057	11,119,725	3,437,036,297



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XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018	2017
		KSHS	KSHS
Cash flows from operating activities			
Surplus for the year		133,287,195	305,764,627
Add: Depreciation	9	83,186,374	81,886,632
Transfer of Trade & Payables to revenue reserves		0	238,542,424
Operating surplus before working capital changes		216,473,568	626,193,683
Working capital changes			
Increase in inventories	19	(5,684,439)	22,684,984
Increase in trade and other receivables	17&18	(79,333,483)	(212,265,408)
Increase/(decrease) in trade and other payables	24,25,26&27	(113,953,692)	40,976
Net cash flows from operations		(198,971,613)	(189,539,448)
Net cash flows from operating activities		17,501,956	436,654,235
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	20,21,22&23	(441,848,287)	(1,150,891,066)
Proceeds from sale of property, plant and Equipment		0	
Net cash flows used in investing activities		(441,848,287)	(1,150,891,066)
Cash flows from financing activities			
Capital grants receipts		230,012,925	1,078,225,545
Net cash flows used in financing activities		230,012,925	1,078,225,545
Net increase/(decrease) in cash and cash equivalents		(194,333,407)	363,988,714
Adjustment for Bank reconciliation Suspense	29	9,544,178	(221,217,991)
Cash and cash equivalents at the beginning of the year		431,765,999	288,995,276
Cash and cash equivalents at end of the year	16	246,976,770	431,765,999

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XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

		Original budget	Adjustments	Final budget	Actual Outcome	Performance difference	Budget Vs Actual Variance
		2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	%
A	Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
1	Recurrent Grants	1,509,725,220	354,831,546	1,864,556,766	1,864,556,766	-	100
2	Development Grants	196,353,880	(154,515,410)	41,838,470	60,012,825	18,174,355	143
3	Retained Earnings	241,446,000		241,446,000	211,835,462	(29,610,538)	88
4	Research Grants	6,000,000	20,000,000	26,000,000	26,391,166	391,166	102
5	Tuition and Other Related Fees	1,182,779,165		1,182,779,165	1,035,336,426	(147,442,739)	88
6	Other Income	75,511,500		75,511,500	38,123,630	(37,387,870)	50
7	Total Income	3,211,815,765	220,316,136	3,432,131,901	3,236,256,275	(195,875,626)	94
8	Expenses						
9	Employee costs	1,537,322,190	354,831,546	1,892,153,736	2,067,372,454	(175,218,718)	109
10	Depreciation and amortization	84,000,000	-	84,000,000	83,186,374	813,626	99
11	Repairs and Maintenance Expenses	33,000,000		33,000,000	26,881,947	6,118,053	81
12	Contracted Services	115,222,988		115,222,988	114,326,880	896,108	99
13	General Expenses	347,945,953		347,945,953	183,510,452	164,435,501	53
14	Academic(Teaching, Research and Extensions)	353,950,000		353,950,000	322,404,325	31,545,675	91
15	Remuneration of Council	20,000,000	-	20,000,000	21,597,121	(1,597,121)	108
16	Chancellor Expenses	-		-	677,419	(677,419)	0
17	Provision for bad debts	-		-	11,163,821	(11,163,821)	0
18	Capital Expenses	434,000,000	(154,515,410)	279,484,510	271,848,287	7,636,303	97
19	Total Expenditure	2,925,441,131	200,316,136	3,133,357,297	3,102,969,080	22,788,187	99
20	Surplus	286,374,634	20,000,000	286,374,634	133,287,195	(218,663,813)	

This budget statement relates to the approved Budget for Financial year 2017/2018

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**Notes to the Statement of Comparison of Budget and Actual Amounts for the
Year Ended 30 June 2018**

1. The recurrent grants support from the National Government of Kshs. 1,864,556,766 was realized as planned thus registering 100% performance. This showed commitment from the National government to continue support the University in quest to recruit and retain competent staff.
2. The printed estimates for 2017/2018 had an approved development budget for MMUST at Kshs. 196,353,880. In the course of the year the budget was reduced to Kshs. 41,838,470. In the year 2016/2017 a balance of Kshs 18,174,455 was received in 2017/2018 together with Kshs. 41,838,470 for FY 2017/2018 thus the source of the positive variance. This reduction in development budget exerted a lot of financial stress on our development activities.
3. Retained Earnings of Kshs. 211,194,462 was invested in assets against planned activities of Kshs. 241,446,000. This was due to challenging operating environment that has diminished cash flows.
4. Research Grants income was realized Kshs. 26,391,166 against a projection of Kshs. 26,000,000. This is income from support received from donor organisations supporting various scholarly activities for the academic staff.
5. Tuition and related charges recorded 88% of the budget amounts. This was marginal reduction of Kshs. 145,221,739 over the budget amount. This was as a result of industrial unrest that extended the academic year thus revenue collected after the financial year.
6. Other income recorded 50% of the target giving a reduced performance. The main component of other incomes is catering income which realized significant drop in revenues as shown in note 7 in the detailed notes to the financial statements. This was occasioned by industrial unrest by University teaching staff which led to closure of major operations for almost six (6) months. In addition there was increased competition by private businesses around the University and general underperformance of the economy.
7. Employee costs recorded 109% of the budget. The increase was as a result of outstanding Part time lecturers claims for previous periods which had not been provided for and medical expenses which was budgeted under administrative expenditure. A total of Kshs. 175,218,718 was used over and above the budget.
8. Depreciation provision registered 99% against the budget. This largely depended on the level of Property, Plant & Equipment maintained in the year.

