


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

 THE NATIONAL ASSEMBLY PAPERS LAID	
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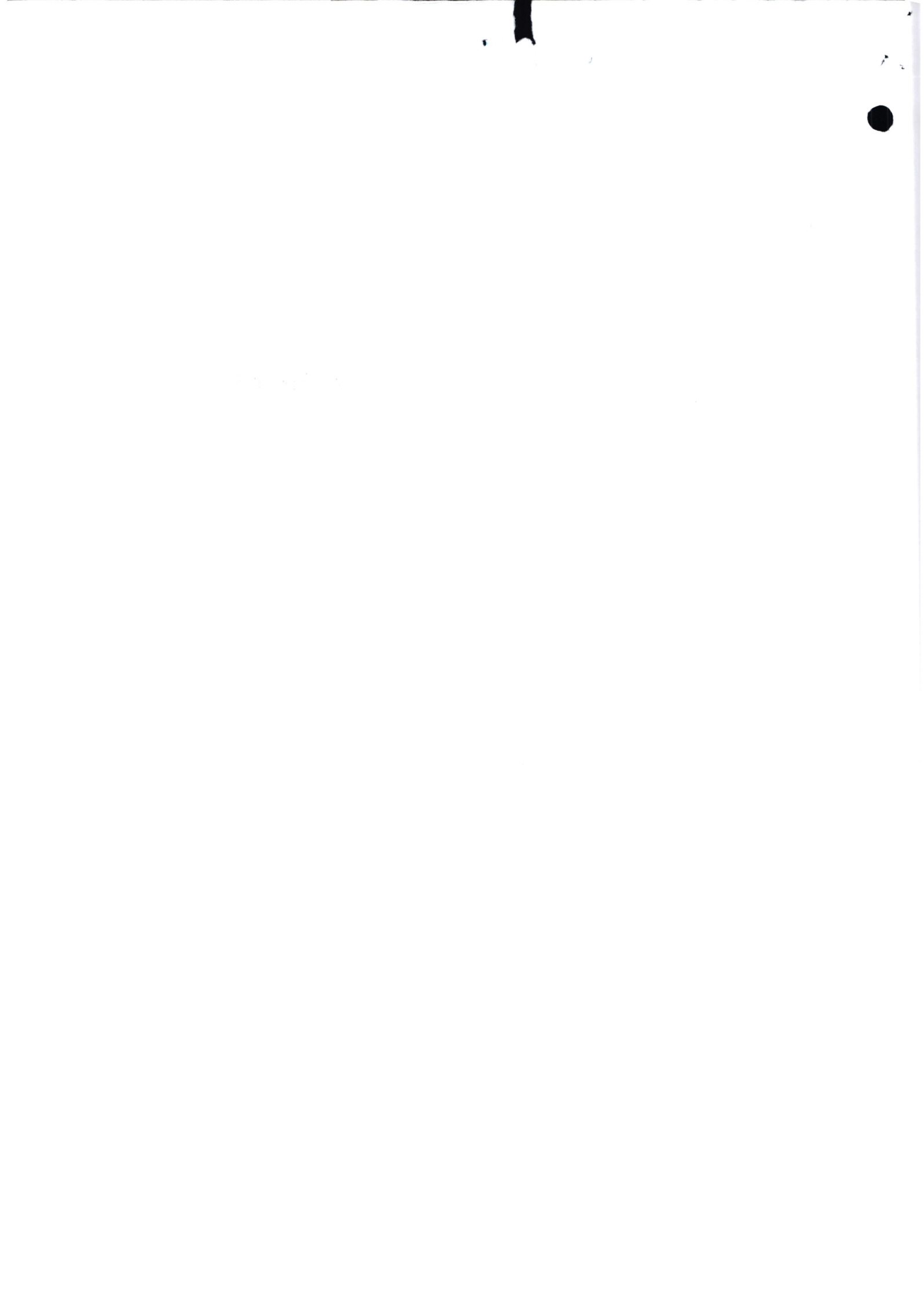
OF

THE AUDITOR-GENERAL

ON

MASENO UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2020**





MASEÑO UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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

FUNDAMENTAL STATEMENTS OF THE UNIVERSITY

VISION STATEMENT

The University of Excellence in discovery and dissemination of knowledge

MISSION STATEMENT

To discover, harness, apply, disseminate and preserve knowledge for the good of humanity

OBJECTIVES

- i. To provide directly, or in collaboration with other institutions of higher learning, facilities for University education and research including technological, scientific and professional fields and research.
- ii. To participate in the discovery, transmission, preservation and enhancement of knowledge and to stimulate the intellectual participation of students and staff in the economic, social, cultural, scientific and technological development of Kenya and globally.
- iii. To harness acquired knowledge of the natural, applied and social sciences to manage the environment and to conserve biodiversity.
- iv. To conduct examination for and to grant such academic awards as may be, from time to time, provided for in the statutes
- v. To determine who may teach, what may be taught and how it may be taught in the University
- vi. To play an effective role in the development and expansion of opportunities for the University Education.

CORE VALUES

Maseno University seeks to uphold the following values: “**REEQI**”

- i. **Relevance:** The University is committed to ensuring relevance in its programs and activities.
- ii. **Excellence:** Excellence shall be targeted in outputs of the University
- iii. **Equity:** The University shall ensure that there is equity in all the opportunities within its jurisdiction.
- iv. **Quality:** All outputs and processes of the University shall ensure that quality is maintained.
- v. **Integrity:** The University shall ensure integrity in all their undertaking.

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background of Maseno University

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

b) Principal Activities

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

c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2020 and who had direct fiduciary responsibility were:

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

e) Fiduciary Oversight Arrangements

Planning, Finance and Investment Committee of the University Council reviewed quarterly financial statements before they were recommended to the University Council for approval.

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

The University Council approved the Budget for FY2019/20 and approved Quarterly Financial Statements before they were submitted to The National Treasury at the end of every quarter of FY2019/2020.

f) Maseno University Headquarters

Private Bag, MASENO

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

MASENO, KENYA

g) Maseno University Contacts

Private Bag MASENO

Tel: 057-351622

FAX: 057-351221

email: vc@maseno.ac.ke

Website: www.maseno.ac.ke

h) Maseno University Bankers

Kenya Commercial Bank Ltd
Kisumu Branch

Standard Chartered Bank Ltd
Kisumu Branch

Equity Bank Ltd.
Luanda Branch

i) Independent Auditors

Office of the Auditor - General

Anniversary Towers, University Way

P O Box 30084-00100

NAIROBI, KENYA

II. MEMBERS OF THE UNIVERSITY COUNCIL

**CHAIRMAN OF MASENO UNIVERSITY
COUNCIL**



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

Prof. Abdullah Naji Said is a Professor of Animal Nutrition. He formerly served as Chairman of Council, Laikipia University and has also served on the Egerton University Council. He is currently also the chairman of Malindi Museum Society.

MEMBER



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




Mr. Edwins Mukabanah is the Chief Executive Officer of Kenya Bus Service. He has wide experience in transport planning, operation and management.




MEMBER



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

Ms. Sophia Abdi Hassan works in the banking industry. She is a specialist in investment, portfolio management and liquidity management.

<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Mr. Gerald Kariithi Mira BA (Moi), MSc (JKUAT)</p>	<p>Mr. Gerald Kariithi Mira is a practising insurance professional with specialization in Entrepreneurship.</p>
<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Ms. Lucy A. Osmerah Dip. Ed(KU), BA(UoN), MA(UoN)</p>	<p>Ms. Lucy A. Osmerah is a consultant and trainer in Financial Management Programmes.</p>
<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Mrs. Caroline Nkirote Nyororo BA (UoN), MBA (UoN)</p>	<p>Mrs. Caroline Nkirote Nyororo is a practising Land Valuer. She is specialised in land Economics, Business Administration and information Technology</p>

<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Mrs. Ruth Rukunga BEd (Nairobi), MEd (Leeds)</p>	<p>Mrs. Ruth Rukunga is a Career Educator</p>
<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Mr. Andrew Rukaria BA(UoN), MBA(Moi) Rep. Principal Secretary Ministry of Education</p>	<p>Mr. Andrew Rukaria is Director of Administration in the State Department for Early Learning and Basic Education. He is a career public administrator.</p>
<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Mr. Samuel Kiptorus BA(UoN), M.A(DAR) Rep. Cabinet Secretary National Treasury</p>	<p>Mr. Samuel Kiptorus works in the National Treasury as a Senior Deputy Director Intergovernmental Fiscal Relations. His experience is in Economic Planning and strategic management.</p>

**VICE-CHANCELLOR AND SECRETARY TO
THE UNIVERSITY COUNCIL**



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

Prof. Nyabundi is the Vice-Chancellor and Secretary to the Council. He formerly served as the Principal of Muranga University College and Acting Deputy Vice-Chancellor (AF&D) at Maseno University. He has also served as the Managing Director, Chemelil Sugar Company.

He is a renowned scholar who has published widely in refereed journals and has presented papers in local and international conferences. He earned his Ph.D. from the University of California.

III. MANAGEMENT TEAM OF THE UNIVERSITY



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

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



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

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



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

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



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

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



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

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



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

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



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

Mr. Raymond E. Ochoggia is the University Librarian.



Mr. Edward M. Kitati,
BSc.(UoN), Msc (UoN), MBA (SEKU), CPA(K)
FINANCE OFFICER

Mr. Edward M. Kitati is the University Finance Officer.



Dr. Naphtali OnyukaAroko,
MBChB (UoN), PgDIH(Berlin) CTM, MPH(Maseno)
CHAIRMAN, HEALTH SERVICES

Dr. Naphtali OnyukaAroko, is the Acting Chairman Health services in the University



Ms. Joy A. Akinyi
LLB (Moi), PGD (KSL), Dip (KIM), MBA(UoN)
LEGAL OFFICER

Ms. Joy Akinyi is the head of legal services

IV. CHAIRMAN'S STATEMENT

I am pleased to present the annual report and financial statements of Maseno University for the year ended 30.06.2020. Maseno University has continually focused on quality teaching, research and outreach activities in fulfilment of its Vision and Mission. The University is on track in the implementation of the 2017-2022 Strategic Plan. The University reviewed the Strategic Plan to align it to the national development priorities provided in the Vision 2030, Medium-Term Plan III and also the "Big four" Agenda in view of the existing economic realities. This enabled prioritisation of projects that are critical to the growth of the University. The University Council is intent in promoting Partnerships and Linkages with its peer institutions and industry; such relationships are central in transforming the University into a truly global institution.

The year 2019/20 marked the fifth year of the implementation of the *Mwongozo*- The Code of Governance for State Corporations. This framework focuses on addressing matters of effectiveness of the Council, transparency and disclosures, accountability, risk management, internal controls, ethical leadership and good corporate citizenship. The Maseno University Council and management is committed to the full implementation of the provisions of the *Mwongozo* code, which takes cognisance of the importance of good corporate governance and citizenship on the development of the Institution and the Community it seeks to serve.

