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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 15 MAR 2023
DAY
Wednesday
TABLED BY:
Leader of the Majority Party
CLERK-AT THE-TABLE:
Getrude Chebet

OF THE AUDITOR-GENERAL

ON

MACHAKOS UNIVERSITY

FOR THE YEAR ENDED 30 JUNE, 2021

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.
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MACHAKOS UNIVERSITY



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021

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

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LIST OF ABREVIATIONS AND ACRONYMS

MksU	-	Machakos University
VC	-	Vice Chancellor
DVC	-	Deputy Vice Chancellor
APF	-	Administration, Planning and Finance
ASA	-	Academic and Student affairs
RIL	-	Research, Innovation and Linkages
TNT	-	The National Treasury
MoE	-	Ministry of Education
TVET	-	Technical and Vocational Education and Training

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KEY INFORMATION AND MANAGEMENT

a) Background information

Machakos University is a premier University whose core mandate is to teach, train, conduct research, innovate, offer community service, generate new knowledge and facilitate technological transfer. Being the only public University in Machakos County, the University plays a leading role in providing scholarly education through training, research and innovation for industrial and socio-economic transformation for the community and the Country at large.

Machakos University as an institution was founded in 1957 as a Technical Rural Training School. It became Machakos Technical and Trade School in 1958 and Machakos Technical School in 1967. Later in 1987, it was converted to a Technical Training Institute, known as Machakos Technical Training Institute (MTTI). By a Legal Notice No.130 of 16th September 2011, the Institute became Machakos University College, a constituent college of Kenyatta University. On 7th October, 2016, Machakos University College was chartered and became a full-fledged public University by H.E Uhuru Muigai Kenyatta, the President and Commander in Chief of the Kenya Defense Forces of the Republic of Kenya. Machakos University has therefore, a Technical background and has a niche towards Engineering, Technology and Business. The University has been able to attract, develop and retain highly trained, motivated and experienced academic and administrative staff who continue to support the wide range of courses offered in its schools. The University is currently offering thirty-six (36) undergraduate programmes and thirty-four (34) post graduate programmes in the following ten (10) schools;

1) School of Agricultural Sciences
   i) Department of Agricultural Education and Extension
   ii) Department of Agribusiness
2) School of Environment and Natural Resource Management
   i) Department of Environmental Sciences
3) School of Education
   i) Department of Educational Management and Curriculum studies
   ii) Department of Educational Communication and Technology.
   iii) Department of Educational Psychology, Early Childhood and Special Needs Education.

KEY INFORMATION AND MANAGEMENT (CONTINUED)

4) School of Business and Economics
   i) Department of Business Administration
   ii) Department of Economics
   iii) Department of Accounting, Banking and Finance
5) School of Health Sciences
   i) Department of Public and Community Health
6) School of Humanities and Social Sciences
   i) Department of Linguistics and Languages.
   ii) Department of Social Sciences.
   iii) Department of Fashion Design and Marketing
7) School of Hospitality and Tourism Management
   i) Department of Tourism Management
8) School of Engineering and Technology
   i) Department of Mechanical and Manufacturing Engineering
   ii) Department of Electrical and Electronics Engineering
   iii) Department of Building and Civil Engineering
   iv) Department of Computing and Information Technology.
9) School of Pure and Applied Sciences
   i) Department of Mathematics, Statistics and Actuarial Science
   ii) Department of Physical Sciences
   iii) Department of Biological Sciences
10) Graduate School

The University is located at the heart of the Lower Eastern Region, and a kilometre away from Machakos town centre along Machakos/Wote Road. It is about 66 km from Nairobi and 28 km from Konza Technopolis.

Machakos University has three divisions; namely, Academic and Student affairs, Administration, Planning and Finance and, Research, Innovation and Linkages. The University has grown in terms of staff and student numbers, linkages and partnerships with public, private, national and global organizations.

KEY INFORMATION AND MANAGEMENT (CONTINUED)

The University has held five (5) graduation ceremonies after being chartered and boasts of 6,027 graduates. The Institution has also held three (3) international conferences bringing together researchers from all over the world, a feat which has enriched research in the region. It has continued participating in extra-curriculum activities like games and music which have been instrumental in enhancing talent development. Lately, the University, in a partnership with students, managed to develop, pilot and implement an innovation on e- voting which has been facilitating smooth running of student elections. The University is certified under the ISO 9001:2015 which has seen it maintain and continually improve its quality services and customer satisfaction.

The University's stakeholders include: Students, staff, Alumni, Parents/guardians, Sponsors, Regulatory Bodies, Ministry of Education, Primary and Secondary Schools, Other Ministries, Departments and Government Agencies, County Governments, Local community, Other institutions of higher learning both local and international, Suppliers/contractors, Non-governmental Organizations , Community Based Organizations, International Organizations, Industries, Religious Organizations, Trade Unions and the public in general.

b) Principal Activities

The principal activities of Machakos University are Teaching/Training, Research, Innovation, and community service

Vision

A preferred University of Excellence in Scholarship and Service Delivery

Mision

To Provide scholarly education through Training, Research and Innovation for Industrial and socio-economic transformation of our communities

Mandate

The core mandate of Machakos University is to Teach, Train, Conduct Research, Innovate, and Collaborate, Generate New Knowledge and Provide Community Service

KEY INFORMATION AND MANAGEMENT (CONTINUED)

Philosophy

The Philosophy of Machakos University is to provide trans-formative leadership in Teaching, Training, Research, Innovation, Industrial and Technology transfer for wealth creation

Core values

- Integrity
- Accountability
- Professionalism
- Inclusivity
- Creativity
- Teamwork
- Equity

c) Key Management

The Execution of the University's mandate is spearheaded by the following:

(a) The Chancellor
(b) University Council
(c) The Vice Chancellor
(d) University Management Board
(e) University Senate

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2021 and who had direct fiduciary responsibility were:

Designation	Name
(a) Vice Chancellor	Prof. Lucy W. Irungu
(b) DVC (Administration, Planning & Finance)	Prof. (Eng.) Douglas Shitanda
(c) DVC (Academic & Student Affairs)	Prof. Joyce Agalo
(d) DVC (Research, Innovation & Linkages)	Prof. Peter N. Mwita
(e) Chief Finance Officer	CPA Aileen Nyatuga
(f) Ag. Chief Procurement Officer	Ms. Alice Njeri
(g) Chief Internal Auditor	CPA John Ngure

KEY INFORMATION AND MANAGEMENT (CONTINUED)

e) Fiduciary Oversight Arrangements

The Council provides strategic direction, exercise control and remain accountable through effective leadership, entrepreneurship, integrity and good judgment. The University Council oversight arrangement is coordinated by the following Council Committees which have their fiduciary responsibilities as outlined in the Corporate Governance Statement set out on pages xviii to xxiii.

(a) Finance, Planning and Development Committee
(b) Academic and Research Committee
(c) Human Resources Committee
(d) Audit and Compliance Committee

f) Headquarters

P.O Box 136-90100
Wote Road
Machakos, KENYA

g) University Contacts

Cell: 0735 247939 / 0795 207117
E-mail: info@mksu.ac.ke
Website: www.mksu.ac.ke

h) University Bankers

1. National Bank of Kenya
P.O. Box 274-90100
Machakos
Accounts held: Fees collection Account, Operations Account, Development Account

2. KCB Bank Kenya
P.O. Box 30-90100
Machakos
Accounts held: Fees collection Account, Research Account, Chancellor's Scholarship Account, Endowment Account

KEY INFORMATION AND MANAGEMENT (CONTINUED)

3. Standard Chartered Bank
P.O. Box 29-90100
Machakos
Accounts held: Fees collection Account, MksU Hotel Account

4. Equity Bank
P.O Box 2453 - 90100
Machakos
Accounts held: Fees collection Account

5. Co-operative Bank
P.O. Box 1250-90100
Machakos.
Accounts held: Fees collection Account

i) **Independent Auditors**

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P. O. Box 30084, GPO 00100,
Nairobi, KENYA.

j) **Principal Legal Advisor**

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

UNIVERSITY COUNCIL MEMBERS



Dr. Margaret Makumi, Medical Doctor/Public Health Specialist

Chairman, University Council

Council Member and
Chairman, Human Resources Committee of Council

Dr. Margaret Makumi is a medical doctor, a public health specialist and a Takemi Fellow in International Health from Harvard T.H. Chan School of Public Health. She has vast experience developing, managing, implementing, researching, and advising health programs and institutional strengthening in the region for better health outcomes. Margaret has worked for the public and private sectors holding high leadership and management positions; providing strategic directions and thinking including development and implementation of policies, strategic plans; identifying and designing new projects aligned to the host country's thematic policies and strategic plans; taking lead roles in programmatic, financial and administrative oversight of complex national and donor funded health and population related programs and projects.



Mr. Patrick Abelle

Council Member and
Chairman, Audit and Compliance Committee of Council

Mr. Abelle is an experienced and successful commercial manager and leader with extensive experience gained in sales and marketing of pharmaceutical products and Vaccines in E. Africa.

He is currently a pharmaceutical consultant with Exeter Pharmaceuticals, UK.

He is immediate former Commercial Director for GlaxoSmithKline, (GSK) E. Africa Pharmaceuticals.

Mr. Abelle is currently pursuing a Doctor of Philosophy (Ph.D.) in Business Administration, University of Nairobi.

He is a holder of a Master of Business Administration degree (MBA) from Nkumba University-Uganda

He has Bachelor of Science in Biochemistry and Zoology, (B.sc) 1991, University of Nairobi.

UNIVERSITY COUNCIL MEMBERS (Continued....)



Dr. Zipporah Mutea, Phd

Council Member and
Chairman, Academic and Research Committee of Council

Dr Zipporah Mutea holds the Ph.D. in Education of the University of Nairobi specialising in Curriculum Studies. She further holds a Master of Education (M.Ed.) in Education Administration and Planning and a Bachelor of Education (B.Ed.) majoring in Literature and Linguistics, both of the University of Nairobi. Dr Mutea has received training in leadership and strategic management from the Kenya School of Government and she is a certified ISO systems auditor having received training from the Kenya Bureau of Standards (KEBS). She is an education researcher and writer. Dr Mutea is currently an Education Consultant with Publix (Africa) Ltd. where she is also a director. Between 2017 and 2020, Dr Mutea participated in research studies with HIVOS East Africa, Education Development Trust and the Ministry of Education (MOE). At the MOE, she was the Team Leader for the Baseline Study for Early Grade Mathematics Assessment (EGMA). For seven years between 2009 and 2016, Dr Mutea was a Lecturer in Education at Maasai Mara University where she also supervised postgraduate students. She served in different capacities as: examinations coordinator for the school of education, teaching practice coordinator, Chairman of the Department of Curriculum, Instruction and Educational Management, member of the University Senate and member of the Board of Postgraduate Studies. She served in several committees including: Programmes Review Committee and Academic Staff Recruitment Committee. She has co-authored ten Secondary School English textbooks and Teachers' Guides published by Longman Kenya Publishers. She has also published journal articles and presented papers in many conferences nationally and internationally. Dr Mutea is a member of Kenya Oral Literature Association (KOLA) and Society of Educational Research and Evaluation in Kenya (SEREK).

She worked at the Kenya National Examinations Council (KNEC) as a Test Developer, Researcher and Examinations Manager. While working at KNEC, Dr Mutea coordinated the study that established the National Assessment System for Monitoring Learner Achievement (NASMLA). As a secondary school teacher and an employee of the Teachers' Service Commission (TSC), Dr Mutea taught in several secondary schools including Meru School and Starehe Boys' Centre.

UNIVERSITY COUNCIL MEMBERS (Continued....)



Mr. Richard Mativu

Council Member
Chairman, Finance, Planning and Development Committee of Council

Mr. Mativu has over fifteen years' experience in the social development sector a an advocate, facilitator, and research consultant, with a special focus on huma rights, disability and inclusive development.

Mr. Mativu holds MBA from University of Nairobi, Kenya, where he specialized Strategic Management and MA – Human Rights from the same institution. H Bachelor's Degree is BA with a double major in Economics and Sociology. Richar has done short courses under a fellowship in University of Illinois – Urbana Champaign as well as International Institute of Social Studies – Den Haa Netherlands.

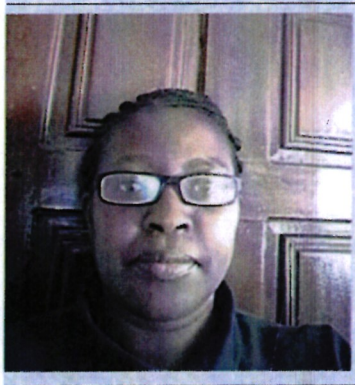
Mr. Mativu is currently working as a Country Director for an International Nor Governmental Organization. He has previously worked with other CSOs as well a with the Kenya Government in different capacities.



Mr. Patrick Njoroge

Member of the Council and Representative, PS, Ministry of National Treasury and Planning.

Mr. Patrick Njoroge is a Director of Planning at the National Treasury. He holds a Master of Science degree in Development Planning from the Technical University of Dortmund (Germany), Masters of Science Degree in Strategic Management from Moi University. He has over 27 years' experience in Policy Formulation, Sectoral and Strategic Planning, Finance and Budgeting both at the National and County levels.



Dr. Joyce Ngure, Ph.D.

Rep. Principal Secretary, State Department of University Education and Research

Key Qualifications: *PhD in Vegetable Sciences, Nanjing Agriculture University. She also has Masters and Bachelor of Science degrees in Horticulture from Egerton University.*

Work Experience: *She has a wealth of experience in areas of research and project coordination and management. Currently, the Assistant Director Research in the Ministry of Education in the Directorate of Research Science and Technology. she is also the Project Coordinator for the National Physical Sciences and Research Laboratories as well as the Project Officer in the Science and Technology Parks Initiative Project*



Prof. Lucy W. Irungu

Vice Chancellor and Secretary to the Council

Prof. Lucy W Irungu graduated from the University of Nairobi with a BSc First class honours degree (Entomology). She holds an MSc in Entomology and Applied Parasitology and a PhD in Entomology, both from the Liverpool School of Tropical Medicine, University of Liverpool having been awarded Commonwealth Fund for Technical Cooperation and Association of Commonwealth Universities (ACU) scholarships respectively. Prof Irungu joined the International Centre of Insect Physiology and Ecology (icipe) in August 1978 as a graduate research scholar during which time she pursued her MSc and PhD studies at the Liverpool School of Tropical Medicine, University of Liverpool. During this time, she carried out research on vectors of Leishmaniasis and Filariasis.

Prof. Irungu joined the Dept of Zoology, University of Nairobi as a lecturer in 1988. She served as Chairman of Department of Zoology from 1999 to 2004 and was appointed Principal for the College of Biological and Physical Sciences in 2004 a position she held until March 2011 when she was appointed the First Deputy Vice Chancellor, Research Production and Extension, following a competitive process.

Prof Irungu assumed the post of first Vice Chancellor of Machakos University on 20th February 2018.

In 2011, she was a member of the Higher Education Task Force and chaired the Science, Technology and Innovation Committee which developed the Science Technology and Innovation Bill, later enacted as the STI Act 2013. She belongs to several professional organizations, has served as a member in several boards and is currently the Chairman of the Academic and Management Board KWSTI, Board member JRS Biodiversity Foundation (USA) and President of EARIMA. Prof Irungu is a Fellow of the Royal Society of Tropical medicine and Hygiene and Fellow of the Kenya National Academy of Sciences and a member of the Kenya Institute of Management.

Prof. Irungu is a vibrant researcher in vector biology and host-vector-parasite relationships with specific interest in malaria vectors and parasites of neglected diseases. She has published extensively in refereed journals and has mentored and supervised several postgraduate research students. She continues engaged in research and supervision of postgraduate students to date, in addition to promoting innovation.

MANAGEMENT TEAM



Prof. Lucy W. Irungu
Vice Chancellor
Ph.D. – Medical Entomology and Applied Parasitology.
The Academic and Administrative Head of the University.



Prof. Joyce J. Agalo
Deputy Vice Chancellor (ASA)
Ph.D. (Education).
In-Charge of Academic and Student Affairs



Prof. (ENG.) Douglas Shitanda
Deputy Vice Chancellor (APF)
Ph.D. (Processing Engineering).
In-Charge of Administration, Planning and Finance



Prof. Peter N. Mwita
Deputy Vice Chancellor (RIL)
Ph.D. (Statistics).
In-Charge of Research, Innovation & Linkages



Prof. Ezra O. Okemwa
Registrar (ASA)
Ph.D. (Knowledge Management).
Supports the functions of the Academic & Student Affairs Division.



CPA Aileen A. Nyatuga
Chief Finance Officer
MBA (Accounting), CPA(K).
Supports the Financial Management function



Dr. Susan Nzioki
Registrar (AP)
Ph.D. (Human Resource Management).
Supports the functions of Administration and Planning



Dr. Wycliffe Amukowa
Registrar (RIL)
Ph.D. (Philosophy of Education).
Supports the functions of the Research, Innovation & Linkages Division

CHAIRMAN'S STATEMENT

I take this opportunity to present the Annual Report Financial Statements for the Financial Year ended 30th June, 2021. The 2020/2021 Financial year has been the most challenging year due to the spread of COVID-19 across the world thereby necessitating the need for additional infrastructure to meet the Ministry of Health and World Health Organization protocols. This has therefore adversely affected the fiscal space of all entities and businesses. Machakos University was no exception. The University's planned operations were therefore, adversely affected and our financial capacity in terms of internally generated revenues was hampered.

However, in spite of all these seemingly insurmountable financial difficulties, the University Council played its financial strategic and oversight roles aimed at optimal utilization of the available resources. The Council, therefore, wishes to thank and appreciate the continued financial support from the Government and other stakeholders during this challenging period. Notwithstanding the challenges, during the 2020/2021 Financial Year, the University continued with the construction of the Tuition and Office Block Complex. The University appreciates the continued support from the Government which saw the University receive Kshs. 74 M development grants earmarked for the project during the period.

The University continues to support the implementation of TVET programmes as a way of complementing the Government's efforts in Competence Based Curriculum and the Big Four Agenda. To this end, the University is struggling to finance these programmes and has had to supplement her operations with limited internally generated incomes. It is also worth noting that in the same period, the University had to operate under very difficult COVID-19 protocols in teaching as well as provision of services to students and other stakeholders. This resulted in pressure on the existing infrastructure, both financial and physical.

As an Institution of Higher Learning, the Council therefore, urges the Government to continue funding the existing capital projects and increase its financial support to the University so as to enable her deliver her core mandate in Academic and Research in the 21st Century and make her contributions in the Big Four Agenda and Vision 2030.

CHAIRMAN'S STATEMENT (CONTINUED)

During the Financial Year, the University Council in consultation with the University Management and Senate continued with the review and implementation of the University's Strategic Plan 2021-2024 to be in line with the dynamics of the education sector in Kenya and especially in the wake of the pandemic. This will ensure the University offers effective Academic and Social programmes that are need-driven and meet the demands of the society.

Finally, I wish to emphasize that the University Council is fully committed to working with the various stakeholders and partners towards enhancing our capacities in delivering our mandate at Machakos University. As I conclude, once again, I thank the Government and all stakeholders, suppliers and all service providers for their support and continued cooperation.

.....
Chairman of Council

REPORT OF THE VICE CHANCELLOR



I wish to take this opportunity to present the Machakos University Financial Statements for the year ended 30th June, 2021. Despite the hard economic times brought about by the COVID 19 Pandemic, the University continued to fulfill its mandate and operated under very tight financial management this past year. This is in light of the fact that the Government has continued to reduce its funding to universities while costs keep on sky rocketing day by day. However, the University focused on its priority areas namely: teaching and training, community outreach, research, innovation and linkages in pursuant to fulfilling its financial obligations.

Academic and Student affairs

The University continues to engage the CUE and continues to develop programmes for the accreditation that are market-driven for industrial and socio-economic growth of this Country. The University offers degree programs as well as TVET courses. The certificate and diploma programs are now offered entirely by TVET with the exception of the postgraduate diploma courses, diploma in education arts and sciences.

To embrace the virtual and online learning, the University has established ODeL and has integrated the ICT in all its teaching services. As a result, the technology related costs and other teaching materials have weighed heavily on the financial resources of the University.

The welfare of the students remain the number one priority as we seek to support and enhance their academic environment while in campus. However, one of the greatest challenges in the management of students' welfare is the large number of brilliant students who cannot afford to meet their fees requirements. To mitigate this problem and to minimize incidences of dropping out due to lack of fees, the University internal bursary facilitated the disbursement of KShs. 1 million which benefited 478 needy students.

The University also put in place work-study programme for these students to work and their compensation goes towards paying their fees and their upkeep. This amounted to KShs 177,650 in the financial year. Through Chancellor's scholarship programme, 78 needy students

benefitted to the tune of KShs. 847,406 Rattansi scholarships also benefited 231 students amounting to KShs. 739,980. We appeal to more donors to come forward to financially assist needy students who cannot afford University Education.

Research, Innovation and Linkages

Through the strategic partnership with Tianjin City Vocational College, the University has managed to initiate Bachelor of Science in Cloud Computing and Information Security as a result of establishing the Luban Workshop. The Luban Workshop is an international exchange and cooperation brand initiated by the Government of China to promote vocational technical training around the world. Besides, the Luban Workshop continues to support the development of other ICT skills, innovation incubation and video conferencing services for the University.

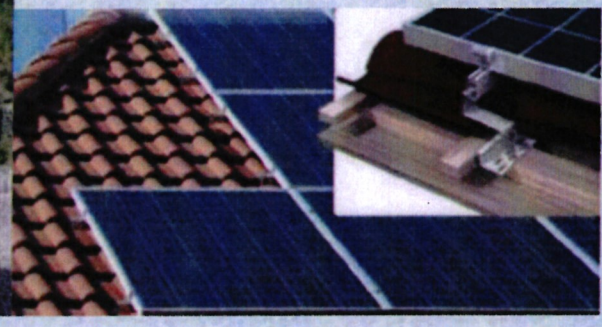


During the period under review, the University continued with the construction of Ajiry, an initiative being undertaken in partnership with Tribus-TSG with the support of MasterCard Foundation. The Centre seeks to provide entrepreneurial infrastructure start-up catalyst for tapping into the intellectual capital inherent in commercially viable innovations by staff and students.

To scale up efforts towards embracing renewable energy, the University has initiated the construction of solar assembly plant in partnership with Solar Afric. The Plant will support the production of solar energy equipment as well as provide a training platform towards skilled manpower, which in turn informs the achievement of the University's aspirations contained in the Renewable Energy Policy.



Solar Systems Training Center



Models of Solar Installations

The University continued to take staff through trainings on grant proposal writing, grant management, research partnership and research methods and Intellectual Property among others. This has seen the University research grants output, for both individual and collaborative projects, continue to grow.

Our growing strategic partnerships have continued to fill the gaps in which our staff are now winning both research grants and scholarships. The University's innovation outputs have also continued to grow with a number put into commercialization.

To avail a platform for knowledge dissemination, the University continues to increase participation of staff in conferences, seminars and workshops. This ending financial year, the University organized and held its 3rd International Conference from 22nd - 26th June whose theme was "Responding to Emerging Global Challenges through Research, Innovation and Technology for Sustainable Development.



Keynote Presentation at the 2nd Annual International Conference.

Administration, Planning and Finance

The University is currently undertaking one major project of Tuition and Office Block. The project has remained behind schedule at the end of the period due to challenges in government funding. The project is over 68% complete and requires about Kshs. 550 million to be complete. The building shall provide offices, boardrooms, laboratories, lecture rooms and conference rooms thus, significantly reducing space deficiency in the University.

In order to improve security, the University embarked on construction of a biometric gate and the project is expected to be in use in the first quarter of the 2021-2022 Financial Year. This project is estimated to cost the University Kshs. 6 million.



The Newly Constructed Biometrics Gate

REPORT OF THE VICE CHANCELLOR (CONTINUED)

During the year, the University successfully implemented the 2013-2017 local CBA. However, although the university ensured continued implementation of the 2013-2017 national Collective Bargaining Agreements, partial implementation of 2017-2021National CBA, full implementation was affected by delayed release of Government funds as we are all aware.
I am pleased to convey my appreciation and gratitude to the University Council, Management and all the members of staff for their support, commitment and dedication to their work and their efforts that have seen Machakos University attain its financial obligations.

