



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



 THE NATIONAL ASSEMBLY PAPERS LAID	
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CLERK-AT THE-TABLE:	Rachel Kaini

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
MURANG'A UNIVERSITY OF  
TECHNOLOGY**

**FOR THE YEAR  
ENDED 30 JUNE 2017**



**MURANG'A UNIVERSITY OF TECHNOLOGY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017**

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

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## I. KEY UNIVERSITY INFORMATION

### (a) Background information

Murang'a University of Technology (MUT) was established on 7<sup>th</sup> October, 2016. MUT is the successor of Murang'a University College (MRUC). The University currently operates under the provisions of the Universities Act 2012 of the Laws of Kenya. MUT's academic programmes are innovative in design and curricula implementation focuses on development of graduates with sound knowledge, professional competencies and values that enable them to fit into the job market both locally and internationally. This is achieved through concerted and collaborative efforts of teaching, consultancy, research and innovation. The University is committed to continuously developing and reviewing her courses so as to increase student enrolment while building the capacity of her staff. The University intends to build a strong technology and innovations focus, while underscoring the principle of cohesiveness in line with Vision 2030, Medium Term Plan of 2012-2017.

### (b) Principle Activities

The principle activities of the University are derived from the core functions as set out in the Universities Act 2012, as amended in 2016, and the University's Statutes. The mandate of MUT is to provide quality teaching, training, scholarship, entrepreneurship, innovation, research and consultancy services.

### (c) Key Management

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

- The Council
- The Management Board

### (d) Fiduciary Management

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

**(e) Fiduciary Oversight Arrangements**

The fiduciary oversight arrangements of the University are carried out by the Council through various committees..

**(f) Murang'a University of Technology Headquarters**

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

**(g) Murang'a University of Technology Contacts**

Telephone: (254) 0771463515, (254) 0771370824  
E-mail: [info@mut.ac.ke](mailto:info@mut.ac.ke)  
Website: [www.mut.ac.ke](http://www.mut.ac.ke)

**(h) Murang'a University of Technology Bankers**

**Kenya Commercial Bank Limited**

Murang'a Branch  
P.O Box 112 – 10200  
MURANG'A.

**Equity Bank Limited**

Murang'a Branch  
CDM Building  
P.O Box 1060 – 10200  
MURANG'A

**(i) Independent Auditors**




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






**(j) Principal Legal Adviser**

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

## II. MURANG'A UNIVERSITY CHANCELLOR AND COUNCIL MEMBERS

The University governing body comprises of the Chancellor and the Council. The Chancellor is the titular Head of the University.

Name	Date of Birth, Key qualifications and Work experience
 <p><b>University Chancellor</b> <b>Prof. Justin Irina, Ph.D,</b> <b>EBS</b></p>	<p>Date of birth: 1941.</p> <p>Ph.D. (University of Nairobi - 1971)</p> <p>May 2017 to date: Chancellor, MUT</p> <p>2013 – 2017: Chairman of Council, Meru University of Science and Technology</p> <p>Vice-Chancellor, Moi University</p> <p>Council member, Maseno University</p> <p>Council member, Western University College of Science and Technology (WEUCO)</p> <p>Chairman, Board of Governors of the Coast Institute of Technology</p> <p>CEO, Commission for Higher Education (CHE)</p> <p>Principal, Chepkoilel College</p> <p>Secretary to the Public Universities Inspection Board</p> <p>Chairman, Kenya Plant health Inspectorate Service (KEPHIS)</p> <p>Chairman, Kenya Chemical Society</p>
 <p><b>Chairman of Council</b> <b>Prof. Mohamud A. Jama</b></p>	<p>Date of birth: 18<sup>th</sup> April, 1953</p> <p>Ph.D. Agricultural Economics (Washington State University – 1987)</p> <p>1980 – 1995: Ag. Director, Institute of Development Studies, UoN</p> <p>1995 – 2000: Director, Institute of Development Studies, UoN</p> <p>2013 – 2017: Chairman of Council, MUT</p> <p>2017 to date: Deputy Principal, College of Humanities, UoN</p>
 <p><b>Ag. Vice - Chancellor</b> <b>Prof. Dickson M. Nyariki</b></p>	<p>Date of birth: 4th December, 1959</p> <p>Ph.D. Agricultural Economics (University of Reading - UK – 1997)</p> <p>October 2016 to date: Ag. Vice-Chancellor, MUT</p> <p>March 2016 to October 2016: Principal, MRUC</p> <p>March 2013 to Feb 2016: Deputy Vice-Chancellor (Administration and Human Resource Management), South Eastern Kenya University.</p> <p>Jan 2010 to March 2013: Deputy Principal (Administration and Finance): South Eastern University College (Constituent College of UoN).</p> <p>April 2009 to January 2010: Sub-Regional Coordinator, FAO Initiative on Soaring Food Prices (ISFP).</p> <p>February 2005 to December 2008: Regional Coordinator, IGAD Water Harvesting Pilot Project</p> <p>1999 to February 2005: Chairman, Department of Land Resource Management and Agricultural Technology, UoN</p>

	<p>Date of birth: 13<sup>th</sup> July, 1960                  Ph.D. Plant Pathology (University of Greenwich, U.K. – 1999)                  1983 – 1994: Research Officer                  1994 – 2010: Centre Director, KARI                  2010 to 2014: Deputy Director, Department of Outreach and Partnerships                  2014 to date: Deputy Director General, Crops, KALRO</p>
	<p>Date of birth: 10<sup>th</sup> July 1957                  Advocate 1983 to date ,LLB (Hons), LL.M (UoN), Commissioner for Oaths, Notary Public, Certified Public Secretary, Fellow of the Chartered Institute of Arbitrators, and Accredited Mediator</p>
	<p>Date of birth: 14<sup>th</sup> December, 1960                  Ph.D. Business Administration (University of Nairobi, 2014)                  1997 – 1999: Senior Administrative Assistant, Admissions, (UoN)                  1999 – 2004: Assistant Registrar (Admissions), UoN                  2004 – 2008: Senior Assistant Registrar (ICT Centre), UoN                  2008 to date: Deputy Registrar (Examinations), UoN</p>
	<p>Date of birth: 4<sup>th</sup> August 1965                  Master of Science- University of Sunderland UK- 2010                  Bachelor of science- Kenyatta University -1990                  Prince Foundations and Practitioner- 2013</p>
	<p>Date of birth: 19<sup>th</sup> May 1970                  Master of Science pure mathematics – Kenyatta University – 2011                  Bachelor of Education Science- Mathematics and Chemistry – Egerton University – 1996</p>

**Note that:**





During the 2017/18 financial year, a new University Council was appointed. The statutory audit on the Annual Report and Financial Statements for the 2016/17 financial year was carried out during the time the new Council was in place. Hence, the audited Report and Financial Statements have been signed by the Chairman of the new Council.

**New University Council**

	<b>Name</b>	<b>Area of Responsibility</b>
1	Dr. Joachim Osur, PhD	Chairman
2	Dr. Francis K. Sang	Member
3	CPA Eunice M. Juma	Member
4	Ms. Lucy N. Kaburia	Member
5	Mr. Peter M. Kibinda	Member
6	Mr. Alfred L. Ejem	Member
7	Dr. Meshack Opwora	Rep. PS, State Department of University Education and Research
8	Prof. Dickson M. Nyariki, PhD	Vice - Chancellor & Secretary to the Council

### III. MANAGEMENT TEAM

Name,	Key profession / Academic qualifications	Area of responsibility	Term Served
 Prof. Dickson M. Nyariki	Ph.D. Agricultural Economics (University of Reading - United Kingdom – 1997)	Ag. Vice-Chancellor	March 2016 to date
 Prof. Jane Beatrice Mugendi	Ph.D. (Kenyatta University, 2008)	DVC (Finance and Planning)	15th June 2017 to Date
 Prof. Prisca I. Tuitoek	Ph.D. (University of Alberta, Canada, 1995)	DVC (Academic and Student Affairs)	6 <sup>th</sup> June 2017 to date
 Prof. Clifford G. Machogu	Ph.D. (Dr BRA University, India)	Ag. DVC (Administration, Finance, Planning and Development)	Feb 2017 to 15 <sup>th</sup> June 2017
 Prof. Geoffrey Muchiri	Ph.D. (Universiti Putra Malaysia)	Ag. DVC (Academic, Research, Innovation and Extension)	6 <sup>th</sup> December, 2016 to 5 <sup>th</sup> June 2017
 Prof. Grace N. Njoroge	Ph.D. (JKUAT – 2005)	Ag. DVC (Administration, Finance, Planning and Development)	July 2016 to Feb 2017

 Prof. Fredrick O. Wanyama	Ph.D. (Maseno University - 2004)	Ag. DVC (Academic, Research, Innovation and Extension)	July 2016 to 5 <sup>th</sup> Dec 2016
 Prof. Godrick Bulitia	Ph.D. (Maseno University - 2014)	Registrar (Administration, Finance, Planning and Development)	June 2013 to date
 Dr. Richard Juma	Ph.D. (Victoria University of Wellington, New Zealand - 2009)	Registrar (Academic, Research, Innovation and Extension)	July 2016 - June 2017
 CPA, Richard Ng'ang'a	MBA Finance – (Jomo Kenyatta University of Agriculture and Technology), CPA(K)	Finance Officer	Aug 2013 to date

**Note that:**

At the time the statutory audit on the Annual Report and Financial Statements for the 2016/17 financial year was concluded, the Finance Officer was on compulsory leave following the Presidential directive instructing the heads of Finance and Procurement Departments of State Corporations, Ministries and SAGAs to step aside for vetting. Hence, the audited Financial Statements were signed by the Acting Finance Officer.

#### **IV. CHAIRMAN'S STATEMENT**

This year marks the historic transition for our institution, having been accorded full rights of a full-fledged university. This was witnessed during the award of Charter to Murang'a University of Technology by His Excellency President Uhuru Kenyatta at State House on 7<sup>th</sup> October, 2016. Murang'a University of Technology is the successor of Muranga University College. The award of charter has enhanced decision making with the Senate in place resulting in increased academic programmes that have already been mounted. The Government's objective of establishing the University was to enhance access to quality and affordable education in the Kenya. Education is a catalyst for transforming Kenya as envisaged in Vision 2030. The University is positioning itself to develop a distinctive profile as a premier University, growing its enrolment strategically.

Since its establishment, the University has grown her enrolment through increased academic programmes as well as increased student enrolment in existing programmes. Currently, the University comprises the following Schools: Business and Economics, Pure and Applied Sciences, Computing and Information Technology, Hospitality and Tourism Management, and Engineering and Technology. Each School offers a variety of post-graduate and undergraduate degrees and diploma programmes.