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**Notes to the Statement of Comparison of Budget and Actual Amounts for the
Year Ended 30 June 2018 (Continued)**

9. Repairs and Maintenance recorded 81% performance against the budget. The university undertook precautions for prudent use of finances to only spend on critical activities. In addition, there was Industrial unrest by University teaching staff which led to closure of major operations for almost six (6) months. Most of the expenditure were realized after the reporting period when the second semester resumed
10. Contracted services registered a performance of 99% against the budget.
11. General expenses recorded 53% of the budget. The university took precautions and opted for prudent use of finances only spending on critical activities. In addition, there was Industrial unrest by University teaching staff which led to closure of major operations for almost six (6) months. Most of the expenditure were realized after the reporting period when the second semester resumed in July 2018 after the reporting period.
12. Academic (Teaching, Research and Extensions) expenses registered 91% against budget.
13. Council Expenses registered 108% performance against budget. The council expenses includes cost incurred by staff members who were in attendance in council of meeting having been called upon to provide expert information in specific meetings.
14. The University made a provision for bad debts owing to the fact that some of our students default in fee payment for the academic year in question.
15. Capital Expenses recorded 60% of the budget. The university requirement was as per the original budget but the Government reduced the approved estimates from 196m (see attached approval from Treasury) to 41.8m. This limited the level of expenditure since the university concentrated on most critical areas like the ongoing construction projects.

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NOTES ON THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Masinde Muliro University of Science & Technology is established by and derives its authority and accountability from the Universities Act of 2012 (No 42 of 2012). The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activities are teaching, research, innovation, and extension services.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The asset valuation process is ongoing and the report was not ready by the time of preparing this report thus the assets are recognized at net book value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the University accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. This has been implemented and has helped in matching expenses as and when they are incurred.

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NOTES ON THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019:</p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p>

iii. Early adoption of standards

The University did not early – adopt any new or amended standards in year 2018.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The University recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. 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 University and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the University and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

The University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

1 Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the University's right to receive payments is established.

Rental income

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

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly in May 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the University upon receiving the respective approvals in order to conclude the final budget. Accordingly, the University

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b) Budget information (Continued)

recorded additional appropriations of Kshs 354,831,546 on the 2017-2018 budget following the governing body's approval.

The University's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XV of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the University operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with

c) Taxes (Continued)

investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable University and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

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c) Taxes (Continued)

- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

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 property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the University. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The University also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the University will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible assets

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

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

h) Research and development costs

The University expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the University can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale

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- h) Research and development costs (Continued)**
- Its intention to complete and its ability to use or sell the asset
 - How the asset will generate future economic benefits or service potential
 - The availability of resources to complete the asset
 - The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the University has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized

cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

h) Research and development costs (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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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.

i) Inventories

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.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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 University.

j) Provisions

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

Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent liabilities

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

Contingent assets

The University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. Capital Grants Reserves are meant for renewal/development of assets. Accumulated Revenue Reserves are meant for recording surpluses/deficits from operating results. Revaluation Reserves are meant for recording increases/decreases in the value of plant, property and equipment as approved from time to time.

l) Changes in accounting policies and estimates

The University recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits

Retirement benefit plans

The University provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an University pays fixed contributions into a separate University (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-

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annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date.

Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

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

q) Service Concession Arrangements

The University analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the University recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the University also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

u) Biological Assets

1) Recognition and Measurement

The University shall recognize a biological asset or agricultural produce when

and only when:

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

The actual movement in biological assets is provided in the notes explaining the financial statements

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The University based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the University. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

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

F/NO	DETAILS	2018	2017
		KSHS	KSHS
3	Recurrent Grant(GoK)		
	July	354,831,545.45	109,585,937.50
	August	111,192,746.00	109,585,937.50
	September	111,192,746.00	109,585,937.50
	October	111,192,746.00	109,585,938.00
	November	184,281,191.20	109,585,938.00
	December	125,810,435.00	109,585,938.00
	January	125,810,435.00	109,585,938.00
	February	125,810,435.00	109,585,937.50
	March	125,810,435.00	109,585,938.00