To address sound financial management, the University put in place the necessary financial, procurement and internal control measures on resource utilization to ensure that it meets the targets of revenue collection and cost control measures. However, these measures were adversely affected by COVID-19 Pandemic forcing the University to revise its budget.

Finally, despite the many challenges the University faced during the year, I am glad to report that the University managed to stay afloat financially. I therefore, express my sincere gratitude to the Government of Kenya and particularly the State Department of University Education and Research for the recurrent funding of the University as per the estimates.

Prof. Lucy W. Irungu
Vice Chancellor & Professor of Entomology

STATEMENT OF MACHAKOS UNIVERSITY PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Machakos University has six (6) strategic pillars and objectives for the Financial Year 2020/2021 informed by the 2021-2024 Strategic Plan. These strategic pillars are as follows:

Pillar 1: Academic Excellence

Pillar 2: Human Resource Management

Pillar 3: Performance

Pillar 4: Research, Science, Technology and Innovation

Pillar 5: Infrastructure

Pillar 6: Financial Growth and Sustainability

Machakos University prepares its annual work plans based on the above six (6) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The University achieved most of the performance targets set for the FY 2020/2021 period for her strategic pillars, as indicated in the table below:

STATEMENT OF MACHAKOS UNIVERSITY PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021 (CONTINUED)

Table 1: Performance against Strategic objectives

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
Academic Excellence	Develop and offer market driven programmes	Signed MOUs and collaborations	a).Establish Collaborations and partnerships.	i) One (1) MOU signed with UNESCO. ii) Two (2) collaborative agreements signed with National Centre for Genetic Engineering and Biotechnology and Technical University of Kenya through Higher Education Programme for Sub-Saharan Africa (HEPSSA) iii) Construction of Ajira Centre supported by Tribus-STG.
		Trained staff	Training and exposure of staff in relevant fields.	a) Developed and implemented Staff Training and Development Policy to enhance staff satisfaction and retention. a) Trained twenty-nine (29) staff in the IPR training, skills; all staff in virtual conferences; Learner Management System. c). Thirty-two (32) members of academic staff trained on writing Grant-Winning Proposals to Respond to Emerging Global Challenges d). Three staff in the School of Engineering and Technology participated in an exchange programme through HEPSSA.
		Competent staff	b) Attract and retain competent /qualified staff	a). Continued to implement voluntary Benevolent Fund to enhance staff welfare – this has been implemented without additional financial burden to the University.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
				b). Two (2) staff members sponsored for Ph.D. programme in the University. c). Nduilu Block renovated for more staff office space. Office equipment procured
		Reviewed /developed and rationalized programmes.	c) Review and rationalize existing programmes	Developed Programme 1. MSc. in Applied Statistics Reviewed Programmes 1. BSc. (Mathematics) 2. BSc. (Actuarial Science) 3. PhD in Business 4. BSc. (Public Health) 5. BSc. in Community Resource Management 6. BSc. (Hospitality and Tourism Management) 7. BSc. (Electrical and Electronics Engineering) 8. BSc. (Civil Engineering)
		Market survey repostakeholder needs.	d) Conduct market survey to establish stakeholder needs	Due to COVID-19 Pandemic interruptions the survey was not conducted. to be done in the current year
	2). Establish effective academic quality assurance	Directorate of Quality Assurance	2)a. Operationalize academic Quality Assurance Directorate	Established Directorate of Quality Assurance headed by a director with an office and staff.
		Modern library services	b. Modernize Library Services and enhance the learning environment.	a). Library electronic security system installed to control any loss of books. b). Continued to Subscribe to e-resources platform under Kenya Library Services Consortium;

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
				c). Acquired a total of 212 Copies of University level books.
		Centre for Pedagogy and Andragogy	c). Establish Centre for Pedagogy and Andragogy	Centre for Pedagogy, Andragogy not established.
	3). Promote and facilitate distance and e-learning programmes/strategies	E- learning infrastructure	3)a. Establish infrastructure for e-learning	a) Developed Open, Distance and E-learning Policy; b). Established Centre for Open, Distance and E-learning headed by a Director; c) Established thirty-five Wi-Fi access points around the University to enhance internet connectivity and convenience for staff and students. d). KENET expanded the band width for internet connectivity. e). Established Learner Management System and integrated it with the University ERP
		Trained staff and students	3)b. Training of students and staff on e-learning	a) The Directorate of ICT trained all the academic staff on the use of Learner Management System (LMS) for on-line teaching. b) The Directorate has also trained class representatives and all students on the use of the LMS.
		Developed self-learning instructional materials	3)c. Develop self-learning instructional materials	a) All academic staff trained on how to use the Learner Management System (LMS). b) The staff prepared learning instructional materials and uploaded into the LMS.
	4).To create a conducive teaching	Students' accommodation	4)a. Facilitate investment in student accommodation	a) Engaged neighboring landlords to offer conducive and safe accommodate facilities to students staying off campus

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
	and learning environment			b) Entered an MOU with a partner who constructed a temporary students' Centre on Built, Operate and Transfer arrangements. c) Introduced blended learning to help reduce the spread of COVID-19 disease.
		Improved health care and student counseling services	4)b. Improve health care and student counseling services	a) Continued to stock the students' health unit to offer health services within the University. b) Continued to develop the students' counsellor for students' psycho-social support.
		Students equipped with life skills	4)c. Equip students with life skills	a) Continued to offer University common units such as Communication skills, Creative and Critical thinking, HIV AIDs and Development studies to equip students with life skills b) COVID-19 Prevention Policy developed, approved by the Council and being implemented.
		Secured students' security infrastructure	4)d. Improve and ensure student security	a) Directorate of Security Services, deployed police officers, and outsourced security firm collectively provide security to the community. b). Installed CCT cameras within the University enhance security. c). Installation of Biometric gate ongoing.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
		Effective students' governance	4)e. Promote effective student governance	a) Introduced virtual electronic voting System to manage students' elections. b) Conducting students' leadership training for newly elected student leadership.
		Sponsored students	4)f. Initiate students' scholarships, awards and bursaries	a) Continued to implement students' Work Study Programme, Chancellor's Scholarship Award, and University Bursaries (Ratannsi bursary, SAMU bursary, and University bursary) to support students with financial constraints. b) The University provides a budget for work-study programme to assist students with financial difficulties.
	5.To generate, disseminate and utilize new knowledge	Research fund	5)a. Set up University research fund	Approved internal research grants to mentor staff into carrying out research. Funding of internal research is only for proposals that are focused on the University and National Research Agenda.
		Innovators rewards	5)b. Reward innovators	Students' Innovation Challenge Fund not yet established.
		MksU Scientific Journal	5)c. Establish scientific Journals	The third International Conference presentations will be published in the Machakos University Journal of Science and Technology
		Supported conference participants	5)d. Support participation in conferences and workshops	a) Sponsored MksU staff participated in the University's third International Conference. b) Included facilitation of staff to attend and participate in Conferences and workshops in Performance Contracting
		Registered and patented innovations	5)e. Promote registration and patenting of innovations	c) Trained staff and students in registration and patenting of innovations.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
		Intellectual property rights office	5)f. Establish Intellectual Property Rights office	d). Developed Intellectual Property Policy currently implemented by Director, Research, Innovation and Technology
2). Human Resource Management	1) Develop staff competences	Collaborations MOUs with universities and institutions	2)a. Source and award scholarships	a). Academic staff pursuing MksU PhDs Programmes sponsored for their development
			2)b. Collaborate with other Universities and institutions for capacity building	Continued to collaborate with: a) One Conference jointly organized by Lukenya University, Machakos University, Ummah University, and South Eastern Kenya University b). Two (2) collaborative agreements signed with National Centre for Genetic Engineering and Biotechnology and Technical University of Kenya through Higher Education Programme for Sub-Saharan Africa (HEPSSA) Mantained MoUs with: a) KALRO-Katumani to support the School of Agricultural Sciences' staff and students b) Machakos level 5 to support the School of Health Sciences' staff and students among others.
			2)c. Developed fee waiver policy for staff studying in MksU	Staff Training and Development Policy which provides staff fee waiver among other benefits being implemented.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
		Staff fee waiver Policy		
	2) Maintain optimum Staff compliment	Recruited staff	3)a. Mobilize additional funding for staff recruitment	a) Staff developed donor funded proposals b) Established Income Generating Activities
		Inclusive hiring	3)b. Improve hiring practices ensuring inclusivity	Deliberately hired from non-local community to reduce the percentage of the majority local community –three key positions filled with non-locals.
		Competitive remuneration packages	d. Provide competitive remuneration packages	Implemented the Local and National Chapter CBAs which improved staff commuter allowances
3) Performance	1.To enhance service delivery to all customers/ stakeholders	Reviewed Service Charter Revised University Charter	1)a. Review and Implement the University's Service Delivery Charter	Service Delivery Charter was revised in 2018-2019 FY. In 2019-2020 FY Citizens Service Charter fond sizes were enlarged for ease of readability and visibility by customers and then continued to be implemented.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
		Enhanced student welfare	1)b. Enhance student welfare services	a) Students' Career Services continued to be offered and was introduction of students' smart cards for student identification and seamless financial services; b) Continued to implement students' Work Study Programme, Chancellor's Scholarship Award, and University Bursaries to support students with financial constraints. c) Office of the Dean of students has maintained conduct with students, for support provision of welfare facilities. d) Student constitution that provides the formation of the Students Association of Machakos University (SAMU) e) The SAMU established kitty continued to support / offer bursaries to needy students f) University students' clubs and societies
		Integrated ICT	1)c. Integrate utilization of ICT in service delivery	Continued to use on-line leave application by staff, Automaton of imprest warrants in finance department, on-line stores requisition application and approvals, introduced virtual meeting due to COVID-19 Pandemic, introduced e-examinations, e-learning, and a virtual international conference, a virtual graduation ceremony, e-voting for students' elections etc.
	2).To improve Corporate image		a. Establish and operationalize a Corporate Communications and Marketing office	Corporate Communications and marketing office operationalized.
			b. Operationalize Alumni office	Alumni Office and linked with the alumni to enhance feedback and stakeholder engagement.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
		Corporate communication's Office Alumni office Adhered ISO 9001-2015	c. Conformity to ISO Standards and adherence to Total Quality Management System.	Continued to conform to ISO 9001-2015.
		University niche	d). Establish a niche	Anchored the University's niche on Engineering, Science and Technology thematic cluster supported by Agriculture, Hospitality, Entrepreneurship, Education and Social Sciences. MksU reoriented the said thematic clusters to leverage its unique historic, geographic, climatic and strategic advantages of being located in the *arid and semi-arid lands* (ASALs) of Kenya. Further, the University has enhanced digital literacy through appropriate cloud computing solutions for sustainable development by tapping into its existing ICT-specific MoUs.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
		Outreach programmes	Promote outreach programmes	Out-reach activities reduced in the year due to COVID-19 Pandemic.
	3) To market the University	Improved mainstream and social media		a) Established a functioning and up to date University website, twitter, Facebook and Instagram b) Established the Directorate of Information, Communication and Technology (ICT) headed by a Director and its competent staff continued to manage the social platforms
			3)a. Maximize management of mainstream and social media.	
			d. Promote participation in shows/exhibitions, conferences and workshops.	a) Establishment of Machakos University Innovation Week; b) COVID-19 Pandemic prevented participation in County and National shows)
			a. Organize innovation workshops and symposiums	Continuous training in Intellectual Property and innovation management

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
4) Research, Science, Technology and Innovation	1). Promote Research, Innovation and Technology	Innovation workshops and symposiums Industry related research	b. Linking research to industry	a) Continued with the established linkages that enable the implementation of student internships across its programmes with strong industry partnership to better equip our students for the world of work (Inades Formation, Machakos Level 5 Hospital, KALRO, Huawei Technologies (Kenya), Achelis Kenya Ltd, Kenyatta University, Strathmore University, KenGen among other partners). b) Continued with the established linkages that promotes topical environment friendly practices- partnership with Achelis Kenya Ltd that supported the establishment of the Centre for Renewable Energy (CREN) that promotes the use of green energy in the University.
		Innovation awards	c). Establish Innovation/technological awards	a) Establishment of staff and Students' Innovation Fund; b) Innovation and technological awards not introduced in the year.
		Research and Innovation funding	d). Increase research and innovation funding.	a) Continuous training workshops for staff in Grant Proposal Writing b) Staff have won research grants among them: Partnerships with established research universities where staff work on collaborative proposals, funded projects include: WildTrack Cube - SIMBA (Satellite for Improving Monitoring Behaviour of Animals) and Micro Two-Phase Cooling System for Space Applications dubbed Experiment (BARIDI SANA)
		Short courses in extension, technology and emerging areas	e). Start short courses in extension, technology and emerging areas.	a) Short courses on Solar PV Installation b) ICT short courses offered leading to ICT Certification by Huawei Authorized Information and Network Academy (HAINA).
			f). Establish innovations hub.	a) Established Ajira Centre and Luban Workshop to support research, innovation and incubation.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
		Innovation hub		b) Initiated and aligned annual innovation activities and events (such as the *MksU Innovation Week and Open Day*) whose themes are in line with the Big Four Agenda, vision 2030 and sustainable development goals. c) Introduced Students' and Staff Annual Innovation Challenge Award as a means of spurring and harnessing innovations among students and staff. d) University deliberately adopted an approach to tap, harness, develop and utilize students' and staff innovation efforts. For example, electronic voting system (*I-voting*), an innovation by our students is used in student elections to improve efficiency, transparency and reliability of students' results. This saves time associated with academic programme disruptions for participating students, as well as ensuring a peaceful and credible election outcome.
		Protected intellectual property rights	c. Protection intellectual property rights	a) Developed Intellectual Property Policy that outlines procedures for innovation engagements and intellectual property rights. b) Developed Intellectual Property/innovation declaration form to ensure protection of students and staff innovations.
	2) Enhance mechanisms for collaboration and linkages in research	MOUs with strategic partners.	a). Initiate and operationalize MoUs with strategic partners.	a).The University has signed the two (2) collaborative agreements with the National Centre for Genetic Engineering and Biotechnology and the Technical University of Kenya through Higher Education Programme for Sub-Saharan Africa (HEPSSA) b) Established MoU Implementation Steering Committees that monitor progress on the implementation of projects and such related agreements with strategic partners.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
				c) Cascaded the initiation of linkages to departments and individual members of staff.
		Competent human resources	f). Enhance human resource and capacity building	a). Continued to implement the Council Approved Human Resource and Training and Development policies. b) Staff trained in: Virtual Conferences; Learner Management System. c). One (1) workshop held on Leveraging Machakos University Capabilities to harness talents to respond to challenges posed by COVID-19 and other Pandemics. d). One (1) training workshop conducted on grant proposal writing. Thirty-two (32) academic staff members trained.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
		Research policies	g). Develop and implement supportive research policies	a) Instituted best practices in research through developed Research Policy, Intellectual Property Policy, Open Access Policy, Ethics Review Policy, Indirect Cost of Research and Anti-Plagiarism Policy. b) Cascaded performance-contracting targets to individual academic members of staff in areas of publications and proposal development to ensure continued research publications and attraction of research grants. c) Initiated incentives to members of staff who seek to complement the University in attracting development grants and equipment. d) Introduced a requirement for postgraduate students to publish at least two papers for Masters and three papers for PhD prior to graduation. e) Introduced a requirement for staff to perform plagiarism checks using anti-plagiarism (University acquired Turn-it-in software) and publish in peer-refereed journals to guard the quality and credibility of the work.
	Provide appropriate facilities for teaching,	Master plan	a. Review and implement the existing master plan	To be implanted in the subsequent years of planning due reduced government project funding.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
5) Infrastructure	research, consultancy and community service	Acquired land	b. Acquire additional land for expansion	Additional land of 48 acres acquired in collaboration with the county government.
			c. Use of architectural designs that mainstream disability and environmental needs	Architectural designs mainstreaming disability factored in buildings and parking areas.
		Mainstreamed disability	d. Optimize infrastructural resources.	Rehabilitated a four-floor building and created staff offices to enhance staff satisfaction.
			e. Harness rain water from building roofs	To be pursued in the subsequent years of the Plan period
			f. Construct high-capacity underground concrete water tanks	To be pursued in the subsequent years of the Plan period
			g. Install solar power supply systems	Established Centre for Renewable Energy that spearheads the process
		Harvested rain water Concrete water tanks E-waste collection containers	h. Install e-waste collection containers	Three E-waste collection containers installed.
6) Financial			a). Establish endowment and trust funds	a) Developed endowment Fund Policy

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
Growth and Sustainability	Diversify sources of funding	Endowment and Trust funds		b) Established Endowment Fund within the University Bank Accounts
			a). Initiate alumni contributions	a) Established an initiative that allows every graduand contributes Kshs 1,000 b) Established the office of the Alumni to coordinate the affairs of the alumni
			a. Source for scholarships	Partnered with the County Governments to offer scholarships to students
			b. Enhance TVET programmes	Established Machakos University TVET Programmes to manage and rationalize the teaching and learning activities, as well as to absorb seventy-nine (79) staff members inherited from the Machakos Technical Training Institute – the predecessor of Machakos University.
			c. Engage development partners for funding assistance in research, development etc.	a) Staff have won external research grants b) Staff have attracted support to acquire research equipment c)Establishment of Luban Workshop in collaboration with Tainjin City Vocational College and Huawei Technologies limited d)Establishment of Ajiry Centre in collaboration with Tribus-TSG supported by MasterCard Foundation
			d. Initiate and strengthen Income Generating activities and Units.	Initiated the following Six (6): Machakos University Hotel and Conference Centre, with the following still at infancy stage: Clothing and Textile (FADMA), Detergents Production, Huawei Authorized Information and Network Academy (HAINA).
			e. Improve efficiency in collection and recovery of outstanding debts	a) Introduced students' smart cards to increase efficiency in students' revenue collections.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
				b) Integrated ERP system with the University's bankers in order to facilitate efficient revenue collection and ensure convenience to the paying customers. c) Adoption of online payments to the University service providers thus ensuring efficiency and convenience. d) Timely payments of statutory obligations to ensure compliance with the statutory requirements and avoid penalties and interests charged on late payments. e) Timely payment to service providers to avoid conflicts, penalties thus ensuring the University's compliance to Government directive on pending bills. f) Initiated measures to ensure achievement of less than 1% of the recurrent budget is carried over at the end of the financial year as pending bills.
			f. Improve efficiency and effectiveness in expenditure control.	a) Implemented prudent budget control measures to ensure the University does not operate on a deficit budget. b) Incorporates public participation in the development of the University's budget to ensure spending on priority areas. c) Adherence to a commitment of payment of 60% by staff from the private sector before accessing services in the university hotel. Reminders to debtors on payment of hotel debts.

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
	To improve efficiency in financial management			

CORPORATE GOVERNANCE STATEMENT

Good corporate governance in any State Corporation is central to its effectiveness and sustainability. It plays a leading role in how Corporations and their Boards of Management are directed, controlled and held to account. Corporate governance, therefore, encompasses the systems, practices and procedures by which the individual corporation is regulated in order to remain competitive, ethical, sustainable and fair.

Machakos University Council adheres to principles of openness, integrity and accountability in its stewardship of the University's affairs. It recognizes the evolving nature of corporate governance as well as the University's compliance with generally accepted corporate governance practices on a regular basis, directly and through its Council committees and University Board of Management.

The role of the Council is to ensure conformity to the overall University overall strategic direction through policy-making as well as performance review by instituting accountability and appropriate monitoring and supervision. The Council is also responsible for the maintenance of internal control systems and their continued review, for their effectiveness. The internal controls are designed to both safeguard the University's assets while ensuring the reliability and credibility of financial information.

The University Management Board, comprising, the Vice Chancellor, Deputy Vice Chancellors, Registrars and Chief Finance Officer meets regularly to consider strategic issues of operational importance to the University.

Below are the key features of the existing corporate governance practices within Machakos University which are reviewed and improved on a regular basis: -

1. UNIVERSITY COUNCIL

Machakos University Council was appointed on 4th November, 2020 and inaugurated on 18th December, 2020, for a three-year tenure until 3rd November 2023. It consists of the Chairman and eight members, who have been appointed in accordance with the Universities Act (2012). It is a requirement by law that the full University Council meets at not more than four times a Financial Year. The Council is responsible for guiding the direction of the University through the establishment of strategic plan, objectives, key policies and approval of budgets. Through the various Committees, it monitors the implementation of strategies and policies deployed by University Management.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Council is actively involved and brings strong independent judgment on its deliberations and discussions. The University Council members have diverse skill set, a wide range of knowledge and experience of university setting that is beneficial in the formulation of strategic planning, formulation of objectives and decision making. Since its inauguration on 18th December 2020, the Council has met regularly and retained full and effective control over the University in all strategic, financial, operational and compliance areas.

The University council held the following Full Council meetings during the 2020/2021 Financial Year:

Table 2: Full Council meetings

Name	Designation	No. of Meetings	Meetings attended
Mr. Richard Mativu	Independent Member	3	3
Dr. Zipporah Mutea	Independent Member	3	3
Dr. Margaret Makumi	Independent Member	3	3
Mr. Patrick Abelle	Independent Member	3	3
Mr. Peter Njoroge	Rep. CS, TNT	3	3
Dr. Joyce Ngure	Rep. PS, SDUE &R	3	3
Prof. Lucy Irungu	Secretary of Council	3	3

COUNCIL COMMITTEES

To assist the Council in the discharge of its responsibilities, Council committees have been established. All the Council committees meet at least four times a year. The committees are as follows:

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1. FINANCE, PLANNING AND DEVELOPMENT COMMITTEE

Membership

(1) Mr. Richard Mativu - Chairman
(2) Mr. Peter Njoroge - Representative - Cabinet Secretary, The National Treasury
(3) Dr. Joyce Ngure – Rep - PS, State Department of University Education and Research
(4) Dr. Margaret Makumi – Council Member
(5) Prof. Lucy Irungu (Vice-Chancellor) – Secretary

Responsibilities:

1. To receive, consider and submit the proposed budget estimates from the various sections for approval by the Council;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

2. To control the banking and investment operations of the Council and to make provision for the examination of all the bills and accounts and for the discharge of liabilities incurred by the University;
3. To control all the expenditure of the University under approved annual estimates;
4. To receive and consider all requests for authorization of expenditure more than the approved annual estimates and make recommendations to the Council;
5. To consider and propose fees and other rates to the Council;
6. To report to the Council all matters related to finance and development;
7. To ensure that accurate records are kept on the establishments in the University;
8. To consider and recommend to the Council the priority development projects and receive reports, and the recommendations of Management on the progress of the physical development of the University;
9. To report to the Council on the progress of physical infrastructure development of the University;
10. To prepare University Development plans for an approved period and submit to the Council; and
11. To exercise such other powers as the Council may from time-to-time delegate to the Committee.

Table 3: Finance Planning and Development Committee meetings

Name	Designation	No. of Meetings	Meetings attended
Mr. Richard Mativu	Chairman	3	3
Dr. Margaret Makumi	Member	3	3
Mr. Peter Njoroge	Rep. CS, TNT	3	3
Dr. Joyce Ngure	Rep. PS SDUE &R	3	3
Prof. Lucy Irungu	Secretary of Council	3	3

2. ACADEMIC AND RESEARCH COMMITTEE

Membership

(1) Dr. Zipporah Mutea – Chairman
(2) Mr. Patrick Abelle -Independent Member
(3) Dr. Joyce Ngure – Rep. PS, State Department of University Education and Research
(4) Mr. Peter Njoroge – Rep. Cabinet Secretary, The National Treasury
(5) Prof. Lucy Irungu (Vice-Chancellor) – Secretary

Responsibilities:

(1) To advise the Council on academic programmes where the University has competitive advantage;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(2) To receive and recommend all policy documents dealing with academic and research.
(3) To receive and recommend to the Council all Memorandum of Understanding/Agreement pertaining to collaboration and linkages;
(4) To assist the University in establishing collaboration with industry and other stakeholders;
(5) To lobby for bursaries, research grants, scholarships and funds for capacity building;
(6) To exercise such other powers as the Council may from time-to-time delegate to the Committee.