To manage the increased enrolment, efforts have been put in place to increase the facilities and infrastructure. During the year, we completed Tuition Block Phase I with a capacity of 1000 seats. Other ongoing projects that will support the University's vision are Hostel Phase I Wing 2 , Hostel Block Phase III, Perimeter Wall and Internal Roads. Further, we have also successfully mentored to completion the construction of Gatanga Technical Training Institute on behalf of Ministry of Vocational and Training.

The country's economic growth rate had a positive trend and is projected to continue growing in the medium term as a result of expected stable macroeconomic environment, sustained investments in infrastructural projects by the Government and favourable regulatory policies.

Some of the challenges faced by the University include stiff competition from other Universities for self-sponsored students as well as delayed and declining Government capitation. Despite the challenges, the University will continue to review measures aimed to increase and sustain the rapid growth in student enrolment as a result of high demand for higher education. This will be achieved mainly through the introduction of competitive academic programmes in line with Vision 2030 and the University's Strategic Plan. In addition, Government support in development projects and research infrastructure provide opportunities to further expand and strengthen training, innovation and

research for efficient service delivery. We will continuously endeavour to improve quality, overall performance, prudent management of resources and strategic investments, with a view to creating long-term value for our stakeholders for socio-economic development.

I wish to thank the Government of Kenya and other stakeholders for funding our projects during the financial year. We shall continue to engage partners as a resource mobilization strategy to boost the University revenue base to support the projects in our Strategic Plan such as Science Complex, Post-modern Library, Administration Block, Science Research Park and modern IT infrastructure, among others.

Lastly, my gratitude goes to my fellow Council Members, the Management Team, Staff, Students and all other Stakeholders of MUT for working diligently to ensure that the University succeeds in her mission.

Thank you.



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Dr. Joachim Osur, Ph.D.  
**Council Chairman**

## V. REPORT OF THE VICE-CHANCELLOR

I have the pleasure to present the annual report and financial statements for Murang'a University of Technology for the year ended 30th June 2017. This is the first time the statements are presented after the institution was elevated to a full-fledged University.

During the year under review, the University was allocated Kshs 330,928,350 as recurrent capitation, Kshs 226,070,244 as development and Kshs 156,100,719 as revenue from exchange transactions. In this financial year, recurrent grants were received as expected. The recurrent budget was mainly utilized in funding Recurrent Expenditure to the extent of Kshs. 613,200,603, while development grants were used for funding development projects to the extent of Kshs.208,442, 058. Further, the revenue from exchange transactions grew by Kshs.7,542,655 from Kshs.148,558,064 the previous year to Kshs 156,100,719.

The total expenses rose to Kshs.595,709,541 from Kshs 510,410,963 attributed to mainly part-time teaching, medical costs and personal emoluments. The growth in personal emoluments is mainly attributable to recruitment and placement of new staff, both academic and administrative staff to support the University expansion.

The University implemented austerity measures with comprehensive cost management programmes to ensure that the University is able to finance all the budgeted activities without recourse to borrowing. The University has also progressed well with its core business of teaching, training and research.

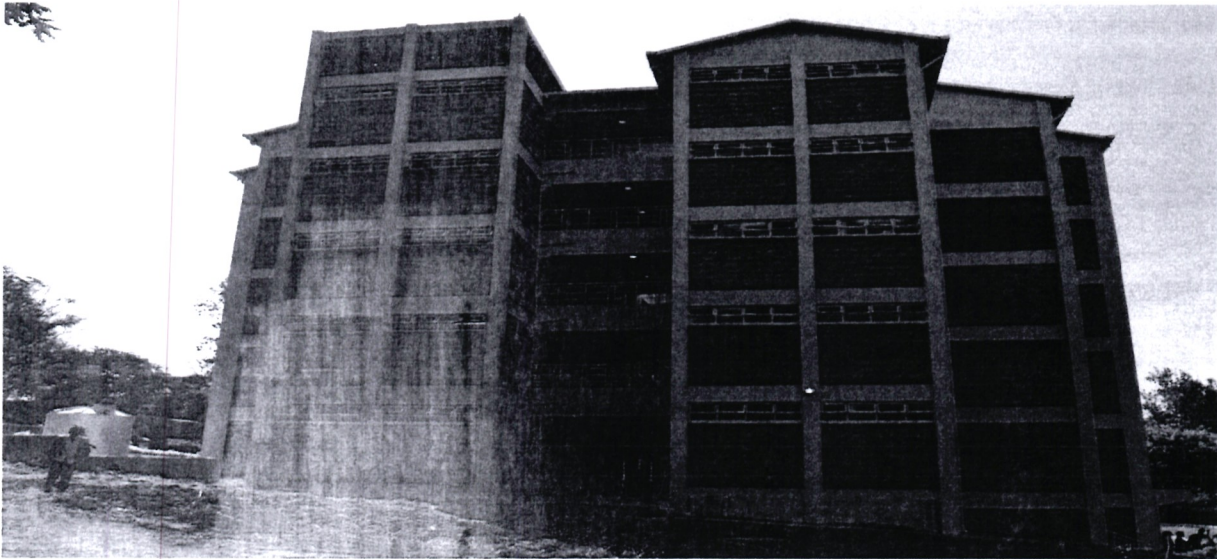
With the award of charter, the University will mount more academic programmes, a venture which is anticipated to boost the revenue base from students' fees collection besides funding from the University Funding Board.

In order to enhance her human resource capacity, the University has continued to identify skills gaps in the existing human resource, supported staff for skills enhancement trainings and workshops, and appraised staff. In addition, the University recruited and inducted new staff in various posts during the year.

In an effort to integrate Information Technology in service delivery, the University acquired ERP automation system, purchased additional computers, accessories (printers, copiers and projectors), and enhanced institutional website to ease navigation and interaction.

On corporate governance front, the University College was ISO 9001-2008 re-certified in Quality Management System before it was chartered. The University continues to engage other stakeholders

to alleviate the challenge of provision of adequate accommodation to the increasing student population.



#### Tuition Block Phase II (completed)

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

**School of Business and Economics:** This School has three departments, namely: Departments of Commerce, Human Resource Management and Liberal Studies. **The Department of Commerce** offers Doctor of Philosophy in Business Administration and Management and Doctor of Philosophy in Public Administration; Master of Public Administration and Master of Business Administration; Bachelor of Commerce, Bachelor of Purchasing and Supplies Management, Bachelor of Business Information Technology, Bachelor of Arts in Economics and Bachelor of Arts in Public Administration; Diploma in Business Management; and Certificate in Purchasing and Supplies Management and Certificate in Business Management. **The Department of Human Resource Management** offers Doctor of Philosophy in Human resource management; Master of Science in Entrepreneurship and Master of Science in Human Resource Management; Bachelor of Science in Entrepreneurship and Small Enterprise Management and Bachelor of Science in Human Resource Management; and Diploma in Human Resource Management. **The Department of Liberal Studies** offers Doctor of Philosophy in Development Studies; Master of Science in Development Studies; Bachelor of Science in Criminology and Security Studies, Public Relations and Strategic Communication and Bachelor of Linguistic and Communication Studies; and Diploma in Criminology and Security Studies and Diploma in Public Relations.

**School of Engineering and Technology:** This School has two departments, namely: The **Department of Building and Civil Engineering** which offers Bachelor of Technology Education; Diploma in Water Resources Engineering and Diploma in Civil Engineering; and Certificate in Building Construction. The **Department of Electrical and Electronic Engineering** offers Bachelor of Technology (Electrical and Electronic Engineering); Diploma in Electrical Power Systems Engineering, Diploma in Control and Instrumentation Engineering, Diploma in Electronic Communication Engineering, Diploma in Automotive Engineering, Diploma in Production Engineering, Diploma in Refrigeration and Air Conditioning Engineering, and Diploma in Plant Engineering; and Certificate in Electrical and Electronic Engineering, and Certificate in Mechanical Engineering.

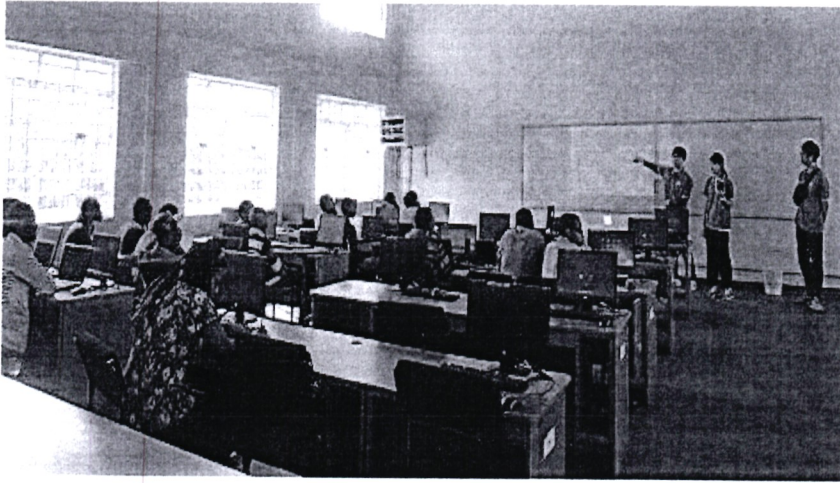
The **School of Pure and Applied Sciences:** This School offers Master of Science in Statistics and Master of Science in Chemistry; Bachelor of Science in Mathematics and Economics, Bachelor of Science in mathematics and Computer Science, Bachelor of Science in Applied Statistics with Programming, Bachelor of Science in Analytical Chemistry, Bachelor of Science in Actuarial Science, Bachelor of Science in Community Health, Bachelor of Science (General); Diploma in Applied Biology, Diploma in Science Laboratory Technology, Diploma in Analytical Chemistry, Diploma in Pharmaceutical Technology, Diploma Community Health; and Certificate in Science Laboratory Technology.

The **School of Hospitality and Tourism** offers Doctor of Philosophy in Tourism and Hospitality Management, Bachelor of Science in Hospitality Management, Bachelor Travel and Tours Management, Bachelor of Science in Food Science and Technology, Bachelor of Science in Events and Leisure Management, and Bachelor of Science in Food, Nutrition and Dietetics; Diploma in Tourism Management, Diploma in Hospitality management, Diploma in Nutrition and Dietetics, and Diploma in Science in Food Science and Technology; and Certificate in Tourism Management and Certificate in Tourism and Dietetics.

The **School of Education** offers Master in Education (Administration, Planning and Economics), Master in Education (Communication and Technology), Master in Education (Guidance and Counseling), Master in Early Childhood Education and Primary Education, Master of Philosophy (Education Psychology, Bachelor of Education (Science), and Bachelor of Education (Arts).