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

On behalf of the University Council, I thank the Government for the support to this end. I also wish to thank the Management and staff for their continued dedication and commitment. I wish to commend the student body for their cooperation and understanding, which has contributed greatly to the stability and growth of the University. Finally, I would take the earliest opportunity to thank our stakeholders for their continued support. With the support of all stakeholders, we look forward to even greater achievements in the coming financial year.



Prof. Abdullah Naji Said, Ph.D.

Chairman of Maseno University Council

V. REPORT OF THE VICE-CHANCELLOR

It is my great pleasure to once again present the annual report and financial statements of Maseno University for the financial year 2019/2020. Maseno University is committed to its vision and mission as contained in the Strategic Plan 2017-2022.

University Financial Performance

The University closed on 20th March, 2020 as part of the Government efforts to contain the Covid-19 pandemic. Consequently the University revenue streams were adversely affected as students left before clearing fees and doing exams. The University has been financing 100% operations and maintenance expenses and 30% payroll costs from internally as government capitation only 70% of payroll costs.

Maseno University's financial performance during the year was still relatively stable despite the constraining financial environment in which the University operated. The Government capitation still remains the University's main source of income contributing 65% of the University revenue, followed by Appropriation in Aid at 32% and research grants at 3% in FY 2019/2020. The Government recurrent capitation in FY 2019/2020 was **Kshs.2,151,251,228** made up **Kshs.204,196,000** of supplementary allocation and **Kshs.346,742,267** for salary arrears for the 2017-2021 CBA. Although as at the close of the financial year **Kshs.256,363,067** to cover 2017-2020 CBA had not been received, there was commitment from the Government on settlement of the same.

The key milestones that the university achieved during the year include valuation of university assets and development of a complete asset register, Management Information System (MIS) and network upgrade. The enhancement of the ICT infrastructure is expected to make University efficient and effective in delivering services to students who are our main clients.

Statutory compliance

Despite the financial constraints, Maseno University prioritised and complied with the statutory obligations, including timely remittance of PAYE, NHIF, HELB, SACCO dues, staff pension, and all other staff deductions for the financial year.

Development projects

The development grants received in the year was **Kshs.210,923,487** as per the approved allocation. The funds were utilized to finance a number of development projects. Key amongst them includes the student hostels and tuition block and laboratory complex, all of which are essential to cater for achievement of sustainable quality education.

Core mandate

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

I. Academic programmes

Maseno University continuously reviews and develops new programmes in line with the strategic plan, relevance to the job market and towards achieving the vision 2030, and Sustainable Development Goals (SDGs). The School of Medicine developed three programmes in 2019/2020 Financial Year namely; Bachelor of Science in Pharmacy (B. Pharm) that was approved by Pharmacy and Poisons Board and is awaiting Commission for University Education (CUE).

The University is making concerted efforts to ensure implementation of blended teaching and examination in addition to the eCampus in the face of the COVID-19 Pandemic.

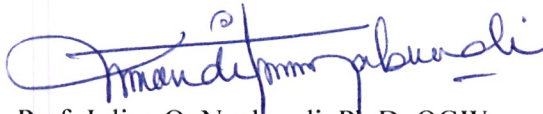
II. Student Welfare

The University has improved its relationship with the students' body. The needy students are continuously being placed on paid work study programme as per Government Policy. The University established the Office of career services to work on the enhancement of favourable positioning of the University's graduates in the job market.

III. Research and Development

Research is a core mandate of the University and therefore, it is mandatory to ensure that the research done is of high quality and relevant. This requires the University to make a concerted effort to gradually improve on the required capacities especially human resource and physical infrastructure. The University has made reasonable strides to put the basic research requirements in place and regularly build the capacity of the researchers on emerging research related issues and specific donor agency requirements for developing grant winning proposals. Researchers have made efforts to develop multidisciplinary proposals in key thematic areas in line with the National Research Priority Strategy, the University Strategic Plan and the University Thematic Research Areas. During the last two quarters of the year to date, the researchers have taken advantage of the lockdown and the emerging Covid-19 grant calls to develop proposals which have been submitted to a number of funding agencies to be considered for funding.

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

 30/09/2020

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

Vice-Chancellor

VI. REVIEW OF MASENO UNIVERSITY'S PERFORMANCE FOR FY 2019/20

Maseno University continuously reviews and develops new programmes in line with the strategic plan, relevance to the job market and towards achieving the vision 2030, and Sustainable Development Goals (SDGs). In compliance with Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012, Maseno University has 11 strategic pillars and objectives within its Strategic Plan 2017/2020.

These strategic pillars are as follows:

1. Provision of quality and relevant academic programmes
2. Enhance access to University education
3. Enhance research output
4. Strengthen and develop new linkages and outreach.
5. Enhance infrastructure development.
6. Attract, develop and retain qualified staff.
7. Strengthen student welfare.
8. Enhance University revenue streams.
9. Enhance University visibility.
10. Strengthen quality assurance and internal control systems.
11. Adapt to sustainable technological and environmental changes.

Maseno University achieved its performance targets set for the FY 2019/2020 period for its strategic pillars, as indicated in the table below:

TABLE 2 MASENO UNIVERSITY'S PERFORMANCE 2019/20

	Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
1.	Provision of quality and relevant academic programmes.	To invest in quality and relevant academic programmes	1 Number of new academic programmes accredited	Development and accreditation of academic programmes in the School of Medicine	Three academic programmes developed namely: Bachelor of Science in Pharmacy 2. Master of Medicine in Obstetrics and Gynaecology 2. Master of Science in Human Anatomy
2.	Enhance access to University education	To enhance by 10% annually access to academic programmes	Number of graduands	Expansion and diversification of programmes and space	Over 3900 students graduated during the year
3.	Enhance research output	Increased research output	Research facilities in	Allocating seed funds for	Grants for researchers of Kshs.98 Million

	Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
			place	research	realised during the year
4.	Strengthen and develop new linkages and outreach.	Increased linkages and outreaches	Policy in place	Developing and operationalizing partnership, linkages and outreach policies	Partnership policy in place, collaborations with neighbouring counties
5.	Enhance infrastructure development.	To develop/upgrade infrastructure in tandem with need	Tuition Block completed	Complete construction of tuition block complex	Tuition block Completed
6.	Attract, develop and retain qualified staff	Provide quality education	Review recruitment criteria	Provision of infrastructure to improve work environment	Adequate work stations provided
7.	Strengthen student welfare.	Provision of robust student welfare system	Needs assessment of students psychological needs	Addressing security issues relating to students	Holistically healthy students
8.	Enhance University revenue streams	Improve revenue streams	Increased revenue from tuition fees payments	Enhance fee collection.	Revenue realized of Kshs.900Million
9.	Enhance University visibility.	To develop and implement high-end quality academic and research programmes	Produce and disseminate annual reports	Identify potential reputable partner	University Visibility in the market
10	Strengthen quality assurance and internal control systems.	To increase capacity for quality assurance and internal control system	Sensitization of staff and students	Reduced incidences of examination cheating	All staff and students sensitized
11.	Adapt to sustainable technological and environmental changes	Ensure University is in tandem with changing technological and environmental trends	Make Maseno University environmental friendly	Collecting data	Research study reports

VII. CORPORATE GOVERNANCE STATEMENT

Introduction

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

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

Corporate Governance Principles

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

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

Progress of *Mwongozo* Code implementation

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

Council Size, Composition and Appointment

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

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

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

Council Remuneration

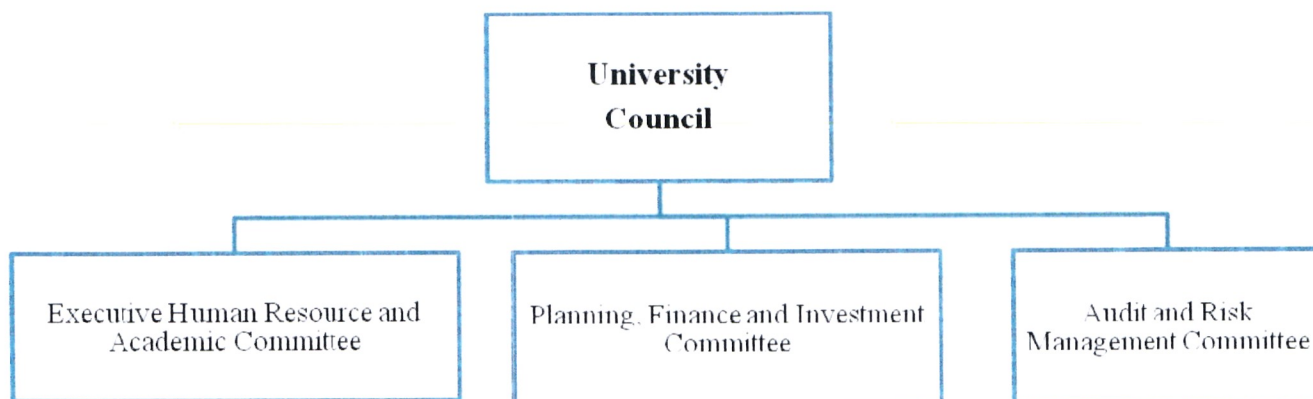
The University Council members other than the Vice-Chancellor do not receive a salary. Instead they are paid a taxable sitting allowance whenever they attend meetings of Council. The Chairman of Council is paid a monthly honorarium as prescribed by the Government. In the year 2019/20, the University spent **Kshs.19,329,256** on sitting allowances and other expenses to Council members, compared to the budget for the year of **Kshs.26,300,000**.

Council Committees and responsibilities

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

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

The following are the Committees of Council;



1. Executive, Human Resource and Academic Committee

The Committee of Council has the following terms of reference;

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

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

2 Planning, Finance and Investment Committee

The committee of Council has the following terms of reference;

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

- Receive for consideration and recommendation to Council opening, and/or closing of bank account(s) for the funds of the University;
- Receive, consider and make recommendation to Council on reports of implementation of the University Master Plan bi-annually;
- Receive, consider and submit for Council approval proposals on new projects;
- Review the performance of all ongoing projects and submit reports to Council on a quarterly basis;
- Transact any other business as directed by Council

3 Audit and Risk Management Committee

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

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

Attendance of Meetings

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

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The University closed on 20th March, 2020 as part of the Government efforts to contain the Covid-19 pandemic. Kisumu Hotel also had to close its doors as part of the directives issued to contain the novel virus. With all students out of Campus since then, and with the closure of Kisumu Hotel, there has been a substantial decline in revenue from exchange transactions realized by the University during the financial year 2019/2020.

1.0 REVENUE

In the year, the total recurrent revenue was **Kshs.3,338,210,812** of which **Kshs.2,151,251,228** was from Government recurrent grants and **Kshs.1,186,959,584** from exchange transactions and research grants. There was a slight decline in revenue from exchange transactions from **Kshs.1,229,734,694** in FY 2018/19 to **Kshs.1,088,232,883** in the FY 2019/20 majorly attributed to the closure of the University and Kisumu Hotel as a result of the Government effort to contain the Covid-19 pandemic.