Table 4: Academic and Research Committee Meetings

Name	Designation	No. of Meetings	Meetings attended
Dr. Zipporah Mutea	Chairman	3	3
Mr. Patrick Abelle	Member	3	3
Mr. Peter Njoroge	Rep. CS, TNT	3	3
Dr. Joyce Ngure	Rep. PS, SDUE&R	3	3
Prof. Lucy Irungu	Secretary	3	3

3. HUMAN RESOURCES COMMITTEE

Membership

(1) Dr. Margaret Makumi - Chairperson
(2) Mr. Richard Mativu - Council Member
(3) Dr. Joyce Ngure – Rep - PS, State Department of University Education and Research
(4) Mr. Peter Njoroge - Representative - Cabinet Secretary, The National Treasury
(5) Prof. Lucy Irungu (Vice-Chancellor) - Secretary

Responsibilities:

(1) To review and make recommendations to the Council on Staff Terms and Conditions of Service as and when necessary or when directed to do so by the Council from time to time;
(2) To consider proposals of Terms and Conditions of Service made by staff unions through the University Management Board;
(3) To receive and review, from time-to-time human resource policies and the code of conduct of the University employees;
(4) To plan for human resource development in the University;
(5) To receive, consider and recommend to the Council staff recruitment and promotion criteria;
(6) To examine and recommend to the Council staff rationalization and career structures within the University; and
(7) To exercise such other powers as the Council may from time-to-time delegate to the Committee.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Table 5: Human Resource Committee meetings

Name	Designation	No. of Meetings	Meetings attended
Dr. Margaret Makumi	Chairman	3	3
Mr. Richard Mativu	Member	3	3
Dr. Joyce Ngure	Rep. PS, SDUE&R	3	3
Mr. Peter Njoroge	Rep. CS, NT	3	3
Prof. Lucy Irungu	Secretary	3	3

4. AUDIT AND COMPLIANCE COMMITTEE

Membership

(1) Mr. Patrick Abelle - Chairman
(2) Dr. Zipporah Mutea - Council Member
(3) Dr. Joyce Ngure – Rep - PS, State Department of University Education and Research
(4) Mr. Peter Njoroge – Rep. Cabinet Secretary, The National Treasury
(5) CPA John Ngure (Chief Internal Auditor) - Secretary

Responsibilities:

(1) To evaluate adequacy of management procedure with regard to issues relating to risk management, control and governance;
(2) To reviewing and approve the audit charter where applicable and internal audit annual work plans;
(3) To review internal and external audit findings and recommendations and propose corrective and preventive actions where necessary;
(4) To review the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics;
(5) To initiate special audits and or investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Accounting Officer; and
(6) To exercise such other powers as the Council may from time-to-time delegate to the Committee

Table 6: Audit and Compliance Committee meetings

Name	Designation	No. of Meetings	Meetings attended
Mr. Patrick Abelle	Chairman	3	3
Dr. Zipporah Mutea	Member	3	3
Mr. Peter Njoroge	Rep. CS, TNT	3	3
Dr. Joyce Ngure	Rep. PS, SDUE&R	3	3
CPA John Ngure	Secretary	3	3

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Besides the four main Council committees, there also exist other ad-hoc committees namely:

(a) Appeals committee.
(b) Graduation and Sealing committee
(c) Honorary degrees' committee
(d) Appointments committee for grades 14 and 15
(e) Senior management staff disciplinary committee for grade 14 and above

The following were ad-hoc meetings held during the year:

Table 7: Appointments Committee meetings

Name	Designation	No. of Meetings	Meetings invited	Meetings attended
Dr. Zipporah Mutea	Chairman	1	1	1
Dr. Margaret Makumi	Member	1	1	1
Prof. Lucy Irungu	Secretary of Council	1	1	1

Table 8: Staff Appeals committee meeting

Name	Designation	No. of Meetings	Meetings attended
-	Chairman of Council	0	0
Dr. Margaret Makumi	Chairman HR Committee	0	0
Prof. Lucy Irungu	Secretary of Council	0	0

Table 9: Graduation and Sealing committee meeting

Name	Designation	No. of Meetings	Meetings attended
Mr. Patrick Abelle	Chairman	1	1
Dr. Zipporah Mutea	Member	1	1
Dr. Joyce Ngure	Rep. PS SDUE&R	1	1
Prof. Lucy Irungu	Secretary to Council	1	1

2. Council Members' Remuneration

Sitting allowance for council members, monthly honoraria and telephone services for the chairman are guided by circular No. OP/CAB.9/21/2A/LII/43 dated 23rd November, 2004. The daily subsistence allowance of Kshs. 18,200.00 is guided by circular No. OP/SCAC.9/21.2VOL1 (164) dated 28th April, 2015. The remuneration for Council members consists of Chairman's monthly honoraria in addition to the sitting and subsistence allowances, together with mileage reimbursement for the services of council members in connection with council & council committee

meetings during the financial year ended 30th June, 2021 are outlined under **Note 10** (Council expenses) of the Financial Statements

3. **Succession Plan**

The appointment of council members is the prerogative of the Cabinet Secretary, Ministry of Education. Members have no control of the appointment and duration of service.

4. **Board Charter**

Machakos University Council has a board charter that is to be approved and adopted. The Council is also guided by Mwongozo Code of Governance.

5. **Appointment and removal of Council members**

The appointment of Council members is the prerogative of the Cabinet Secretary, Ministry of Education

6. **Induction and Training**

The current Machakos University Council members were inducted from 24th to Friday 26th February 2021. Members also attended training on Audit and Compliance between 7th and 9th June 2021.

Table 10: Training days

Name	Designation	Days of Trainings	Days attended
Dr. Jamleck Mutugi	Chairman of Council	3	3
Dr. Zipporah Mutea	Independent Member	3	3
Mr. Richard Mativu	Independent Member	3	3
Dr. Margaret Makumi	Independent Member	3	3
Mr. Patrick Abelle	Independent Member	3	3
Mr. Peter Njoroge	Rep. CS, TNT	3	3
Dr. Joyce Ngure	Rep. PS, SDUE &R	3	3
Prof. Lucy Irungu	Secretary of Council	3	3

7. **Council and Council Members' Performance**

The evaluation was conducted on 21st September 2021 by the State Corporations Advisory Commission (SCAC).

8. **Conflict of interest**

In every Council meeting held by the Machakos University Council, Members declare conflict of interest on matters in the agenda and register the same in the conflict of interest register book.

9. **Ethics and Conduct**

Machakos University Council Members uphold the highest standard of Ethics and conduct while executing their mandate.

10. **Governance Audit**

The Council has put in place a combination of processes and structures to inform, direct, manage and monitor the activities of the University towards the achievement of its objectives. There is an independent audit and compliance committee that reports to the Council on a regular basis. The audit

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

committee plays a key role in assisting the Council to fulfill its oversight responsibilities in areas such as financial reporting, internal control systems, risk management systems and the internal and external audit functions.

11. Internal Controls

The University has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the University's assets. Such controls are based on Law, Government & University regulations, Policies and circulars and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through internal audit functions, operational meetings and the annual external audit.

12. Going Concern

The University Council confirms that Machakos University has adequate resources to continue in operation for the foreseeable future and therefore, the continued use of going concern as a basis of preparing the financial statements. Machakos University has experienced increasing Student population, Staff population and its financial stability in-terms of statutory remittances and meeting other financial obligations.

MANAGEMENT DISCUSSION AND ANALYSIS
SECTION A: OPERATIONAL AND FINANCIAL PERFORMANCE

A) REVENUE ANALYSIS:

During the 2020/2021 financial year, Government grants contributed to 73% of the total recurrent revenues while tuition and its related incomes contributed to 17%. Income generating activities and research contributed to 7% and 2% respectively. Amortization grants in kind contributed to 1%. The University mostly depended on grants from the government to execute its operations as shown in figure 1.

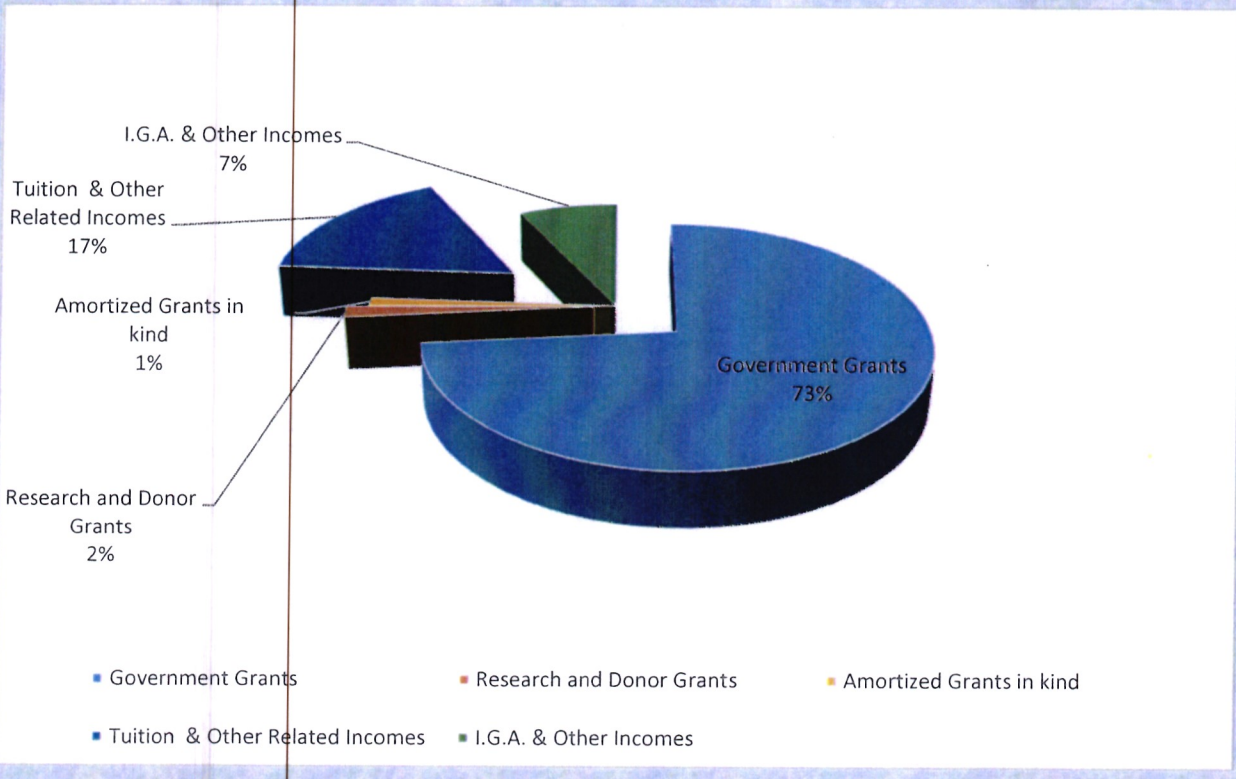

Figure 1: Revenues for FY 2020/2021

There was a bit of improvement in government recurrent grants in 2020/2021 financial year compared to 2019/2020 financial year. However, the tuition and related income together with the revenues from Income generating activities dropped due to the effect of Covid-19 pandemic in the 2020/2021 financial year. Research and donor grants also dropped in the 2020/2021 financial year as shown in figure 2.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

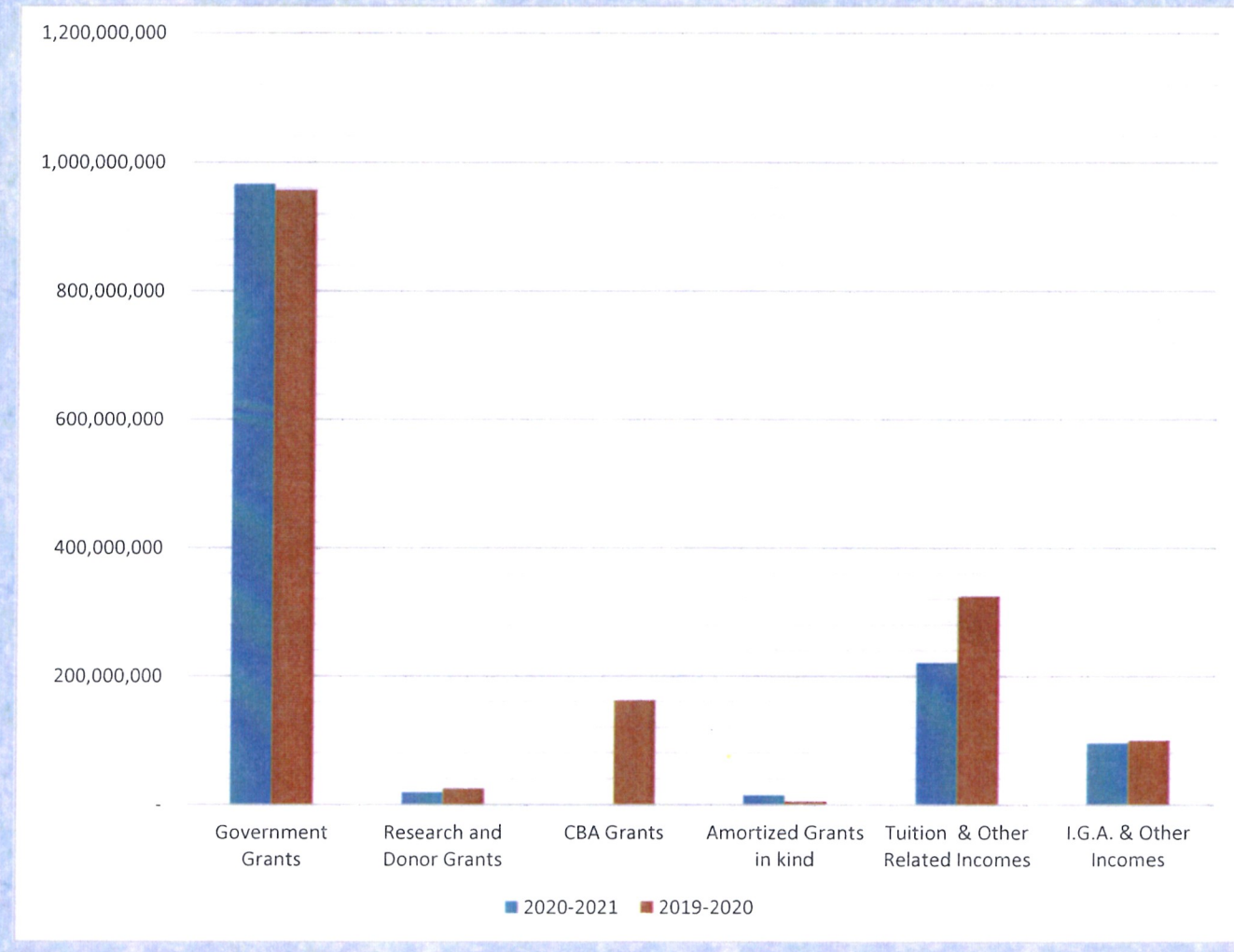

Figure 2: Comparison of Income between 2020/2021 and 2019/2020

The University appreciates the government for increasing the recurrent grants (capitation) from 727.97 million in the 2017/2018 financial year to 966.26 million in the 2020/2021 financial year. This has ensured financial stability in meeting the institution's expenditure especially the payroll costs as shown in figure 3.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

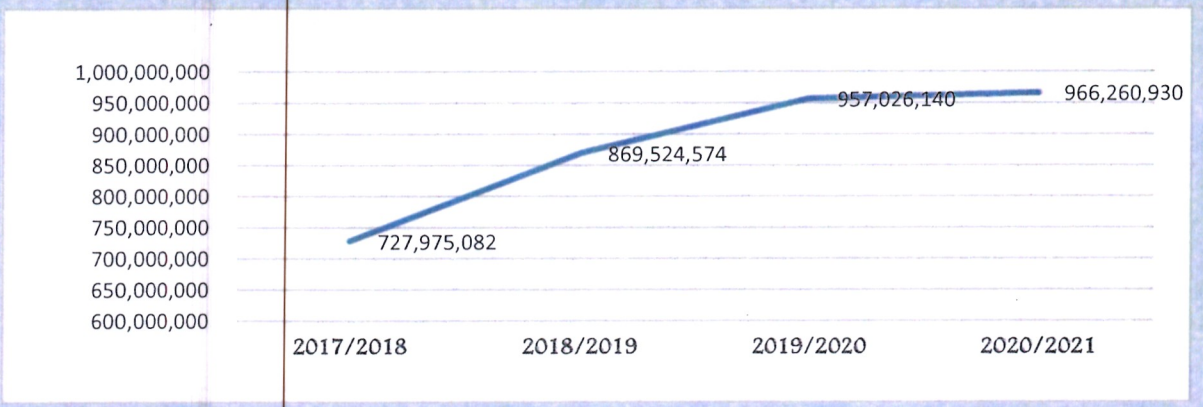

Figure 3: Trend analysis - Government Grants

The university experienced a decrease in research grants from 12.6 million in FY 2017/2018 to 11.8 million in FY 2018/2019. The grants increased to 25.0 million in the subsequent financial year but later reduced to 19.56 million in the 2020/2021 financial year as shown in figure 4.

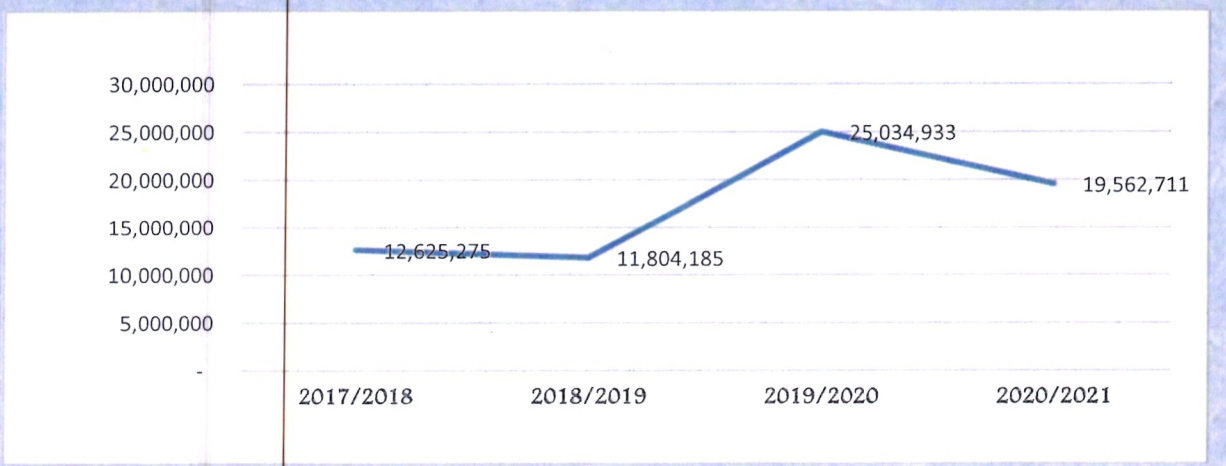

Figure 4: Trend analysis - Research and Donor Grants

Tuition and other related incomes increased from 305.0 million to 364.9 million in 2018/2019 financial year. This increased tuition fees were mainly because of the re-introduction of TVET programmes and the increased number of degree students. The tuition incomes later reduced to 324.9 million in 2019/2020 and 221.3 million in financial year 2020/2021 due to the effects of

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

COVID-19 pandemic which adversely affected the university operations by suspending the physical lectures up to around May 2021 as shown in figure 5.

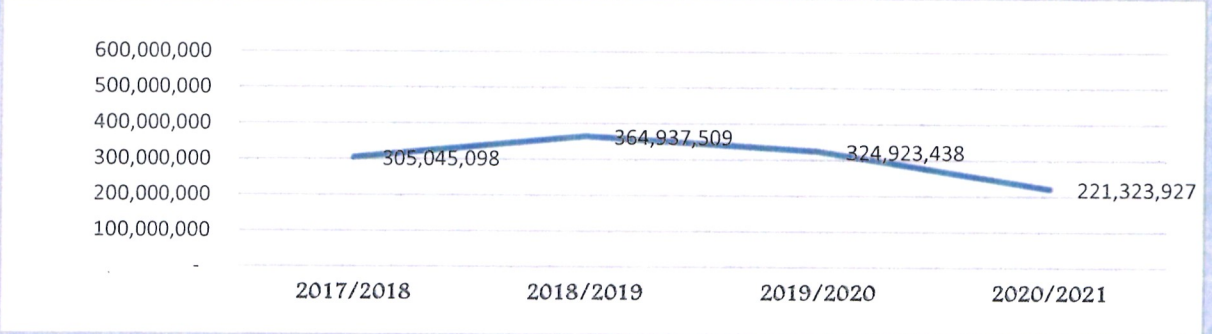

Figure 5: Trend analysis - Tuition & Other Related Incomes

Revenues from income generating activities grew from 74.8 million in FY 2017/2018 to 152.7 million in FY 2018/2019. The increased revenue was mainly attributed to the university hotel which had more conferences relating to the national population census in the year 2019. The revenue later fell to 100 million in FY 2019/2020 and 95.3 million in the FY 2020/2021 due to the effects of COVID-19 which adversely affected the operations of the university as shown in figure 6.

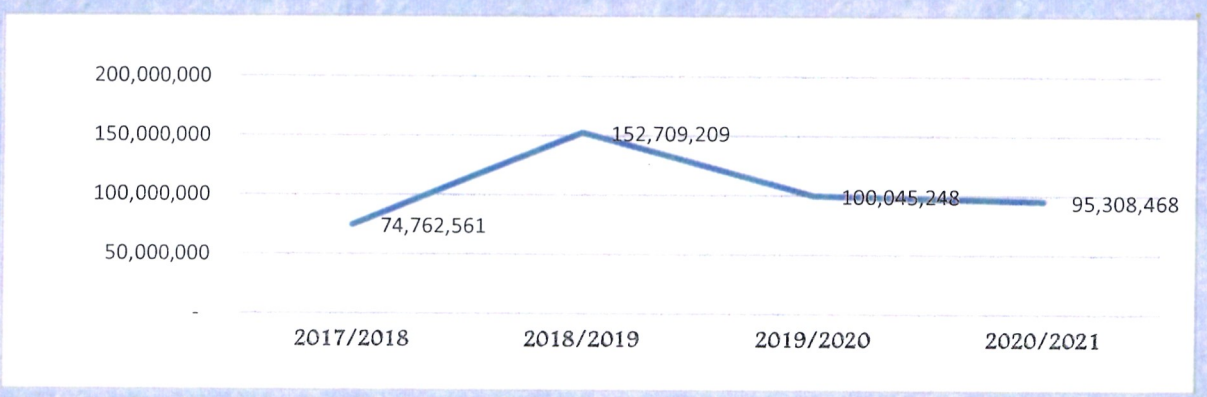

Figure 6: Trend analysis - I.G.A. & Other Incomes

The Surplus for the year dropped from 38.7 million in 2017/2018 to 33.9 million in 2018/2019. The surplus grew to 94.5 million in 2019/2020 but the university experienced a deficit of 55.5 million in 2020/2021 financial year. During the year the university experienced reduced revenues

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

from income generating activities while depreciation expenses continued to increase as shown in figure 7.