The **School of Computing and Information Technology** offers Doctor of Philosophy in Computer Science and Doctor of Philosophy in Information Technology; Master of Science in Computer Science and Master of Science in Information Technology; Postgraduate Diploma in Information Technology; Bachelor of Science in Information Technology, Bachelor of Science in Software

Engineering, Bachelor of Science (Computer Science), Bachelor of Science (Computer Technology), and Bachelor of Business Information Technology; Diploma in Information Technology, Diploma in Computer Science, and Diploma in Computer Engineering and Technology; and Certificate in Information technology and Certificate in Computer Repair and Maintenance.



*Korean ICT volunteers with Murang'a University of Technology students in the computer lab*

The **School of Agriculture** offers Doctor of Philosophy in Agricultural Economics; Master of Agricultural Economics; Bachelor of Science in Agricultural Education and Extension, and Bachelor of Science in Agricultural Management and Enterprise Development.

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

On behalf of Murang'a University of Technology, I wish to take this opportunity to thank the Government and other stakeholders for the support in our journey to a full-fledged University status. Finally, I would like to express my sincere appreciation to the University Council for providing policy and strategic guidelines, and the University staff, students and other stakeholders who worked meticulously to ensure smooth and successful operations of the University.

**Prof. Dickson M. Nyariki, Ph.D.**  
**Vice -chancellor / Council Secretary**

## VI. CORPORATE GOVERNANCE STATEMENT

MUT is a public entity established through a charter as per the Universities Act, 2012. The University is committed to exhibiting best practices in all aspects of corporate governance. MUT is governed through various arms as stipulated in the Universities Act 2012. The University is checked by external and internal organs to ensure that the mandate is well executed. The external arms are the line Ministry of Education and the National Treasury and the office of the Auditor General. The office of the Auditor General is the principal auditor among other external regulatory bodies.

Other external regulatory bodies include Kenya Revenue Authority, National Environment Management Authority, Public Works, National Social Security Fund, National Hospital Insurance Fund and Public Procurement Oversight Authority. The University operates directly under the Principal Secretary Ministry of Education who in turn reports to Cabinet Secretary, Ministry of Education. The University gets financing mainly from the National Treasury through the line ministry.

The University has three separate internal bodies (the Council, the Management Team and the Senate) as required by Charter, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

### **University Council**

This is the governing body of the university. The Council is constituted taking into account requirements of the sector, diversity of skills, age, value addition, gender, academic qualifications and experience necessary to help achieve the Universities goals and objectives. The Council is appointed by the President on recommendation of the Cabinet Secretary. On gazette ment the Council members then appoints the Key managers in the University and oversees the operations using various committees. These committees meet quarterly and any other time when need arises.

### **The Role of the Council**

As guided by the State Corporations Act, Cap 446 and other relevant laws of Kenya, the Council's role is to provide effective leadership and control, in terms of approving the University's strategy and ensuring best practice of corporate governance. The Council retains full and effective control over the University by monitoring the implementation of Council plans and strategies, review of management accounts and all expenditure. It reviews processes for the identification and management of risks as well as those concerning compliance with key regulatory and legal areas.

As the governing body of the University, the Council has a responsibility of maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst

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As the governing body of the University, the Council has a responsibility of maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst

safeguarding the public and other university resources. The University Council is vested with powers and authority by its Charter and the Universities Act, 2012. In discharging its mandate, the Council is guided by the Charter to effectively fulfil its corporate governance responsibility towards its stakeholders. In addition it has adopted Guidelines on Corporate Governance developed by the Commission for University Education. The University also embraces the Public Officers and Ethics Act and the Mwongozo Code for State Corporations.

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

The Council is also the executive governing body responsible for the academic and strategic direction of the University, including its external relations and administration of the University. In addition, the Council is responsible for the management of the University's resources in accordance with the Public Financial Management Act, 2012 and Public Financial Regulations, 2015.

### **Council effectiveness**

The independence of the Council from the University's corporate management is ensured by the separation of the functions of the Chairman and the Vice-Chancellor and a clear definition of their responsibilities. The Chairman is primarily responsible for providing leadership to the Council while the Vice-Chancellor is responsible for the day-to-day management of the University. This achieves an appropriate balance of power, increased accountability and improved capacity for decision making.

### **Meetings of the council**

The meetings of the council are held at least once every quarter in a financial year. However, to promote smooth running of its affairs, certain functions of the Council are delegated to the council committees which report to the Council. These Committees are as follows:

#### **i. Finance, Planning and Development Committee**

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

#### **ii. Audit and Risk Management Committee:**

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

### iii. The Executive Committee

All Committees of the Council have an appointed chairperson. These committees meet at least once per quarter and any other time when need arises. The decisions and recommendations of these committees are formally reported to the Council for approval.

The numbers of meetings attended by the above committees during the year were as follows:

Council Committee	Members	Number of Meetings
1 Executive Committee	Mr. Anthony Lubulellah -Chairman of Committee Mr. Peter Kamau - Rep. P.S. National Treasury Mr. Paul M. Mwangi -Rep. P.S. MoE Dr. Adelaide Mbaika Mbithi -Member Dr. Felister W.M. Makini -Member Prof. Dickson M. Nyariki -Vice-Chancellor and Secretary to Council	4
2 Finance, Planning and Development	Dr. Felister W.M. Makini - Chairman of Committee Mr. Peter Kamau - Rep. P.S. National Treasury Mr. Paul M. Mwangi - Rep. P.S. MoE Mr. Anthony Lubulellah - Member Prof. Dickson M. Nyariki - Vice-Chancellor and Secretary to Council	6
3 Audit and Risk Management	Dr. Adelaide Mbaika Mbithi -Chairman of Committee Mr. Peter Kamau - Rep. P.S. National Treasury Mr. Paul M. Mwangi -Rep. P.S. University Education (MoE) Mr. Anthony Lubulellah -Member	3
4 Full Council	Prof. Mohamud A. Jama -Chairman of Council Mr. Peter Kamau - Rep. P.S. National Treasury Mr. Paul M. Mwangi -Rep. P.S. MoE Dr. Adelaide Mbaika Mbithi -Member Dr. Felister W.M. Makini -Member Mr. Anthony Lubulellah -Member Prof. Dickson M. Nyariki -Vice-Chancellor and Secretary to Council	20

### Remuneration of the Council

In accordance with guidelines provided in the State Corporations Act, the Council members other than the Chief Executive Officer do not receive a salary. They are however paid a sitting allowance for every meeting attended at the rate of Ksh. 20,000 per meeting as well as travel, lunch and accommodation allowance while carrying out their mandate at the University. The Chairman receives a monthly honorarium of Ksh.80, 000. The committee members do not receive any remuneration apart from the reimbursement of expenses incurred while on the University duties.

### Internal control and Risk Management:

The management of Murang'a University is responsible for reviewing the effectiveness of the University's system of internal control which is designed to provide reasonable, but not absolute,

assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Murang'a University continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. The processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key processes and operational and financial risks facing the University, is approved by the Audit and Risk Committee which considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Council. Where weaknesses are identified, the Audit and Risk Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during 2016/17.

### **Strategic Direction**

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

### **Statement of Compliance**

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

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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



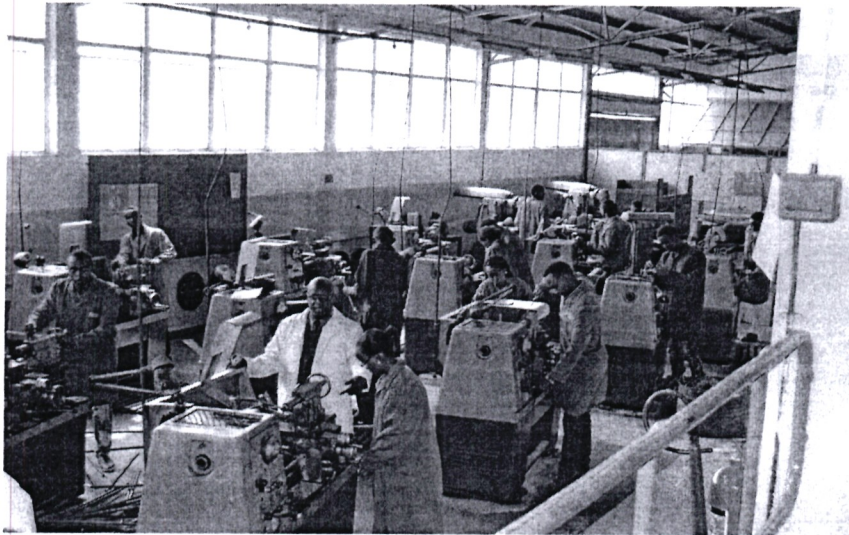
MUT staff on a corporate social responsibility event

Ag. Vice Chancellor cuts the tape to launch MUT CSR during cleaning. MUT partnered with Amica Savings and Credit as well as the Department of Environment.

Murang'a University of Technology aims to be a local leader on environmental and social responsibility issues. The goal of the university is to use knowledge and resources to make a positive and decisive difference to people, organisations and the community. The University has spearheaded Corporate Social Responsibility in the following areas:

### **Education and Research activities**

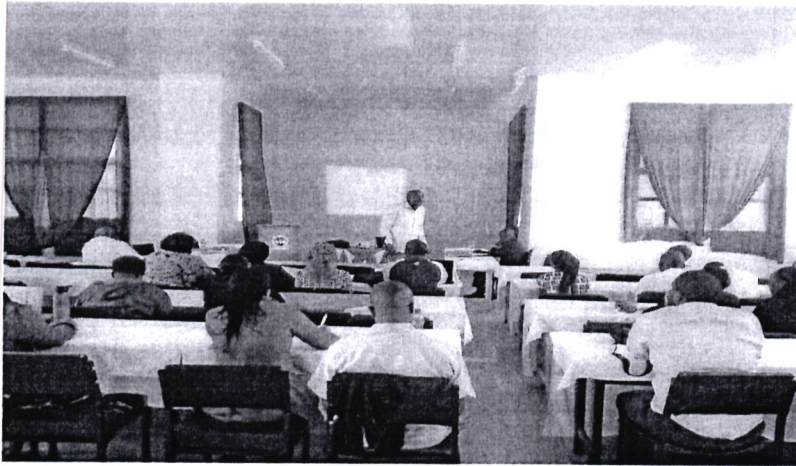
The University relies on the effective interaction of staff to deliver excellent education and quality research to students as well as the local groups and organizations. The university has effectively funded students and staff to carry out research activities geared towards improving the society's wellbeing. The university has endeavoured to produce graduates who will make lifelong professions, social, and economic contributions to the organizations in which they work and the society.