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	April	125,810,435.00	109,585,938.00
	May	125,810,435.00	109,585,938.00
	June	125,810,435.00	109,585,938.00
	Sub total	1,864,556,766	1,315,031,252
4	Research Grants	26,391,166	21,072,925
5	Tuition and Related Charges		
	Tuition Fees	682,149,514	963,940,628
	Student Opening Balances	418,777	8,978,115
	Old Students Debts	0	0
	Registration fees	2,837,465	3,338,650
	ID charges	500	70,000
	Activity fees	15,146,900	16,708,200
	Amenity fees	14,745,150	16,391,750
	Medical fees	23,525,750	26,294,750
	Students Organizational Fee	6,036,988	6,951,650
	Examination fees	58,855,711	64,292,245
	ICT levy	75,288,365	69,757,500
	Teaching Practice	69,165	29,665
	Field Trips	330,000	360,000
	Thesis	5,250,000	7,314,600
	Supervision	9,641,905	14,588,000
	Professional Insurance Indemnity	217,500	339,500
	Library Fees	44,965,800	41,702,390
	Graduation Fees	23,905,150	21,945,490
	Skill Laboratory Fee	1,447,900	860,000
	KUCCPS Processing Fee	5,282,500	4,984,000
	Hospital Consumables	2,149,100	2,260,330
	Medical Insurance	210,500	131,000
	Appraisal Forms	2,100	31,600
	Psychiatry Case Presentation Forms	200	7,200
	Practical Fee /Clinical Placements	2,735,000	1,139,500
	Attachment	53,390,565	39,725,555
	Computer Laboratory Costs	860,000	977,000
	Laboratory Fees	915,200	1,774,165
	Board (KNDI)	18,100	39,100
	Training Fees	3,000	278,450
	Referral/Supplementary	86,330	134,530
	Damages	92,900	241,721
	Application fees	1,372,500	3,065,266

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	Late Application Fee	500	5,500
	Extended Supervision (Fee)	1,000	5,000
	Examination For Revised Thesis	0	165
	Lesson Plan	275,395	159,950
	Supplementary Exam Fee	0	300
	Examination Fee – PHD	15,000	100,000
	Old students Receipts	0	1,200
	Caution fees	0	135,000
	Alumni	0	1,000
	Field work fee	609,000	18,000
	Student smart card charges	3,322,550	9,321,890
	Total Tuition and Related Income	1,035,336,426	1,331,029,755
6	Income Generation Units		
	Farm income	46,200	80,960
	Catering	7,117,098	9,601,582
	MMUST FM	0	231,500
	Book Shop	566,583	908,450
	Workshop & Conferences	292,542	12,159,601
	Rental Estate Income	13,000	636,603
	Library Income	120,205	184,145
	Estate sell of Grass	140,340	177,200
	Sale from production unit	221,181	1,772,390
	Hire of Venues / Trappers/ Equipment and Transport	7,239,393	1,628,060
	Short courses/Consultancies	201,600	589,729
	Total Income From IGU	15,958,141	27,970,219
7	Other Income		
	Accommodation	16,575,035	23,340,493
	Fines & Penalties	194,816	19,240
	Misc. Income	1,814,262	1,781,142
	Sale of Tender Documents	11,000	4,000
	Disposal of Boarded Item Sales	20,000	1,433,500
	Insurance Agency Fees	0	100,000
	Research Income	1,301,538	4,997,031
	Prize and Awards	0	0
	Interest income	435,510	1,172,674
	Revenue from collaborations	10,000	425,000
	Pan African Congress Proceeds	1,803,328	
	Total Sundry Incomes	22,165,489	33,273,079
8	Employee Costs		
	Basic salaries (MMUST & TUC)	1,201,731,097	731,383,589
	Less basic salaries paid for TUC	60,497,766	

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	Car Allowances	118,297,479	116,152,041
	Casual Workers	0	77,132
	Commuter Allowance	0	774
	Disturbance and settlement allowance	147,000	1,618,400
	Gratuity expenses	28,459,038	25,164,799
	House Allowances	367,730,006	368,508,725
	Management Allowance	1,200,000	800,000
	Medical Expenses	45,181,338	82,098,557
	OTHER PERSONAL ALLOWANCES	100,815,110	96,168,099
	Part-time Payments	132,699,750	94,774,504
	Passage and Baggage Allowances	262,480	1,305,020
	Pension contribution	125,121,847	120,776,568
	Salary Arrears/Increment	0	433,830
	Stipend	6,225,074	4,380,645
	Telephone Allowance	0	1,500
	Total Personnel Emoluments	2,067,372,454	1,643,644,184
9	Depreciation and Amortization		
	Depreciation of Buildings	28,818,696	28,818,696
	Depreciation of Computers and appliances	12,150,853	16,198,116
	Depreciation of Furniture and Fittings	10,995,999	10,691,056
	Depreciation of Motor vehicles	4,685,419	6,042,925
	Amortization of Software (ERP)	5,597,000	
	Depreciation on Plant and equipment	15,353,125	14,661,649
	Depreciation on Library Books and Journals	5,585,282	5,474,189
	Total Depreciation of Property, Plant and Equipment	83,186,374	81,886,632
10	Repairs and Maintenance		
	Maintenance of Catering and Hostel Facilities	0	2,234,963
	Repair and Maintenance of Motor vehicles	4,616,976	8,956,975
	Maintenance of Plant, Furniture and Equipment	1,744,412	2,138,218
	Maintenance of Computers	3,751,012	2,827,616
	Maintenance of Buildings	16,769,546	12,702,050
	Maintenance of Water supply & Sewerage	0	48,900
	Maintenance of Play Grounds and Parks	0	262,840
	Total Maintenance Expenses	26,881,947	29,171,562
11	Contracted Services		
	Cleaning Services	9,355,059	9,127,878
	Insurance Expenses	7,629,343	9,207,103
	Legal Expenses	7,778,855	3,218,103
	Rent and Rates	59,690,911	58,489,127
	Security Services	29,872,712	28,002,416