Table 1: Revenue streams of the University

	2019/20	2018/19
	Kshs	Kshs
Government Capitation Grants-Recurrent	1,600,312,961	1,456,316,287
Supplementary Allocation	204,196,000	-
Operational Grant - Doctors Allowances Arrears	90,379,200	-
2017-2021 CBA Arrears	256,363,067	-
Research Grants	98,726,701	139,433,053
Revenue from exchange transactions	1,088,232,883	1,229,734,694
TOTAL	3,338,210,812	2,828,425,422

1.1 Revenue from Non-Exchange Transactions

The Government recurrent capitation in FY2019/2020 was **Kshs.2,151,251,228** made up **Kshs.204,196,000** of supplementary allocation and **Kshs.346,742,267** for salary arrears for the 2017-2021 CBA and Doctors/ Lecturers Allowances. Although as at the close of the financial year **Kshs.256,363,067** to cover 2017/2020 had not been received, there was commitment from the Government on settlement of the same. In addition the University raised **Kshs.98,726,701** from research grants.

1.2 Revenue from Exchange Transactions

The University realized total revenue from exchange transactions of **Kshs.1,088,232,883** made up of **Kshs.899,399,315** tuition fees, **Kshs.118,025,661** net operating income from University enterprises and **Kshs.70,807,907** from other incomes. The decline in revenue from exchange transactions is attributed to the indefinite closure of the University as a result of the Government effort to contain the global Covid-19 pandemic which affected the fourth quarter of the year.

The comparison of revenue performance is shown in the figure below;

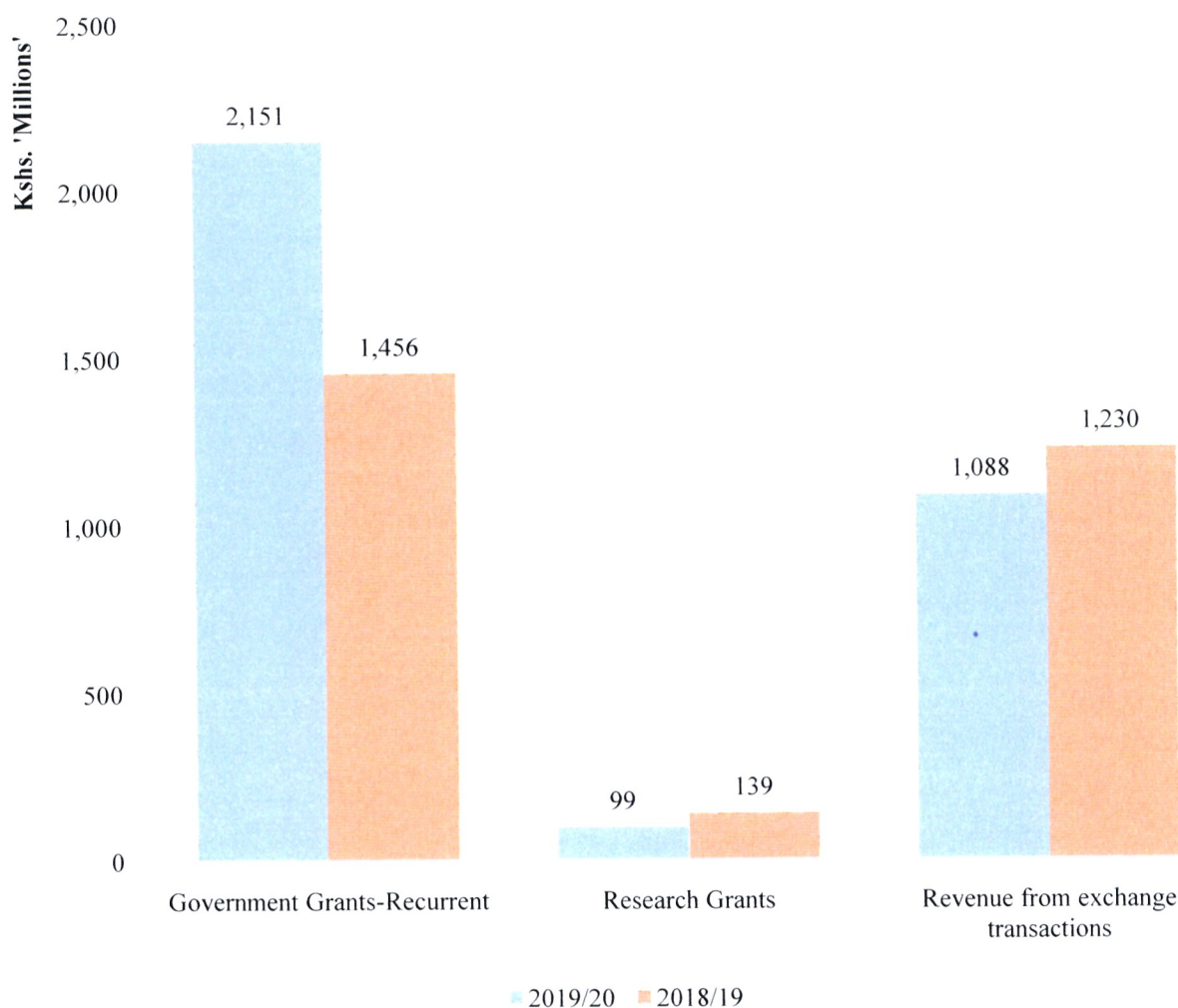


Figure 1 Revenue Performance

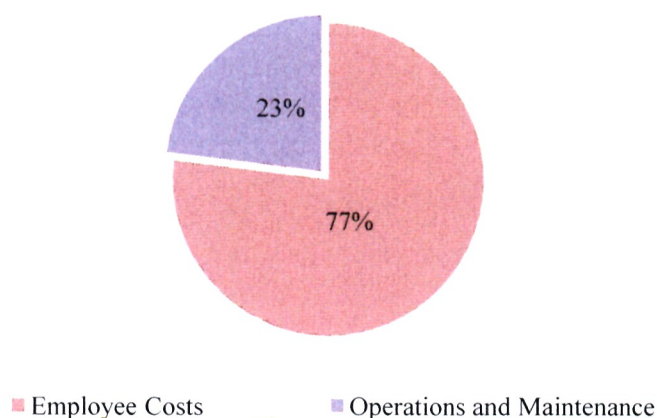
2.0 EXPENDITURE

The total expenditure during the year was **Kshs.3,374,710,758** against **Kshs.3,323,894,568** that was incurred in the year 2018/19. The increase is as a result of the recognition of salary arrears. Overall the University managed to contain its expenses. This is attributable to the cost containment strategies put in place by the University as attention has been given to the key result areas. Among the key measures put in place by the management includes; recruitment against exits only scaling down on casual labour. Further, the University was not operating as a result of the closure occasioned by the Covid-19 pandemic thus students related expenses like teaching costs, hostel and accommodation were not incurred.

Table 5 Schedule of Total Expenditure

	2019/20	2018/19
	Kshs	Kshs
Employee Costs	2,581,036,471	2,460,784,123
Council Expenses	19,329,256	23,667,327
Audit Expenses	755,000	952,000
Interest on Loan	17,161,015	11,055,058
Depreciation	129,842,480	105,326,432
Operations Expenses	363,493,612	478,609,842,
Repairs and maintenance	56,377,715	24,408,516
University Enterprises	57,545,202	68,747,816
General expenses	149,170,006	150,434,454
TOTAL	3,374,710,758	3,323,894,568

Employee costs remain the biggest component of expenditure at 77% of total University spending. This is illustrated below;



2.1 Employee Cost

The payroll cost for the year was **Kshs.2,581,036,471** while in the FY 2018/19, the payroll costs was **Kshs.2,460,784,123**. The payroll costs were within the budget. The increase in employee cost as compared to same period last year is occasioned by the Government supplementary allocation towards the 2017/21 CBA arrears and doctors allowances.2018/19.

5.0 Development Grants and Expenditure

Development projects

The development grants received in the year was **Kshs.210, 923,487**as per the approved allocation. The funds were utilized to finance a number of development projects. Key amongst them includes the student hostels and tuition block and laboratory complex, all of which are essential to cater for achievement of sustainable quality education.

Statutory compliance

Despite the financial constraints, Maseno University prioritised and complied with the statutory obligations, including timely remittance of PAYE, NHIF, HELB, SACCO dues, staff pension, and all other staff deductions for the financial year. Where there were challenges, the concerned parties were adequately engaged and agreement reached.

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The University considers sustainability in light of the following;

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

Social Sustainability

Staff Welfare and Development

The University has been identifying and supporting staff for PhD education. The University has supported academic members of staff in training at Masters and PhD levels on full time both locally and internationally. In addition a number were also granted scholarships through the graduate assistants program. The number of Tutorial Fellows on full scholarships was thirty five (35) members of teaching staff.

Gender Mainstreaming

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

Mainstreaming of People with Disabilities

The University has a Department of Special Needs Education in the School of Education to cater for the training with various challenges: audio, visual physical and others. Buildings and other facilities in the University are made user-friendly for students, staff and members of the public for people with those challenges.

Community Engagement

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

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

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

Environmental Sustainability

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

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

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

The University is keen to construct a Sewerage Disposal System to replace the existing one through partnership with the County Government of Kisumu as the population of Maseno has grown tremendously. To this end, the University has allocated Kshs.200Million in the 2019/2020 towards the same.

Economic Sustainability

Innovations in core operations

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

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

The University has mounted a variety of professional courses both at the Main Campus and in Kisumu Campus to further enhance the skills and employability of the youth in the country.

Research and Technology Development

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

diseases.

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

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

Income Sustainability

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

Going concern status

The University is a going concern despite the funding gap experienced in the financial year. The University posted a deficit of **Kshs.49,087,933** in the FY 2019/20, the current ratio computed as current assets divided by current liabilities was **1.29:1**. The ratio indicates that the University is a going concern. The University is investing significantly in infrastructure and is not expected to curtail its operations in the coming year on the expectation that there will be support from the Government.

X. REPORT OF MASENO UNIVERSITY COUNCIL

The University Council hereby submits the FY2019/2020 report together with the audited financial statements for the year ended June 30, 2020 which shows the state of affairs of Maseno University.

Principal activities

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

Results

The results of Maseno University for the year ended June 30th, 2020 are set out on pages 1 to 34.

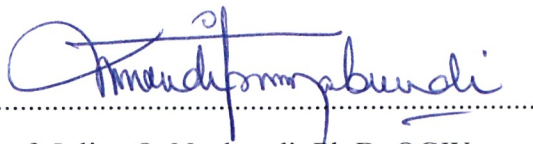
Maseno University Council

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

Auditors

The Office of the Auditor General is responsible for the statutory audit of Maseno University's financial statements for FY2019/2020 in accordance with section 81 of the Public Finance Management (PFM) Act, 2012.