**Mechanical Engineering students in a practical session**

### **Drug Abuse and HIV/AIDS awareness**

HIV/AIDS and Drug abuse are global disasters and remain key impediment to future human resource capacity generation in realization of Vision 2030. A concerted effort is exerted by the university to ensure that the national policy to prevent HIV through education is disseminated and socialized properly to university staff, students and the community. During the year, the university committed resources in supporting seminars and workshops geared towards addressing sexual behaviour, drugs and alcohol abuse and nutrition as part of literacy program. In addition, the university has included HIV/AIDS as a mandatory course in all the programmes.



Sensitisation workshop on Alcohol and Drug Abuse at the University Hall in May 2017 with facilitators from NACADA.

### **Caring for the Environment**

To be part of the organisations' effort in combating climate change, the university has partnered with the local community to plant trees in the community. The university has also funded students and staff to partner with local organisations in activities geared towards promoting and maintaining a clean environment. In addition, the university partnered with regional organizations to ensure that staff and students maintain a positive impact on the community and the world at large.



**Staff and students who represented MUT during Ndakaini half marathon**

## VIII. REPORT OF THE COUNCIL

The Council submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Murang'a University's affairs.

### Principle activities

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

### Results

The results of the Murang'a University for the year ended June 30, 2017 was a deficit of Kshs 107,150,472 as set out on page 28. These are transferred to reserves.

### Directors

The council members who served during the year are shown on page 5

### Auditors

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



**Prof. Dickson M. Nyariki, Ph.D.**  
Vice-Chancellor / Council Secretary

Date 11/07/2018



**Dr. Joachim Osur, Ph.D.**  
Council Chairman

Date 11/07/2018

**IX. STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Council Members to prepare financial statements in respect of Murang'a University, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The Council Members are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council Members are also responsible for safeguarding the assets of the University.

The Council Members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council Members are of the opinion that the University's financial statements give a true and fair view of the state of Murang'a University's transactions during the financial year ended June 30, 2017, and of the University's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

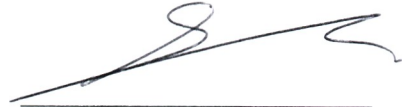
**Approval of the financial statements**

The Murang'a University's Financial Statements were approved by the Council on..... 2018 and signed on its behalf by:



**Prof. Dickson M. Nyariki, Ph.D.**  
**Vice-Chancellor / Council Secretary**

Date 11/07/2018



**Dr. Joachim Osur, Ph.D.**  
**Council Chairman**

Date 11/07/2018

The Financial Statements are set out on pages 24 – 28



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON MURANG'A UNIVERSITY OF TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of Murang'a University of Technology set out on pages 24 to 51, which comprise the statement of financial position as at 30 June 2017, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

#### Basis for Disclaimer of Opinion

##### 1. Accuracy and Completeness of the Financial Statements

As previously reported, the University College did not submit financial statements for 2011/2012 period for audit contrary to section 35 of the Public Audit Act, 2015. In absence of certified financial statements for the year ending 30 June 2012, the source and accuracy of opening balances for 2012/2013 financial statements as at 1 July 2013 and subsequent years could not be confirmed.

##### 2. Payables and Accruals

Note 22 to the financial position for the year ended 30 June 2017 reflects Payables and Accruals from exchange transactions balance of Kshs.104,769,252. Included in the figure are payables totaling Kshs.8,858,091 comprising of wages payables of Kshs.418,465, former BOG employees gratuity of Kshs.6,916,100, JKUAT payables of Kshs.1,123,526 and External Research balance of Kshs.400,000 for which no supporting schedules were provided for audit review.

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*Report of the Auditor-General on the Financial Statements of Murang'a University of Technology for the year ended 30 June 2017*

Consequently, the accuracy and validity of the Payables and Accruals balance in respect of Payables and Accruals as at 30 June 2017 could not be confirmed.

### **3. Long Term Investments**

As previously reported, the statement of financial position reflects Kshs.25,318,800 long term investment being Bamburi cement shares. A review of documents held by the University indicated that the shares were registered in the names of trustees of the Murang'a Technical College since inception. No explanation was given why the shares investment has remained in the name of the trustees instead of in the name of the University College. In the circumstances, the accuracy and existence of investment balance of Kshs.25,318,800 as at 30 June 2017 could not be confirmed.

### **4. Sustainability of Service**

The University during the financial year 2016/2017 recoded a deficit of Kshs.101,302,289 compared to a deficit of Kshs.35,687,945 reported in 2015/2016, which further decreased the accumulated fund from Kshs.1,044,749,026 to Kshs.951,410,432 as at 30 June 2017. In addition, the University received recurrent grants of Kshs.330,928,350 from the National Government compared to its own collection of Kshs.156,100,719. Further, current liabilities balance of Kshs.211,978,724 exceeded the total current assets balance of Kshs.159,937,487 as at 30 June 2017 resulting to a negative working capital of Kshs.52,041,237. However, the financial statements have been prepared on a going concern basis on the assumption that the university will continue to receive support from the Government and creditors.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the University or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the University's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

My responsibility is to conduct an audit of the University's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of Murang'a University of Technology in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

**Nairobi**

**24 September 2018**

**X. STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2017

	Note	<u>2016 / 2017</u> Kshs	<u>2015 / 2016</u> Kshs
<b>Revenue from Non-Exchange Transactions</b>			
Exchequer Recurrent Grants	3	330,928,350	326,164,954
Amortization of Deferred Development Grants income		7,378,184	-
<b>Total Revenue from Non-Exchange Transactions</b>		<u><b>338,306,533</b></u>	<u><b>326,164,954</b></u>
<b>Revenue from Exchange Transactions</b>			
Tuition Income	4	136,843,800	132,054,701
Other Incomes	5	<u>19,256,919</u>	<u>16,503,363</u>
<b>Total Revenue from Exchange Transactions</b>		<u><b>156,100,719</b></u>	<u><b>148,558,064</b></u>
<b>Total Revenue (a)</b>		<u><b>494,407,252</b></u>	<u><b>474,723,018</b></u>
<b>Expenses</b>			
Personal Emoluments	6	360,421,796	342,574,456
Board Expenses	7	10,056,794	9,398,122
Repairs and Maintenance expenses	8	6,574,382	3,987,089
Teaching Expenses	9	42,356,848	10,683,841
Students Welfare Expenses	10	17,929,735	17,632,016
Depreciation and Amortization	11	38,337,809	32,860,992
General Operating Expenses	12	119,849,342	93,057,062
Increase in Provision for Doubtful Debts	13	<u>182,835</u>	<u>217,385</u>
<b>Total Expenditure (b)</b>		<u><b>595,709,541</b></u>	<u><b>510,410,963</b></u>
<b>Surplus / Deficit for the Year (a-b)</b>		<u><b>(101,302,289)</b></u>	<u><b>(35,687,945)</b></u>

*The notes set out on pages 29-51 form an integral part of these Financial Statements*

**XI. STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2017

	Note	<u>2016 / 2017</u>	<u>2015 / 2016</u>
		Ksh.	Ksh.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash equivalents	15	129,112,391	71,790,327
Receivables from exchange transactions (2016 restated)	16	26,786,167	27,316,549
Receivables from non-exchange transactions	17	1,239,778	25,195,665
Inventory	18	<u>2,799,151</u>	<u>3,258,224</u>
<b>Total Current Assets</b>		<b><u>159,937,487</u></b>	<b><u>127,560,764</u></b>
<b>Non- Current Assets</b>			
Property, Plant & Equipment	19	1,452,729,545	1,378,116,946
Work in Progress	20	112,982,712	56,440,764
Long Term Investments	21	<u>25,318,800</u>	<u>25,318,800</u>
<b>Total Non-Current Assets</b>		<b><u>1,591,031,057</u></b>	<b><u>1,459,876,510</u></b>
<b>Total Assets</b>		<b><u>1,750,968,544</u></b>	<b><u>1,587,437,274</u></b>
<b>Current Liabilities</b>			
Payables from exchange transactions	22	104,769,252	64,722,763
Payables from Non-exchange transactions	23	<u>107,209,472</u>	<u>101,114,463</u>
<b>Total Current Liabilities</b>		<b><u>211,978,724</u></b>	<b><u>165,837,226</u></b>
<b>Total Liabilities</b>		<b><u>211,978,724</u></b>	<b><u>165,837,226</u></b>
<b>Equity Funds &amp; Reserves</b>			
Accumulated Surplus (FY 2016 restated)		951,410,432	1,044,749,026
Development Grants		<u>587,579,388</u>	<u>376,851,022</u>
<b>Total Equity &amp; Reserves</b>		<b><u>1,538,989,820</u></b>	<b><u>1,421,600,048</u></b>
<b>Total Equity, Reserves &amp; Liability</b>		<b><u>1,750,968,544</u></b>	<b><u>1,587,437,274</u></b>
<b>Net Assets</b>		<b><u>1,538,989,820</u></b>	<b><u>1,421,600,048</u></b>

*The notes set out on pages 29-51 form an integral part of these Financial Statements*

**XII. STATEMENT OF CHANGES IN NET ASSETS**  
as at June 30, 2017

	Accumulated Surplus Kshs	Development Grants Kshs	Total Accumulated Fund Kshs
Balance At July 1, 2015	1,086,430,874	266,339,711	1,352,770,585
Surplus (deficit) for the Year	(35,687,945)	-	(35,687,945)
Restatement of Imprest debtors for 2015/2016	502,849.00	-	502,849
Restatement of Students Fees prepayments for 2015/2016	(6,496,752)	-	(6,496,752)
Deferred Development Grants for the Year	-	110,511,311	110,511,311.00
<b>Balance as at June 30, 2016 (Restated)</b>	<b>1,044,749,026</b>	<b>376,851,022</b>	<b>1,421,600,048</b>
Balance at July 1, 2016	1,044,749,026.37	376,851,022	1,421,600,048
Surplus (deficit) for the Year	(101,460,484.36)	-	(101,460,484)
Deferred Development Grants for the Year	-	226,070,244.00	226,070,244
Less: Amortization during the year		(7,378,184)	
<b>Prior years adjustment: Deferred Development grants amortized</b>			
Transfer to accumulated surplus: Grants amortized	(7,963,694)	(7,963,694)	-
<b>Balance as at June 30, 2017</b>	<b>951,410,432</b>	<b>587,579,388</b>	<b>1,546,209,808.02</b>

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

Nature of Reserves	Purpose of the Reserves
1 Capital Fund	This was the initial capital for the University which should grow through annual surpluses from operations. However, the deficit from the statement of financial performance has resulted to the reduction of the fund.
2 Development Grants	This caters for the annual development capitation that the University receives from the Government. The development projects once completed are amortized as they continue being used.
3 Accumulated Fund	This is the sum of the total funds of the University comprising of the capital, revaluation reserves and development grants.