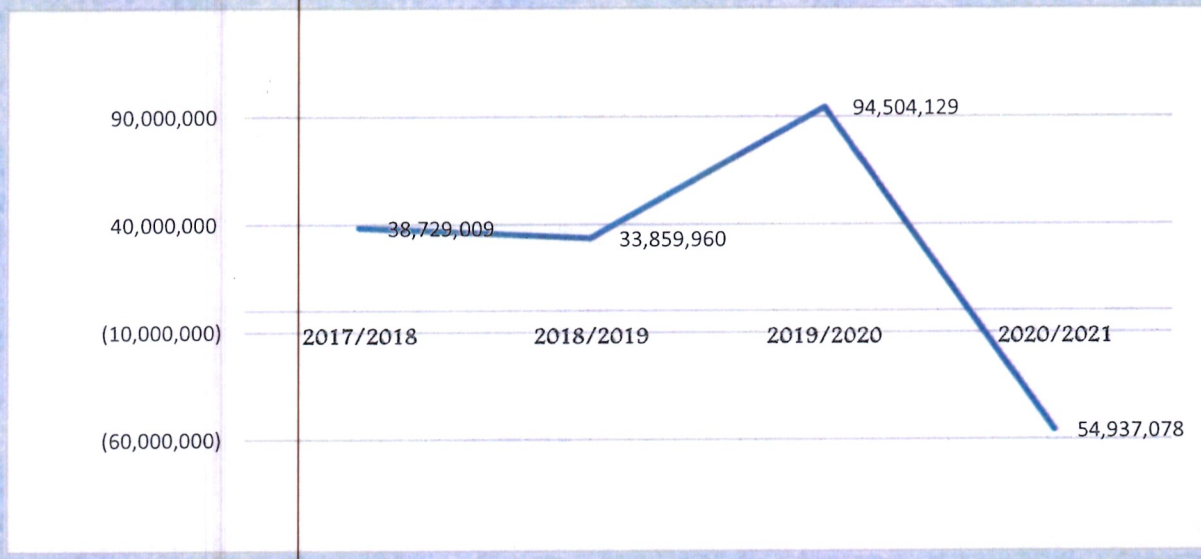

Figure 7: Trend analysis - Surplus / Deficit

B) EXPENDITURE ANALYSIS

During the 2020/2021 financial year, employment costs took the highest amount of recurrent expenditure with 76%. Administrative and operations expenses formed 10% with the academic expenses taking 4% of the total recurrent expenses. The council expenses were 1% of the total recurrent expenditure as shown in figure 8.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

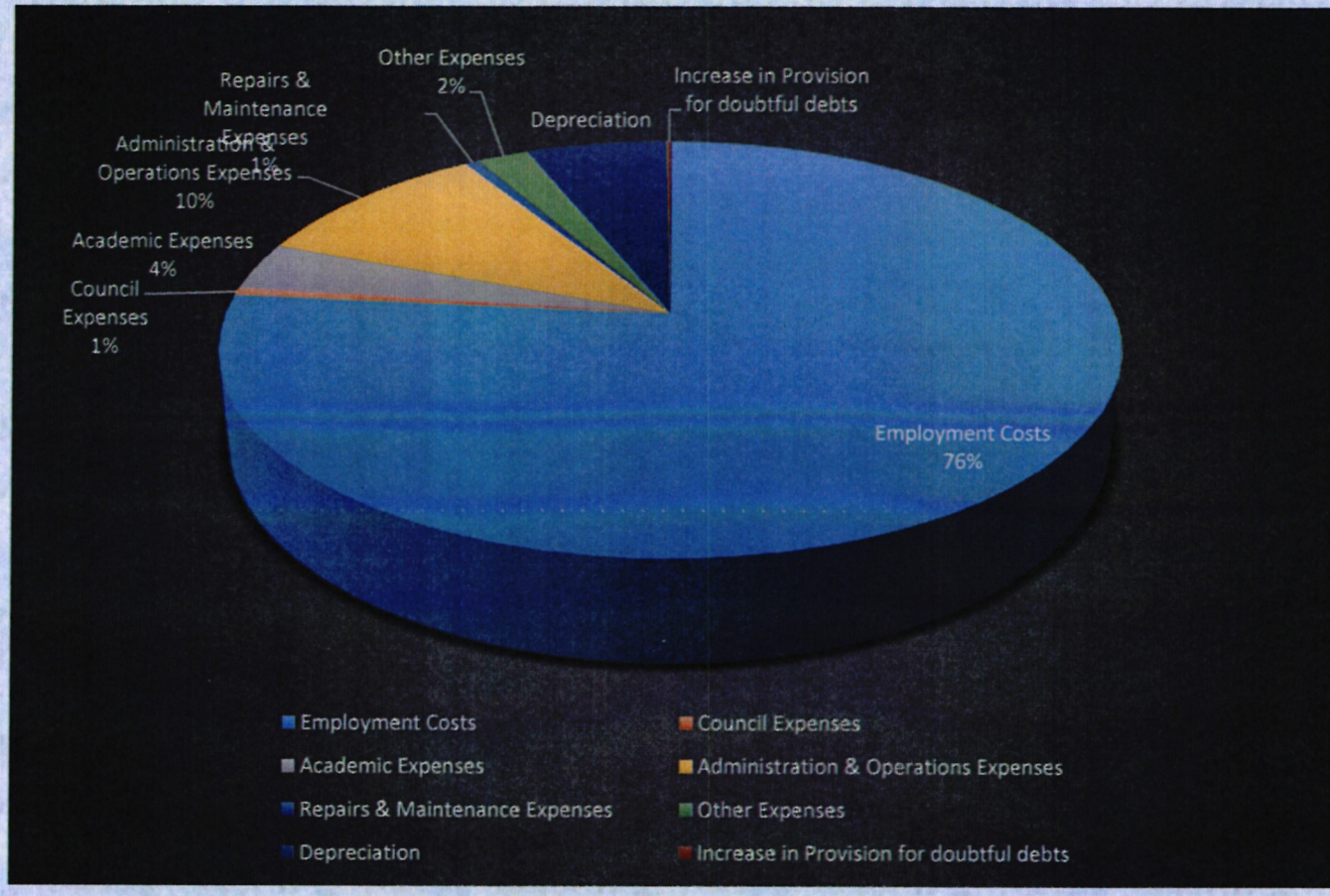

Figure 8: Total Expenses for FY 2020/2021

The financial year had a substantial decrease in employment costs; decreasing by 54 million because the 2017-2021 CBA arrears had been provided in the previous financial year. Administrative and operation expenses increased by 4 million while academic expenses decreased by 35 million due to minimal operations after the global effect of Covid-19 pandemic. Council expenses decreased by 4 million considering that some of the council meetings were held virtually. Other expenses decreased by 18 million due to closure of operations in the Le Technisch hotel at the start of the financial year as shown in figure 9.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

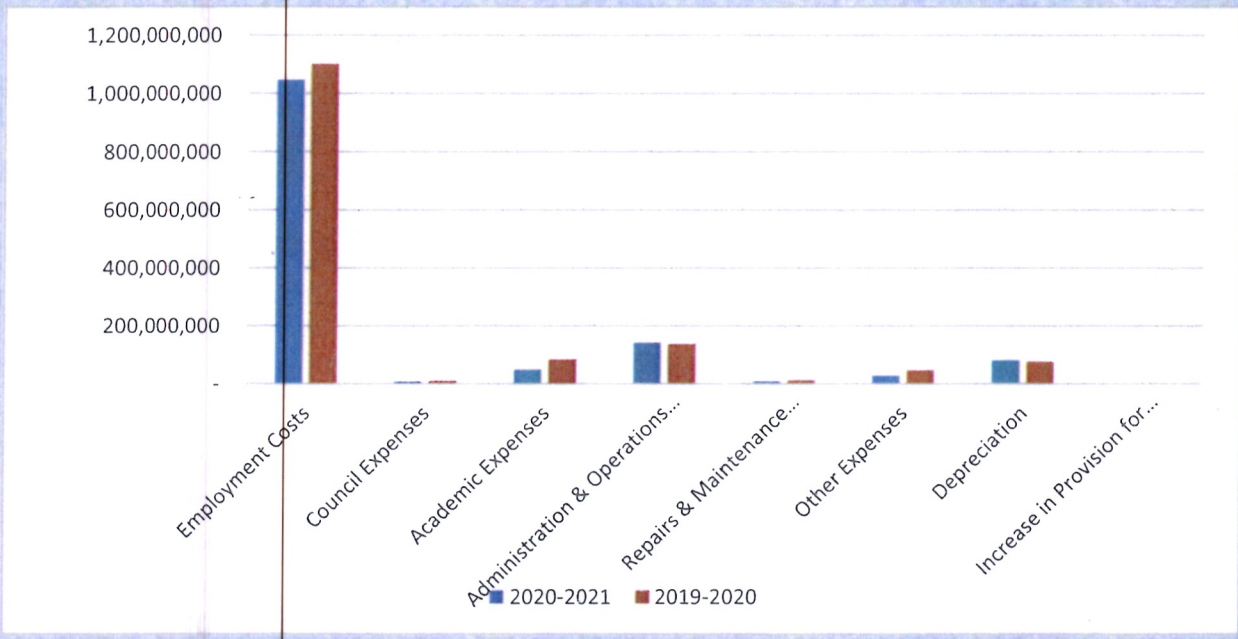

Figure 9: Comparison of expenses between 2020/2021 and 2019/2020

Employment costs have continued to increase from 897.3 million in 2017/2018 to 1.05 billion in the 2020/2021 financial year. The employments costs in 2019/2020 included 2017/2021 CBA arrears for 3 years of Kshs. 96.3 million as shown in figure 10.

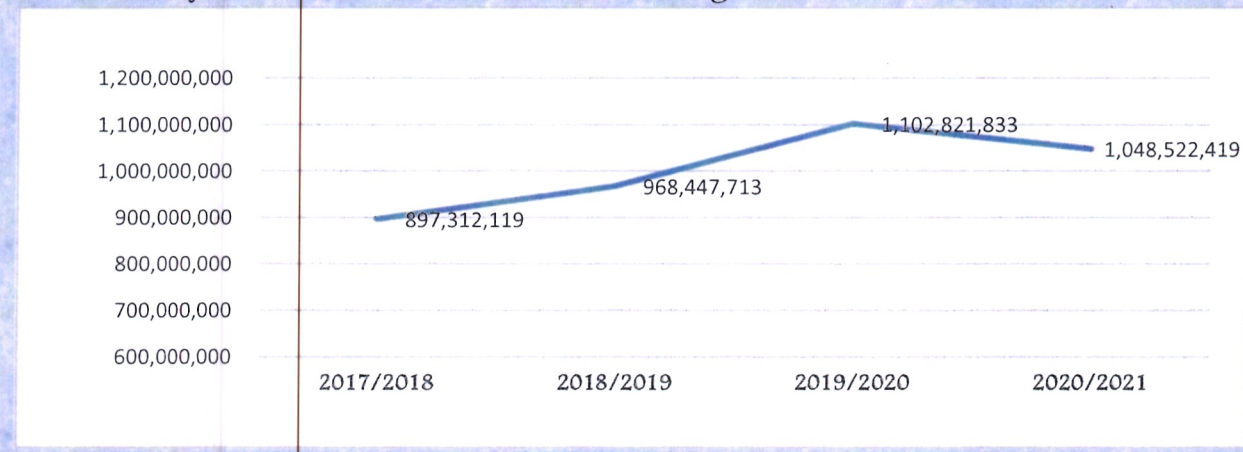

Figure 10: Trend analysis - Employment Costs

Council expenses increased from 9.1 million in 2017/2018 to 11.3 million in 2019/2020 but later reduced to 7.5 million in the 2020/2021 financial year. This is due to reduced cost of meetings

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

attributed to virtual meetings held in the financial year because of the effects of the COVID-19 as shown in figure 11.

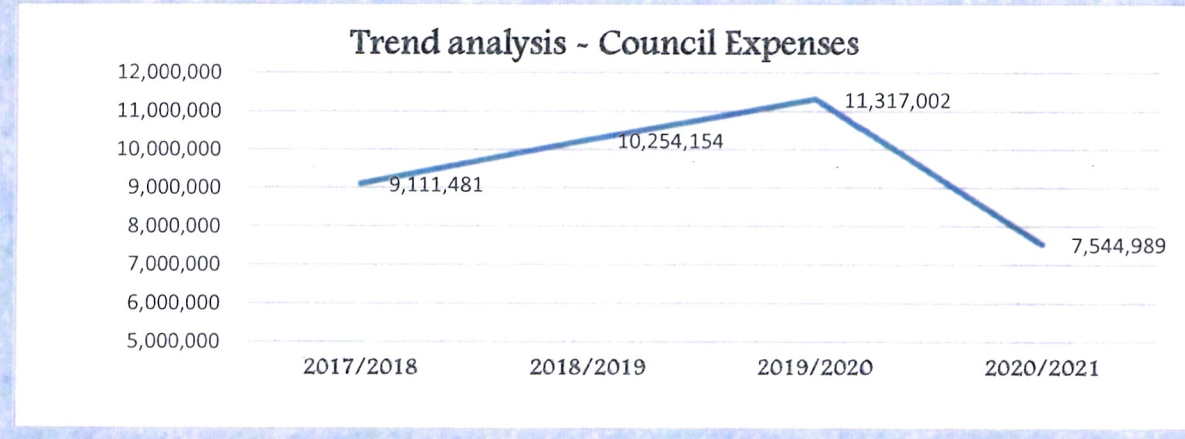

Figure 11: Trend analysis - Council Expenses

Academic expenses increased from 81 million in 2017/2018 to 90.9 million in 2018/2019 but later reduced in 2019/2020 and 2020/2021 financial years. This is due to the effects of COVID-19 which forced the university to close physical lectures from March 2020 to May 2021 as shown in figure 12.



Figure 12: Trend analysis - Academic Expenses

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Administration and operation expenses have been increasing from 116 million in 2017/2018 to 142 million in 2020/2021 financial year. The costs dropped in 2019/2020 due to effects of COVID-19 on some expenditure lines as shown in figure 13.

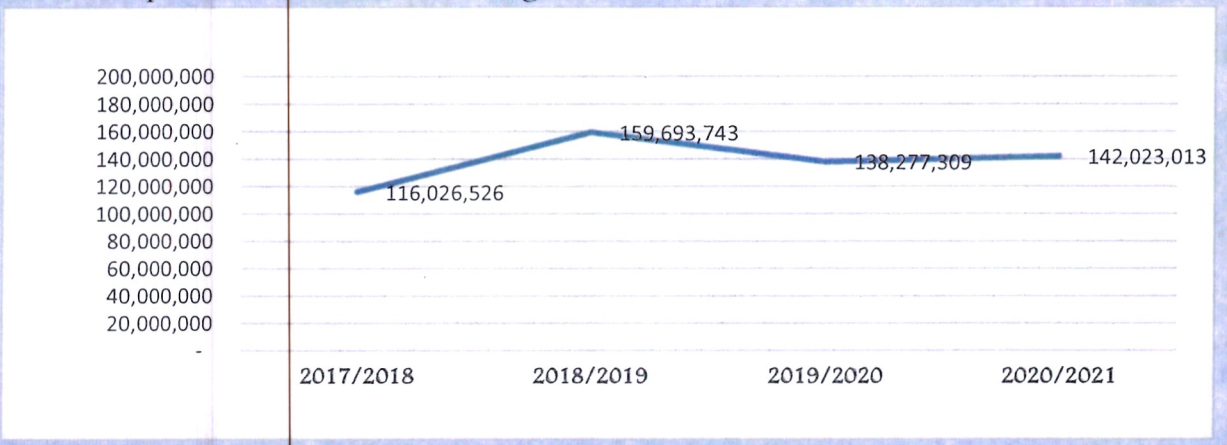

Figure 13: Trend analysis - Administration & Operations Expenses

Repairs and maintenance costs have been decreasing from 16 million in 2018/2019 to 8.9 million in 2020/2021 financial year as shown in figure 14.

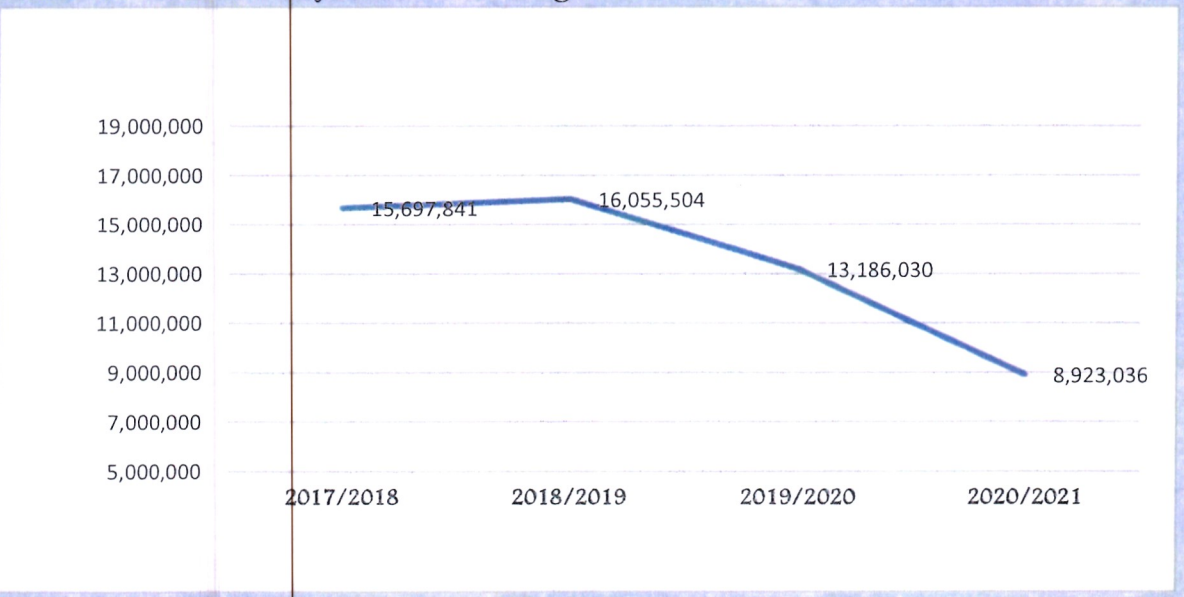

Figure 14: Trend analysis - Repairs & Maintenance Expenses

Other expenses increased to 52.4 million in 2018/2019 because of the increased operations in the University Hotel but later dropped in 2019/2020 and 2020/2021 financial years due to the effects of COVID-19 which forced the hotel to close for a couple of months as shown in figure 15.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

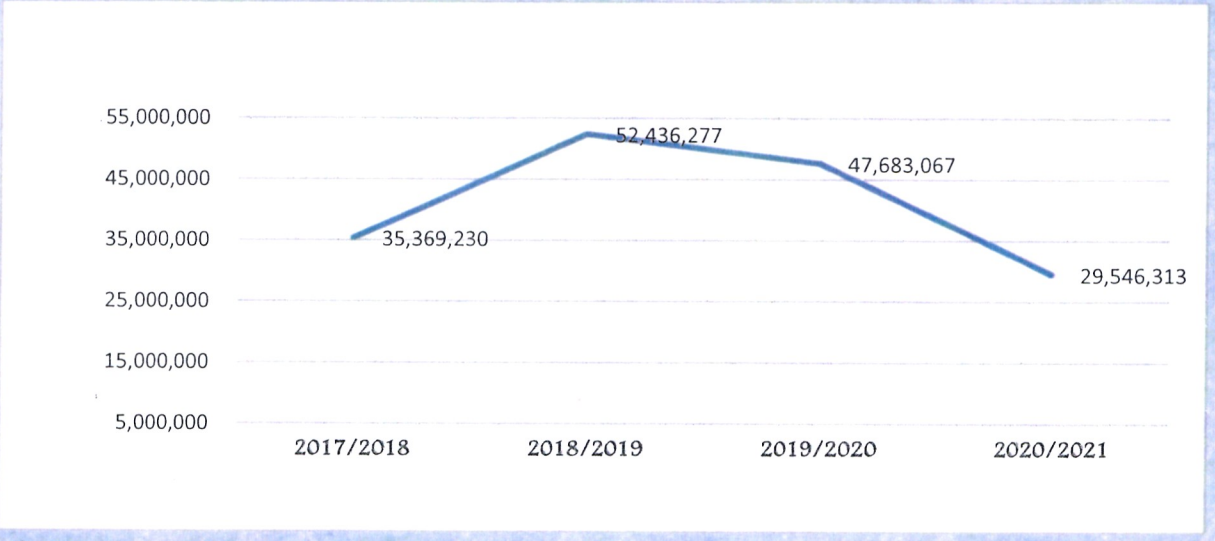

Figure 15: Trend analysis - Other Expenses

Depreciation expenses have been increasing over the years because of the increasing number of fixed assets of the University as shown in figure 16.

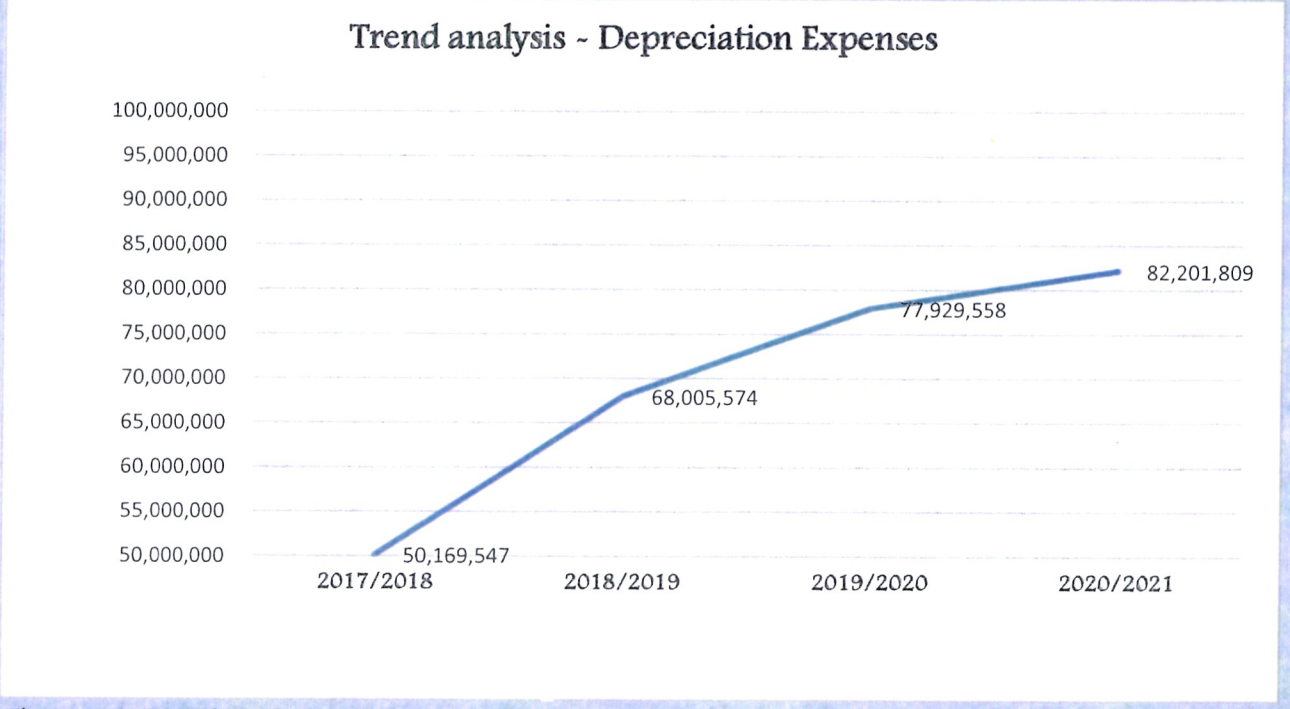

Figure 16: Trend analysis - Depreciation Expenses

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

C) STATEMENT OF THE FINANCIAL POSITION

The fixed assets of the University increased from 2.77 billion in 2019/2020 financial year to 2.86 billion in the 2020/2021 financial year. The increase in the asset base of the university is attributed to the continued implementation of the ongoing capital project i.e. tuition and office block as shown in figure 17.