By order of Maseno University Council



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

Vice-Chancellor and Secretary to Maseno University Council

Dated.....30/09/2020.....

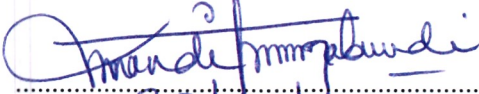
XI. STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

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

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for the financial year, ended 30th June, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that the University's financial statements give a true and fair view of the financial state of affairs of the University for the year ended June 30, 2020, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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


.....
30/09/2020
Professor Julius O. Nyabundi, Ph.D.,OGW

Vice-Chancellor

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.....
30/09/2020
Professor Abdullah Naji Said, Ph.D.
Chairman of Maseno University Council

X. REPORT OF THE INDEPENDENT AUDITORS

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REPORT OF THE AUDITOR-GENERAL ON MASENO UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Maseno University set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Maseno University as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the University Act, 2012.

Basis for Qualified Opinion

1.0 Unsupported Cash and Cash Equivalents

The statements of financial position as at 30 June, 2020 and Note 23 to the financial statement reflects cash and cash equivalents balance of Kshs.301,712,753. However, the cash and cash equivalents balance was not supported by board of survey reports hence casting doubt on the accuracy and completeness of the reported balance of Kshs.301,712,753.

Further, the cash and cash equivalents ledger balance of Kshs.369,651,500 had been adjusted to Kshs.301,712,753 resulting in unexplained variances of Kshs.67,938,747, which was not supported with any documentary evidence such journal entries.

Consequently, the validity and accuracy of the cash and cash equivalents balance of Kshs.301,712,753 for the year ended 30 June, 2020 could not be confirmed.

2.0 Unconfirmed Student Debtors

Included in the student debtors figure of Kshs.191,138,890 at Note 24 to the financial statement is an amount of Kshs.3,652,815 for a total of 129 student debtors whose names appeared on the ledger more than once and had more than one registration number. No explanation was provided for the anomaly.

Consequently, the accuracy and validity of the student debtors of Kshs.191,138,890 as at 30 June, 2020 could not be confirmed.

3.0 Un-supported Research Expenses

The statement of financial performance reflects operating expenses of Kshs.363,493,612 which includes Kshs.68,235,212 for research program which further includes an amount of Kshs.8,084,483 paid as research funds to a consultant from Kisumu County Government. The consultancy was for research costs planning, survey and titling project of Kshs.7,276,034 with the balance of Kshs.808,448 being administrative costs. However, it was not clear how the consultant was identified since the University did not provide the procurement method used to offer the service.

Under the circumstances, the Management is in breach of the law and the propriety of the expenditure of Kshs.8,084,483 for consultancy fee for the period ended 30 June, 2020 could not be confirmed.

4.0 Presentation of the Financial Statements

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 did not include reasons for the material over/under collections of revenues and expenditure items as is required by the latest revised template for the regulatory and other Non-Commercial Government owned entities issued by the National Treasury while preparing the financial statements for the year ended 30 June, 2020.

Consequently, the Management was in breach of the IPSAS and the prescribed PSASB template.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects Kshs.3,861,951,267 in respect to approved revenue budget and actual revenue of Kshs.3,338,210,812 resulting to budget under-realization of Kshs.523,740,455 or 14%.

Similarly, the statement of comparison of budget and actual amounts reflects Kshs.3,855,804,484 in respect to approved expenditure budget and actual expenditure of Kshs.3,374,710,758 resulting to a budget under-expenditure of Kshs.481,093,726 or 21%.

In overall, the under spending of the budget by Kshs.481,093,726 represents equivalent services budgeted for but not delivered to the University.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-adherence to Procurement Regulations

During the year under review the University invited prequalified suppliers under the restricted tender for supply and delivery of computers, printers and scanners category to be reserved for special groups.

However, the following unsatisfactory matters were observed: -

According to the statement of professional opinion a total of thirteen (13) firms were invited to bid while a report of the evaluation committee indicated that only five (5) firms were invited and submitted their bids as follows;

Bidder Name	Amount (Kshs.)	Remarks
Firm 1	5,200,000	Price was not the lowest
Firm 2	4,400,000	No Access to Government Procurement Opportunities (AGPO) certificate
Firm 3	3,500,000	Speed of card submitted was below the requested speed
Firm 4	4,200,000	No evidence of ICT certificate in Infrastructure
Firm 5	3,300,000	No evidence of ICT certificate in infrastructure

It was not clear how firm 2, firm 4 and 5 were in the entities data base under this category of prequalified suppliers and yet they lacked some of the mandatory requirements needed under the category.

In addition, firm 5 quoted the least price of Kshs.3,300,000 yet another firm not listed in the table above was awarded the contract at a sum of Kshs.3,840,000 which was higher by Kshs.540,000 compared to the amount quoted by firm 5.

In the circumstances, the University breached the law and no value for money was received.

2. Delay in Project Completion

The University entered into contract agreement with a firm on 15 July 2019 for upgrade of Microsoft Navision for a contract sum of Kshs.37,992,100. However, the following unsatisfactory issues were noted;

- i. The contract period was seven (7) weeks from the date of signing (15 July, 2019) however, during the time of audit in January, 2021 the project was not yet complete and no authority for the extension was provided for audit scrutiny.
- ii. The University paid the cost of license fee to the company of Kshs.12,082,560 on 11 September, 2019. However, information available indicates that the license information for the old ERP created on 31 July, 2018 was to expire on 29 May, 2021. It was not clear how the amount was arrived at and why the University had to pay for the new license fee yet the license for the currently implemented (ERP) had not expired.
- iv. The contract agreement indicated a contract sum of Kshs.37,992,100. However, it was not clear how the amount was determined since documents such as technical specifications were not provided for audit review.
- v. The contractor had been paid Kshs.10,363,815 being in respect to submission and approval of a functional system yet the status report as at the month of January, 2021 indicated that some modules had not been completed such as transport/fleet management, farm management, research management, library integration among others.
- vi. The ICT Project implementation requires that ICT Authority Officers be part of the implementation and take up the role of project management for successful completion of the project as per the ICTA Standards. However, there was no indication that the ICT Authority Officers were involved in the project implementation.
- vii. The bond security from an insurance firm of Kshs.800,000 for a period of 150 days (4 Months) from 4 June, 2019 signed on 31 May, 2019 had expired and the work was not complete and the contractor was not on site.

Consequently, the University failed to achieve value for money in the upgrade of Microsoft Navision (ERP) project.

3. Staff Ethnic Composition

Review of the staff establishment records of the University revealed that, out of the total number of staff of one thousand one hundred and seventy one (1171), seven hundred and fifty one (751) members of staff representing 64% are from the dominant ethnic community of the area which is against the National Cohesion and Integration Commission Act, 2008 Section 7(1) .

Consequently, the Management was in breach of the law.

4. Staffs on Contract Employments

Records of the Kisumu Hotel, a unit of the University, staff establishment records, revealed that some employees are either being engaged on renewable contract terms or

as casual for longer periods which are longer than the required period as required by Section 39 of the Employment Act, 2007 (Revised 2012). Some of the employees have been in service of the hotel since 2004 and have not been employed on permanent basis.

Consequently, the University was in breach of the law.

5. Non-conformity to a Third of Basic Pay Rule Policy

The June, 2020 payroll statistics revealed instance where one hundred and forth one (141) officers were earning net salaries which are below one third of the basic salary. This is contrary to Section 19(3) of the Employment Act, 2007.

Consequently, the University was in breach of the law.

6. Non-Compliance with Government Circulars

The financial statements submitted on 30 September, 2020 indicated that the University had investments in call deposits of Kshs.50,000,000 which were placed in commercial banks contrary to the National Treasury Circular No. 4/2017, Ref: DGIPE/P/100 dated 2 May, 2017 and the Ministry of Education, State Department for University Education, Circular Ref: MST/11/9(32) dated 3 July, 2017 which directed "All State Corporations to invest surplus in Treasury bills/bonds directly through the Central Bank of Kenya without intermediaries and that all maturing investments of surplus funds in fixed deposits in commercial banks/financial institutions should not be rolled over but retired and invested in Treasury bills/bonds."

The University therefore breached the Government Circulars.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of ICT Data Recovery Plan

During the year under review, a scrutiny of the University Information Security Management Policy Document revealed that the University has no cloud back up but uses portable hard drive which are prone to bugs that can corrupt the system and does not guarantee full recovery of data.

Consequently, the integrity of the IT infrastructure and the IT assets of the University is compromised and data may not be recovered in the event of a disaster.

2. Lack of an Annual Environmental Audit Report

The University did not carry out any follow up reports on past environmental impact assessment reports. Further there was no annual environmental audit undertaken during the year as required by part V Section 34(1) of the Environmental (Impact Assessment Audit) Regulations, 2003. No explanation was provided for this anomaly.

Consequently, the University is in breach of the law.

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

Responsibilities of Management and the University Council

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

In preparing the financial statements, Management is responsible for assessing the University's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the University or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

The University Council is responsible for overseeing the University financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with

Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the University policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the University to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 February, 2022

STATEMENT OF FINANCIAL PERFORMANCE

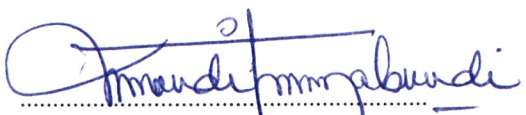
For the year ended 30th June, 2020

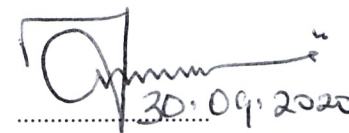
		2019/20	2018/19
		Kshs	Kshs
Revenue from non-exchange transactions			
Government Capitation Grants	6	1,600,312,961	1,456,316,287
Supplementary Allocation	6	204,196,000	-
Funds Received for Doctors Allowances Arrears	6	90,379,200	-
Funds Receivable to pay CBA 2017-21 Salary Arrears	6	256,363,067	-
Research Income	7	98,726,701	139,433,053
Insurance Compensation	8	-	2,941,388
		2,249,977,929	1,598,690,728
Revenue from exchange transactions			
Tuition Fees	9	899,399,315	994,070,799
Revenue from University Enterprises	10	118,025,661	167,068,180
Interest income	11	4,329,719	1,533,410
Other income	12	66,478,188	67,062,305
		1,088,232,883	1,229,734,694
Total revenue		3,338,210,812	2,828,425,422
Expenses			
Employee Costs	13	2,581,036,471	2,460,784,123
Council Expenses	14	19,329,256	23,667,327
Audit Expenses	15	755,000	952,000
Interest on Loan	16	17,161,015	11,055,058
Depreciation	17	129,842,480	105,326,432
Operations Expenses	18	363,493,612	478,609,842
University Enterprises Expenses	19	56,377,715	68,747,816
Repairs and maintenance	20	57,545,202	24,408,516
General expenses	21	149,170,006	150,343,454
Total expenses		3,374,710,758	3,323,894,568
Other gains/(losses)			
Impairment loss	22	(12,587,987)	(11,649,992)
Deficit for the year		(49,087,933)	(507,119,137)