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	Total Contracted Services	114,326,880	108,044,628
12	General Expenses/ Administration Expenses		
	Advertising and Publicity Expenses	14,654,632	13,253,716
	Affiliation fees	2,889,264	3,612,792
	Audit fee	2,682,312	479,000
	Careers week	1,053,300	429,500
	Corporate Social Responsibility	1,602,198	229,865
	coaching and mentoring	1,425,100	259,860
	Emergency expenses	0	27,760
	External Travelling and Accommodation Expenses	2,512,642	1,764,470
	Bank Charges	3,561,659	3,642,698
	Bookshop expenses	1,006,910	0
	CATERING EXPENSES	13,147,996	10,734,964
	IGU EXPENSES	514,893	1,048,207
	Forensic Audit	5,283,467	2,013,459
	Fumigation Expenses	0	9,484,602
	Industrial Attachment costs	3,014,328	739,290
	Inter-University Games	7,398,452	4,847,136
	Kaimosi University college Expenses	146,300	698,500
	MMUSO	7,134,308	5,651,482
	Office Expenses	3,863,505	5,767,754
	Office Stationery	16,644,251	31,216,145
	Official entertainment	2,181,121	2,210,892
	Performance Contracting Costs	0	315,577
	Postal and Courier Expenses	452,984	487,389
	Senate Expenses	353,360	284,660
	Show and Exhibitions	782,470	1,121,370
	Special Projects	1,731,150	967,944
	Sports Equipment	1,578,020	0
	Student Registration Expenses	673,500	1,408,536
	Tamasha	27,100	1,186,800
	Telephone Expenses	589,275	890,455
	Training and Staff Development Expenses	4,219,288	3,223,391
	Transport Operating Expenses	10,988,028	9,918,142
	Traveling and Accommodation	9,436,447	12,277,677
	UMB EXPENSES	3,421,109	240,065
	University Choir	1,633,915	1,135,880
	Electricity	15,770,110	13,819,865
	Hire of Transport, plant and equipment	0	623,332
	MMUST Enterprises	195,288	3,631,455
	Public Celebrations and Funerals	1,391,710	1,292,816
	Purchase of Furniture	0	121,065

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	Purchase of Uniforms and Clothing	119,800	44,100
	Tender Expenses	14,450	230,160
	Water and Conservancy	20,198,609	23,079,984
	Commission for University Education Expenses	12,774,000	0
	MMUSO Election & Training	2,475,200	0
	Valuation Services	3,968,000	0
	Total General Administrative Expenses	183,510,452	174,170,625
13	Academic (Teaching, Research & Extension)		
	Alumni expenses	694,280	1,199,500
	Disability Mainstreaming expenses	335,300	0
	Donor funded research expenses	26,391,166	7,533,878
	DRAMA Festivals	3,137,894	427,400
	Examination Expenses	3,421,670	1,760,561
	External examiners expenses	2,236,878	3,167,310
	Graduation Expenses	10,714,744	7,173,616
	Graduation gown hire and cleaning expenses	150,000	864,720
	HIV/AIDS Expenses	4,550	236,300
	Inaugural Lectures expenses	474,058	45,500
	Internet connectivity expenses	23,174,468	31,205,274
	ISO Certification	0	1,032,850
	KNUT-MMUST Scholarship expenses	2,549,725	3,975,225
	Library expenses	587,223	0
	MMUST scholarship	2,479,500	2,164,500
	MMUST Talent Scholarship	2,808,500	2,059,000
	MMUST work-study support programmes	2,070,766	485,536
	New Programmes	3,342,954	1,170,084
	Performance Contracting	177,020	732,100
	Practical/clinical placement expenses	464,800	0
	PSSP Expenses	140,509,484	217,927,562
	Research Expenses	16,686,958	14,282,952
	Seminars and Conferences	6,660,773	2,474,358
	Staff Tuition Deduction Payments	42	0
	Student Expenses	0	258,816
	Student refund expenses	18,500	456,500
	Students Practical Expenses	23,760	5,311,071
	Teaching Material	13,997,264	5,494,182
	Teaching Practice and Field Attachment	49,707,957	29,414,206
	Thesis Supervision Expenses	9,584,092	11,918,164
	Total Academic (Teaching, Research and Extensions)	322,404,325	352,771,165