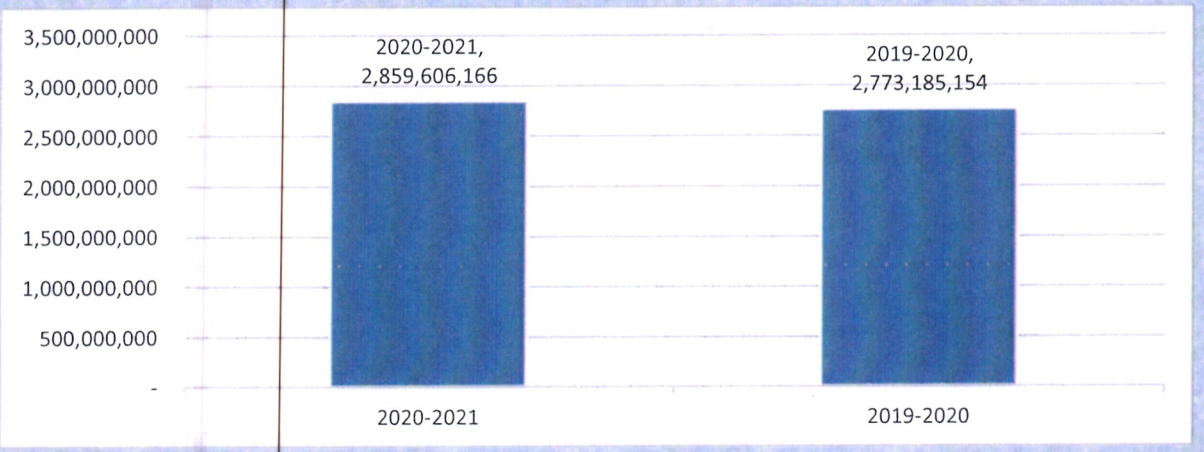

Figure 17: Non-Current Assets

The University closed the financial year with current assets of Kshs. 363 million which are able to cater for the current liabilities of Kshs. 280 million. This implies that the liquidity of the University is favourable as at the end of the 2020/2021 financial year as shown in figure 18.

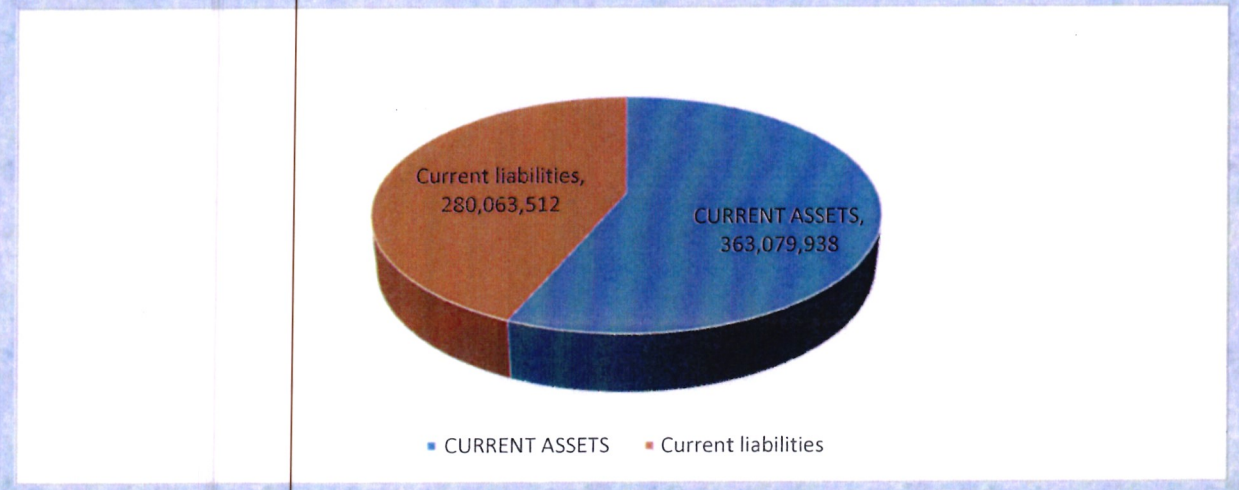

Figure 18: Current Assets Vs Current liabilities

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The University has increased its fixed asset base from 2.37 billion in 2017/2018 to 2.86 billion in 2020/2021 financial year as shown in figure 19.

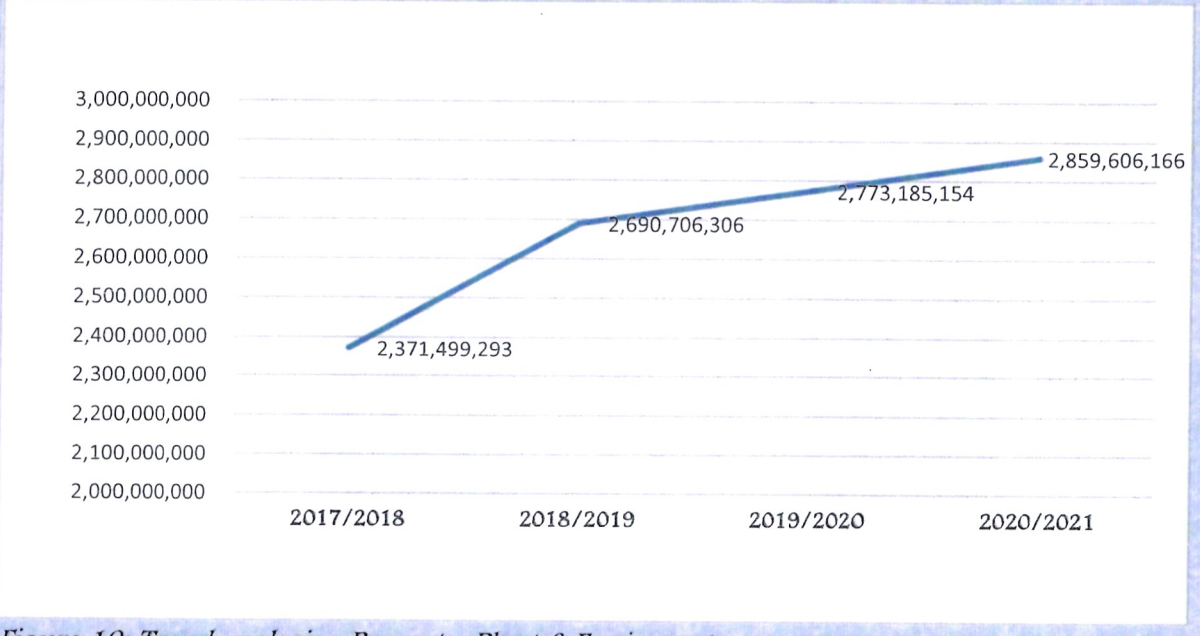

Figure 19: Trend analysis - Property, Plant & Equipment

Trade and other receivables increased from 142.2 million 2017/2018 to 271.9 million in 2019/2020 but later dropped to 170.6 million in 2020/2021. In 2019/2020 there were CBA grants receivable of Kshs. 96.3 million as shown in figure 20.



Figure 20: Trend analysis - Trade and other Receivables

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Cash and bank balances increased from KSh. 95.46 million to KSh.281.6 million in 2018/2019 but later dropped in 2019/2020 and 2020/2021. In 2018/2019, the University received development grants of 96 million that remained in the bank account as at the close of the financial year as shown in figure 21.



Figure 21: Trend analysis - Cash & Bank balances

Current assets had been increasing from 2017/2018 to 2019/2020 but dropped in the 2020/2021 financial year because of the reduced receivables and; cash and bank balances as shown in figure 22.

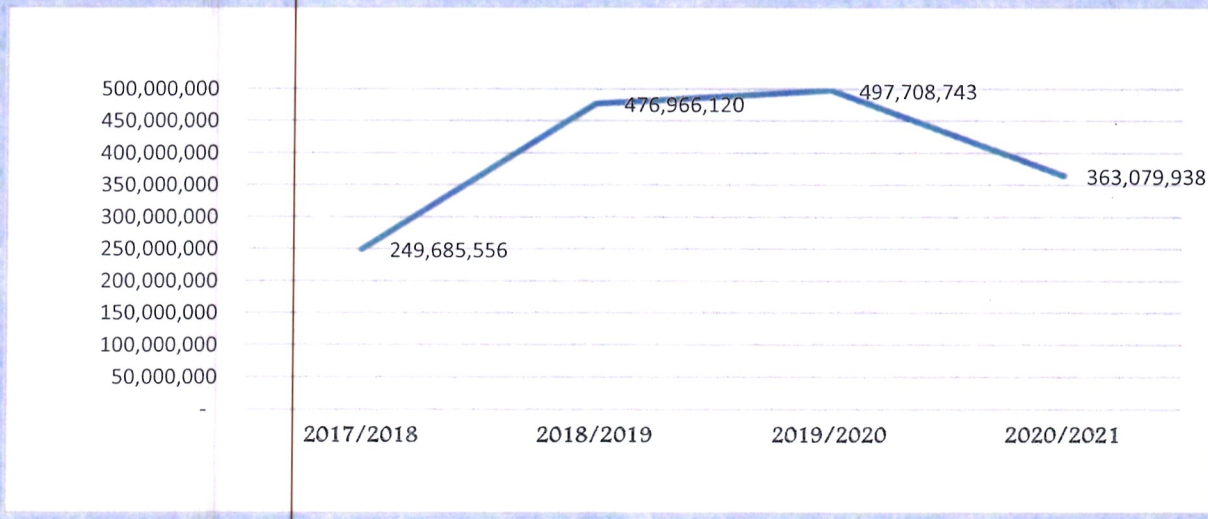

Figure 22: Trend analysis - Current Assets

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The University has experienced growth in its net assets (Reserves) from 2.43 billion in 2017/2018 to 2.94 billion in 2020/2021. The development grants received, surpluses and the donations received over that period have all contributed to this growth as shown in figure 23.



Figure 23: Trend analysis - Net Assets

Current liabilities increased in 2018/2019 to 392.9 million but reduced in the 2019/2020 and 2020/2021 financial years. The University has continued to clear its short-term obligations over the period as shown in figure 24.

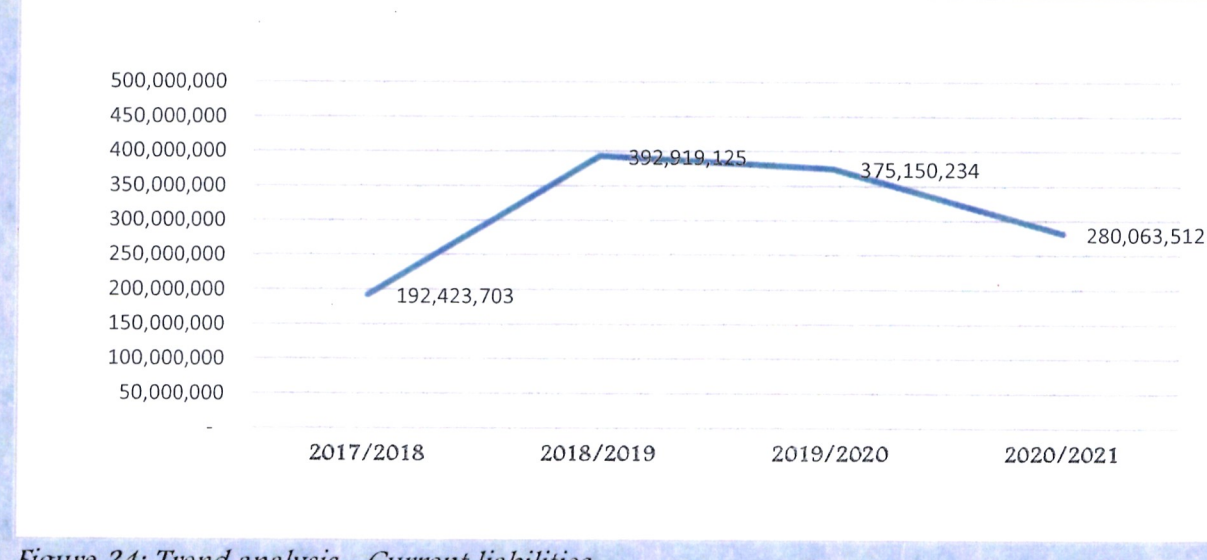

Figure 24: Trend analysis - Current liabilities

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

D) STATEMENT OF CASHFLOWS AS AT 30TH JUNE 2021

The University closed the financial year with cash and cash equivalent of Kshs. 167.3 million compared to the Kshs. 199.4 million in the 2019/2020 financial year. The University cleared some of the outstanding recurrent and capital creditors carried forward from the previous financial year hence the decrease as per figure 25.

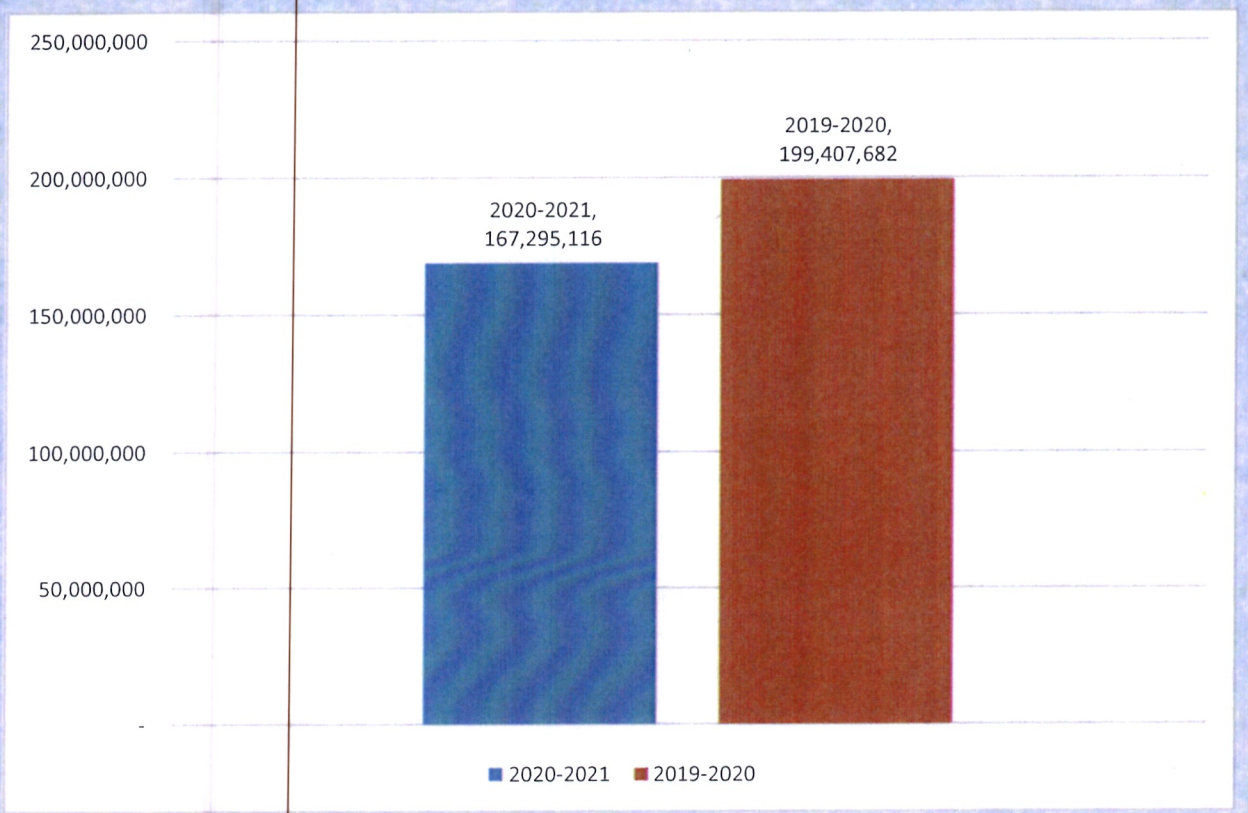

Figure 25: Cash & Bank Balances

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

E) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The University realized its budgeted revenues except for the tuition and related incomes, and research grants which fell short of the budget by KSh. 41million and 11 million respectively as per figure 26.

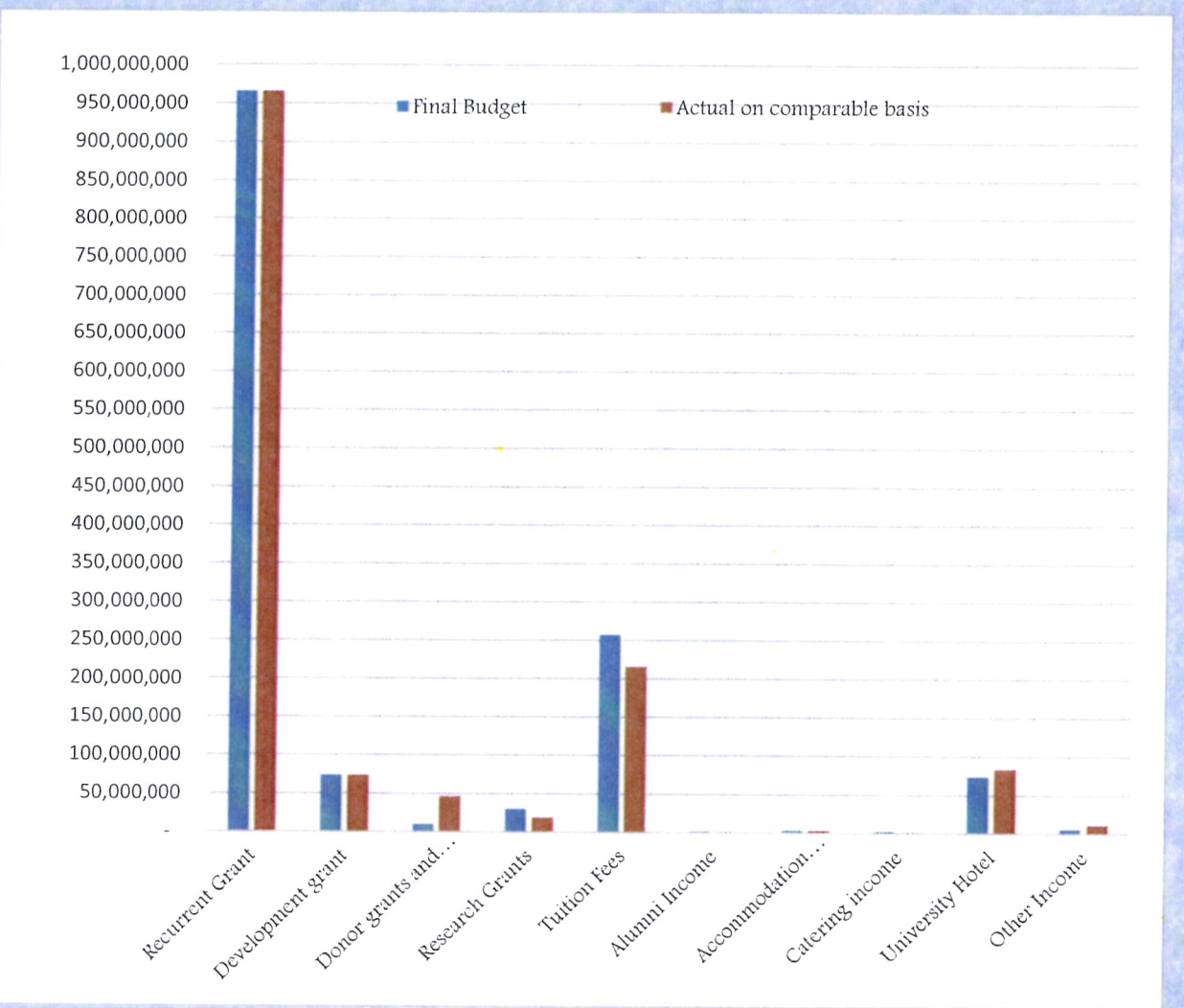

Figure 26: Budget vs Actual revenues

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On average, the University spent less than what was budgeted for on recurrent expenditures. The Capital expenditures slightly exceeded the budget by 1.8 million because the government reduced development grants meant for the construction of the tuition block as per figure 27.

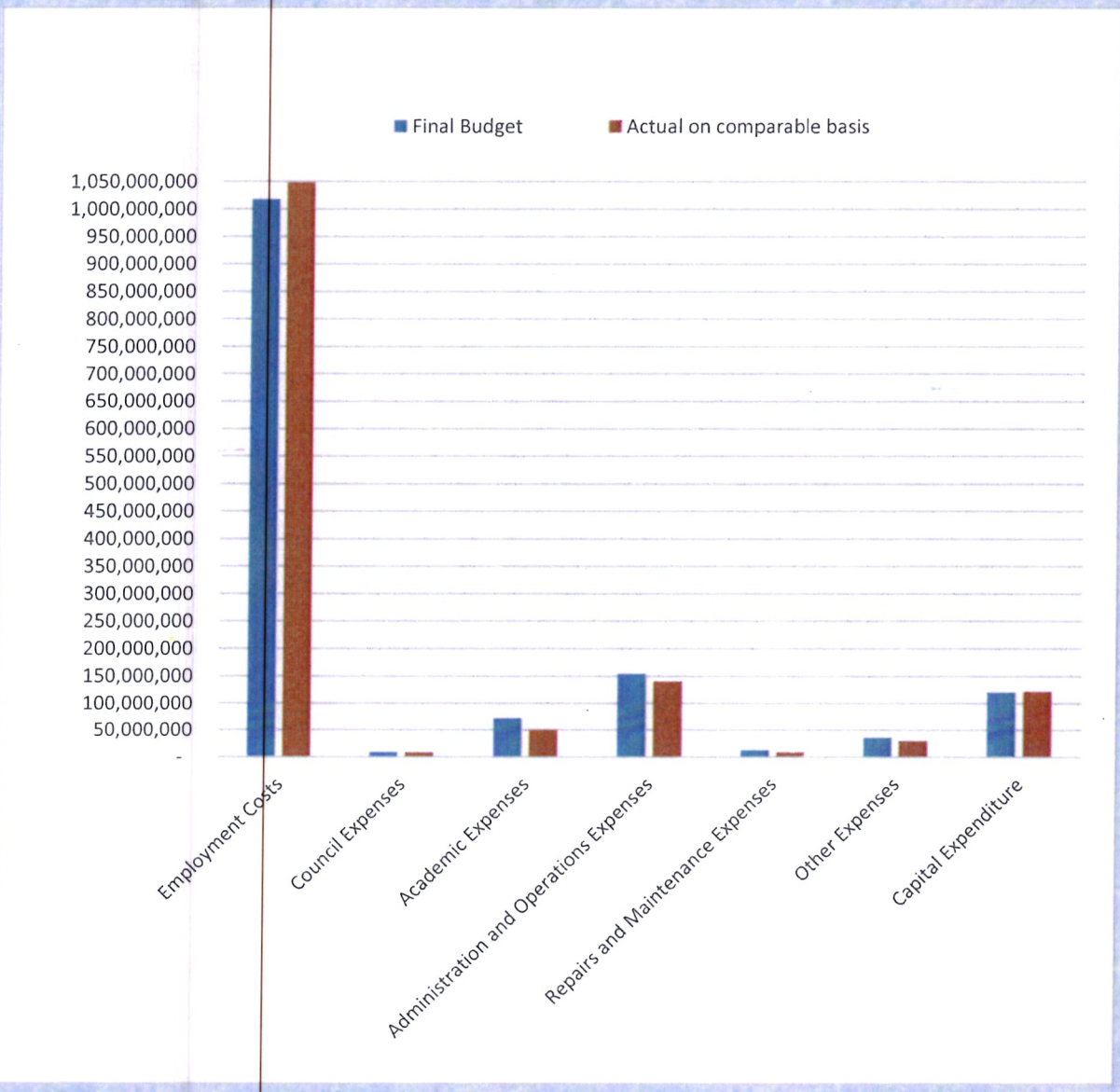

Figure 27: Budget vs Actual Expenditure

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SECTION B: KEY PROJECTS AND INVESTMENT DECISIONS PLANNED AND IMPLEMENTED

Within the financial year ended 30th June 2021, the University has been implementing the following projects in order of priority:

S/No	Project	% of Completion	Financing of the project	Remarks
1.	Tuition and Office Block	68	G.O.K	On-going and but behind schedule
2.	Development of Sports and Games facility (phase I)	2	A.I.A	On-going and on schedule



Site View of the Upcoming Tuition and Office Block

Funding of capital projects

Funding for the projects was based on expected development grants. However, the Government funding policy was reviewed and release of funds is only based on the projects listed in the Printed estimates. The Government Priority is also to fund ongoing projects before embarking on new ones. The government reduced the allocation of Kshs. 148,060,888 for Tuition and Office block by 50% and disbursed Kshs. 74,030,444 for the FY2020/2021. This slowed down the completion rate for the project.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SECTION C
COMPLIANCE WITH STATUTORY REQUIREMENTS

During the financial year the University complied with all statutory requirements and is not exposed to potential litigation issues or exposure to contingent liabilities.