The notes set out on pages 7 to 39 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION
As at 30th June, 2020

	Note	2019/20 Kshs	2018/19 Kshs
Assets			
Current assets			
Cash and cash equivalents	23(i)	301,712,753	276,269,554
Receivables from exchange transactions	24(i)	275,998,472	271,713,670
Receivables from non-exchange transactions	24(ii)	319,806,068	63,443,001
Inventories	25	63,334,351	59,038,401
		960,851,644	670,464,625
Non-current assets			
Property, plant and equipment	26	6,325,001,551	2,610,086,001
Intangible Assets	27	-	4,495,417
Biological Assets	28	6,980,800	7,786,887
		6,331,982,351	2,622,368,305
Total assets		7,292,833,995	3,292,832,931
Liabilities			
Current liabilities			
Payables	29	730,962,748	513,616,289
Students Caution Money	30	11,562,400	11,457,400
Provision for Audit Fees	31	2,657,000	1,902,000
		745,182,148	526,975,689
Non-current liabilities			
Students Caution Money	30	16,902,400	14,489,800
Bank Loan	32	249,484,089	100,400,000
Total Non-Current Liabilities		266,386,489	114,889,800
Total liabilities		1,011,568,637	641,865,489
Net assets			
Capital Fund		6,281,265,359	2,650,967,441
Revaluation Reserve	26(ii)	2,873,657,257	2,662,733,770
Accumulated Surplus		3,468,462,363	-
		(60,854,264)	(11,766,331)
Total net assets and liabilities		7,292,833,995	3,292,832,931


 Professor Julius O. Nyabundi, Ph.D., OGW.
 Vice-Chancellor 30/09/2020


 CPA. Joseph W. Omondi
 Finance Officer (Ag)
 ICPAK No.: 10898


 Professor Abdullah Naji Said, Ph.D.
 Chairman of University Council

STATEMENT OF CHANGES IN NET ASSETS

As at 30th June, 2020

	Notes	Capital Fund Kshs	Revaluation Reserve Kshs	Accumulated surplus Kshs	Total Kshs
Balance as at 30 JUNE 2018		2,382,733,770	-	495,352,807	2,878,086,577
Capital grant	6	280,000,000	-	-	280,000,000
Surplus/(deficit) for the period		-	-	(507,119,137)	(507,119,137)
Transfers to/from accumulated surplus		-	-	-	-
Balance as at 30 JUNE 2019		2,662,733,770	-	(11,766,331)	2,650,967,439
Capital grant		210,923,487	-	-	210,923,487
Revaluation Gain	26	-	3,468,462,363	-	3,468,462,363
Surplus/(deficit) for the period		-	-	(49,087,933)	(49,087,933)
Transfers to/from accumulated surplus		-	-	-	-
Balance as at 30 JUNE 2020		2,873,657,257	3,468,462,363	(60,854,264)	6,281,265,357

Nature and Purpose of Reserves

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

During the year, the University carried out a revaluation of all its fixed assets; this gave rise to a revaluation surplus that has been credited to the reserve.

STATEMENT OF CASHFLOWS
For the year ended 30th June 2020

	Note	2019/20 KShs	2018/19 KShs
<u>Cash flow from operating activities</u>			
Surplus/(Deficit) for the year		(49,087,933)	(507,119,137)
<u>Adjustments for non-cash and non-operating activities</u>			
Interest Received	11	(4,329,719)	(1,533,410)
Depreciation	17	129,842,480	105,326,432
(Increase)/Decrease in Biological assets	28	806,087	823,513
Provisions - Audit Fees	31	755,000	952,000
Interest Paid	16	17,161,015	11,055,058
Payment of Audit Fees	31	-	(1,904,000)
Operating Profit before working capital changes		95,146,930	(392,399,545)
<u>Changes in Working Capital</u>			
(Increase) / Decrease in Receivables	24	(260,647,869)	(34,950,119)
(Increase) / Decrease in Inventory	25	(4,295,951)	(2,339,685)
Increase / (Decrease) in Payables	29	217,346,459	220,014,525
Net changes in working capital		(47,597,361)	182,724,721
Cash Generated from Operations		47,549,569	(209,674,823)
<u>Cash flow from Investing Activities</u>			
Interest Received	11	4,329,719	1,533,410
Acquisition of Fixed Assets	26	(371,800,250)	(242,791,638)
		(367,470,531)	(241,258,228)
<u>Cash flow from Financing Activities</u>			
Development grants from GOK	6	210,923,487	280,000,000
Loan disbursement net repayments	32	149,084,089	100,400,000
Interest Paid		(17,161,015)	(11,055,058)
Caution Money Refund-Aggregate	30	2,517,600	1,835,000
		345,364,161	371,179,942
Increase/(Decrease) in Cash & Cash Equivalents		25,443,199	(79,753,109)
Cash & Cash Equivalent at 1st July 2019		276,269,553	356,022,728
Cash & Cash Equivalent at 30th June 2020	23(i)	301,712,752	276,269,619
Represented by:			
Bank balances	23(ii)	301,712,753	276,237,573
Cash balances		-	31,980
Cash and cash balances		301,712,753	276,269,553

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the Year Ended 30th June, 2020

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2021
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	%
Government Capitation Grants	1,600,313,000	-	-	1,600,313,000	1,600,312,961	(39)	0%			
Supplementary Allocation	204,196,000	-	-	204,196,000	204,196,000	-	0%			
Funds Received for Doctors Allowances Arrears	-	90,379,200	-	90,379,200	90,379,200	-	0%			
Funds Receivable to pay CBA 2017-21 Salary Arrears	-	256,363,067	-	256,363,067	256,363,067	-	0%			
Research Grants	150,490,109	-	-	150,490,109	98,726,701	(51,763,408)	-34%			
Tuition Fees	1,303,401,000	-	-	1,303,401,000	899,399,315	(404,001,685)	-31%			
Other income	256,808,891	-	-	256,808,891	188,833,568	(67,975,323)	-26%			
Total income	3,515,209,000	346,742,267	346,742,267	3,861,951,267	3,338,210,812	(523,740,455)	-14%			
Expenses										
Employee Costs	2,525,754,000	346,742,267	-	2,872,496,267	2,581,036,471	291,459,796	10%			
Council Expenses	26,300,000	-	-	26,300,000	19,329,256	6,970,744	27%			
Audit Expenses	755,000	-	-	755,000	755,000	-	0%			
Interest On Loan	20,000,000	-	-	20,000,000	17,161,015	2,838,985	14%			
Depreciation	129,842,480	-	-	129,842,480	129,842,480	-	0%			
Operations Expenses	465,909,125	-	-	465,909,125	363,493,612	102,415,513	22%			
University Enterprises Expenses	154,897,929	-	-	154,897,929	56,377,715	98,520,214	64%			
Repairs and maintenance	32,815,320	-	-	32,815,320	57,545,202	(24,729,882)	-75%			
General expenses	152,788,363	-	-	152,788,363	149,170,006	3,618,357	2%			
	3,509,062,217	346,742,267	346,742,267	3,855,804,484	3,374,710,758	481,093,726	12%			
Other gains/(losses)	-	-	-	-	(12,587,987)	-	-			
Surplus / (Deficit) for the period	6,146,783	-	-	6,146,783	(49,087,933)	(42,646,730)	-694%			

Explanations of Variances

1. Income

- a) Research Grants- The University did not receive funding for proposals that were submitted by various researchers.
- b) Tuition Income - Due to closure of the University as a result of Covid19, the revenue targets for tuition fees for the year were not met.
- c) Other Incomes- The hotel which is the biggest contributor of other incomes also faced closure as a result of the Government directive to combat the spread for Covid19, hence failure to meet revenue targets

2. Expenditure

- a) Council Expenses- There were fewer face to face meetings hence savings in travelling and accommodation component of Council Expenses.
- b) Interest on loan-The University did not receive all the loan proceeds it had projected hence lower expenditure on interest when compared to budget.
- c) Operations expenditure - The University made savings in operations expenditure when compared to budget due to slowdown in activities in the final half of the year
- d) University Enterprises - Closure of the Hotel and the University gave rise to savings in expenditure on this item.
- e) Repair and Maintenance - The University was undertaking the upgrading of its infrastructure that has been run down over the years. In addition, expenditure on these items went towards getting the University ready to reopen in adherence to Ministry of Health Covid19 protocols.

Explanations of Changes in Budget

The Government committed **Kshs.90,379,200** and **Kshs.256,363,067** to go towards the payment of Doctors CBA arrears and Staff Salary Arrears for CBA 2017-21. The University therefore adjusted its budget to include these new grants and the corresponding expected expenditure of **Kshs.346,742,267** in employee costs.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. General Information

Maseno University is established by and derives its authority and accountability from the Universities Act 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is teaching and research.

Note 2. Statement of compliance and basis of preparation- IPSAS 1

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

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

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

Note 3. Adoption of New and Revised Standards

- i. **Relevant new standards and amendments to published standards effective for the year ended 30th June 2020**

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial</p>

Standard	Effective date and impact:
	instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

iii. Early adoption of standards

The University did not early adopt any new or amended standards in year 2020.

Note 4. Significant judgments and sources of estimation uncertainty - IPSAS 1

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

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

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

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

- a) The classification of financial assets;
- b) The going concern
- c) Useful lives and residual values
- d) Provisions (Additional disclosure of these estimates of provisions is included in **Note 31**)

Note 5. Summary of significant accounting policies

a) Revenue recognition

Revenue from non-exchange transactions- IPSAS 23

Revenues from non-exchange transactions (Government grants) are measured at fair value and recognized on obtaining control of the asset with the exception of cases where from past experience it is more likely than not the University will obtain control of the asset. In such a case the revenue is recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the University and the fair value of the asset can be measured reliably.

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

Revenue from exchange transactions- IPSAS 9

Rendering of services- Tuition Fees

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

Other Revenues from Exchange Transactions

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

b) Budgetary information (IPSAS 24)

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

c) Investment property- IPSAS 16

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

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

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

d) Property, plant and equipment- IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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 fairvalue.