*The notes set out on pages 29-51 an integral part of these Financial Statements*

**XIII. STATEMENT OF CASH FLOWS**  
**for the Financial Year ended June 30, 2017**

	<b>Note</b>	<b><u>2016 / 2017</u></b>	<b><u>2015 / 2016</u></b>
		<b>Ksh</b>	<b>Ksh</b>
Surplus (deficit) for the Year		(101,302,289)	(35,687,945)
<b>Adjustments for Non-cash items in the Income statement:</b>			
Amortization of Deferred Development Grants income		(7,378,184)	
Depreciation and Amortization charge for the year	11	38,337,809	32,860,992
Increase / decrease in provision for doubtful debts		<u>-</u>	<u>217,385</u>
		<b>(70,342,664)</b>	<b>(2,609,568)</b>
<b>Working Capital Adjustments</b>			
Decrease / (Increase) in receivables from exchange transactions	16	530,382	(6,801,254)
Decrease / (Increase) in receivables from non-exchange transactions	17	23,955,887	
Decrease / (Increase) in Inventory	18	459,073	917,777
Increase in Payables from exchange transactions	22	40,046,489	(2,127,168)
Increase in Payables from non-exchange transactions	23	<u>6,095,009</u>	<u>-</u>
<b>Net cash flows used in Operating activities (a)</b>		<b><u>744,176</u></b>	<b><u>(10,620,213)</u></b>
<b>Cash flows from investing activities</b>			
Increase/decrease in Property, Plant & Equipment	19	(112,950,408)	(172,633,195)
Increase/decrease in Work in Progress	20	<u>(56,541,948)</u>	<u>87,227,413</u>
<b>Net cash flows used in Investing activities (b)</b>		<b><u>(169,492,356)</u></b>	<b><u>(85,405,783)</u></b>
<b>Cash flows from financing activities</b>			
Development Grants received	24	<u>226,070,244</u>	<u>110,511,311</u>
<b>Net cash flows used in Financing activities (c)</b>		<b>226,070,244</b>	<b>110,511,311</b>
<b>Net increase/(decrease) in cash and cash equivalents(a+b+c)</b>		<b>57,322,064</b>	<b>14,485,316</b>
Cash and cash equivalents balance brought Forward	15	<u>71,790,327</u>	<u>57,305,012</u>
<b>Cash and cash equivalents at 30 June 2016</b>	15	<b><u>129,112,391</u></b>	<b><u>71,790,327</u></b>

*The notes set out on pages 29-51 form an integral part of these Financial Statements*

**XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
for the Financial Year ended June 30, 2017

	Budget	Actual	Performance Difference	
	Original	Actual on Comparable Basis	Final Budget vs Actual	
	Kshs	Kshs	Kshs	%
<b>INCOME</b>				
<b>Revenue from Non-exchange Transactions</b>				
GoK Recurrent Grants	330,928,350	330,928,350	-	0%
<b>Total Revenue from Non-exchange Transactions</b>	<b>330,928,350</b>	<b>330,928,350</b>	-	0%
<b>Revenue from Exchange Transactions</b>				
Tuition Income	133,383,500	136,843,800	3,460,300	3%
Other Incomes from Exchange Transactions	26,616,500	19,256,919	(7,359,581)	-28%
<b>Total Revenue from Exchange Transactions</b>	<b>160,000,000</b>	<b>156,100,719</b>	<b>(3,899,281)</b>	<b>-2%</b>
<b>Total Income</b>	<b>490,928,350.0</b>	<b>487,029,068.6</b>	<b>(3,899,281)</b>	<b>-1%</b>
<b>EXPENDITURE</b>				
<b>Recurrent Expenditure</b>				
Personal Emoluments	413,000,000	360,421,796	52,578,204	13%
Board Expenses	15,000,000	10,056,794	4,943,206	33%
Repairs & Maintenance	6,000,000	6,574,382	(574,382)	-10%
Teaching Expenses	53,600,000	42,356,848	11,243,153	21%
Students Welfare expenses	26,600,000	17,929,735	8,670,265	33%
Depreciation and Amortization	-	38,337,809	(38,337,809)	0%
General Operating Expenses	169,792,835	119,849,342	49,943,493	29%
Increase in Provision for Doubtful Debts	-	182,835	(182,835)	0%
<b>Total Recurrent Expenditure</b>	<b>683,992,835</b>	<b>595,709,541</b>	<b>88,283,294</b>	<b>13%</b>
<b>Surplus / Deficit for the Year (a-b)</b>	<b>(523,992,835)</b>	<b>(435,709,541)</b>	<b>(88,283,294)</b>	

The Financial Statements set out on pages 24-28 was signed on behalf of the Council by:

**Vice-Chancellor**  
Prof. Dickson M. Nyariki, Ph.D.

Date 11/07/18

**Ag. Finance Officer**  
CPA Gorret Kairuti Clement  
ICPAK Member No.16028

Date 11/07/2018

**Council Chairman**  
Dr. Joachim Osur, Ph.D.

Date 11/07/2018

**XV. NOTES TO THE FINANCIAL STATEMENTS****1. Reporting Entity and Scope of the Financial Statements**

Murang'a University of Technology is a public university established under the Universities Act No. 42 of 2012. The Financial statements cover the financial period from July 2017 to June 2017. The financial statements include only the operations of the University, which has no subsidiaries or interests in associates or jointly controlled entities.

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

The financial statements are prepared on an accrual basis of accounting in accordance with and comply with International Public Sector Accounting Standards (IPSAS) and include certain amounts that are based on management's best estimates and judgements.

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the University.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise.

The statement of financial performance is prepared on accrual basis and reflects expenses by nature as guided by IPSAS 1, while the cash flow statement is prepared using the indirect method as guided by IPSAS 2.

**Summary of significant accounting policies**

Accounting policies have been applied consistently throughout the year as follows:

**a) Revenue recognition**

Revenue is recognized when it can be reliably measured; when the inflow of future economic benefits is probable and when specific criteria have been met.

**i) Revenue from non-exchange transactions – IPSAS 23**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

**Government Grants**

During the financial year, the university received grants from the Government of Kenya for both recurrent and development requirements. These revenues from non-exchange transactions with government are measured at fair value and recognized on obtaining control of the asset (cash) and when it is probable that the economic benefits or service potential related to the asset will flow to the University and can be measured reliably.

**Penalties and fines**

The entity recognizes income from penalties and fines when the event occurs and the revenue recognition criterion is met.

**ii) Revenue from exchange transactions – IPSAS 9**

Exchange transactions are those in which university sells goods or provides services in exchange of a consideration. The revenue comprises the fair value of consideration received or receivable for the sale of goods and provision of services.

***Rendering of services***

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

***Sale of goods***

The University sells food and beverages in the cafeteria to both staff and students. The University also sells workshop items and stationery items in the Book Shop. Revenue from such sales is recognized as and when the event occurs and cash is received or is receivable.

***Dividends***

The University has shares in Bamburi Cement and receives dividends from these shares which are recognized when cash is received or the University's right to receive dividends is established.

***Rental income***

The University accommodates students in the hostels and charges them a fee for this service. This is recognised once payments are received. Also a few staff members who occupy University staff houses are rental income. The entity recognizes rental income when the event occurs and the revenue recognition criterion is met.

***Other income***

The University recognizes other income on obtaining control of the asset (cash, goods, services) and when it is probable that the economic benefits or service potential related to the asset will flow to the University and can be measured reliably.

**b) 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 and the initial estimate of dismantling and site restoration costs.

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. The fair value at the date of acquisition is deemed to be its cost.

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

Asset Class	Percentage Depreciation Rate
Buildings	2%
Plant and Equipment	10%
Office Equipment	10%
Teaching Equipment	30%
Furniture and Fittings	10%
Motor vehicles	20%
Computer hardware and Computer peripherals	30%

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

#### c) Intangible assets – IPSAS 31

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

Computer software are amortized on straight line basis at the rate of 30%.

Research and development costs are expensed research costs as incurred. Development costs on an individual project are capitalized when the University can demonstrate:

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

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

**d) Financial instruments – IPSAS 29**

*i. Financial assets*

***Initial recognition and measurement***

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

***Receivables***

Murang'a University recognizes receivables from outstanding student fees and other incomes and does not charge interest on these outstanding fees.

***Impairment of financial assets***

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

*j) Financial liabilities*

***Initial recognition and measurement***

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs. The University financial liabilities amounted to 224,632,004 which mainly comprised of Kshs 75,653,378 Collective Bargaining Agreement (CBA) funds payable. These financial liabilities are initially recognised at their fair values and are classified at initial recognition.

**e) Inventories – IPSAS 12**

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

**f) Provisions, Contingent Liabilities and Contingent Assets – IPSAS 19**

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

*i. Contingent liabilities*

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

The University is a party to various legal actions and other claims in the ordinary course of business. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial position.

*ii. Contingent assets*

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

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

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

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

**i) Budget information – IPSAS 24**

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

**j) Taxes – IAS 12**

The Income Tax Act 2012 provides a provision for the exemption of the income of certain entities upon satisfying the criterion that; it is established solely for purposes of the relief of poverty or distress of the public; or it is established for the advancement of religion or education. This is upon satisfying the commissioner that the income is to be expended either in Kenya or in circumstances in which the expenditure of that income is for purposes which result in the benefit of the residents of Kenya.

Murang'a University is a public institution of higher learning, established under the Universities Act No. 42 of 2012. By the nature of its establishment and operations, the University is a public entity that is not subject to income tax. The University does not engage in any unrelated trade or business, hence exempted from taxation under the first schedule section 10 of the income tax Act Cap 470. Therefore, no income taxes have been reported in the University's financial statements. Consequently, no provision for income taxes is required.

**k) Employee benefits – IPSAS 25****Retirement benefit plans**

Murang'a University provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The University maintains a defined contribution plan whereby the employee contributes 10% of basic pay and University contributes 20% of employee's basic pay. The pension scheme is registered with independent trustees.

**n) Foreign currency transactions – IPSAS 4**

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

**o) Borrowing costs – IPSAS 5**

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

**p) 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 operating and financial decisions or vice versa. The ultimate reporting entity is Murang'a University. Government of Kenya

through the Ministry of Education and the Treasury is a related party since decisions and policies made by the Government may have a great influence in the University operations. In addition, the government funding comprises the major proportion of university sources of funds. Moreover, the University Council and members of Key Management are regarded as related parties.