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14	Remuneration of Council/Chancellor		
	Chancellor Expenses	677,419	0
	Council Expenses	21,597,121	13,976,062
	Total Council/ Chancellor Expenses-parent	22,274,540	13,976,062
15	Bad debts Provision		
	Provision for bad debts	11,163,821	18,947,745
16	Cash and Cash Equivalents		
	MMUST KCB 1101811269	133,523,440	141,463,015
	MMUST KCB Payments 1101922109	10,955,568	9,020,340
	MMUST KCB 1101922370	143,347	113,197
	MMUST KCB 1101923210	461,095	64,562,088
	MMUST BBK 8080317 IGU	811,640	15,960,646
	MMUST BBK 8086269 (Tuition)	3,278,085	10,304,316
	MMUST NBK 0100370554000	26,758,541	21,463,599
	MMUST Standard Bank 0102002576500	5,759,469	7,622,108
	MMUST Coop Bank 01129033999900	3,416,254	5,216,547
	MMUST Equity Bank 050029463103	6,114,428	15,293,026
	MMUST Family Bank 078000012655	5,121,844	899,536
	MMUST KCB 1101811331 (payment)	1,905,818	93,220,759
	MMUST Standard Bank 0102098712400	21,883,336	9,251,046
	MMUST Standard Bank 8702098712400	14,876,531	7,733,997
	Un-surrendered Imprests	3,878	3,878
	MMUST BBK 0091001438 Collection Account	855,743	826,743
	MMUST Equity 1650264152539 Kakuma	8,092,271	10,817,556
	KCB Seminars and Conferences	0	77,000
	MMUST Standard Bank 0140098712400 KSHS (CALL)	603,872	343,037
	MMUST School of Medicine KCB 1179668162	809,337	9,814,052
	MMUST-KAIMOSI CAMPUS 1164385291	0	7,759,513
	MMUST Standard Bank 10200257-6501	1,602,272	0
	Total Cash and Cash Equivalents	246,976,770	431,766,000
17	Receivables from Exchange Transactions		
	IGU Receivable	21,707,598	28,532,666
	Prepaid Expenses	1,574,000	1,574,000
	Provision for unbanked cash	28,976	9,939,003
	Receivable Recurrent Grants	4,102	2
	Student Debtors	1,302,105,722	1,220,107,856
	Sundry Debtors	88,500	88,500
	Total Receivables from Exchange Transactions	1,325,508,898	1,260,242,027

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✓18	Receivables from Non-Exchange Transaction		
	Staff Imprest	40,420,065	45,276,598
	Total Receivables from Non-Exchange Transactions	40,420,067	45,276,600
✓19	Inventories		
	Book Shop Stock	1,165,292	268,790
	Clinical Drugs Stocks	2,696,664	2,843,803
	Dry Food Stock	1,250,961	1,496,181
	Engineering Stocks	14,500	94,710
	Estate Building Materials	12,047,267	9,325,039
	Games and Sports Materials	1,360,251	759,576
	Hostels & Accommodation Inventories	521,238	530,326
	Lab Chemicals and Equipment	3,069,431	1,281,714
	Production Unit Stocks	372,385	111,700
	Stationery Central Stores	6,708,450	6,810,161
	Total Inventory and Stores	29,206,439	23,522,000

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20 PROPERTY, PLANT AND EQUIPMENT										
A	Current year	Land	Buildings	Work in Progress	Plant & Equipment	Computers	Furniture	Library Books	Motor Vehicles	Total
		0	0.025		0.2	0.33	0.125	0.25	0.25	
	Cost									
	At 01 July 2016	78,299,725	1,147,608,306	93,000,520	200,240,340	95,488,830	126,641,591	8,351,611	120,471,071	1,870,101,994
	Additions	-	-	118,777,885	28,094,862	15,528,172	483,608	13,545,146	-	176,389,673
	Disposals	-	-	-	-	-	-	-	-	-
	Transfers/Adjustments	-	5,139,550	(5,139,550)	(10,371,318)	-	(1,712,930)	-	-	(12,084,248)
	At 30 June 2017	78,299,725	1,152,747,856	206,598,855	217,963,884	111,017,002	125,412,269	21,896,757	120,471,071	2,034,407,419
	At 01 July 2017	78,299,725	1,152,747,856	206,598,855	217,963,884	111,017,002	125,412,269	21,896,757	120,471,071	2,034,407,419
	Additions	-	-	217,661,045	32,043,934	9,310,168	1,524,674	444,369	3,420,840	264,405,030
	Disposals	-	-	-	-	-	-	-	-	-
	Transfers/Adjustments	-	-	-	-	-	-	-	-	-
	At 30 June 2018	78,299,725	1,152,747,856	424,259,900	250,007,818	120,327,170	126,936,943	22,341,126	123,891,911	2,298,812,449
	Depreciation and Impairment									
	At 30 June 2015	-	(106,900,115)	-	(162,557,460)	(69,652,045)	(57,329,542)	-	(94,690,455)	(491,129,617)
	Charge for the year	-	(28,690,208)	-	(10,209,335)	(11,173,776)	(9,689,834)	(2,087,903)	(7,759,653)	(69,610,708)
	At 30 June 2016	-	(135,590,323)	-	(172,766,795)	(80,825,821)	(67,019,376)	(2,087,903)	(102,450,108)	(560,740,325)
	Charge for the year	-	(28,818,696)	-	(14,661,649)	(16,198,116)	(10,691,056)	(5,474,189)	(6,042,925)	(81,886,632)
	At 30 June 2017	-	(164,409,019)	-	(187,428,444)	(97,023,937)	(77,710,432)	(7,562,092)	(108,493,033)	(642,626,957)

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Charge for the year	-	(28,818,696)	-	(15,353,125)	(12,150,853)	(10,995,999)	(5,585,282)	(4,685,419)	(77,589,374)
At 30 June 2018	-	(193,227,715)	-	(202,781,569)	(109,174,791)	(88,706,432)	(13,147,374)	(113,178,452)	(720,216,332)
NBV At 30 June 2015	67,180,000	974,010,319	948,494,773	25,474,581	19,453,880	27,847,192	-	21,630,316	2,084,091,061
NBV At 30 June 2016	78,299,725	1,012,017,983	93,000,520	27,473,545	14,663,009	59,622,215	6,263,708	18,020,963	1,309,361,669
NBV At 30 June 2017	78,299,725	988,338,837	206,598,855	30,535,440	13,993,064	47,701,836	14,334,665	11,978,039	1,391,780,462
NBV At 30 June 2018	78,299,725	959,520,141	424,259,900	47,226,249	11,152,379	38,230,511	9,193,753	10,713,460	1,578,596,117