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

Computers	- 33.3% per annum on Cost
Motor Vehicles	- 20% per annum on Cost after allowing for 10% Residual value on the Purchase price.
Plant & Equipment	- 12.5% per annum on Cost
Furniture & Fittings	- 12.5% per annum on Cost
Buildings	- 2.5 % per annum on Cost
Land	- not depreciated as it is deemed to have an indefinite life

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

e) Leases- IPSAS 13

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

f) Intangible assets - IPSAS 31

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

g) Biological Assets - IPSAS 27

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

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

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

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

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

g) Financial instruments- IPSAS 29

Financial assets

Initial recognition and measurement

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

Receivables

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

h) Inventories- IPSAS 12

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

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

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

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

i) Provisions- IPSAS 19

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

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

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

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

j) Changes in accounting policies and estimates- IPSAS 3

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

k) Employee benefits- IPSAS 25

Retirement benefit plans

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

l) Foreign currency transactions- IPSAS 4

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

m) Borrowing costs- IPSAS 5

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

n) Related parties- IPSAS 20

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

o) Cash and cash equivalents

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

p) Comparative figures

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

q) Financial Risk Management

Objectives and Policies

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

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

r) Subsequent events - IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

Note 6. Transfers from Government

	2019/20 KShs.	2018/19 KShs.
Unconditional grants		
Operational grant- Capitation	1,600,312,961	1,456,316,287
Supplementary Allocation	204,196,000	-
Funds Received for Doctors Allowances Arrears	90,379,200	-
Funds Receivable to pay CBA 2017-21 Salary Arrears	256,363,067	-
	2,151,251,228	1,456,316,287
Conditional grants		
Development grant	210,923,487	280,000,000
	210,923,487	280,000,000
Total government grants and subsidies	2,362,174,715	1,736,316,287
Government grants and subsidies - Capital	210,923,487	280,000,000
Government grants and subsidies - Operating	2,151,251,228	1,456,316,287
Total government grants and subsidies	2,362,174,715	1,736,316,287

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

Note 7. Research Grants

	2019/20 KShs.	2018/19 KShs.
K-LIP Consultancy Funds	-	3,096,100
Research grants	98,726,701	136,336,953
	98,726,701	139,433,053

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

Note 8. Insurance Compensation

	2019/20	2018/19
	KShs.	KShs.
Insurance Compensation	-	2,941,388

Note 9. Tuition Fees

	2019/20	2018/19
	KShs.	KShs.
Tuition Fees Incomes		
KUCCPS - Tuition Fees	359,798,734	446,231,404
Direct Entry - Tuition Fee	243,390,533	257,363,000
Postgraduate Fees	25,256,610	5,448,900
	628,445,877	709,043,304
Kisumu Campus Tuition fees	255,266,922	261,050,843
E-campus	14,591,516	21,194,152
Collaborations (IAT, RIBM, KISE)	1,095,000	2,782,500
	15,686,516	23,976,652
Total Revenue from Tuition Fees	899,399,315	994,070,799

Note 10. Revenue from University Enterprises

	2019/20	2018/19
	KShs.	KShs.
Bookshop sales	652,103	8,058,486
Farm Sales	3,132,547	11,026,572
Kisumu Hotel Restaurant sales	52,522,852	72,670,462
Kisumu hotel bar sales	9,473,510	12,347,826
Hotel and Stationery sales	1,285,700	1,675,600
Kisumu Hotel equipment Hire	1,308,100	882,112
Kisumu Hotel Laundry Charges	1,033,865	924,035
Kisumu Hotel - Hall Hire	2,084,600	1,754,420
Kisumu Hotel swimming pool charges	471,110	809,450
Kisumu hotel Airtime Sales & Misc	247,642	449,803
Kisumu Hotel - Room Income	17,857,967	26,758,100
Varsity Plaza Restaurant	2,338,722	3,189,232
City Campus cafeteria	1,636,050	2,025,700
Catering Food Sales	6,483,847	7,730,678
I.G.A. - Tent Food Sales	1,644,783	1,613,270
Varsity Plaza rental	15,852,263	15,152,434
Total of University Enterprises Income	118,025,661	167,068,180

Note 11. Interest Income

	2019/20	2018/19
	KShs.	KShs.
Interest Income	4,329,719	1,533,410
	4,329,719	1,533,410

The University earned **Kshs.4,329,719** from Term deposits held with Equity Bank and KCB during the year. Further disclosures on this can be found in **Note 23**.

Note 12. Other Incomes

	2019/20	2018/19
	KShs.	KShs.
Accommodation Fees	35,370,900	33,382,600
Student fines and damages	-	2,322,400
Convocation Fees	17,924,400	13,902,600
Direct Entry Form Sales	-	171,200
House Rent Income	5,253,500	6,017,750
Imprest Under Exp.	1,041,623	1,115,880
Salary Pay In lieu of notice	-	29,145
Staff Surcharge/Fines	1,267,410	-
Tender Document Sales	20,000	4,000
Library Fines & Books Disposal	50,880	81,967
Misc Income	1,685,901	2,871,490
Water Sales	168,750	184,000
Misc.Income-Health	32,170	23,630
Sale Of Postgrad. Forms	123,500	162,000
Other Incomes	-	3,791,046
T.P. Lesson Plan	59,000	830,710
Library Binding Services	385,850	485,300
Cyber Cafe Income	11,874	91,612
Disposal Catalogue	28,000	-
Ethical Review Charges	3,054,430	1,594,975
Total revenue from Other incomes	66,478,188	67,062,305

Note 13. Employee costs

	2019/20	2018/19
	KShs.	KShs.
Basic Emoluments	1,045,265,966	1,036,771,411
House Allowance	451,883,128	464,914,607
Car Allowance + non-use of official car	24,930,129	26,437,893
Entertainment allowance	22,046,161	21,840,567
Responsibility Allowance	32,099,986	36,920,642
Telephone Allowance	9,061,144	9,768,963
Water & Electricity Allowance	6,310,638	6,224,937
Acting allowance	1,728,137	2,184,636
Special Duty Allowance	668,182	332,647
Co-ordination Allowance	-	4,855,413
Over recovery refund	-	471,468
Non-practicing allowance	20,963,242	20,636,000
Book Allowance	6,558,376	6,803,442
Leave Allowance	8,617,793	8,887,825
Commuting allowance	190,978,965	194,555,942
Risk Allowance	9,462,412	9,357,000
Passage and Baggage allowance	517,440	102,361
Gratuity & Retirement Benefits	220,486,843	299,648,904
Part-time Teaching Payments	99,851,705	168,928,136
Examination coordination	4,619,534	28,800
Thesis Examination	1,527,797	5,062,000
Domestic workers	2,700,000	2,700,000
Casual Wages	19,917,541	18,653,215
Other Allowances- Extraneous allowance	38,550,858	36,654,500
Call Allowance	11,900,226	11,784,000
MUERC Allowances	1,013,000	596,075
Management Support Allowance	2,635,000	2,835,000
Doctors Allowances CBA Arrears	90,379,200	-
CBA 2017-21 Salary Arrears (Accrued)	256,363,067	-
Employer Pension Contribution (2013/2017 CBA)	-	62,827,739
Total Employee Costs	2,581,036,471	2,460,784,123

Note 14. Council Expenses

	2019/20	2018/19
	KShs.	KShs.
Council Expenses	18,285,256	22,023,327
Council Chairman Honoraria	1,044,000	1,044,000
Chancellor's Honorarium	-	600,000
	19,329,256	23,667,327

Note 15. Audit Fees

The University has provided for **Kshs.755,000** as audit fees expense in the current year. This is as per the approved budget.

Note 16. Interest on Loan

The University has a loan facility from Equity bank. During the year the University paid **Kshs.17,161,015** as interest. Further disclosures on the loan facility are contained in Note 32.

Note 17. Depreciation and amortization expense

	2019/20	2018/19
	KShs.	KShs.
Buildings	68,942,169	53,497,707
Motor Vehicles	18,081,270	9,208,983
Plant and Equipment	20,281,828	32,174,211
Furniture and Fittings	13,960,444	5,950,113
Computers	4,081,352	-
Management Information System	4,495,417	4,495,417
Total depreciation	129,842,480	105,326,432

Note 18. Operations expenses

	2019/20	2018/19
	KShs.	KShs.
Stationery & Stores	36,808,154	22,060,686
Travelling & Accommodation	10,329,836	14,570,993
Teaching materials	272,808	1,543,566
Computer Materials	171,040	119,500
Committee Expenses	83,295	25,980
Office Entertainment	1,281,140	1,367,079
Field Trips/Industrial Attach.	2,909,020	14,012,176

	2019/20	2018/19
	KShs.	KShs.
Supply of Electricity	30,666,204	27,267,550
Students Welfare & Games	98,900	2,534,162
Students Activity	11,047,685	23,928,514
Purchase of Cleaning Materials	3,073,200	6,542,060
Telephone Expenses	3,420,710	2,980,296
Legal Expenses & Fees	1,185,598	8,978,287
Advertising & Publicity	1,068,144	8,173,809
Contingency Fund	66,970	335,350
Senate Expenses	1,023,000	2,000
Postal & Telegram Expenses	24,900	15,450
Transport Operating- Fuel & Generator fuel	16,202,942	13,060,281
Transp. Oper. Exp-Tyres	1,167,395	5,391,770
External Travel	1,234,795	2,283,516
Rent & Rates	328,861	1,652,361
Insurance Related Expenses	887,636	11,858,880
Water Bill Charges	9,831,151	12,329,768
Laboratory Reagents	1,089,531	1,663,896
Fuel for Boilers & Generators	-	2,148,323
Cooking Fuel/Gas	2,327,100	3,941,588
Bank Charges	668,749	606,572
Hired Security Services	70,115,480	65,461,591
Sanitary Expenses	1,851,824	781,430
Examination Material	80,000	2,585,516
Teaching Practice Expenses	1,464,100	8,100,990
Purch. of Library Books	3,751,655	15,010,674
Purch. of Periodicals	-	223,600
Library Management System license renewal	1,020,000	-
Post Graduate Expenses	2,953,872	2,759,713
Research Operation & Outreach	2,450	2,525,830
Research Programme	68,235,212	110,828,388
Admission Related Expenses	101,000	683,850
Alumni Expenses	92,000	21,000
Bindery Material	16,960	816,050
External Examiners	3,973,485	2,154,245
Uniforms & Clothing	9,889	1,159,950
Licences & Fees	40,963	19,150
Cutlery and Kitchenware	-	389,739
IGA - Purch of Food	34,954,803	37,452,720

	2019/20	2018/19
	KShs.	KShs.
Review of curriculum	52,500	202,000
Course Development Expenses	-	695,900
Offshore Moodle Hosting	1,132,500	213,020
Renewal of Driving Licence	2,900	1,400
e- Campus Expenses	509,900	3,184,421
Internet Services	33,502,160	26,729,857
Calibration Of equipment	457,295	2,689,355
Broadcasting Frequency - License	30,000	-
Community Health Attachment	1,826,300	4,035,040
RIBM Expenses	-	411,600
IAT Expenses	47,600	78,400
	363,493,612	478,609,842