Type of related party	Nature of relationship	Transactions with related party	Amounts in Kshs
GoK through Ministry of Education	Parent Ministry	Government grants which comprises the major proportion of university funding	
Jomo Kenyatta University of Agriculture and Technology	Parent University of the University College.	Personal emoluments to staff that had been seconded to the University College.	1,123,526
University Council	-Provision of effective leadership and control in terms of approving the University's strategies and policies and best practice of corporate governance.	Payment of Council allowances and honorarium during council meetings.	10,056,794

#### q) Service concession arrangements – IPSAS 32

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

#### r) Cash and cash equivalents

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

#### s) Comparative figures

There were changes in comparative figures for the previous financial year. In the 2016/17 FY, Imprest debtors were understated by Kshs.502, 849 and Students Fee prepayments of Kshs.6,496,752 was omitted. Therefore, prior year balance for imprest debtors reported as Kshs.2,526,855 was restated to Kshs.3,029,704 and Students Fee prepayments of Kshs.6,496,752 was restated resulting to restatement of accumulated surplus for 2015/16 FY. In addition, an adjustment was made for prior years' amortization of development grants amounting to Kshs.7,963,694. The amortization was done

in 2016/17 FY. Therefore, prior years' adjustment for amortization of development grants was recognized in the 2017/16 FY, resulting to restatement of accumulated surplus.

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

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

##### ***Estimates and assumptions***

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

##### ***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 Entity
- 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

#### **u) Financial Risk management – IPSAS 30**

One of the key risks facing the University is the financial risk. The University has an integrated risk management framework which is based on risk governance structures, risk management policies, risk identification, measurement and reporting. The risk management framework focuses on the unpredictability of environmental factors, to set appropriate risk limits and controls, and to monitor risks and seeks to minimize potential adverse effects on the financial performance and position of the University.

The University's principal financial assets are, trade receivables and cash and short term deposits which arise directly from its operations. In addition, the University has financial liabilities arising from both exchange and non-exchange transactions.

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

The university is exposed to financial risks classified as Credit risk, Liquidity risk and Market risk as follows:

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

The Audit and Risk management committee of the council assesses the risk exposure of the University and her risk appetite. There is a risk management framework established. The University's risk management policies are established to identify and analyses the risks faced by the University, to set appropriate risk limits and controls, and to monitor risks. Risk management policies and systems are reviewed regularly to reflect changes in economic conditions and the organization's activities.

#### i. Credit risk

Credit risk refers to the risk of financial loss to the University if a customer or counter party to a financial instrument defaults its contractual obligations, and arises principally from the organization's financial assets. Cash balances and short-term deposits held with bank are a source of credit risk exposure. The University receives fees from students, rent from staff and advances imprest to the staff which further exposes it to credit risk. The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk as at June 30, 2017 and the comparative year is as follows:

Analysis of Credit risk exposure As at June 30, 2017	2016/2017				Total	Credit Risk rating
	1 to 30 days (Fully Performing)	31 to 60 days	61 to 90 days	Over 90 days		
Bank balances	129,112,392	-	-	-	129,112,391.94	low
Imprest receivables	436,870	47,550	9,950	758,700	1,253,070	low
Recurrent Grants receivable	-	-	-	195,665	195,665	low
Development Grants receivable	1,044,113	-	-	-	1,044,113	low
Students Debtors	22,438,573	-	-	-	22,438,573	low
House Rent receivables	-	-	-	107,542	107,542	high
MRUC Pension Scheme receivable	-	-	-	2,198,781	2,198,781	low

Other receivables	=	=	=	<u>2,197,999</u>	<u>2,197,999</u>	high
Less: Impairment allowance	-	-	-	-	-	
<b>Net Total</b>	<b>153,031,947.78</b>	<b>47,550.00</b>	<b>9,950.00</b>	<b>5,458,686.30</b>	<b>158,548,134.08</b>	

Analysis of Credit risk exposure	2015/2016					Total	Credit Risk rating
	As at June 30, 2016	1 to 30 days (Fully Performing)	31 to 60 days	61 to 90 days	Over 90 days		
Bank balances	71,790,327	-	-	-	-	71,790,327	low
Imprest receivables	3,029,704	-	-	-	-	3,029,704	low
Recurrent Grants receivable	16,662,156	-	-	-	-	16,662,156	low
Development Grants receivable	-	-	-	-	-	-	low
Students Debtors	21,009,487	-	-	-	-	21,009,487	low
House Rent receivables	107,542	-	-	-	-	107,542	low
MRUC Pension Scheme receivable	2,198,780	-	-	-	-	2,198,780	low
Other receivables	<u>2,197,999</u>	-	-	-	-	<u>2,197,999</u>	low
<b>Net Total</b>	<b><u>116,995,995</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b><u>116,995,995</u></b>	

Credit risk arising from bank balances is very low because the counter parties are financial institutions with high credit ratings. The bank deposits are made with Government owned banks with strong capital base. The credit risk on staff imprest receivables is also limited because the counterparties are University staff and the policy allows imprest not surrendered beyond a reasonable period to be recovered from the staff monthly remuneration. In addition, an individual staffs is not allowed to have more than one imprest.

Grants receivable consists of Government of Kenya recurrent and development grants. These grants receivable poses a very low credit exposure since the Government usually honors its obligations within time. In addition, for government and other grants, the expenses are incurred after receipt of funds or when there is sufficient assurance that the funds have been disbursed, thereby significantly reducing the credit risk relating to grants receivable.

The University has a very low exposure to credit risk arising from student fees receivable because there is a students' fees payment policy which defines how and when fees are supposed to be paid. The policy restricts the students from sitting for exams as well graduating having not cleared the fees

balances. Large portion of the receivables is due from the tuition fees which do not have significant credit risk, thus University's exposure to credit risk is relatively low.

Generally, the university evaluates for impairment of receivables with respect to bad and doubtful debts at each reporting date. Impairment arises when there is adequate evidence that university will not collect the full amount due. As at year end, the university had no impaired receivables, however, it is a University tradition to make a provision for doubtful debts at 5% of the total receivables.

#### **ii. Liquidity risk**

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

The University does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources. In addition, the University's investment policy ensures that its investments are held primarily in liquid short-term deposits. Before investments are made, an evaluation of liquidity requirements is carried out to determine the immediate cash needs. University Investments are made with due consideration to the cash requirements for operating cash flow purposes. The investment approach of the university includes different investment maturity periods that consider the timing of future cash flow funding needs of the organization. The largest portion of the university investments is in short-term deposits and most of its current assets are held as cash and cash equivalents.

#### **iii. Market risk**

Market risk is the possibility that the institution might incur financial losses owing to unfavorable changes in interest rates, foreign currency exchange rates and/or prices of investment assets. The University does a market survey of various products before a budget is made to caution against market risk.

#### **Interest rate risk**

The university is not exposed to the risk of falling interest rates since it had no fixed deposit amounts where interest is earned. In addition, there is no risk associated with the fixed deposits since the interest rate is negotiated prior to investing and is constant throughout the investment period. In case of investments, the university places its investments with the qualifying commercial banks that quote

the highest interest rate over a given period. As a result, changes in interest rates do not have an impact on the carrying amounts of the financial assets of the University.

### Foreign currency risk

The currency exposure to the university transactions is mitigated as receipts and payments are made in local currency with very few cases where suppliers quote in foreign currency mostly in US dollars. In such cases, there is minimal exposure to exchange rate risk due to fluctuations in exchange rate of the Kenya Shilling against US dollar. These are managed in the budget process.

The University receives revenue from fees, grants and other sources in functional currency and no other currencies. All the assets of the University were denominated in Kenya shillings which is the functional currency used in these financial statements. Therefore, for the year ended June 2017, currency exposure has minimal impact on financial status of the university.

### v) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

### w) Currency:

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

### Note 3: Exchequer Recurrent Grants

#### Recurrent Grants for the financial year 2016/2017

	Parent Ministry	Kshs
10-Aug-16	Ministry of Education	27,577,363
26-Aug-16	Ministry of Education	52,773,027
30-Sep-16	Ministry of Education	2,381,699
9-Nov-16	Ministry of Education	55,154,725
13-Dec-16	Ministry of Education	27,577,362
9-Feb-17	Ministry of Education	27,577,362
15-Mar-17	Ministry of Education	55,154,726
2-May-17	Ministry of Education	27,577,362
2-Jun-17	Ministry of Education	27,577,362
27-Jun-17	Ministry of Education	<u>27,577,363</u>
<b>Total Exchequer Recurrent Grants for the year</b>		<b><u>330,928,350</u></b>

#### Recurrent Grants for the financial year 2015/2016

	Parent Ministry	Kshs
07/08/2015	Ministry of Education	27,577,363
28/09/2015	Ministry of Education	27,577,363
30/10/2015	Ministry of Education	27,577,363

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06/11/2015	Ministry of Education	27,577,363
01/12/2015	Ministry of Education	27,577,363
04/01/2016	Ministry of Education	27,577,363
15/02/2016	Ministry of Education	27,577,363
07/03/2016	Ministry of Education	27,577,363
06/04/2016	Ministry of Education	27,577,363
09/05/2016	Ministry of Education	27,577,363
07/06/2016	Ministry of Education	<u>25,195,665</u>
<b>Recurrent Grants Received during the year</b>		<b>300,969,290</b>
Add: Recurrent Grant Receivable as at 30 June 2016		<u>25,195,665</u>
<b>Total Exchequer Recurrent Grants for the year</b>		<b><u>326,164,954</u></b>

**Note 4: Tuition Income**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Tuition Fees	<u>136,843,799.90</u>	<u>132,054,701</u>

**Note 5: Other Incomes**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Student hostel /accommodation fee	4,524,000	3,884,400
Hire of facilities - MUT Workshops Services	67,950	2,146,191
Rent income	256,000	353,500
Interest on Fixed Deposits - Central Vote	-	205,398
Sale of tender documents	20,000	43,312
Administration Fees	160,009	159,125
Donations	-	49,075
Sale of food and beverages - student catering ( PAYE)	5,937,574	4,577,347
Sale of food and beverages - staff cafeteria	1,902,670	1,398,009
Sale of food and beverages - hospitality and tourism department	35,633	70,540
Bookshop sales - MUT workshops services	17,438	16,460
Hire of facilities - Central Vote	29,600	20,800
Fuel Saving Jikos Sales - MUT Workshops Services	-	300
Sales - MUT Workshops services	3,165,541	3,404,847
Farm sales - MUT services	6,650	1,690
Woodwork income - workshops services		7,705
Miscellaneous income	<u>3,133,855</u>	<u>164,664</u>
<b>Total Other Incomes</b>	<b><u>19,256,919</u></b>	<b><u>16,503,363</u></b>