Note:

- The Land owned by the University is freehold/ leasehold as per the following schedule:

S/No.	Title Deed No.	Type of Ownership	Location
1	East/ Bunyore /Ebungwe/1857	Absolute/freehold	Ebungwe
2	Kakamega Municipality Block III/299	Leasehold	Kakamega Municipality
3	E.Bukusu/ N. Kanduyi/ 4821	Absolute/freehold	Bukusu/ Kanduyi
4	Kakamega Municipality Block III/298	Leasehold	Kakamega Municipality
5	Kakamega/ Town/ Block III/5	Leasehold	Kakamega Town

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2. The Work in Progress included in the PPE relate to a) Multipurpose Hall, b) Anatomy Lab, c) Office Block Building and d) Tuition Block Building. A Schedule of the items is included herein for information.

	Work in Progress Summary Per Project		Bal bd 30/06/2018
	Bal bf 01/07/2017	Additional works	
	Kshs.	Kshs.	Kshs.
Multi Purpose Hall	93,000,520.31	16,890,292.80	109,890,813.11
Anatomy laboratory	11,716,904.50	27,243,833.50	38,960,738.00
Office/ Administration block	70,956,012.00	107,130,813.50	178,086,825.50
Tuition block	27,310,943.88	66,396,105.06	93,707,048.94
Consultancy Quantity Surveyor	812,000.00	-	812,000.00
County approvals, EIA and NCA	2,802,474.55	-	2,802,474.55
TOTAL	206,598,855.24	217,661,044.86	424,259,900.10

3. Allocated Land LR. No. Isukha/Lubao/425

According to Gazette Notice No. 6862 of 2017, the National Lands Commission directed the Chief Land Registrar to revoke the title for LR. No. Isukha/Lubao/425 reserved for the University but had been illegally allocated to the holders and reinstates the title to the University. The Management has embarked on the process of acquiring title by carrying out community participation and other requirements. Once the title is conferred on the University valuation of the said land will be carried out and included in the schedule of land in the statement of financial position as per the requirements of the IPSAS.

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F/NO	DETAILS	2018	2017
		Kshs	Kshs
✓ 21	Turkana University		
	Turkana University College Development	1,139,507,500	969,507,500
	This asset relates to the establishment of Turkana University College by MMUST as a mentoring institution. This relates to the purchase of MKU-Lodwar Campus for establishment of Turkana University College.		
✓ 22	Biological Assets(Cattle for Teaching)		
	Opening Balance as at 1/7/2017	0	0
	Additions during the year	320,000	
	Disposals during the year	0	
	Closing balance as at 30/6/2018	320,000	
✓ 23	Intangible Assets		
	Opening Balance	14,135,889	14,135,889
	Addition for the year	7,123,258	
	Amortized amount	5,597,000	
	Closing Balance	15,662,147	14,135,889
24	Trade and Other Payables from Exchange Transactions		
	Accounts recurrent Payables	73,006,869	17,236,119
	Accounts Payables	26,151,783	
	Botanical Garden	2,000	2,000
	Capital Creditors	0	509,356
	Insurance Claim	2,206,703	0
	Medical Bills	0	0
	Part time Payable Expenses	835	1,990,835
	Projects Retention Money	41,438,205	42,357,367
	CDF Control	32,361,357	8,622,382
	Customer Prepayments	67,501	55,001
	HELB Control	54,487,304	37,258,491
	HELB LOAN DEDUCTIONS	1	499,003
	KUDHEIHA MMUST Chapter	0	154,633
	KUSU MMUST Chapter	0	130,639
	UASU MMUST Chapter	0	1,273,724
	With Holding Tax Payables	21,277,563	17,313,756
	Art Check offs	0	32,456
	Bank Staff Loans Deductions	364,064	31,928,268

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	CBA Arrears	8,928,688	12,711,487
	NHIF	0	2,562,750
	Other Staff Deductions	2,527,701	3,200,345
	Payee	7,378,056	26,045,636
	Payroll Net pay	17,215,464	50,835,465
	PSSP Arrears	264,776,828	414,707,750
	Sacco Deduction	84,702	3,350,545
	STAFF PENSION CONTRIBUTIONS	310,056	18,315,460
	Staff Tuition Deductions	0	135,458
	Bank transfers clearing (Dollars)	0	60,124
	Opening Balances Suspense	0	105,350
	Provision for Audit Fees	1,000,000	1,000,000
	Provision for Consultancy Services	5,061,068	0
	Provision for Part time lecturers	15,130,753	130,752
	Provision for Thesis supervision	14	14
	Retention Work in progress	0	15,433,314
	Out Put Vat	12,275,883	3,119,686
	Tax Arrears	3,062,898	44,101,985
	Total Trade and Other Payables	589,116,268	748,358,785
25	Refundable deposits from Customers		
	Prepayments	222,177,031	169,725,628
	Due to Old Students debts	68,846,353	68,850,653
	Caution Money	29,044,900	22,649,400
	Total Refundable Deposits	317,846,284	261,225,681
26	Deferred Income		
	Research Grants & Donations	15,628,337	16,872,925
27	Employee Benefit Obligation		
	Gratuity	14,348,750	26,255,940
	Nssf	0	402,000
28	Capital Development Grants		
	MMUST- Capital	60,012,825	36,225,545
	Turkana University, Recurrent	120,800,002	
	Turkana University, Capital	170,000,000	1,078,225,545
29	Prior Year Adjustments		
		9,544,178	(638,407,401)
29	Adjustment for bank Reconciliation Suspense		
		9,544,178	(221,217,991)