Note 19. University Enterprises Expenses

	2019/20	2018/19
	KShs.	KShs.
Animal Feeds	10,670,575	5,696,804
Livestock Drugs	9,000	66,000
Crop Inputs and Land preparation	260,054	44,000
Farm Maintenance	288,000	93,270
Vertinery Services	18,563	71,500
Casual Wages - Farm	-	3,544,847
Kisumu Hotel Purch. of Food	15,324,970	19,321,570
Ksm Hotel Bar Purchases	4,703,280	4,940,475
Kisumu Hotel Card Costs	45,270	4,140
Kisumu Hotel Accommodation Transfers	648,000	56,000
Catering Levy - Kisumu Hotel	1,462,463	2,365,436
Kisumu Hotel - Expenses	22,483,001	26,270,276
Bookshop purchases	464,539	6,273,498
	56,377,715	68,747,816

Note 20. Repairs and maintenance

	2019/20	2018/19
	KShs.	KShs.
Maint. of Office Equipment	1,251,440	1,262,857
Maint-Water Supply/Sewerage	1,554,080	618,400
Maint-Office Buildings	28,612	10,961,618
Maintenance of Grounds	-	65,025
Repair & Maintenance of Generator	111,640	1,204,312
Minor Works & Construction	49,500,961	7,294,802
Main. Of Plant & Equip.	4,978,469	2,535,130
Transport Oper. Exp. Repairs	120,000	-
Lecture Halls Maintenance	-	466,372
Total repairs and maintenance	57,545,202	24,408,516

Note 21. General expenses

The following are included in general expenses:

	2019/20	2018/19
	KShs.	KShs.
Purchase of Drugs	20,615,479	17,199,671
Payment of Medical Bills.	41,865,525	47,722,097
Dental Optical Services	3,279,644	5,720,482
Staff Developments	882,870	830,990
Seminars & Conferences	547,950	567,650
Shows & Exhibitions	1,720,900	3,446,471
Staff Welfare – Misc	1,133,402	1,379,612
Fee waiver benefit	1,103,000	-
Graduation Expenses	8,643,160	13,041,916
Kenya Music Festival	1,117,200	984,600
Glassware and Consumables	-	2,169,048
Capacity Building Trainers	-	222,000
PGDE- Teaching Expenses	707,600	896,440
PGDE- TP Supervision	369,200	-
Planning Studio	-	447,500
Students Smart Identification Cards	4,535,500	-
KUCCPS Expenses	12,724,500	4,433,870
CUE Expenses - Quality Assurance	-	10,025,100
Accreditation of New Programs - CUE	280,000	2,085,147
Development of new programmes	-	513,600
Subscriptions & Journal	630,000	1,927,000
Varsity Plaza - Expense	-	363,850
Disposal Expenses	-	9,340
Honorarium	850,668	-

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ICT Development	172,000	1,450,000
ISO Certification Expenses	144,000	1,294,340
Strategic Plan Expenses	-	939,300
Corporate Subscriptions	2,271,146	1,711,700
Professional Membership Fees	194,035	1,416,170
Disability Mainstreaming Expenses	-	498,530
Extraneous Expenses	-	1,838,121
Network Access & Expansion	-	7,284,083
Cuisine Day	-	674,619
Performance Contract Expenses	764,000	67,150
Laundry and Housekeeping	571,835	1,201,475
Software Development & Licence	375,000	378,000
Valuation of Assets	38,068,100	-
Prior Year Period expenses committed in current year	4,797,205	17,173,039
Loss on Biological Assets	806,087	430,543
Total general expenses	149,170,006	150,343,454

Note 22. Impairment Loss

	2019/20	2018/19
	KShs.	KShs.
Allowance for Impairment loss on receivables	12,587,987	11,649,992
	12,587,987	11,649,992

Further disclosures on this item are in **Note 24**.

Note 23. Cash and cash equivalents

	2019/20	2018/19
	KShs.	KShs.
Bank Balances and Guarantee	301,712,753	226,237,573
Cash	-	31,980
Short term Deposits	-	50,000,000
Total cash and cash equivalents	301,712,753	276,269,554

	2019/20	2018/19
	KShs.	KShs.
Cash in bank held in;		
Equity Bank Kenya	134,867,534	132,559,128
Standard Chartered Bank	82,830,692	43,259,400
Kenya Commercial Bank	84,014,528	47,319,045
Bank Guarantee with KCB	-	3,100,000
Total Cash in Bank	301,712,753	226,237,573

Cash balances held in foreign currency have been reported using the closing exchange rate by Central Bank and respective banks. Further disclosures are contained in Note 37.

Note 24. Receivables

(i) From exchange transactions

	2019/20	2018/19
	KShs.	KShs.
Current trade receivables		
Kisumu Hotel Debtors	49,441,994	43,036,451
Varsity Plaza Rent Debtors	9,554,513	17,824,444
Bookshop Debtors	1,624,333	3,275,085
	60,620,840	64,135,980
Less: Impairment Allowance	(3,031,042)	(3,206,799)
	57,589,798	60,929,181
Student Debtors	191,138,890	168,863,858
Less: Impairment Allowance	(9,556,945)	(8,443,193)
	181,581,946	160,420,665
Total trade receivables	239,171,744	221,349,846

Impairment assessment has been done on trade debtors and an allowance of 5% of total receivables outstanding provided in report for FY 2019/20.

Reconciliation of allowance for impairment of receivables

	Current Receivable		Non-Current	Total
	Trade	Student	Receivable	
	Receivables	Receivables		
	KShs.	KShs.	KShs.	KShs.
At 30 June 2018	7,603,210	347,105,634	-	354,708,844
Charge for the Year	3,206,799	8,443,193	-	11,649,992
At 30 June 2019	10,810,009	355,548,827	-	366,358,836
Charge for the Year	3,031,042	9,556,945	-	12,587,987
At 30 June 2020	13,841,051	365,105,771	-	378,946,822

	2019/20	2018/19
	KShs.	KShs.
Current Non-Trade receivables		
Sundry Debtors	5,434,709	9,592,437
Prepaid insurance	11,241,975	3,634,542
Imprest Outstanding	5,194,270	9,892,890
Advances to MURBS	4,611,334	6,471,630
Advances to Tom Mboya University	10,344,439	20,772,325
Total non-trade receivables	36,826,727	50,363,824
Total Receivables from exchange transactions	275,998,472	271,713,670

(ii) From non-exchange contracts

	2019/20	2018/19
	KShs.	KShs.
Current receivables		
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	51,799,015
Receivable from CBA 2017-21 (Accrued)	256,363,067	-
	308,162,082	51,799,015
Other Assets		
Deposit with High Court from Court Judgement	11,643,986	11,643,986
	319,806,068	63,443,001
Total Receivables	595,804,540	335,156,671

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

Note 25. Inventories

	2019/20	2018/19
	KShs.	KShs.
Farm Stocks	3,128,037	3,141,079
Bookshop Stores	5,746,233	5,746,233
Stationery Stocks	9,063,298	9,646,940
Catering Stores	2,111,646	1,997,769
Medical Stores	6,680,254	3,499,817
Maintenance Stores	17,238,157	22,107,356
Hostel Stores	6,555,864	4,516,074
Kisumu Hotel Store	11,408,805	7,027,841
Varsity Plaza Store	1,402,058	1,355,293
TOTAL	63,334,351	59,038,401

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Note 26. Property, Plant and Equipment

	LAND		BUILDINGS		MOTOR VEHICLE		PLANT & EQUIPMENT		FURNITURE & FITTINGS		COMPUTER		W.I.P		TOTAL		
	KSHS		KSHS		KSHS		KSHS		KSHS		KSHS		KSHS		KSHS		
COST/VALUATION																	
As at 30.06.2018	215,922,317		2,139,908,283		135,125,893		647,053,348		88,584,577		-		640,092,512		3,866,686,930		
Additions	-		-		-		21,537,920		5,126,191		-		225,727,527		252,391,638		
Transfers/adjustments	-		-		-		-		-		-		(9,600,000)		(9,600,000)		
Disposals	-		-		-		-		-		-		-		-		
As at 30.06.2019	215,922,317		2,139,908,283		135,125,893		668,591,268		93,710,768		-		856,220,039		4,109,478,568		
Additions	-		-		32,001,500		10,550,728		3,283,700		119,480		325,844,842		371,800,250		
Revaluation (Net)	2,386,377,683		139,441,717		(66,675,893)		(516,887,370)		14,689,084		12,124,575		-		1,969,069,796		
Transfers/adjustments	-		478,336,759		-		-		-		-		(478,336,759)		-		
Disposals	-		-		-		-		-		-		-		-		
As at 30.06.2020	2,602,300,000		2,757,686,759		100,451,500		162,254,626		111,683,552		12,244,055		703,728,122		6,450,348,614		
DEPRECIATION																	
As at 30.6.2018	-		669,347,184		92,296,028		566,269,973		70,648,367		-		-		1,398,561,552		
Disposals	-		-		-		-		-		-		-		-		
Charge for the year	-		53,497,707		9,208,983		32,174,211		5,950,113		-		-		100,831,015		
As at 30.06.2019	-		722,844,891		101,505,011		598,444,185		76,598,480		-		-		1,499,392,567		
Disposals (Revaluation)	-		(722,844,891)		(101,505,011)		(598,444,185)		(76,598,480)		-		-		(1,499,392,567)		
Charge for the year	-		68,942,169		18,081,270		20,281,828		13,960,444		4,081,352		-		125,347,063		
As at 30.06.2020	-		68,942,169		18,081,270		20,281,828		13,960,444		4,081,352		-		125,347,063		
NET BOOK VALUE																	
As at 30.06.2019	215,922,317		1,417,063,392		33,620,882		70,147,084		17,112,288		-		856,220,039		2,610,086,001		
As at 30.06.2020	2,602,300,000		2,688,744,590		82,370,230		141,972,798		97,723,108		8,162,703		703,728,122		6,325,001,551		

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Note 26. (i) Analysis of WIP

<u>Analysis of WIP</u>	As at 01/07/19		Additions		Transfers		As at 30/06/20	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Admin Block	106,265,147	-	(106,265,147)	-	-	-	-	-
Sewerage Project	39,919,253	-	-	-	-	39,919,253	-	39,919,253
Sewerage Project - II	-	5,755,400	-	5,755,400	-	5,755,400	-	5,755,400
Library Project	372,071,612	-	(372,071,612)	-	-	-	-	-
Access Roads Maintenance	12,381,068	-	-	-	-	12,381,068	-	12,381,068
Tuition Block and Laboratory	302,212,865	91,825,483	-	91,825,483	-	394,038,348	-	394,038,348
Perimeter Wall & CCTV	23,370,092	947,925	-	947,925	-	24,318,017	-	24,318,017
Construction of Hostel	-	174,796,303	-	174,796,303	-	174,796,303	-	174,796,303
Network Upgrade	-	30,031,356	-	30,031,356	-	30,031,356	-	30,031,356
MIS Upgrade	-	22,488,375	-	22,488,375	-	22,488,375	-	22,488,375
	856,220,037	325,844,842	(478,336,759)	703,728,120				

Note 26. (ii) Analysis of Revaluation Surplus

	LAND Kshs	BUILDINGS Kshs	MOTOR VEHICLE Kshs	PLANT & EQUIPMENT Kshs	FURNITURE & FITTINGS Kshs	COMPUTER Kshs	Total Kshs
Opening Cost	215,922,317	2,139,908,283	135,125,893	668,591,268	93,710,768	-	3,253,258,529
Accumulated Depreciation	-	(722,844,891)	(101,505,011)	(598,444,185)	(76,598,480)	-	(1,499,392,567)
Opening Net Book Value	215,922,317	1,417,063,392	33,620,882	70,147,084	17,112,288	-	1,753,865,962
Revalued Amount (Closing Amount)	2,602,300,000	2,279,350,000	68,450,000	151,703,898	108,399,852	12,124,575	5,222,328,325
Revaluation Surplus	2,386,377,683	862,286,608	34,829,118	81,556,814	91,287,564	12,124,575	3,468,462,363

The University engaged an independent valuer to carry out a revaluation of its assets during the financial year. The effective date of the revaluation was October 2019.