**Note 6: Personal Emoluments**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Basic Salaries	158,806,324.84	154,292,187
House Allowance	93,883,862.84	90,835,312
Pension Employers Contribution	24,767,402.50	24,291,868
Responsibility Allowance	3,270,600.57	1,658,340
Telephone Allowance	2,744,773.71	2,468,620
Acting Allowance	1,931,675.77	823,996
Special Duty Allowance	155,368.60	10,916
Management Allowance	18,775,464.42	18,202,462
BOG and other Gratuities	7,191,671.19	9,348,057
Leave Travel Allowance	2,007,699.70	1,089,960
Bus fare Allowance	17,837,841.20	17,254,555
Car Allowance	12,292,231.11	10,324,442
Non-use of official Car	1,071,000.00	503,000
Entertainment Allowance	3,894,535.45	3,660,511
Electricity and Water Benefit Allowance	2,363,932.80	2,160,692
Passage and Baggage Allowance	154,774.00	90,390
Domestic Workers Allowance	2,069,865.56	1,476,632
Risk Allowance	126,000.00	126,000
Extraneous Allowance	2,868,252.49	2,649,016
Co-ordinating Allowance	895,032.30	873,500
Research Allowance	160,000.00	150,000
Book Allowance	60,000.00	60,000
Non-Practice Allowance	180,000.00	180,000
Council Secretariat Allowance	264,000.00	44,000
Professorial Allowance	1,082,263.04	-
Gratuity and Pension Contributions	<u>1,567,224.40</u>	-
<b>Total Personal Emoluments</b>	<b><u>360,421,796.49</u></b>	<b><u>342,574,457</u></b>

**Note 7: Board Expenses**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Council expenses	10,056,794.21	9,398,122
<b>Total Board Expenses</b>	<b><u>10,056,794.21</u></b>	<b><u>9,398,122</u></b>

**Note 8: Repairs and Maintenance Expenses**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Repairs and maintenance of property, plant and equipment	6,574,381.71	3,987,089
<b>Total Repairs and Maintenance Expenses</b>	<b><u>6,574,381.71</u></b>	<b><u>3,987,089</u></b>

**Note 9: Teaching Expenses**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	<b>Kshs</b>	<b>Kshs</b>
Purchase of Teaching Materials	1,601,592.01	2,019,999
Curriculum and Development	1,835,863.00	-
Academic Trips	2,700.00	17,850
Internal Research Expenses	100,237.50	66,322
Part-Time Teaching Costs	35,314,983.83	6,975,151
Examination Materials	1,371,146.76	1,154,086
External Examiners	667,164.99	444,963
Industrial Attachment Expenses	<u>1,463,159.41</u>	<u>5,470</u>
<b>Total Teaching Expenses</b>	<b><u>42,356,847.50</u></b>	<b><u>10,683,841</u></b>

**Note 10: Students Welfare expenses**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	<b>Kshs</b>	<b>Kshs</b>
Purchase of Gas, Charcoal and firewood	1,321,877	1,286,060
Purchase of Foodstuff	9,567,844	11,581,259
Purchase of Utensils and cutlery	523,009	-
Sports Activities	2,539,058	1,909,103
Student Work study Programme	147,336	306,990
Students Placement Charges	2,833,500	-
Purchase of Drugs & other Health unit expenses	997,111	2,238,643
Mattresses	=	<u>309,961</u>
<b>Total Students Welfare expenses</b>	<b>17,929,735</b>	<b>17,632,016</b>

**Note 11: Depreciation and Amortization**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	<b>Kshs</b>	<b>Kshs</b>
Buildings	15,831,782.08	13,922,595
Plant and Equipment	3,453,951.00	3,238,988
Office Equipment	804,239.50	804,240
Teaching Equipment	1,869,120.96	789,764
Furniture and Fittings	2,784,301.25	2,159,420
Motor Vehicles	6,406,466.00	6,406,466
Computer Hardware and Networking	<u>7,187,947.99</u>	<u>5,539,519</u>
<b>Total Depreciation</b>	<b><u>38,337,808.77</u></b>	<b><u>32,860,992</u></b>
Add: Amortization of Computer Software	=	=
<b>Total Depreciation and Amortization</b>	<b><u>38,337,808.77</u></b>	<b><u>32,860,992</u></b>

**Note 12: General Operating Expenses**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Travel and Subsistence	15,769,753.65	14,680,218
Fuel and Oils for Motor Vehicles	2,160,638.31	2,397,959
Maintenance of Vehicles	1,388,679.40	1,705,631
Vehicle Insurance	782,385.00	888,593
Office Stationery	4,700,512.22	4,424,459
Printing and Publishing	725,810.00	-
Advertising and Publicity Vacancies and Others	2,381,361.30	1,373,251
Advertising and Publicity-Intake and Informatials	-	1,163,124
Research and Development	933,442.00	-
Marketing Activities	260,940.00	383,300
Expenses of board and committees- VC	569,720.00	319,280
Governance Expenses	2,169,606.00	3,744,202
Conferences	667,777.12	548,448
Staff Development expenses	388,400.00	424,455
Seminars and Workshops	378,640.00	588,070
Staff Welfare Expenses	281,230.00	212,645
Staff Medical Expenses	21,815,835.55	5,207,689
Benevolent Expense	35,000.00	168,600
Professional Subscription	-	123,400
Purchase of Uniforms	107,870.00	11,726
Payment of Rent and Rates	-	1,649,736
Consultancy and Professional Services	94,800.00	347,400
Telephone and Postage Expenses	437,321.15	418,126
Internet Charges	4,890,536.10	3,953,245
Books, Journals and Magazines	5,551,946.20	2,460,067
ISO and SP Expenses	4,291,572.55	557,460
Bank Charges	177,803.26	150,106
Electricity Expenses	4,742,533.25	5,409,137
Water and Conservancy	6,700,424.50	9,607,563
Cleaning and Fumigation	11,061,015.00	9,928,562
Tender and Procurement expenses	370,028.00	388,000
Software Licence Renewal	457,855.20	739,155
Hire of Security Services	7,772,190.00	7,228,707
Honoraria	-	1,200,000
Casual Wages	1,825,830.00	1,817,230
Branding	350,304.00	157,815
Inauguration Expenses	3,351,172.00	3,000,000
Linkages Expenses	20,000.00	906,190
Workshops unit expenses	4,171,247.00	2,782,161
General Insurance	1,029,967.00	-
Corporate Social Responsibility (CSR) donations	141,794.00	-
Graduation Expenses	3,995,688.50	-
Shows and Exhibitions	949,794.00	1,295,353
Work Injury Benefit Act (WIBA) expenses	1,251,920.00	-
Audit Fees	696,000.00	696,000

Chancellor's expenses		-
<b>Total General Operating Expenses</b>	<b><u>119,849,342.26</u></b>	<b><u>93,057,062</u></b>

**Note 13: Provisions for Doubtful Debts**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Bal b/f 1st July	1,226,964	1,009,579
Increase /(Decrease) in provision during the period	<u>182,835</u>	<u>217,385</u>
<b>Balance as at 30th June</b>	<b><u>1,409,799</u></b>	<b><u>1,226,964</u></b>

**Note 14: Provisions for Audit fees**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Bal b/f 1st July	1,392,000	696,000
Increase /(Decrease) in provision during the period	<u>696,000</u>	<u>696,000</u>
<b>Balance as at 30th June</b>	<b><u>2,088,000.00</u></b>	<b><u>1,392,000</u></b>

**Note 15: Cash and Cash Equivalents**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
KCB Collection Account	94,560,617	67,314,946
KCB Paying Account	7,925,731	(21,941,863)
Equity Enterprise Account	2,423,484	3,315,835
Cash in hand - KCB	(51)	(51)
Cash in hand - Equity	(1)	(1)
Cash in hand - Float	(497)	(497)
KCB Kamukunji TTI	10,289,369	3,350,339
KCB Kandara TTI	7,572,788	4,488,255
KCB Gatanga TTI Project	6,340,951	15,253,693
Interbank Clearing Account	-	<u>9,672</u>
<b>Total Cash &amp; Cash Equivalents</b>	<b>129,112,391</b>	<b>71,790,327</b>

**Note 16: Receivable from Exchange Transactions**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Student Debtors	22,438,573	21,009,487
House Rent Debtors	107,542	107,542
Imprest – Debtors*	1,253,070	3,029,704*
MRUC Pension Scheme	2,198,781	2,198,780
Other Debtors	<u>2,197,999</u>	<u>2,197,999</u>
<b>Total Receivables from Exchange Transactions</b>	<b>28,195,965</b>	<b>28,543,512</b>
Less: Impairment/Provision for Doubtful Debts	<u>(1,409,798)</u>	<u>(1,226,963)</u>
<b>Net Receivables from Exchange Transactions</b>	<b>26,786,167</b>	<b>27,316,549</b>

*Note that: Imprest debtors' prior year balance was restated from Kshs.2, 526,855 to Kshs. 3,029,704\*.*

**Note 17: Receivable from Non -Exchange Transactions**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Recurrent Grants Receivable	195,665	25,195,665
Government development grants receivable	1,044,113	-
<b>Total Receivable from Non-exchange transactions</b>	<b><u>1,239,778</u></b>	<b><u>25,195,665</u></b>

**Note 18: Inventory**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Central Stores-Stationery	1,125,250.27	1,481,409
Maintenance department	56,095.00	845,949
Catering department	270,288.00	65,689
Electrical	228,511.00	166,544
Housekeeping /accommodation	81,212.00	106,557
Health unit	<u>1,037,795.00</u>	<u>592,076</u>
<b>Total Inventory</b>	<b><u>2,799,151.27</u></b>	<b><u>3,258,224</u></b>