SECTION D: MAJOR RISKS

OPERATIONAL RISKS

This is loss resulting from inadequate or failed procedures, systems or policies. Some of the risks in the University include:

1) ERP System failure
2) Failure by customers to pay for services offered
3) Some students fail to pay their full fees
4) Some debtors from non-tuition activities delay paying for services rendered
5) Insecurity
6) Global effects of the Covid-19 pandemic
7) Unrests

Risk Mitigation Strategies

1) Enhancement of the ERP system
2) Enhancing debt collection measures
3) Enforcement of the fees payment policy
4) Enforcement of the 100% payment for the Hotel services
5) Installation of biometric systems, engaging armed police officers and outsourcing the security services and construction of perimeter wall
6) Adherence to Ministry of Health protocols of covid-19
7) Negotiation and mediation on disputes

MARKET RISKS

These are losses due to factors that affect the overall performance of the market. Some of the risks in the University include:

1) Not attracting many module two students due to the competition from other universities and colleges.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Inability to attract and retain qualified lecturers due to competition and financial constraints.

Risk Mitigation strategies:

1) Targeted marketing of academic programmes and the University
2) Enhance the diversity and quality of the University programmes
3) Create a conducive working environment

CAPITAL RISKS

The University is exposed to the possibility that an entity may lose money from an investment of capital. Some of the risks in the University include:

1) Underperformance of income generating units/activities
2) Damage to University infrastructure
3) Poor workmanship by the contractors

Risk Mitigation Strategies

1) Inject seed capital and commercialization of the products.
2) Insure University assets.
3) Procurement of qualified contractors and professional monitoring of projects.

LIQUIDITY RISK

This is the inability to meet financial demands. Some of the risks include:

1) High cash demand
2) Failure to honour contractual obligations due to budget cuts.

Risk Mitigation strategies:

1) Proper planning
2) Enhanced government capitation and resource mobilization strategies.

SECTION E: MATERIAL ARREARS IN STATUTORY AND OTHER FINANCIAL OBLIGATIONS

The University has no material arrears in statutory and financial obligations to the national exchequer or any other Government agency.

SECTION F: FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

The University does not have any cases of financial improbity as reported by internal audit/ Audit committee, external auditors, or other National Government Agencies providing oversight.

There were no governance issues among the members of the Council and between the Council and management team, including conflict of interest.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Increasing environmental concerns, stringent rules and regulations combined with public awareness, have changed the outlook of business around the world today. By planning and implementing appropriate strategies and functions like green processes and energy conservations, institutions and businesses can play an important role in achieving sustainability.



Tree Planting led by The Dean and Students from School of Environment.

Machakos University's overall mandate is to Teach, Train, conduct Research, Innovate, and Collaborate, generate new knowledge and provide Community Service to contribute to environmental sustainability. This mandate forms the basis of the various University policy, operational and administrative instruments. For instance, the University's previous and current strategic plans, the development of new programmes and review of the existing ones aimed at having in place market driven programmes, developed and adopted policies, the University's Service Charter and the review of the University's Statutes are all premised on this purpose. Further, the University continues to pursue policies, strategies and interventions that promotes environmental and sustainability reporting as highlighted below.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (CONTINUED)

i. Sustainability strategy and profile

A sustainable strategy translates into long term success. Those benefits are not simply economic but benefit environment, local community and overall society. In addition to driving social and environmental change, sustainability initiatives can contribute to an institution's overall success. Sustainability strategy basically has implications on human, social, economic and environmental dimensions.

The overall strategies of the company to improve business efficiency must include complete environmental obligations and energy consumption guidelines. Environmental stewardship and energy conservation drive should be followed within the company's supply chain across the globe. Strategies which support cost reduction, increase operating and energy efficiency, lower air, water and soil pollution, save natural resources are the most effective strategies of any company. Companies introduce innovative methods to improve Information and technology operations to enhance the performance, without increasing the energy consumption.

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The 17 SDGs are integrated in such a way that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability. Quite a number SDGs touches on environmental sustainability. These include SDG 3 (good health and well-being), SDG 6 (clean water and sanitation), SDG 7 (affordable and clean energy), SDG 11 (sustainable cities and communities, SDG 12 (responsible consumption and production), SDG 13 (climate change) and SDG 17 (partnerships for goals). These goals are anchored or reflected in Kenya's vision 2030 (The Social Strategy) and the current governments Big-Four Agenda.

Ministry of Environment and National Environmental Management Authority have put in place mechanisms towards actualizing and monitoring the environmental sustainability goals and programmes in Kenya. Kenya's Green Economy Strategy and Implementation Plan 2016 – 2030, points as the main environmental thematic areas for focus as Promote sustainable infrastructure,

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (CONTINUED)

building resilience, Sustainable Natural Resource Management, Promoting resource efficiency, Social Inclusion and sustainable livelihoods. The drafting of Machakos University Workplace.

Environmental policy and other programmes such as tree planting and stakeholder/community involvement has quite been informed by this plan.

ii. Environmental performance

Machakos University has integrated her environmental and sustainability strategy into the University's day-to-day operations by pursuing deliberate steps to conserve, protect, and improve the supply and quality of natural resources and environmental media such as energy and water and aligning and integrating programs to aid achieve as many positive outcomes as possible in environmental, economic, and social systems. The reporting matrix (table 11 below) with regard to Machakos University performance on environmental sustainability indicators has been customized from the template/format provided by National Environment Management Authority (NEMA). some of the notable realizations include MksU workplace environment management policy which is in draft form and is expected to be presented in the University Senate, tree planting exercises by staff and students, initiatives on energy savings and waste management.



ENVIRONMENTAL AND SUSTAINABILITY REPORTING (CONTINUED)

Table 11: Machakos University Environmental and Sustainability Reporting FY 2020-2021

No.	Area of focus	Target/Activity	Indicator	Achievement status	Variance	Comment, challenges
1.	Environmental Policy at the workplace	Development of an institutional operational environment policy	Workplace environmental policy	70%	-30%	Draft policy in place to be tabled in the University Senate
2.	Waste management initiatives	Install waste bins	Segregated bins in place and in use	100%	-	These are not utilized effectively. There is need to sensitize stakeholders on the same
3.	Climate change adaptation and mitigation initiatives	-Installation of low energy consumption devices (lights) -Installation of rain water harvesting structures -Installation of alternative sources of green energy	- Low energy consumption devices in place (lights) -Rain water harvesting structures in place - Alternative sources of green energy in place	100%	-	- Rain water harvesting, underground tanks (ADB) - Use of rainwater for cleaning and watering
4.	Planting trees	Plant/support tree planting initiatives 500 trees	-1600 trees planted within the university land	320%	+220%	Target surpassed because of donations of tree seedlings received
5.	Promoting environmental protection and conservation through partnerships with stakeholders	Identify and engage at least one partner in tree planting initiative	Collaboration with Equity bank in tree planting	100%		Donation of 1000 trees were received from Equity Bank

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (CONTINUED)

iii. Employee welfare

MksU has put in place various policies that guide the welfare of the staff and amongst them is the Human Resource Policy and Procedure Manual which has incorporated policies that provide information on the staff welfare.

The HR Policy Manual has the following eighteen (18) policies

1. Code of Conduct and Ethics
2. Staff Recruitment
3. Staff Performance Management
4. Staff Reward Management
5. Staff Training and Development
6. Staff Promotion
7. Leave Management
8. Staff Insurance
9. Staff Safety and Health
10. Staff Social Welfare
11. Succession Planning and Staff Retention
12. Staff Sexual Harassment
13. General Harassment
14. Disciplinary Policy Procedures
15. Staff Separation
16. Benevolence
17. Sabbatical Leave
18. Visiting Academic Staff

Other Policies that take care of the welfare of the staff are MksU Gender Mainstreaming Policy and the MksU Disability Mainstreaming Policy.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (CONTINUED)

During recruitment, gender mainstreaming guidelines are taken into consideration as guided by the Policy and the Government circulars in a deliberate effort to achieve the ultimate goal of gender equity in all areas.

MksU has put in mechanisms of ensuring that staff are motivated through staff development and training. There is a Staff Training and Development Policy in place and mitigating measures that are derived from the performance appraisal process.

The policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.) is domiciled in the HR Policy Manual.

iv. Market place practices

a. Responsible competition practice

Procurement department often relies on a competitive bidding process to achieve better value for money in its procurement activities. To enhance competing on the same platform the bidders are issued with the same tender document which on submission is evaluated based on the evaluation criteria provided in the tender document.

Low prices and/or better products are desirable because they result in resources either being saved or freed up for use on other goods and services. Procurement methods such as open tender requires that the lowest evaluated bidder be awarded the tender. However, to avoid price under cutting, the lowest bid has to be within prevailing market rate. After evaluation and award of tender the winning bidder is issued with award notification letter and at the same time the other bidders are debriefed on reasons they were not awarded the tender.

b. Responsible supply chain and supplier relations

Contracts are honored as per the contractual terms agreed between the suppliers and the University, Payments are also done as per the agreed timelines. Youth, Women and PWD's are paid Within 30 days and as per the Government Circular. The University has ensured that suppliers are advised on the documents needed to process their payments in good time.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (CONTINUED)

c. Responsible marketing and advertisement

The University has established a Corporate Affairs, Public Relations and Marketing Directorate that is responsible for marketing and advertisement of the University.

d. Product stewardship

The University through the School of Environmental Science and Natural Resource Management has contributed to the reduction of the effects of environmental degradation through the development of programmes to disseminate knowledge on environmental sustainability.

Corporate Social Responsibility/Community engagements

(a) Donation of food stuffs

Machakos University donated foodstuffs to Machakos Women Prisons and Bricks as one of her Corporate Social Responsibility activities of the Institution during the period 2020-2021.







(b) Bursary and Sponsorship

During the FY 2020-2021, 478 students received internal facilitated bursaries, 231 students received sponsorship through Rattansi Scholarships and 78 students benefited through the Chancellors kitty.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (CONTINUED)



(c) Career and Academic Mentorship

Machakos University was involved in offering career advice to students within and around Machakos County during the 2020-2021 FY. The university did this in collaboration with KUCCPS in preparing students who had sat for their KCSE on career choices. The University also offered internship and industrial attachment to youth from the surrounding community and Institutions.



REPORT OF THE UNIVERSITY COUNCIL

Machakos University Council submit their report together with the audited financial statements for the year ended June 30, 2021 which shows the state of Machakos University affairs.

Principal activity

The principal activity of Machakos University is to provide scholarly education through Training, Research and Innovation for industrial and socio-economic transformation of our communities.

Results

The results of Machakos University for the year ended June 30, 2021 are set out on **page 1 to 10**

University Council Members

The members of the University Council who served during the year are shown on **page viii to x.**

Auditors

The Auditor General is responsible for the statutory audit of Machakos University in accordance with the provisions of Article 229 of the Constitution of Kenya, 2010 and section 7 of the Public Audit Act, no. 34 of 2015.

By Order of the University Council

Prof. Lucy W. Irungu
VICE CHANCELLOR/COUNCIL SECRETARY Date: 10.3.2022

STATEMENT OF UNIVERSITY COUNCIL'S RESPONSIBILITIES

Pursuant to Section 81 (1) of the Public Finance Management Act, 2012 and Sections 14 & 15 of the State Corporations Act, Machakos University Council is required to prepare statements in respect of the University which give a true and fair view of the state of affairs of the University at the end of the financial period, and the operating results of the University for that period. The University Council is required to ensure that the University maintains 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 Machakos University 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 period ended on June 30, 2021. This responsibility includes: (i) maintaining adequate 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 accounting policies; and (vi) making accounting estimates that are reasonable in circumstances.

The Council accepts responsibility for Machakos University financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, and in conformity with International Public-Sector Accounting Standards (IPSAS) and in the manner required by the PFM Act, 2012 and State Corporations Act Cap 446. The Council is of the opinion that Machakos University financial statements give a true and fair view of the state of the University transactions during the year ended June 30, 2021, and of its financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University 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 Machakos University financial statements were approved by the Council on 29th September, 2021 and signed on its behalf by:

.....
Prof. Lucy W. Irungu
Vice Chancellor/Council Secretary

.....
Chairman of Council

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON MACHAKOS UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Machakos University set out on pages 1 to 37, which comprise the statement of financial position as at 30 June, 2021,

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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Machakos University as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Student Debtors

The statement of financial position reflects a balance of Kshs.168,160,304 in respect to trade and other receivables from exchange transactions which, as disclosed in Note 16(a) to the financial statements, includes an amount of Kshs.126,584,101 in respect of student debtors. A provision of Kshs.28,844,815 for doubtful debts has been made representing 50% of students debts which had been outstanding for more than 5 years. However, the schedule provided in support of the balance did not include details of the invoice dates and student numbers for most of the debtors and therefore, the authenticity and adequacy of the provision could not be confirmed.

In the circumstances, the accuracy, completeness and recoverability of long outstanding student debtors of Kshs.126,584,101 as at 30 June, 2021 could not be confirmed.

2. Trade Debtors

The trade and other receivables from exchange transactions balance of Kshs.168,160,304 also includes trade debtors of Kshs.59,960,566. However, the supporting schedule provided for audit revealed that debts totalling Kshs.59,408,859 were brought forward from previous years and their collectability remained doubtful. Further, the brought forward debts did not disclose the names of the debtors casting doubt on the authenticity of the brought forward debts.

Consequently, the accuracy, completeness, validity and collectability of trade debtors balance of Kshs.59,960,566 as at 30 June, 2021 could not be confirmed.

3. Intra-University Debts

The trade and other receivables from exchange transactions balance of Kshs.168,160,304 further includes other debtors amounting to Kshs.10,460,452. The latter balance includes debts totalling Kshs.5,955,450 owed by 'Machakos University' meaning that the University was its own debtor. The debts arose from intra-university

transactions and do not represent arm's length transactions and should have been offset from the reported debtors balance.

In the circumstances, the validity of the debt of Kshs.5,955,450 debts and that of the related revenue as at 30 June, 2021 could not be ascertained.

4. Unaccounted for Contractors' Retentions

As disclosed in Note 21 to the financial statements, the statement of financial position reflects trade and other payables balance of Kshs.280,063,512 which includes contractors retentions balance of Kshs.37,510,526. However, the bank account maintained for deposits operated at the National Bank of Kenya had a balance of Kshs.7,012,134 as at 30 June, 2021, resulting in a difference of Kshs.30,498,392. Management explained that the University spent part of the funds to pay contractors following delayed Exchequer releases to avoid penalties and interest. However, no documents were provided to indicate when the amounts were withdrawn, utilized and related approvals from the University Council.

Consequently, the accuracy and completeness of the contractors retentions balance of Kshs.37,510,526 as at 30 June, 2021 could not be confirmed.

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

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. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Lack of Staff Ethnic Balance

Review of human resource documents revealed that, the University had five hundred and four (504) employees out of whom two hundred and ninety-three (293) representing 58% of the workforce were from the local dominant community. This is contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community.

The University Management was in breach of the law.

2. Unapproved Commitments after 31 May

Review of the local purchase orders provided for audit revealed that, the University entered into seventy-seven (77) commitments amounting to Kshs.8,926,809 in the month of June, 2021 without approvals in writing from the Accounting Officer. This is contrary to the provisions of Section 51(1) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that no commitment should be done after 31 May without approval in writing from the Accounting Officer.

The University Management was in breach of the law.

3. Delayed Completion of Tuition and Office Block Project

Included in the balance is Work-in-Progress of Kshs.430,630,650 is an amount of Kshs.428,907,050 relating to ongoing works on tuition and office block. The contract for the construction was awarded on 6 July, 2017, at a sum of Kshs.986,761,115 over a 3 years period. However, as at the time of this audit in September, 2021, the project was at 70% completion level and value of works certified was Kshs.440,682,116 representing 45% of the contract sum. Review of the approved budget for the year under review, revealed that project had a final budget of Kshs.74,030,444 against actual expenditure of Kshs.83,555,444 leading to an excess expenditure by Kshs.9,525,000 which was occasioned by reduction in the budget of development grants after expenditure had already been incurred.

No explanation was provided for the delay in completion of the project and for failure to impose sanctions against the contractor for breach of contractual provisions. Further, no documentary evidence was provided to indicate that the contractor had renewed the performance bond after expiry of the contract period.

In the circumstances, the project implementation is behind schedule and the likelihood for cost escalation may hinder the University to obtain value for money from the investment.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance

about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the University Council

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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 sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the University or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the 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.

The University Council is responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how the Management 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's policies and procedures may deteriorate.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable 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 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 sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 July, 2022

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

REVENUE	Notes	2020-2021 Ksh	2019-2020 Ksh
Revenue from non-exchange transactions			
Government Grants	5(a)	966,260,930	957,026,140
Research and Donor Grants	5(b)	19,562,711	25,034,933
CBA Grants	5(c)	-	162,185,049
Amortized Grants in kind	6	14,398,963	5,291,077
		1,000,222,604	**1,149,537,199**
Revenue from exchange transactions			
Tuition & Other Related Incomes	7	221,323,927	324,923,438
I.G.A. & Other Incomes	8	95,308,468	100,045,248
		316,632,395	**424,968,686**
Total Revenue		**1,316,854,999**	**1,574,505,885**
EXPENDITURE			
Employment Costs	9	1,048,522,419	1,102,821,833
Council Expenses	10	7,544,989	11,317,002
Academic Expenses	11	50,121,072	85,631,771
Administration & Operations Expenses	12	142,023,013	138,277,309
Repairs & Maintenance Expenses	13	8,923,036	13,186,030
Other Expenses	14	29,546,313	47,683,067
Depreciation	15	82,201,809	77,929,558
Increase in Provision for doubtful debts	16(a)	2,909,426	3,155,187
Total Expenditure		**1,371,792,076**	**1,480,001,756**
Surplus / Deficit		**(54,937,078)**	**94,504,129**

The notes set out on pages 12 to 31 form an integral part of the Financial Statements

The Financial Statements set out on pages 1 to 11 were signed on behalf of the University Council by:

CPA Aileen Nyatuga	Prof. Lucy W. Irungu	.....
Chief Finance Officer	Vice Chancellor	Chairman of Council
ICPAK No. 4943		
Date ..10:3:2022.....	Date ..10.3.2022.....	Date ..10:3:2022.....

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

ASSETS	Notes	2020-2021 Ksh	2019-2020 Ksh
NON-CURRENT ASSETS			
Property, Plant & Equipment	15	2,859,606,166	2,773,185,154
		2,859,606,166	**2,773,185,154**
CURRENT ASSETS			
Inventories			
Stocks-Inventories	17	25,130,115	26,388,725
		25,130,115	**26,388,725**
Trade and other Receivables			
Exchange transactions	16(a)	168,160,304	173,159,139
Non-Exchange transactions	16(b)	2,494,402	98,753,197
		170,654,706	**271,912,336**
Cash & Bank balances	18	**167,295,116**	**199,407,682**
		363,079,938	**497,708,743**
Total Assets		**3,222,686,104**	**3,270,893,898**
CAPITAL FUNDS & LIABILITIES			
Net Assets			
Capital Reserve	19	3,036,130,011	2,962,099,567
Revenue Reserve	20(a)	(133,246,375)	(75,047,197)
Deferred Income	20(b)	39,738,957	8,691,294
Sub-total		**2,942,622,592**	**2,895,743,663**
Current liabilities			
Trade and other Payables	21	280,063,512	375,150,234
Total Net Assets and Liabilities		**3,222,686,104**	**3,270,893,898**

The Financial Statements set out on pages 1 to 11 were signed on behalf of the University Council by:

CPA Aileen Nyatuga
Chief Finance Officer
ICPAK No. 4943

Date 10.3.2022

Prof. Lucy W. Irungu
Vice Chancellor

Date 10.3.2022

.....
Chairman of Council

Date 10.3.2022

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

Description	Notes	Capital Reserve Ksh	Revenue Reserve Ksh	Deferred Income Ksh	Total Ksh
Balance as at 1st July 2019		**2,927,203,259**	**(166,432,329)**	**13,982,371**	**2,774,753,301**
Additional Capital	19	70,390,829	-	-	70,390,829
Revaluation Reserve	19	(35,494,521)	-	-	(35,494,521)
Prior year Adjustments	20(a)	-	(3,118,997)	-	(3,118,997)
Surplus for the year 2019/2020	20(a)	-	94,504,129	-	94,504,129
Amortized for the year 2019/2020	20(b)	-	-	(5,291,077)	(5,291,077)
Balance as at 30th June 2020		**2,962,099,567**	**(75,047,197)**	**8,691,293**	**2,895,743,663**
Balance as at 1st July 2020		**2,962,099,567**	**(75,047,197)**	**8,691,293**	**2,895,743,663**
Additional Capital	19	74,030,444	-	-	74,030,444
Donated Equipment	15	-	-	45,446,627	45,446,627
Prior year Adjustments	20(a)	-	(3,262,101)	-	(3,262,101)
Surplus for the year 2020/2021	20(a)	-	(54,937,078)	-	(54,937,078)
Amortized for the year 2020/2021	20(b)	-	-	(14,398,963)	(14,398,963)
Balance as at 30th June 2021		**3,036,130,011**	**(133,246,375)**	**39,738,957**	**2,942,622,592**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

Cash flows from Operating activities	Notes	2020-2021 Ksh	2019-2020 Ksh
RECEIPTS			
Revenue from non-exchange transactions	22 (a)	1,082,082,436	1,050,600,806
Revenue from exchange transactions	22 (b)	351,705,491	422,731,679
		1,433,787,927	**1,473,332,484**
PAYMENTS			
Employment Costs	23 (a)	1,137,636,626	1,066,124,285
Council Expenses	23 (b)	7,544,989	11,317,002
Academic, Administrative and other Expenses	23 (c)	238,555,888	352,524,391
		1,383,737,502	**1,429,965,678**
Net cash flows from operating activities	25	**50,050,424**	**43,366,806**
Cash flows from Investing activities			
Purchase of Property, Plant & Equipment	24	(156,193,434)	(195,902,927)
Net cash flows used in investing activities	24	**(156,193,434)**	**(195,902,927)**
Cash flows from Financing activities		-	-
Development grants received	19	74,030,444	70,390,829
Net cash flows from investing activities		**74,030,444**	**70,390,829**
Net increase in cash & cash equivalents		(32,112,566)	(82,145,292)
Net cash & cash equivalents b/f		199,407,682	281,552,974
Cash & Bank balances as at 30th June	18	**167,295,116**	**199,407,682**

The Financial Statements set out on pages 1 to 12 were signed on behalf of the University Council by:

CPA Aileen Nyatuga
Chief Finance Officer
ICPAK No. 4943

Date 10.3.2022

Prof. Lucy W. Irungu
Vice Chancellor

Date 10.3.2022

.....
Chairman of Council

Date 10.3.2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Details	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% of Utilization	Notes
		A	B	C = (A+B)	D	E	F = D/C	
A	INCOME	Ksh	Ksh	Ksh	Ksh	Ksh	%	
1	Recurrent Grant	966,260,930	-	966,260,930	966,260,930	-	100	
2	Development grant	148,060,889	(74,030,445)	74,030,444	74,030,444	-	100	
3	Donor grants and donations	10,000,000	-	10,000,000	46,179,543	(36,179,543)	462	1
4	Research Grants	30,000,000	-	30,000,000	18,829,795	11,170,205	63	2
5	Tuition Fees	431,745,933	(174,502,280)	257,243,653	216,160,962	41,082,691	84	3
6	Alumni Income	600,000	878,500	1,478,500	1,478,500	-	100	
7	Accommodation income	2,664,000	168,000	2,832,000	2,411,357	420,643	85	3
8	Catering income	6,336,000	(4,168,000)	2,168,000	1,273,108	894,892	59	4
9	University Hotel	92,050,995	(18,043,167)	74,007,828	83,747,263	(9,739,435)	113	5
10	Other Income	5,000,000	500,000	5,500,000	11,561,205	(6,061,205)	210	6
	Total Income	**1,692,718,747**	**(269,197,392)**	**1,423,521,355**	**1,421,933,106**	**1,588,249**		
B	**RECURRENT EXPENDITURE**							
	DETAILS							
	Employment Costs							
1	Basic salaries	527,491,392	(26,406,492)	501,084,900	520,969,087	(19,884,187)	104	
2	House allowance	222,865,828	(10,368,976)	212,496,852	210,908,492	1,588,360	99	
3	Pension & Gratuity	116,048,106	(6,829,428)	109,218,678	111,268,136	(2,049,458)	102	
4	NSSF	1,740,000	(21,600)	1,718,400	1,238,200	480,200	72	
5	Leave Allowances	4,671,163	(71,021)	4,600,142	6,125,252	(1,525,110)	133	
6	Commuter Allowances	77,556,000	(9,620,000)	67,936,000	67,481,983	454,017	99	
7	Part-time lecturers	30,000,000	(11,000,000)	19,000,000	23,356,390	(4,356,390)	123	
8	Adjunct Lecturers	12,000,000	(4,000,000)	8,000,000	7,805,193	194,807	98	
9	Locum Staff	1,000,000	(1,000,000)	-	-	-	-	
10	Casuals	19,500,000	(11,750,000)	7,750,000	6,874,843	875,157	89	
11	Book & Research Allowances	3,292,000	(98,000)	3,194,000	3,047,334	146,666	95	
12	Other allowances	82,097,040	1,016,000	83,113,040	89,447,510	(6,334,470)	108	
	Total Employment Costs	**1,098,261,529**	**(80,149,517)**	**1,018,112,012**	**1,048,522,419**	**(30,410,407)**	**103**	

	Details	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% of Utilization	Notes
		A	B	C = (A+B)	D	E	F = D/C	
	Council Expenses							
13	Council Expenses	12,000,000	(3,000,000)	9,000,000	7,544,989	1,455,011	84	
	Academic Expenses							
14	Academic Dress	4,000,000	(4,000,000)	-	-	-	-	
15	Agricultural Training Farm	500,000	(300,000)	200,000	-	200,000	0	7
16	Alumni expenses	1,000,000	(800,000)	200,000	92,000	108,000	46	7
17	Boarding Expenses	500,000	(300,000)	200,000	-	200,000	0	7
18	Catering Expenses	9,000,000	(7,000,000)	2,000,000	1,695,475	304,525	85	7
19	CUE Expenses	2,000,000	200,000	2,200,000	3,100,000	(900,000)	141	8
20	Curriculum Development	1,000,000	(900,000)	100,000	-	100,000	0	7
21	Examinations expenses	8,500,000	(2,550,000)	5,950,000	7,129,525	(1,179,525)	120	9
22	Exhibitions & Shows	2,000,000	(1,750,000)	250,000	-	250,000	0	10
23	External Examination Expenses	3,000,000	(2,000,000)	1,000,000	700,231	299,769	70	7
24	External Research Grants Expense	30,000,000	-	30,000,000	12,670,453	17,329,547	42	11
25	Field Courses	1,000,000	(800,000)	200,000	90,930	109,070	45	7
26	Graduation Expense	8,500,000	(3,500,000)	5,000,000	4,672,483	327,517	93	
27	Industrial linkages	1,000,000	(900,000)	100,000	16,120	83,880	16	7
28	Innovation Fund	1,000,000	(550,000)	450,000	273,020	176,980	61	7
29	Internal Research Fund	7,000,000	(6,100,000)	900,000	350,100	549,900	39	11
30	KUCCPS Expenses	3,500,000	(500,000)	3,000,000	2,599,500	400,500	87	12
31	Lab Apparatus	1,000,000	(1,000,000)	-	-	-	-	
32	Regulatory Bodies Expense	500,000	-	500,000	45,050	454,950	9	7
33	Senate and Senate committees	1,000,000	(700,000)	300,000	161,950	138,050	54	13
34	Sports & Games	4,500,000	(4,300,000)	200,000	6,100	193,900	3	7
35	Student Insurance Premium	4,000,000	(700,000)	3,300,000	2,973,995	326,005	90	
36	Student Medical Expenses	2,500,000	(500,000)	2,000,000	826,197	1,173,803	41	7
37	Student Work Study	1,000,000	(600,000)	400,000	177,650	222,350	44	7
38	Students' Activities	3,000,000	(2,500,000)	500,000	43,300	456,700	9	7
39	Students Bursary Fund	1,000,000	-	1,000,000	1,000,000	-	100	
40	Students Industrial Attachment	9,000,000	(5,500,000)	3,500,000	3,698,698	(198,698)	106	

	Details	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% of Utilization	Notes
		A	B	C = (A+B)	D	E	F = D/C	
41	Teaching Materials	5,000,000	(2,000,000)	3,000,000	1,950,416	1,049,584	65	7
42	Teaching Practice	10,000,000	(4,000,000)	6,000,000	5,847,880	152,120	97	
	Sub-Total	**126,000,000**	**(53,550,000)**	**72,450,000**	**50,121,072**	**22,328,928**	**69**	
	Administration and Operations Expenses							
44	Advertising	2,500,000	(1,700,000)	800,000	252,689	547,311	32	7
45	Association of Governing Councils	300,000	-	300,000	155,859	144,141	52	7
46	Audit Fees	1,000,000	-	1,000,000	960,000	40,000	96	
47	Automation Services	5,000,000	(3,500,000)	1,500,000	-	1,500,000	0	14
48	Bank Charges	1,000,000	-	1,000,000	647,471	352,529	65	15
49	Chancellors Expenses	1,200,000	-	1,200,000	1,200,000	-	100	
50	Cleaning Materials & Services	7,000,000	3,000,000	10,000,000	9,977,896	22,104	100	
51	Conferences & Seminars	3,000,000	1,000,000	4,000,000	3,332,500	667,500	83	7
52	Electricity Expenses	8,500,000	(2,800,000)	5,700,000	5,394,693	305,307	95	
53	External Travel & Accommodation	1,000,000	(1,000,000)	-	-	-	-	
54	Healthcare services	64,000,000	(1,600,000)	62,400,000	62,389,977	10,023	100	
55	Hire of Facilities	500,000	(200,000)	300,000	-	300,000	0	7
56	ICT Services & Internet	15,000,000	(4,500,000)	10,500,000	10,427,410	72,590	99	
57	Legal Fees	2,500,000	(100,000)	2,400,000	846,590	1,553,410	35	16
58	Management Capacity Building	1,000,000	(200,000)	800,000	113,750	686,250	14	7
59	Management Meetings	1,000,000	(800,000)	200,000	197,120	2,880	99	
60	Marketing& Publicity	1,000,000	(300,000)	700,000	120,021	579,979	17	7
61	Master Plan/Toposurvey	-	100,000	100,000	-	100,000	0	7
62	Newspapers & Magazines	800,000	(500,000)	300,000	135,600	164,400	45	7
63	Office Consumables	1,500,000	(200,000)	1,300,000	990,397	309,603	76	7
64	PC & ISO Expense	1,500,000	(300,000)	1,200,000	83,000	1,117,000	7	7
65	Printing and publishing	2,000,000	(1,800,000)	200,000	-	200,000	0	7
66	Professional Fees	3,000,000	(400,000)	2,600,000	1,941,848	658,152	75	7
67	Property Insurance	4,000,000	(500,000)	3,500,000	2,941,818	558,182	84	21
68	Rent and Rates	500,000	(500,000)	-	-	-	-	
69	Security expenses	8,500,000	1,500,000	10,000,000	9,266,022	733,978	93	

	Details	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% of Utilization	Notes
		A	B	C = (A+B)	D	E	F = D/C	
70	Staff Development	3,500,000	(2,500,000)	1,000,000	747,896	252,104	75	7
71	Staff Uniforms	1,000,000	(500,000)	500,000	10,000	490,000	2	7
72	Staff Welfare	1,500,000	-	1,500,000	732,730	767,270	49	17
73	Stationery Expenses	10,000,000	(4,200,000)	5,800,000	5,531,051	268,949	95	
74	Strategic Plan Activities	500,000	-	500,000	315,000	185,000	63	7
75	Subscriptions & Registration Fees	1,500,000	300,000	1,800,000	1,640,533	159,467	91	
76	Telephone Expenses and Postage	1,000,000	200,000	1,200,000	1,126,055	73,945	94	
77	Travelling and Accommodation	6,000,000	(2,000,000)	4,000,000	3,708,515	291,485	93	
78	University Committee Expenses	2,000,000	(1,000,000)	1,000,000	1,247,400	(247,400)	125	18
79	Vice Chancellors Committee	250,000	-	250,000	-	250,000	0	7
80	Water & Conservancy	10,000,000	5,000,000	15,000,000	14,330,562	669,438	96	
	Sub-Total	**174,550,000**	**(20,000,000)**	**154,550,000**	**140,764,403**	**13,785,597**	**91**	
	Repairs and Maintenance Expenses							
81	Generator fuel & Maintenance	1,000,000	(500,000)	500,000	162,644	337,356	33	7
82	Grounds Maintenance	500,000	-	500,000	113,937	386,063	23	7
83	Motor Vehicles fuel & maintenance	6,000,000	(1,000,000)	5,000,000	3,501,719	1,498,281	70	7
84	Plant & Equipment Maintenance	1,500,000	(300,000)	1,200,000	1,076,890	123,110	90	
85	Repairs and Maintenance	4,500,000	1,000,000	5,500,000	4,067,847	1,432,153	74	7
	Sub-Total	**13,500,000**	**(800,000)**	**12,700,000**	**8,923,036**	**3,776,964**	**70**	
	Other Expenses							
86	Le Technisch expenses	48,096,329	(15,067,430)	33,028,899	27,696,546	5,332,353	84	19
87	Corporate social responsibility	500,000	(100,000)	400,000	33,000	367,000	8	7
88	Endowment Fund	250,000	-	250,000	-	250,000	0	7
89	Production Unit Expense	4,000,000	(1,500,000)	2,500,000	1,816,767	683,233	73	7
	Sub-Total	**52,846,329**	**(16,667,430)**	**36,178,899**	**29,546,313**	**6,632,586**	**82**	
	Total Recurrent Expenditure	**1,477,157,858**	**(174,166,947)**	**1,302,990,911**	**1,285,422,232**	**17,568,679**		
	CAPITAL EXPENDITURE							

	Details	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% of Utilization	Notes
		A	B	C = (A+B)	D	E	F = D/C	
90	Tuition & Office Block	148,060,889	(74,030,445)	74,030,444	83,555,444	(9,525,000)	113	20
91	Furniture &Fittings	5,000,000	(2,000,000)	3,000,000	4,719,632	(1,719,632)	157	22
92	Library Books, Journals & Materials	8,000,000	(4,000,000)	4,000,000	1,720,549	2,279,451	43	7
93	ICT Equipment and Software	12,000,000	500,000	12,500,000	11,640,486	859,514	93	
94	Renovations of Buildings	9,000,000	(3,000,000)	6,000,000	6,126,872	(126,872)	102	
95	Lab equipment and machines	10,000,000	(6,000,000)	4,000,000	200,010	3,799,990	5	7
96	Plant and Equipment	4,500,000	(1,400,000)	3,100,000	2,319,170	780,830	75	7
97	Motor Vehicles	12,000,000	400,000	12,400,000	12,380,000	20,000	100	
98	Security Infrastructure & Lighting	2,000,000	(1,000,000)	1,000,000	514,031	485,969	51	7
99	Development of Sports facilities	5,000,000	(4,500,000)	500,000	-	500,000	-	7
	Total Development Expenditure	**215,560,889**	**(95,030,445)**	**120,530,444**	**123,176,194**	**(2,645,750)**	**102**	
	Grand Total	**1,692,718,747**	**(269,197,392)**	**1,423,521,355**	**1,408,598,426**	**14,922,929**		

Note: Only material variances with more than 110% and below 90% of utilization have been explained

Explanation notes for material variance

1. Machakos University received donated equipment for Luban Workshop during the period
2. Some research proposals which had been submitted to research partners did not get the approvals during the period.
3. Due to COVID -19 pandemic the students were not in session in the first and second quarters hence tuition and accommodation incomes were not realized as budgeted.
4. The incomes were not realized as anticipated considering that the students' cafeteria was not in operation in first, second and third quarters.
5. More guests were received and Conferences hosted in the period than had been anticipated
6. The University funded the production units especially FADMA and Physical sciences to produce and at the same time purchased their products.
7. The University embraced cost cutting measures and there was also reduced activities within the period due to COVID-19 pandemic.
8. More programs were developed and submitted for accreditation than anticipated in the period.
9. The expenses increased because an invoice was received from KNEC which was higher than expected.

10. There was no ASK show conducted in the period due to COVID-19 pandemic
11. The process for approving proposals for research funding was finalized just before year end. To be funded in the new FY.
12. The expenses were paid based on the number of students allocated during the September 2020 intake. TVET students were placed by KUCCPS
13. Some commitments were made though LPOs but invoices had not been received
14. No new modules were acquired during the financial year
15. The University negotiated with the banks to reduce the bank charges hence reduced costs
16. Some fee notes had not been received and processed for payment
17. The expenditure was as per the reported number of bereavement cases
18. There were increased committee meetings due to increased university activities aimed at enabling the university achieve its targets.
19. The expenditure was incurred as per the increased activities in the University hotel
20. The budget was reduced by the SDUER after the commitments had been made
21. Expenditure had been planned to cater for the significant cost of insurance of the newly purchased VCs vehicle
22. During the budgeting exercise, we had not factored in the expenses of the internally produced items (FADMA)

RECONCILIATION OF ACTUALS IN THE STATEMENT OF FINANCIAL PERFORMANCE AND THE BUDGET

INCOME	KShs	EXPENDITURE	KShs
Total Income as per the Statement of Financial Performance	**1,316,854,999**	**Total Expenditure as per the Statement of Financial Performance**	**1,371,792,076**
Add:		Add Back:	
Development Grants	74,030,444	Capital items	123,176,194
Donations received	45,446,627		
Less:		Less:	
Amortized grant in kind	(14,398,963)	Changes in Inventory	(1,258,610)
		Depreciation	(82,201,809)
		Increase in Provision for doubtful debt	(2,909,426)
Total Income as per the Budget	**1,421,933,106**	**Total Expenditure as per the Budget**	**1,408,598,426**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Machakos University is established by and derives its authority and accountability from The Universities Act. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. Machakos University's principal activity is to provide scholarly education through Training, Research and Innovation for industrial and socio-economic transformation of our communities.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION – IPSAS 1

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with the International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Machakos University accounting policies. The arears involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4 (k) of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Machakos University.

The financial statements have been prepared in accordance with the Public Financial Management Act (PFM), the state corporations Act, the Universities 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. New standards and amended standards and interpretation in issue effective in the year ended 30 June 2021

Standard	Impact
Other Improvements to IPSAS	**Applicable: 1st January 2021:** a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. - Machakos University did not have impairment loss or gain in the period under review and therefore these amendments did not affect the university reporting in the 2020/2021 financial year. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. - Machakos University does not have leased properties and therefore these amendments did not affect the university reporting in the 2020/2021 financial year. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. - Machakos University did not revalue its assets in the period under review and therefore these amendments did not affect the institutions reporting in the 2020/2021 financial year. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard. - Machakos University adopted IPSAS in the year ended 30 June 2015 and therefore the amendment on the first time adoption of accrual basis does not apply to the university.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. Machakos University does not have any financial investments in stocks, bonds, loans and guarantees. The elements recognized in the university's cash flows include the cash and bank balances, receivables and payables. The standard will guide the university to link the risk management strategies with the accounting treatment for trade receivables and payables.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:

Standard	Effective date and impact:
	(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. The University established a defined contributions benefits scheme by the name Machakos University Retirement Pension Scheme. This amendment will improve the presentation of the information reported about the pension scheme.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. Machakos University does not have any financial investments in stocks, bonds, loans and guarantees. The elements recognized in the university's cash flows include the cash and bank balances, receivables and payables. The standard will guide the university on treatment for trade receivables and payables.

III. Early adoption of standards

Machakos University did not early – adopt any new or amended standards in the financial year 2020/2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

(i) Revenue from non-exchange transactions-IPSAS 23

Donations are recognized when received and the asset recognition criteria are met. Values for grants and donations related to property, equipment and other assets are estimated by the University or as advised by donors. Donations in kind of current nature are recognized in the year received and categorized as inventories while those of capital nature are prorated in their useful life in a systematic manner and categorized as deferred income in the financial statements in accordance with IPSAS 23.

Transfer from government entities are measured at fair value and recognized on obtaining the asset 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.

(ii) Revenue from exchange transactions-IPSAS 9

Fees and other incomes are recognized when earned during the financial year. 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.

b) Budget Information-IPSAS 24

The Annual Budget is prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the university. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or university differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts except for few items that are not budgeted for.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Property, Plant and Equipment-IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the university recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on straight line basis over the estimated useful lives of the assets. The annual rates in use are:

Land - 0%
Buildings - 2.5%
Motor vehicles - 25%
Furniture & Equipment - 12.5%
Computers - 33.33%
Library books - 5%
Loose Tools - 12.5%

Library books and Loose tools are accounted for under Property, Plant and Equipment as per the IPSAS 17

d) Inventories-IPSAS 12

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

e) Nature and purpose of reserves

The university creates and maintains reserves in terms of specific requirements. The reserves are maintained to cater for assets replacement, settlement of bad and doubtful debts, and any other contingency.

f) Changes in accounting policies and estimates – IPSAS 3

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

g) Employee benefits-IPSAS 39

Retirement benefit plans

The University established a defined contributions benefits scheme by the name Machakos University Retirement Pension Scheme under the custodian of Machakos university pension scheme, where employees' contributions are channeled to. The fund is managed by Liberty Pension Scheme.

h) Related parties – IPSAS 20

The university regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the university, or vice versa. These parties offer managerial, advisory and regulatory services. The National Government, Members of Council and the management team are regarded as related parties in preparation of these financial statements. National Government transactions have been disclosed under revenue from non- exchange transactions (Recurrent grants) and under capital reserves (Development grants), Members of Council allowances and management team remuneration have been

disclosed under Administrative and Academic expenses in the statement of financial performance. The related parties` transactions are summarized in tables (a), (b) and (c) below:

a) COUNCIL MEMBERS

	2020/2021	2019/2020
Sitting Allowances	4,200,000	4,606,000
Mileage Allowances	464,289	878,102
Subsistence Allowances	2,068,500	4,080,300
Honoraria and Telephone	371,200	1,044,000
Lunch Allowances	6,000	4,000
Others	435,000	704,600
Totals	**7,544,989**	**11,317,002**

b) NATIONAL GOVERNMENT

Grants	2020/2021	2019/2020
Recurrent Grants	966,260,930	957,026,140
CBA Grants	-	162,185,049
Development Grants	74,030,444	70,390,829
	1,040,291,374	**1,189,602,018**

c) MANAGEMENT TEAM

	2020/2021	2019/2020
Total remuneration	79,793,291	77,631,838

i) Cash and cash equivalents – IPSAS 2

Cash and cash equivalents comprise cash on hand, M-Pesa, 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.

j) Comparative figures

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

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

The preparation of Machakos University financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation of 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 period, are described. The university based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the 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:

- Provision for Doubtful debts policy
- A provision of 50% of any uncollected debt that is outstanding for 5 years and above as a doubtful debt is provided.

l) The Accounts Receivables

- The Accounts receivables are stated at their nominal value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

m) Accounts Payables

- The Accounts payables are stated at their nominal value.

n) Deferred Income

Deferred income arises as a result of donation in kind of fixed assets that are amortized annually at a rate equivalent to the depreciation rate. All other relevant costs being freight, custom and clearing charges are capitalized.

o) Capital Reserves

Capital reserves recognized in the financial statements comprises of development grants from the ministry and revaluations of property, plant and equipment

p) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the financial year ended 30th June, 2021.

q) Corporate Tax

Machakos University is exempted from paying corporate tax by the Income Tax Act Cap 470 of the laws of Kenya.

r) Financial Risk Management

Machakos University's activities expose the institution to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and changes in market prices. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The university's financial risk management encompasses the scrutiny and proactive oversight of a number of key elements of the University's operations including Credit risk, Liquidity risk and market risk.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the University. The University's credit risk is primarily attributable to its receivables. The amounts presented in the statement of financial position are net of provision for doubtful debts, estimated by the University's management based on prior experience and their assessment of the current economic environment. The management provides 50% for doubtful debts for non-performing debts in every year to mitigate the financial risks.

	Performing (Below 5 years)	Non-Performing (5 years and above)	Total
As at 30th June 2021	Kshs	Kshs	Kshs
Student Fee arrears	74,186,627	52,397,475	126,584,101
Trade & Other debtors	65,128,862	5.292,156	70.421,018
Total	139,315,489	57,689,631	197,005,120
As at 30th June 2020	Kshs	Kshs	Kshs
Student Fee arrears	82,042,970	49,149,962	131,192,932
Trade & Other debtors	65,180,779	2,720,818	67,901,597
Total	147,223,749	51,870,780	199,094,529

(ii) Liquidity risk management

The University's liabilities subject to financial risk are categorized as Sundry Trade Payables, Prepaid fees and Staff Gratuity Payable as shown in the table below:

	Performing (within a year)	Non-Performing (Over one year)	Total
As at 30th June 2021	Kshs	Kshs	Kshs
Sundry Trade Payables	12,822,474	-	12,822,474
Staff Gratuity Payable	69,458,257	-	69,458,257
Prepaid fees	67,082,082	-	67,082,082
Total	149,362,812	-	149,362,812
As at 30th June 2020	Kshs	Kshs	Kshs
Sundry Trade Payables	19,101,384	-	19,101,384
Staff Gratuity Payable	80,459,574	-	80,459,574
Prepaid fees	42,738,199	-	42,738,199
Total	142,299,157	-	142,299,157

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The University has disclosed KShs 149.4 million being amounts owed to Trade and other payables as indicated above. However, the University has trade and other receivables amounting to KShs 197 million which can offset the liabilities hence mitigate the liquidity risks.