Note 27. Intangible Assets - Management Information System

	MANAGEMENT INFORMATION SYSTEM KSHS.
COST/VALUATION	
As at 30.06.2018	22,477,085
Additions	-
Transfers/adjustments	-
Disposals	-
As at 30.06.2019	22,477,085
Additions	-
Transfers/adjustments	-
Disposals	-
As at 30.06.2020	22,477,085
DEPRECIATION	
As at 30.06.2018	13,486,251
Disposals	-
Charge for the year	4,495,417
As at 30.06.2019	17,981,668
Disposals	-
Charge for the year	4,495,417
As at 30.06.2020	22,477,085
NET BOOK VALUE	
As at 30.06.2019	4,495,417
As at 30.06.2020	-

Note 28. Biological assets

	2019/20 KShs.	2018/19 KShs.
Biological Assets	6,980,800	7,786,887
Reconciliation of Biological Assets		
Carrying amount at 1 July	7,786,887	8,610,400
Increases due to purchases		
Gain/(Loss) on biological assets	(806,087)	(823,513)
Decreases due to sales		
Carrying amount at 30 June	6,980,800	7,786,887

The University owns biological assets which are mainly livestock. The biological assets are measured at fair value less costs to sell; the fair value is established from quoted market prices less costs to sale. The loss on biological asset of **Kshs.806,087** arose from decreases in fair values as a result of physical changes.

Note 29. Trade and other payables from exchange transactions

	2019/20	2018/19
	KShs.	KShs.
PAYE	28,833,789	63,636,971
NHIF	1,703,050	1,854,950
NSSF	297,450	231,550
PENSION & GRATUITY	24,065,823	23,982,068
BENEVOLENT FUND	6,699,556	5,181,268
HELB Loan Repayments	142,972	159,133
UNION DUES	1,317,622	1,322,542
OTHER LOANS	36,062,387	37,110,963
MASENO UNIV. SACCO	3,238,382	3,857,500
Other SACCOS	310,597	27,000
BOOKSHOP RECOVERIES	41,190	183,789
SOMU Activities	5,347,636	240,391
University Fees Prepaid	20,362,087	86,339,617
6% Withholding Tax	3,076,229	3,413,664
Retention on Construction contracts	86,602,295	56,815,157
Contractors Pending Certificates	-	25,434,059
Chancellor's Scholarship Fund	3,430,000	3,430,000
Trade Payables	77,474,850	51,575,049
Employer Pension Contribution (2013/2017 CBA)	-	62,827,739
Doctors Allowances CBA Arrears Payable	90,379,200	-
Payable from CBA 2017-21 Salary Arrears (Accrued)	256,363,067	-
Accrued Gratuity Payable	80,214,566	80,992,880
Siaya County Advances	5,000,000	5,000,000
Total trade and other payables	730,962,748	513,616,289

Note 30. Refundable Deposits (Caution Money)

	2019/20	2018/19
	KShs.	KShs.
Caution Money	28,464,800	25,947,200
Less: Total current portion of caution money	(11,562,400)	(11,457,400)
Total non-current portion of caution money	16,902,400	14,489,800

Note 31. Current provisions- Audit Fees

	2019/20	2018/19
Audit Fees	KShs.	KShs.
Balance at the beginning of the year	1,902,000	2,854,000
Additional provisions raised	755,000	952,000
Provision utilized	-	(1,904,000)
Balance as at 30 June 2020	2,657,000	1,902,000

Note 32. Borrowings

	2019/20	2018/19
	KShs.	KShs.
Opening Balance	100,400,000	100,400,000
Add: Disbursements	149,084,089	
Less: Repayments	-	-
Total Borrowing	249,484,089	100,400,000
Less: Total current portion of bank loans	-	-
Total non-current borrowings	249,484,089	100,400,000

During the year the University received **Kshs.149,084,089** from Equity Bank Kenya Ltd., being disbursements of a **Kshs.500,400,000** loan.

Note 33. Contingent Liabilities

Legal Cases

The University has a number of cases in court that are at various stages of litigation. In one of these, a judgment of **Kshs.12,760,718** has been entered against the University. However, the University has sought an appeal on this ruling. In another case the University deposited **Kshs.11,643,986** with the High Court, pending appeal. The outcomes of the other cases are not known and the amount of the obligation cannot be measured with sufficient reliability.

Note 34. Cash Generated from Operations

	2019/20	2018/19
	KShs.	KShs.
Surplus for the year before tax	(49,087,933)	(507,119,137)
Adjusted for:		
Depreciation	129,842,480	105,326,432
Non-cash grants received	806,087	823,513
Contribution to provisions	755,000	(952,000)
Finance income	(4,329,719)	(1,533,410)
Finance cost	17,161,015	11,055,058
Working Capital adjustments		
(Increase) / Decrease in Inventory	(4,295,951)	(2,339,685)
(Increase) / Decrease in Receivables	(260,647,869)	(34,950,119)
Increase / (Decrease) in Payables	217,346,459	220,014,525
Net cash flow from operating activities	47,549,569	(209,674,823)

Note 35. Financial Risk Management

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

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

(i) Credit risk

The University has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University's management based on prior experience and their assessment of the current economic environment.

The University Council sets the University's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the University Council, who have built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The University manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the University's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

a) Foreign currency risk

The University has transactional currency exposures. Such exposure arises through holdings of cash that are in currencies other than the local currency and transactions that are denominated in other currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

b) Interest rate risk

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

Management of interest rate risk

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

iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	3,468,462,363	-
Retained earnings	(60,854,264)	(11,766,331)
Capital reserve	2,873,657,257	2,662,733,770
Total funds	6,281,265,357	2,650,967,439
Total borrowings	249,484,089	100,400,000
Less: cash and bank balances	(301,712,753)	(276,269,554)
Net debt/(excess cash and cash equivalents)	(52,228,665)	(175,869,554)
Gearing	-1%	-7%

Note 36. Related Party Disclosures

a) Nature of relationships

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

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

b) Related party transactions

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

Related party transactions	2019/20	2018/19
	KShs.	KShs.
Total grants received from government	2,362,174,715	1,736,316,287

c) Due from related parties

	2019/20	2018/19
	KShs.	KShs.
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	51,799,015
Payable from CBA 2017-21 Salary Arrears (Accrued)	256,363,067	-
Advances to MURBS	4,611,334	6,471,630
Advances to Tom Mboya University	10,344,439	20,772,325
	323,117,855	79,042,970

Note 37. Detailed Bank Balances

Amounts held in Respective Commercial Banks	2019/20	2018/19
	Kshs.	Kshs.
Main Campus Fee Collection Account - 1120297065141	134,867,534	132,559,128
Equity Bank Kenya	134,867,534	132,559,128
Main Current Account - 1103898094	45,024,299	(17,713,677)
Development Account - 1108378056	1,231,458	2,925,968
Research Account - 1107735971	7,203,691	32,986,175
Kisumu Hotel Account - 1101560894	9,703,764	8,280,338
Fee Collection Account - 1101561076	879,428	6,315,334
IGA Account - 1108378226	4,138,326	4,568,889
Bookshop Account - 1101560703	775,685	4,869,463
K-LIP Account - 1160049351	6,387,616	4,793,721
KCB Flood Disaster Management AC -1176816284 (Kshs)	30,436	36,541
KCB Flood Disaster Management AC - 1176816365 (Euro)	13,133	15,902
Student Activity KCB S/A - 1102264946	265,776	99,946
Student Welfare KCB S/A - 1102265055	4,862,680	111,256
Student Activity KCB Current - 1108266207	219,180	29,189
Bank Guarantee	3,100,000	3,100,000
Short Term Deposit in KCB	179,058	50,000,000
Kenya Commercial Bank	84,014,528	100,419,045
Standard Chartered 8752524018401 (RES. USD)	21,771,658	15,240,297
Standard Chartered 9352524018401 (RES. EURO)	15,311,423	23,775,121
Standard Chartered 0102024018401 (RES. KSH)	44,773,410	3,249,710
Standard Chartered 8752524018400 (BSU USD)	700	672
Standard Chartered 0102024018400 (BSU KSH)	973,500	993,600
Standard Chartered Bank	82,830,692	43,259,401
Total Cash in Bank	301,712,753	276,237,573

APPENDIX I: INTER-ENTITY TRANSFERS

Confirmation of amounts received by Maseno University as at 30th June, 2020

a) RECURRENT GRANTS

Date Received	Amount	Period	F/Y Disbursement
08-08-19	133,359,413	Jul-19	2019/20
29-08-19	133,359,413	Aug-19	2019/20
27-09-19	133,359,414	Sep-19	2019/20
01-11-19	133,359,414	Oct-19	2019/20
29-11-19	133,359,414	Nov-19	2019/20
27-12-19	133,359,413	Dec-19	2019/20
04-02-20	133,359,413	Jan-20	2019/20
02-03-20	133,359,414	Feb-20	2019/20
03-04-20	133,359,413	Mar-20	2019/20
08-05-20	133,359,414	Apr-20	2019/20
05-06-20	133,359,414	May-20	2019/20
26-06-20	133,359,413	Jun-20	2019/20
TOTAL	1,600,312,962		

b) DEVELOPMENT GRANTS

Date Received	Amount	Period	F/Y Disbursement
21.11.2019	78,179,570	N/A	2019/20
13.03.2020	132,843,917	N/A	2019/20
TOTAL	211,023,487		

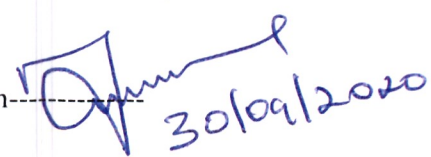
c) OTHER GRANTS (SUPPLEMENTARY ALLOCATION & CBA ARREARS)

Date Received	Amount	F/Y Disbursement	F/Y Disbursement
09.07.2019	204,196,521	N/A	2019/20
25.06.2020	90,379,200	N/A	2019/20
TOTAL	294,575,200		

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

Finance Officer
Maseno University

Head of Accounting Unit
State Department of Education

Sign-  30/09/2020

Sign-----