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30. Contingent Liabilities

The University had a number of cases that were in court touching on various issues. The University discloses these liabilities herein for proper information.

F/NO	DETAILS	2018	2017
		Kshs	Kshs
	Midland Emporium Vs MMUST	7,000,000	7,000,000
	Alfatech Contractors Limited	7,000,000	21,864,172
	Kotecha Properties/ Midland Properties	46,590,578	47,000,000
	UASU		1,035,000
	Henry Mutange	24,727,083	24,727,083
	Kopar Agencies	1,136,930	1,136,930
	Leah Mbira	1,465,924	1,465,924
	Agriculture (ASK)	4,484,720	0
	Total	92,405,235	104,229,109

31. Related Party Disclosures

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

ii) Related party amounts are disclosed as follows:

DETAILS	2018	2017
Council Expenses	22,274,540	13,976,062
Top Management Remuneration	56,451,096	64,406,519
Amounts owed to Turkana University College	25,302,236	
TOTAL	104,027,872	78,382,581

The University continued to receive government grants on behalf of Turkana University College and the balance as at 30th June 2018 was as indicated in the schedule above.

32. Financial Risk Management

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

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

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

30th June 2018	Fully Performing Kshs.	Past Due but not impaired Kshs.	Past due and impaired Kshs.	Total Kshs.
Financial Assets				
Receivables from Exchange Transactions	1,325,508,898			1,325,508,898
Receivables from Non-Exchange Transactions	40,420,065			40,420,065
Cash at Bank	246,976,770			246,976,770
Gross financial assets	1,612,905,733	-	-	1,612,905,733

30th June 2017	Fully Performing Kshs.	Past Due but not impaired Kshs.	Past due and impaired Kshs.	Total Kshs.
Financial Assets				
Receivables from Exchange Transactions	1,260,242,027			1,260,242,027
Receivables from Non-Exchange Transactions	45,276,598			45,276,598
Cash at Bank	431,766,000			431,766,000
Gross financial assets	1,737,284,625	-	-	1,737,284,625

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

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(ii) Market risk

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

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

(a) Foreign currency risk

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

Year ended 30th June 2018	US\$ Kshs.	Total Kshs.
Financial Assets		
Trade Receivables.		1,325,508,898
Trade Payables		(939,161,639)
Borrowings	-	-
Net Exposure		386,347,259
Year ended 30th June 2017	US\$ Kshs.	Total Kshs.
Financial Assets		
Trade Receivables.		1,241,318,882
Trade Payables		(1,053,115,331)
Borrowings		-
Net Exposure		188,203,551

Management consider that an appreciation /depreciation of the US\$ against Kshs. are reasonably possible and that a change of 5% either way of the current rate of Kshs. 100 for 1US\$ is likely to occasion a loss or gain of Kshs. 6,664,359 75 on the surplus for the year ended 30th June 2018.

(b)Interest rate risk

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

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Management of interest rate risk

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

Sensitivity analysis

The University analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

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

(iii) Price risk

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

33. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the University include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *University*, holding 100% of the *University's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the University, both domestic and external. Other related parties include:

- i) The National Government;
- ii) Ministry of Education
- iii) Commission for University Education

34. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

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35. ULTIMATE AND HOLDING UNIVERSITY

The University is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

36. Currency

The financial statements are presented in Kenya Shillings (Kshs).

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XVI. Appendix 1: Progress on Follow-Up of Auditor Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. in the external audit Report	Issue from Auditor	Observations	Management comments	Focal person to resolve the issue (Name and designation)	Status (Resolved/Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
1.	Trade and other Payables not fairly stated as at 30 th June 2017		<p>a) The Management has reviewed its ledgers and the audit figure of Kshs. 274,525,625 and wishes to clarify that the buildup of this figure did originate from our ledgers. However, we are working closely with the auditors to get the details so that we can fully address it.</p> <p>b) The Management has reviewed the debit balance of Kshs. 4,871,195 and found out that the figure relate to a misposting in the insurance claim account, medical bills and bank clearing account(Dollar). We have made journal corrections to the right ledgers. Attached the JVs and Trial</p>	Finance Officer	Resolved	30 th May 2018