### Note 19: Property, Plant and Equipment Schedule

Particulars	FreeHold Land		Buildings		Plant and Equipment		Office Equipments		Teaching Equipments		Furniture and Fittings		Motor Vehicle		Comp Hardware and Networking		Totals
			0.02		0.10		0.10		0.30		0.10		0.20		0.30		
RATES																	
COST																	
Cost/Value at Bal b/f 1.07.2015	650,000,000.00	537,171,181.93	28,466,531.00	8,042,395.00	-	17,334,003.40	32,032,330.00	1,288,652,979.33									
Additions during the year	-	158,958,576	3,923,352	-	2,632,545.10	-	-	172,633,194.16									
W.I.P Capitalized																	
Less: Adjustment to cost/ value																	
<b>Cost/Value Bal c/d at 30/06/2016</b>	<b>650,000,000</b>	<b>696,129,758</b>	<b>32,389,883</b>	<b>8,042,395</b>	<b>2,632,545</b>	<b>21,594,198</b>	<b>32,032,330</b>	<b>1,461,286,173</b>									
<b>ACCUMULATED DEPRECIATION FY 2015/2016</b>																	
Acc. Dep Bal b/f 1/07/2015	-	19,401,893	5,237,801	1,608,480	-	3,308,265	12,025,466	50,308,236									
Depreciation charge for the year	-	13,922,595	3,238,988	804,240	789,764	2,159,420	6,406,466	32,860,992									
<b>Acc. Dep Bal c/d 30/06/2016</b>	<b>-</b>	<b>33,324,488</b>	<b>8,476,789</b>	<b>2,412,720</b>	<b>789,764</b>	<b>5,467,685</b>	<b>18,431,932</b>	<b>83,169,228</b>									
<b>Net Book Value at 30 June 2016</b>	<b>650,000,000</b>	<b>662,805,270</b>	<b>23,913,094</b>	<b>5,629,676</b>	<b>1,842,782</b>	<b>16,126,513</b>	<b>13,600,398</b>	<b>1,378,116,946</b>									
<b>FY 2016/2017</b>																	
<b>COST</b>																	
Cost/Value at Bal b/f 1.07.2016	650,000,000	696,129,758	32,389,883	8,042,395	2,632,545	21,594,198	32,032,330	1,461,286,173									
Additions during the year	-	95,459,346	2,149,627	-	3,597,858	6,248,815	-	112,950,408									
W.I.P Capitalized																	
<b>Cost/Value Bal c/d at 30/06/2017</b>	<b>650,000,000</b>	<b>791,589,104</b>	<b>34,539,510</b>	<b>8,042,395</b>	<b>6,230,403</b>	<b>27,843,012</b>	<b>32,032,330</b>	<b>1,574,236,581</b>									
<b>ACCUMULATED DEPRECIATION</b>																	
Acc. Dep Bal b/f 1/07/2016	-	33,324,488	8,476,789	2,412,720	789,764	5,467,685	18,431,932	83,169,228									
Depreciation Charge for the year	-	15,831,782	3,453,951	804,240	1,869,121	2,784,301	6,406,466	38,337,809									
<b>Acc. Dep Bal c/d 30/06/2017</b>	<b>-</b>	<b>49,156,270</b>	<b>11,930,740</b>	<b>3,216,959</b>	<b>2,658,884</b>	<b>8,251,986</b>	<b>24,838,398</b>	<b>121,507,036</b>									
<b>Net Book value at 30/06 2017</b>	<b>650,000,000</b>	<b>742,432,834</b>	<b>22,608,770</b>	<b>4,825,436</b>	<b>3,571,519</b>	<b>19,591,026</b>	<b>7,193,932</b>	<b>1,452,729,545</b>									
<b>Net Book Value at 30 /06 2016</b>	<b>650,000,000</b>	<b>662,805,270</b>	<b>23,913,094</b>	<b>5,629,676</b>	<b>1,842,782</b>	<b>16,126,513</b>	<b>13,600,398</b>	<b>1,378,116,946</b>									

**Note 20: Work in Progress during the year**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Balance b/f	56,440,764	143,668,176
<b>Additions:</b>		
Library (canopy)	-	138,600
Gate and Ablution	-	4,061,453
Hostel Block phase I	-	15,177,415
Hostel Block phase 1, Wing 2	16,836,019	-
Hostel block-phase III	37,529,370	-
Tuition Block-phase II	40,560,878	52,353,696
Road works and sports field	43,039,027	-
ERP Software (intangible work in progress)	<u>14,036,000</u>	-
<b>Total Additions to Work in Progress during the year</b>	<b>208,442,058</b>	<b>215,399,340</b>
Less:		
Work in Progress Capitalized to Buildings during the year		
Gate and Ablution	-	14,619,472
Hostel Block	-	144,200,504
Library (Canopy)	-	138,600
Tuition Block Phase II	<u>95,459,346</u>	-
<b>Total Work in progress capitalized</b>	<b>95,459,346</b>	<b>158,958,576</b>
<b>Total Work in Progress Balance at the end of the year</b>	<b>112,982,712</b>	<b>56,440,764</b>

**Note 21: Long Term Investments**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Bamburi Shares	<u>25,318,800</u>	<u>25,318,800</u>
<b>Total Long Term Investments</b>	<b>25,318,800</b>	<b>25,318,800</b>

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

**Note 22: Payables and accruals from exchange transactions**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	Kshs	Kshs
Students Fees Prepayments	15,652,597	6,496,752*
HELB Loan & Bursaries	1,933,930	-
CDF/Sponsorships	954,617	-
Students Caution Money	271,622	271,622
Student Union Payable	294,192	244,142
Attachment Levy	-	255,431
External Examinations - KNEC	2,868,079	2,926,800
NHIF deductions	12,100	-

## ANNUAL REPORT &amp; FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

UASU	2,300	-
KUSU	1,434	-
KUDHEIHA	1,500	-
HELB Staff Deductions	5,726	-
Net Pay	12,966,771	108,408
Wages Payables	418,466	418,466
Sacco Deductions	29,746	-
Bank Loan Deductions	138,073	-
MRUC Staff Welfare Deductions	1,000	126,000
MRUC Workshops deductions payable	111,411	89,636
MRUC Pension Scheme Staff deductions	144,225	158,424
Part-time Lecturers Payable	-	1,979,100
Former BOG employees gratuity Payable	6,916,100	6,916,100
Imprest recoveries	195,638	-
Recurrent Creditors	16,662,156	16,325,182
Sundry Creditors	2,344,353	1,965,538
JKUAT Payables	1,123,526	1,123,526
External Research	400,000	400,000
Chinese Project	4,345,640	5,114,730
Provision for Audit fees	2,088,000	1,392,000
Provision for General expenses	256,576	1,395,394
Contract retentions (10%)	<u>34,629,475</u>	<u>17,015,512</u>
<b>Total Payables / Accruals from exchange transactions</b>	<b><u>104,769,252</u></b>	<b><u>64,722,763</u></b>

Note that: Student Fees Prepayments prior year balance omitted was restated to Kshs. 6,496,752\*.

**Note 23: Payables from Non-Exchange Transactions**

	<u>2016 / 2017</u>	<u>2015 / 2016</u>
	<b>Kshs</b>	<b>Kshs</b>
PAYE Deductions	10,641,119	1,662,004
VAT Withholding (6%)	3,276,972	2,057,121
Income Tax Withholding (5%)	8,500	-
Income Tax Withholding (3%)	1,692,052	1,401,336
VAT Withholding clearing	445,664	-
Farm Fund	-	(1)
Gatanga Technical Institute Fund	5,781,022	15,432,233
Kamukunji Technical Institute Fund	6,980,960	1,919,170
Kandara Technical Institute Fund	3,463,424	2,989,222
CBA Funds Refundable	<u>75,653,378</u>	<u>75,653,378</u>
<b>Total Payables from Non-Exchange Transactions</b>	<b><u>107,943,090.79</u></b>	<b><u>101,114,463</u></b>

**Note 24: Development Grants during the year**

<b>Date received</b>	<b>Received From</b>	<b>2016/2017</b> <b>Kshs</b>
7-Dec-16	Ministry of Education	50,175,344
23-Mar-17	Ministry of Education	3,132,337
23-Mar-17	Ministry of Education	30,000,000
29-Mar-17	Ministry of Education	<u>141,718,450</u>
<b>Total development grants received during the year</b>		<b>225,026,131</b>
Add: Development grants receivable		<u>1,044,113</u>
<b>Total Development grants for the year</b>		<b><u>226,070,244</u></b>

<b>Date received</b>	<b>Received From</b>	<b>2015/2016</b>
9-May-16	Ministry of Education	42,250,028
21-Jun-16	Ministry of Education	<u>68,261,283</u>
<b>Total Development Grants</b>		<b><u>110,511,311</u></b>

**XVI. Appendix 1: Progress on follow up of Auditors' Recommendations**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Ownership of Bamburi Shares	Follow up being made by through the legal office	Trustees	Outstanding	2017/2018
2	Non-existence of Asset register before 2012/2012	Valuation was done. Follow up being done with auditor for further guidance	The Management and Auditor General	Not Resolved	2017/2018


**Vice-Chancellor**

Prof. Dickson M. Nyariki, Ph.D.

Date ..11/07/2018..



**Council Chairman**

Dr. Joachim Osur, Ph.D.

Date ..11/07/18.....

## XVII. Appendix 2: Inter-Entity Transfers

ENTITY NAME:		MURANG'A UNIVERSITY OF TECHNOLOGY		
Break down of Transfers from the State Department of Education				
FY 2016/17				
<b>a.</b>	<b>Recurrent Grants</b>			
		<b><u>Bank Statement</u></b>		<b><u>The FY to which the</u></b>
		<b><u>Date</u></b>	<b><u>Amount (KShs)</u></b>	<b><u>amounts relate</u></b>
		10-Aug-16	27,577,363	2016/2017
		26-Aug-16	52,773,027	2016/2017
		30-Sep-16	2,381,699	2016/2017
		09-Nov-16	55,154,725	2016/2017
		13-Dec-16	27,577,362	2016/2017
		09-Feb-17	27,577,362	2016/2017
		15-Mar-17	55,154,726	2016/2017
		07-Apr-17	25,000,000	2015/2016
		02-May-17	27,577,362	2016/2017
		02-Jun-17	27,577,362	2016/2017
		27-Jun-17	27,577,363	2016/2017
		<b>Total</b>	<b><u>355,928,350</u></b>	
<b>b.</b>	<b>Development Grants</b>			
		<b><u>Bank Statement</u></b>		<b><u>The FY to which the</u></b>
		<b><u>Date</u></b>	<b><u>Amount (KShs)</u></b>	<b><u>amounts relate</u></b>
		07-Dec-16	50,175,344	2016/2017
		29-Mar-17	141,718,450	2016/2017
		23-Mar-17	30,000,000	2016/2017
		23-Mar-17	3,132,337	2016/2017
		<b>Total</b>	<b><u>225,026,131</u></b>	
	<b>Technical Training Funds</b>	<b><u>Bank Statement</u></b>		<b><u>The FY to which the</u></b>
		<b><u>Date</u></b>	<b><u>Amount (KShs)</u></b>	<b><u>amounts relate</u></b>
<b>c.</b>	Kamukunji Technical Training Funds	27-Mar-17	6,714,375	2016/2017
<b>d.</b>	Kandara Technical Training Funds	27-Mar-17	6,714,375	2016/2017

  
 Ag. Finance Officer  
 CPA Gorret Kairuti Clement  
 ICPAK Member No. 16028

Date... 11/07/2015...