(iii) Market risk

There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

(iv) Capital Risk Management

The objective of the university's capital risk management is to safeguard the Board's ability to continue as a going concern. The university capital structure comprises of the following funds:

	2020/2021	2019/2020
	KShs	KShs
Retained earnings	(133,246,375)	(75,047,197)
Capital reserve	3,036,130,011	2,962,099,567
Deferred Income	39,738,957	8,691,293
Total funds	**2,942,622,592**	**2,895,743,663**
Total borrowings	-	-
Less: cash and bank balances	167,295,116	199,407,682
Net debt/ (excess cash and cash equivalents)	-	-
Gearing ratio	-	-

The University does not have any long-term obligations hence the gearing ratio does not apply.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. (a) RECURRENT GRANTS (CAPITATION)

	2020-2021 Kshs.	2019-2020 Kshs.
State Department for University Education	80,521,744	79,752,178
State Department for University Education	80,521,744	79,752,178
State Department for University Education	80,521,744	79,752,179
State Department for University Education	80,521,744	79,752,178
State Department for University Education	80,521,744	79,752,179
State Department for University Education	80,521,745	79,752,178
State Department for University Education	80,521,744	79,752,178
State Department for University Education	80,521,744	79,752,178
State Department for University Education	80,521,744	79,752,178
State Department for University Education	80,521,744	79,752,179
State Department for University Education	80,521,744	79,752,179
State Department for University Education	80,521,745	79,752,178
	966,260,930	957,026,140

5.(b) RESEARCH GRANTS

	2020-2021 Kshs.	2019-2020 Kshs.
Research Grants	18,829,795	25,034,933
Donor Grants	732,916	-
	19,562,711	25,034,933

5. (c) CBA GRANTS

	2020-2021 Kshs.	2019-2020 Kshs.
State Department for University Education	-	65,879,047
State Department for University Education	-	96,306,002
	-	162,185,049

TOTAL RECURRENT GRANTS	985,823,641	1,144,246,122

5. (d) DEVELOPMENT GRANTS

	2020-2021 Kshs.	2019-2020 Kshs.
State Department for University Education	74,030,444	70,390,829
TOTAL DEVELOPMENT GRANTS	74,030,444	70,390,829

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. GRANTS IN KIND

	2020-2021 Kshs.	2019-2020 Kshs.
Furniture & Equipment (24, 542, 200 x 12.5%)	-	3,067,775
Donated Loose Tools (403,832 x12.5%)	-	50,479
Equipment from Seeding Labs (17,382,586*12.5%)	2,172,823	2,172,823
Luban Workshop - Equipment (13,978,782 x 12.5%)	1,747,348	-
Luban Workshop - Computers (31,467,844 x33.3%)	10,478,792	-
	14,398,963	5,291,077

NOTE:

(a) Donated Assets in the year 2012/2013 comprised of;
1. Equipment from Netherlands KShs 24,542,200.00 - Fully Armotized
2. Loose Tools from Netherlands KShs 403,832.00 - Fully Armotized

(b) Donated Assets in the year 2016/2017 comprised of;
1. Equipment from Seeding Labs Ksh 17,382,586

(c) Donated Assets in the year 2020/2021 comprised of;
1. Equipment for Luban Workshop Kshs. 13,978,782
2. Computers for Luban Workshop Kshs. 31,467,844

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. TUITION & OTHER RELATED INCOMES

VOTEHEAD	2020-2021 Kshs.	2019-2020 Kshs.
Activity fee	4,843,000	7,570,180
Admission fee	4,703,000	4,471,125
Alumni Income	1,478,500	1,870,750
Application fee	305,625	538,129
Attachment Fee	11,655,446	17,937,012
Boarding	2,411,357	3,243,674
Catering	1,273,108	3,669,000
Centre fees	100,550	53,600
Certification income	7,500	9,800
Computer Project fee	190,450	688,000
Examination fee	14,515,586	22,986,530
General damages	14,885	40,298
Graduation Fees	5,231,000	7,449,550
Industrial Attachment & Insurance	3,500	117,200
Integrated Computer Technology	18,304,034	27,567,500
KNEC Exams Fee	2,016,470	1,698,660
Laboratory/Workshop fee	11,175,651	15,723,790
Library fee	3,217,643	4,720,896
Material development	2,814,217	2,082,300
Medical fee	10,192,317	14,337,355
Penalty fee	72,500	68,466
Quality Assurance fee	6,431,700	6,590,300
R.D Cheques Charges Income	7,200	1,200
Referral/ Supplementary	4,887,755	6,880,950
Registration fee	5,442,000	8,223,267
Re-Take Fee	110,740	52,787
Students Identity Cards	1,515,000	1,259,250
Students Insurance fee	7,044,050	7,023,971
Student projects	238,000	438,100
Supervision fees	42,000	60,000
Teaching Practice fee	214,505	577,082
Thesis Examination	40,000	90,000
Tuition fee	100,824,638	156,882,716
TOTAL	**221,323,927**	**324,923,438**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. I.G.A AND OTHER INCOMES VOTEHEAD	2020-2021 Kshs	2019-2020 Kshs
Le Technisch Restaurant	83,747,263	95,445,367
Production Unit -Food & Beverage	72,930	72,190
Production Unit - Agriculture	-	-
Production Unit - Physical Sciences	2,370,700	2,200
Production Unit - Corporate Affairs	119,200	222,500
Production Unit - FADMA	3,591,450	500
Production Unit - TVET	688,000	-
Auction	237,875	125,350
Seminar	528,881	-
Hire of facilities	1,617,251	3,590,513
Rent	309,750	342,000
Tender Fee	-	-
Management fee	51,626	45,147
Miscellaneous Income	1,973,543	199,482
TOTAL	**95,308,468**	**100,045,248**

9. EMPLOYMENT COSTS	2020-2021 Kshs	2019-2020 Kshs
Basic salaries	520,969,087	436,265,522
House allowance	210,908,492	215,497,827
Pension & Gratuity	111,268,136	112,716,104
NSSF	1,238,200	1,287,640
Leave Allowances	6,125,252	5,007,017
Commuter Allowances	67,481,983	68,989,384
Part-time lecturers	23,356,390	41,468,800
Adjunct Lecturers	7,805,193	12,304,792
Locum Staff	-	437,200
Casuals	6,874,843	18,861,808
Book & Research Allowances	3,047,334	3,100,000
Other allowances	89,447,510	90,579,737
CBA Arrears	-	96,306,002
TOTAL	**1,048,522,419**	**1,102,821,833**

10. COUNCIL EXPENSES	2020-2021	2019-2020
Sitting Allowances	4,200,000	4,606,000
Mileage Allowances	464,289	878,102
Subsistence Allowances	2,068,500	4,080,300
Honoraria and Telephone	371,200	1,044,000
Lunch Allowances	6,000	4,000
Others	435,000	704,600
	7,544,989	**11,317,002**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. ACADEMIC EXPENSES

VOTEHEAD	2020-2021 Kshs	2019-2020 Kshs
Academic dress	-	6,858,000
Academic Research Expenses	12,670,453	20,952,644
Agricultural Farm Expenses	-	159,597
Alumni expense	92,000	571,300
Attachment expenses	3,698,698	2,611,534
Boarding/Accommodation expenses	-	251,400
Catering expenses	1,695,475	7,610,886
CUE expenses	3,100,000	3,887,229
Curriculum development expenses	-	80,000
Examinations expenses	7,129,525	8,658,971
Exhibitions & shows	-	681,066
External examinations expenses	700,231	667,079
Field courses expenses	90,930	412,070
Graduation Expenses	4,672,483	9,915,473
Industrial linkages	16,120	127,860
Innovation fund expenses	273,020	555,425
Insurance (Students) expenses	2,973,995	2,971,075
Internal Research expenses	350,100	3,407,448
KUCCPS expenses	2,599,500	2,160,000
Lab Apparatus and Consumables	-	74,800
Medical (Students) expenses	826,197	1,766,681
Regulatory bodies Expense	45,050	4,000
Senate & Senate Committees expenses	161,950	404,880
Sports & Games	6,100	3,034,850
Students Activities expenses	43,300	1,662,463
Students Bursary fund expense	1,000,000	1,000,000
Students Work Study expenses	177,650	485,650
Teaching Materials and Expenses	1,950,416	1,335,799
Teaching practice expenses	5,847,880	3,323,592
TOTAL	**50,121,072**	**85,631,771**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. ADMINISTRATIVE AND OPERATIONS EXPENSES

VOTEHEAD	2020-2021 Ksh	2019-2020 Ksh
Advertisement expenses	252,689	1,650,556
Association of Government Council expenses	155,859	-
Audit fees	960,000	960,000
Automation expenses	-	1,199,800
Bank Charges	647,471	2,258,759
Chancellors Expenses	1,200,000	1,200,000
Change in Inventories	1,258,610	(10,116,843)
Cleaning & Sanitation	9,977,896	6,181,778
Conferences, Workshops and Seminars Expenses	3,332,500	1,145,269
Electricity Expense	5,394,693	6,764,856
External Travelling expenses	-	379,957
Health care services	62,389,977	66,019,161
ICT Services & Internet	10,427,410	10,500,283
Legal expenses	846,590	370,940
Management Capacity Building	113,750	36,000
Management meetings expenses	197,120	314,820
Marketing & Publicity Expense	120,021	749,148
Newspapers & Magazines	135,600	592,100
Office Consumables	990,397	955,171
PC & ISO	83,000	1,294,643
Photocopying services	-	6,328
Professional fees	1,941,848	3,255,186
Property Insurance	2,941,818	2,630,197
Security Expenses	9,266,022	8,589,920
Staff Development	747,896	1,744,334
Staff Uniforms	10,000	11,000
Staff welfare expenses	732,730	1,279,599
Stationery Expenses	5,531,051	9,952,872
Strategic Planning expenses	315,000	-
Subscriptions & Registration Fees	1,640,533	1,262,193
Telephone & Postage	1,126,055	964,549
Travelling & Accommodation expenses	3,708,515	4,624,288
University Committees Expenses	1,247,400	1,578,456
Vice chancellor Committees expenses	-	94,350
Water & Conservancy	14,330,562	9,827,641
TOTAL	**142,023,013**	**138,277,309**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. REPAIRS AND MAINTENANCE EXPENSES

VOTEHEAD	2020-2021 Ksh	2019-2020 Ksh
Generator Fuel & maintenance	162,644	100,270
Grounds Maintenance	113,937	2,918,000
Motor vehicles fuel & Maintenance	3,501,719	5,311,535
Plant & Equipment Maintenance	1,076,890	275,960
Repairs and Maintenance	4,067,847	4,580,264
TOTAL	**8,923,036**	**13,186,030**

14. OTHER EXPENSES

VOTEHEAD	2020-2021 Kshs	2019-2020 Kshs
Le Technisch Restaurant Expenses	27,696,546	45,974,951
Corporate social responsibility	33,000	360,338
Endowment fund	-	250,000
Production unit expenses	1,816,767	1,097,778
TOTAL	**29,546,313**	**47,683,067**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. NON-CURRENT ASSETS.

Property Plant & Equipment Schedule

	LAND	BUILDINGS& SITE WORKS	WORK IN PROGRESS	MOTOR VEHICLES	COMPUTERS	FURNITURE & EQUIPMENT	LOOSE TOOLS	LIBRARY BOOKS	TOTALS
	KSH	KSH	KSH	KSH	KSH	KSH	KSH	KSH	KSH
DEPRECIATION RATES	0.0%	2.5%	0.0%	25.0%	33.3%	12.5%	12.5%	5.0%	
COST/ VALUATION									
As at 30th June 2019	1,285,000,000	1,020,299,579	258,087,815	40,699,195	38,205,989	100,063,506	29,786,500	67,159,577	2,839,302,161
ADDITIONS	-	43,398,773	94,315,716	-	12,501,422	41,894,598	-	3,792,420	195,902,927
REVALUATION	-	(35,494,521)	-	-	-	-	-		(35,494,521)
TRANSFERS	-	5,328,325	(5,328,325)	-	-	-	-	-	-
As at 30th June 2020	1,285,000,000	1,033,532,155	347,075,206	40,699,195	50,707,411	141,958,103	29,786,500	70,951,996	2,999,710,567
ADDITIONS	-	6,126,872	83,555,444	12,380,000	11,640,486	7,752,843	-	1,720,549	123,176,194
DONATIONS	-	-	-	-	31,467,844	13,978,782	-	-	45,446,627
As at 30th June 2021	1,285,000,000	1,039,659,027	430,630,650	53,079,195	93,815,741	163,689,729	29,786,500	72,672,546	3,168,333,388
DEPRECIATION									
Accumulated Depreciation	-	58,222,489	-	23,930,597	23,874,031	28,040,821	11,169,938	3,357,979	148,595,855
CHARGE FOR 2019/2020	-	25,838,304	-	10,174,799	16,900,780	17,744,763	3,723,313	3,547,600	77,929,558
Accumulated Depreciation	-	84,060,793	-	34,105,396	40,774,811	45,785,583	14,893,250	6,905,579	226,525,413
CHARGE FOR 2020/2021	-	25,991,476	-	5,604,799	22,787,379	20,461,216	3,723,313	3,633,627	82,201,809
Accumulated Depreciation	-	110,052,269	-	39,710,195	63,562,190	66,246,800	18,616,563	10,539,206	308,727,222
NET BOOK VALUES									
AS AT 30TH JUNE 2021	1,285,000,000	929,606,758	430,630,650	13,369,000	30,253,551	97,442,929	11,169,938	62,133,340	2,859,606,166
AS AT 30TH JUNE 2020	1,285,000,000	949,471,362	347,075,206	6,593,799	9,932,600	96,172,520	14,893,250	64,046,418	2,773,185,154

Note:

a) The Value of land does not include the 18.14 Hectares (two parcels) donated IN 2016 by the National Lands Commission which is under survey.

b) Motor Vehicles with a cost of Ksh 18,280,000 have been fully depreciated.

c) Computers with a cost of Ksh 25,446,768 have been fully depreciated

d) Motor Vehicle with a cost of Kshs. 12,380,000 included in the Property, Plant and Equipment schedule has not been depreciated as it was still in transit

e) Donated Assets in the year 2020/2021 comprised of;

1)Equipment for Luban Workshop Kshs. 13,978,782

2)Computers for Luban Workshop Kshs. 31,467,844

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. TRADE AND OTHER RECEIVABLES

	2020-2021 Kshs.	2019-2020 Kshs.
(a) Exchange Transactions		
Student Debtors	126,584,101	131,192,932
Trade Debtors	59,960,566	65,332,931
Other Debtors	10,460,452	2,568,666
	197,005,120	199,094,529
Provision for Doubtful debts (50% 52,397,474.5) & (50%*5,292,156)	(28,844,815)	(25,935,390)
	168,160,304	173,159,139

	2020-2021 Kshs.	2019-2020 Kshs.
(b) Non-Exchange Transactions		
Outstanding Imprests	2,271,197	2,418,431
CBA Grants Receivable	-	96,306,002
Staff welfare Advance	223,205	28,764
	2,494,402	98,753,197
Total	170,654,706	271,912,336

17. INVENTORIES

	2020-2021 Ksh	2019-2020 Ksh
Kitchen store inventory	349,938	459,268
Central Stores inventory	5,393,743	7,431,328
Academic gowns inventory	17,120,755	16,915,015
Le-Technisch inventory	2,265,679	1,583,114
Total	25,130,115	26,388,725

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. CASH & BANK BALANCES

		2020-2021 Kshs.	2019-2020 Kshs.
Cash in hand		3,000	127,289
Mpesa		227,541	6,622,921
Cash and M-Pesa		230,541	6,750,210
Bank	**Account No.**		
Standard Chartered:			
Standard Chartered Bank	0102016845602	12,108,091	60,613,735
Standard Chartered Bank	0152016845602	6,481,975	24,202,257
		18,590,066	84,815,991
National Bank:			
National Bank of Kenya	01020078499400	35,316,240	11,811,387
National Bank of Kenya	01020078499401	34,433,831	24,542,031
National Bank of Kenya	01020078499402	7,012,134	49,140,983
		76,762,205	85,494,401
Kenya Commercial Bank:			
Kenya Commercial Bank	1137145064	39,098,319	8,068,952
Kenya Commercial Bank	1180326849	15,598,756	7,002,288
Kenya Commercial Bank	1211488594	2,144,733	1,279,438
Kenya Commercial Bank	1211489167	536,725	542,830
		57,378,532	16,893,508
Cooperative Bank of Kenya:			
Co-operative Bank of Kenya	01129277651100	3,821,203	3,507,057
Equity Bank:			
Equity Bank:	0600278674858	10,512,569	1,946,514
TOTAL		167,295,116	199,407,682

Note: The University has an account with ABSA Bank which runs the affairs of student association. Student association membership and subscription fees are transferred from the University collection accounts to the ABSA Bank account.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. CAPITAL RESERVE

	2020-2021 Kshs.	2019-2020 Kshs.
Opening balance as at 30th June	2,962,099,567	2,927,203,259
Development Grants for the year: (Note 5 (d))	74,030,444	70,390,829
Revaluation of Non-Current Assets (Note 15)	-	(35,494,521)
Closing balance as at 30th June	**3,036,130,011**	**2,962,099,567**

20. (a) REVENUE RESERVE

	2020-2021 Kshs.	2019-2020 Kshs.
Opening balance as at 30th June	(75,047,197)	(166,432,329)
Prior year Adjustments	(3,262,101)	(3,118,997)
Surplus/Deficit for the year	(54,937,078)	94,504,129
Closing balance as at 30th June	**(133,246,375)**	**(75,047,197)**

Note:
Prior year Adjustments relates to fees adjustments and customer invoices adjustments and reversals

20. (b) DEFERRED INCOME

	2020-2021 Kshs.	2019-2020 Kshs.
Equipment from Netherlands Bal b/f	-	3,118,254
Equipment from Seeding Labs Bal b/f	8,691,294	10,864,117
Luban Workshop - Equipment	13,978,782	-
Luban Workshop - Computers	31,467,844	-
	54,137,920	**13,982,371**
Amortization for the year (24,946,032 @12.5%)	-	(3,118,254)
Amortization for the year (17,382,586 @12.5%)	(2,172,823)	(2,172,823)
Amortization for the year (13,978,782 @12.5%)	(1,747,348)	-
Amortization for the year (31,467,844 @ 33.3%)	(10,478,792)	-
Closing balance as at 30th June	**39,738,957**	**8,691,294**

NOTE:

a) **Donated Assets in the year 2012/2013 comprised of;**
   1. Equipment from Netherlands KShs 24,542,200.00 – Fully Armotized
   2. Loose Tools from Netherlands KShs 403,832.00 – Fully Armotized

(b) **Donated Assets in the year 2016/2017 comprised of;**
   1. Equipment from Seeding Labs Ksh 17,382,586

(c) **Donated Assets in the year 2020/2021 comprised of;**
   1. Equipment for Luban Workshop Kshs. 13,978,782
   2. Computers for Luban Workshop Kshs. 31,467,844

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. TRADE & OTHER PAYABLES	2020-2021 Kshs.	2019-2020 Kshs.
Trade payables		
Recurrent Trade Payables	12,822,474	19,101,384
Audit fees	1,920,000	1,920,000
Customer & Other Prepayments	2,389,923	6,171,267
Chancellors Scholarship fund	2,144,733	1,279,438
Chancellors Endowment fund	536,725	542,830
	19,813,855	**29,014,919**
Capital Creditors		
Retention	37,510,526	34,747,179
Other capital creditors	-	35,780,586
	37,510,526	**70,527,765**
Students payables		
Students Prepaid fees	69,458,257	42,738,199
Refundable Caution fees	44,648,770	39,518,770
SAMU Membership & Subscription	2,338,775	219,446
Students Sponsorships Fund	8,928,697	6,652,296
	125,374,499	**89,128,711**
Payroll payables		
Leave Allowance Payable	2,841,926	2,522,778
Staff deductions payable	4,880	1,886,886
Part Time Claims owing	-	5,303,600
Staff Gratuity Payable	67,082,082	80,459,574
CBA Arrears payable	27,435,745	96,306,002
	97,364,633	**186,478,839**
Total Trade and other payables	**280,063,512**	**375,150,234**

22. CASH RECEIPTS

22. (a) Non-Exchange transactions	2020-2021 Ksh	2019-2020 Ksh
Revenue from non-exchange transactions	985,823,641	1,144,246,122
Change in Receivables from non-exchange	96,258,795	(93,645,316)
	1,082,082,436	**1,050,600,806**
22. (b) Exchange transactions	**Ksh**	**Ksh**
Revenue from exchange transactions	316,632,395	424,968,686
Change in Trade and other Receivables	2,089,409	(2,280,944)
Change in Student payables	36,245,787	3,162,933
Prior year Adjustments	(3,262,101)	(3,118,997)
	351,705,491	**422,731,679**
TOTAL RECEIPTS	**1,433,787,927**	**1,473,332,484**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. CASH PAYMENTS	2020-2021	2019-2020
23. (a) Employment costs	**Ksh**	**Ksh**
Employment Costs	1,048,522,419	1,102,821,833
Change in Payroll payables	89,114,206	(36,697,548)
	1,137,636,626	**1,066,124,285**
23. (b) Council expenses	**Ksh**	**Ksh**
Council Expenses	7,544,989	11,317,002
	7,544,989	**11,317,002**
23. (c) Academic, Administrative and other expenses	**Ksh**	**Ksh**
Academic Expenses	50,121,072	85,631,771
Administration & Operations Expenses	142,023,013	138,277,309
Repairs & Maintenance Expenses	8,923,036	13,186,030
Other Expenses	29,546,313	47,683,067
Change in Inventories	(1,258,610)	10,116,843
Change in Trade payables	9,201,064	57,629,371
	238,555,888	**352,524,391**
TOTAL PAYMENTS	**1,383,737,502**	**1,429,965,678**

24. CAPITAL CASH PAYMENTS	2020-2021	2019-2020
Purchase of Property, Plant & Equipment	(123,176,194)	(195,902,927)
Change in capital creditors	(33,017,240)	-
Net cash flows used in investing activities	**(156,193,434)**	**(195,902,927)**

25. CASH GENERATED FROM OPERATIONS

	2020-2021	2019-2020
	Ksh	**Ksh**
Surplus /Deficit for the year	**(54,937,078)**	**94,504,129**
Adjusted for:		
Depreciation	82,201,809	77,929,558
Non-cash grants received	(14,398,963)	(5,291,077)
Working Capital adjustments		
Change in inventory	1,258,610	(10,116,843)
Change in receivables	101,257,630	(92,771,073)
Prior Year Adjustments	(3,262,101)	(3,118,997)
Change in Payables	(62,069,483)	(17,768,891)
Net Cashflow from operating activities	**50,050,424**	**43,366,806**

APPENDIX I: CONTINGENT ASSETS AND LIABILITIES

Contingent Assets

The University has incurred the following pending bills relating to Construction of Tuition and Office block that were paid using internally generated funds.

Sources of Funds	2020/2021	2019/2020	Total
Government of Kenya	9,525,000	22,899,585	**32,424,585**

The pending bills shall be treated as the first charge once development grants for the FY 2021/2022 are received.

Contingent Liabilities

The University anticipates to incur an expenditure for the part time lecturers that have been engaged and have not yet raised their part-time claims because they are yet to meet the conditions for the engagement i.e. submitting marks for the students. The outstanding amounts could not be ascertained as at 30th June 2021.

APPENDIX II: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issue 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. on the external audit report	Issue/Observations from auditor	Management comments	Status: (Resolved /Not Resolved)	Time frame: (put a date when you expect the issue to be resolved)
N/A (2016/2017)	Other Matter- Increased deficit hence reduced Revenue reserves.	Management to explore more opportunities to increases revenue and control expenditure.	In Progress	In the next 6 to 7 years.
1. (2018/2019)				
2. (2018/2019)				
3. (2019/2020)				

Prof. Lucy W. Irungu
Vice Chancellor

.....
Chairman of Council

APPENDIX III: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Projects

Projects implemented by the University funded by Development partners.

S/no	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.	None	N/A	N/A	-	-	-

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget (2020/2021)	Actual 2020/2021	Sources of funds
1.	Tuition and Office Block	986,761,116	428,907,051	68	74,030,444	83,555,444	G. O. K
2.	Development of Sports and Games facility (phase I)	N/A	1,723,600.00	Documentation complete	500,000	-	A.I. A

APPENDIX IV: INTER- ENTITY TRANSFERS

	NAME:	MACHAKOS UNIVERSITY		
	Break down of Transfers from the State Department for University Education			
FY 2020/2021				
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	The FY to which the amounts relate
		7th August 2020	80,521,744	2020/2021
		31st August 2020	80,521,744	2020/2021
		1st October 2020	80,521,744	2020/2021
		30th October 2020	80,521,744	2020/2021
		7th December 2020	80,521,744	2020/2021
		4th January 2021	80,521,744	2020/2021
		4th February 2021	80,521,744	2020/2021
		10th March 2021	80,521,744	2020/2021
		9th April 2021	80,521,744	2020/2021
		10th May 2021	80,521,744	2020/2021
		16th June 2021	80,521,744	2020/2021
		25th June 2021	80,521,745	2020/2021
		TOTAL	966,260,930	
b.	CBA Grants	Bank Statement Date	Amount (KShs)	The FY to which the amounts relate
		TOTAL		
c.	Development Grants	Bank Statement Date	Amount (KShs)	The FY to which the amounts relate
		14th September 2020	74,030,444	2020/2021
		TOTAL	74,030,444	

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

CPA Aileen Nyatuga
Chief Finance Officer
Machakos University

ICPAK No: 4943

Mr. Robert Asumani
Assistant Accountant General
State Department of University Education & Research

APPENDIX V: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received			Where Recorded/recognized					
	as per bank statement	Nature: Recurrent/Development /Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others	Total Transfers during the Year
NONE		-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-