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Point Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Balance for review.</p> <p>c) The Management clarifies that the Accounts Recurrent Payables initially had a figure that was brought forward into the ERP without validation of claims through signed off schedules. In the year a review of existing claims found out that Kshs. 238,542,429 was not supported by valid invoices. The Management effected a journal entry to write back this amount to revenue reserves. A copy of the JV and the revised ledger has been provided to support this position.</p> <p>d) Tax arrears account as per the ledger provided for audit contained Kshs. 47,221,672 composed of Kshs. 3,119,686 and Kshs. 44,101,985 for Output VAT and Tax Arrears respectively as per the Trial Balance provided. The separate ledgers for</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		the two accounts have been provided for review.			
2	Un supported and reconciled cash and cash equivalent	The management clarifies that bank reconciliation activity for all the university accounts are being done. The cash and cash equivalent figure has been correctly stated in the financial statements as our efforts to locate. We have provided copies of all bank reconciliation reports for the year under review.	Finance Officer	Resolved	
3	Unexplained adjustment of Kshs 638,407,401 on revenue reserve	The management clarifies that bank reconciliation activity for all the university accounts are being done. The cash and cash equivalent figure has been correctly stated in the financial statements as our efforts to locate. We have provided copies of all bank reconciliation reports for	Finance Officer	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	Irregularities/ unsupported PPE	the year under review. Management reviewed the assertion that the items of plant and equipment, computers and furniture and fittings of Kshs. 28,094,862, 15,528,172 and -1,235,263 respectively and wishes to confirm that indeed the payment vouchers were availed for review during the audit. The Management has provided the same for audit verification	Finance Officer	Resolved	30 th May 2018
5	Failure to adhere to contract agreement	The Management wishes to clarify that indeed the PCR Machine was supplied to the University through Delivery Note No. 2016-0217 of 17-02-16. The entire Inspection and Acceptance Committee certificate was issued on 3-3-2016 confirming the receipt of the PCR Machine. The contract was fully performed and there was no financial loss or misappropriation. We have attached the delivery note, job card and the	Finance Officer	Resolved	30 th May 2018



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: Resolved / Not Resolved	Timeframe: (Put a date when you expect the issue to be resolved)
		Inspection certificate for review.			

Signed.....

 Dr. Jeremy Bundi
 Chairman of Council

Signed.....

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

Date: 21st September 2018



XVII. Appendix ii: Inter-University Transfers

UNIVERSITY NAME:			
Break down of Transfers from the State Department of University Education			
FY 17/18			
a.	Recurrent Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		3-Jul-17	169,432,062.95
		19-Jul-17	185,399,482.50
		1-Aug-17	111,192,746.00
		4-Sep-17	111,192,746.00
		3-Oct-17	111,192,746.00
		3-Nov-17	111,192,746.00
		1-Dec-17	111,192,746.00
		1-Dec-17	73,088,445.20
		2-Jan-18	111,192,746.00
		2-Jan-18	14,617,689.00
		8-Feb-18	14,617,689.00
		8-Feb-18	111,192,746.00
		13-Mar-18	14,617,689.00
		13-Mar-18	111,192,746.00
		6-Apr-18	14,617,689.00
		6-Apr-18	111,192,746.00
		2-May-18	111,192,746.00
		3-May-18	14,617,689.00
		11-Jun-18	14,617,689.00
		11-Jun-18	111,192,746.00
		28-Jun-18	14,617,689.00
		28-Jun-18	111,192,746.00
		TOTAL	<u>1,864,556,765.65</u>
b.	Development Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		4-Jul-17	18,174,455.00
		12-Oct-17	36,588,470.00
		22-Jun-18	5,250,000.00
		TOTAL	<u>60,012,925.00</u>
	TURKANA UNIVERSITY		
		1-Aug-17	8,400,000.00
		4-Sep-17	8,400,000.00
		3-Oct-17	8,400,000.00
		3-Nov-17	8,400,000.00
		1-Dec-17	8,333,333.00



	1-Dec-17	8,400,000.00	2017-2018
	2-Jan-18	8,400,000.00	2017-2018
	2-Jan-18	1,666,667.00	2017-2018
	8-Feb-18	8,400,000.00	2017-2018
	8-Feb-18	1,666,667.00	2017-2018
	13-Mar-18	8,400,000.00	2017-2018
	13-Mar-18	1,666,667.00	2017-2018
	6-Apr-18	8,400,000.00	2017-2018
	13-Apr-18	1,666,667.00	2017-2018
	2-May-18	8,400,000.00	2017-2018
	2-May-18	1,666,667.00	2017-2018
	11-Jun-18	1,666,667.00	2017-2018
	11-Jun-18	8,400,000.00	2017-2018
	28-Jun-18	8,400,000.00	2017-2018
	28-Jun-18	1,666,667.00	2017-2018
	Recurrent total	120,800,002.00	
Capital	Nov 2017	170,000,000.00	2017-2018
	GRAND TOTAL	<u>290,800,002.00</u>	

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

Finance Officer
MMUST

Head of Accounting Unit
State Dept. of University Education

Sign  -----

Sign-----



VIII. Appendix iii: Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Multipurpose hall	110m	110m	100	0	17m	AIA/GVT
2	Anatomy laboratory	38.9m	38.9m	100	47,353,880	27M	AIA/GVT
3	Office Block	249M	178M	71	150,000,000	107M	AIA/GVT
4	Tuition Block	173M	93M	54	80,000,000	66.4M	AIA/GVT

