

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MASENO UNIVERSITY

FOR THE YEAR ENDED
30 JUNE 2017

*Paper laid by
LON on
18/10/18 (pm)*





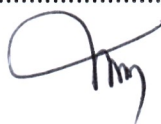


MASENO UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background of Maseno University

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

b) Principal Activities

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

c) Key Management

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

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



d) Fiduciary Management

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

No.	Designation	Name
1.	Vice-Chancellor	Prof. Julius O. Nyabundi
2.	Deputy Vice-Chancellor (A,F&D)	Prof. Catherine Muhoma
3.	Deputy Vice-Chancellor (ASA)	Prof. Mary Kipsat
4.	Deputy Vice-Chancellor (PRI)	Prof. Joseph Chacha
5.	Finance Officer	Mr. Edward M. Kitati

e) Fiduciary Oversight Arrangements

The University Council - Approved the Budget for FY2016/2017 and approved Quarterly Financial Statements before they were submitted to The National Treasury at end of every quarter of FY2016/2017.

Executive, Planning, Finance and Investment Committee of the University Council – Reviewed Quarterly Financial Statements before they were approved by the University Council.

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

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

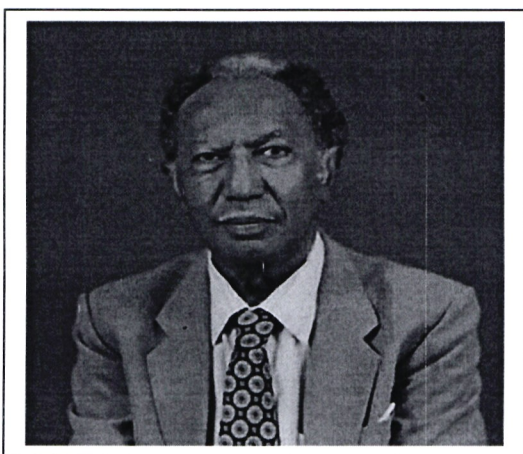
Anniversary Towers, University Way

P O Box 30084-00100

NAIROBI, KENYA

II. MEMBERS OF THE UNIVERSITY COUNCIL

**CURRENT CHAIRMAN OF MASENO
UNIVERSITY COUNCIL
(Appointed effective 1st August, 2017)**



Prof. Abdullah Naji Said, Ph.D.

Prof. Abdullah Naji Said is a Professor of Animal Production system. He is the immediate past Chairman of Council Laikipia University. He is also the current chairman of Malindi Museum Society.

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**MEMBERS OF THE MASENO UNIVERSITY COUNCIL
(Appointed effective 10th March, 2017)**





**FORMER CHAIRMAN OF UNIVERSITY
COUNCIL**



Dr. Issa A. Kipera, PhD.
Appointed effective 10th March, 2017 and resigned
by 30th July, 2017.

Dr. Issa A. Kipera is an expert in the areas of Financial Management and Development Economics.

<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Mr. Edwins Mukabana BA (UoN), MSc(UK)</p>	<p>Mr. Edwins Mukabana works in the transport industry. He has specialised in transport planning, operation and management.</p> 
<p style="text-align: center;">MEMBER OF COUNCIL</p> <p style="text-align: center;">Delilah Kadzo Ngala, BCom, MBA</p> <p>Served between 10th March, 2017 and 9th July, 2017.</p>	<p>Delilah Kadzo Ngala has vast experience in the banking sector; she has also served on the Council of Pwani University.</p>
<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Ms. Sophia Abdi Hassan, BSc (Sweden), MSc(Sweden)</p>	<p>Ms. Sophia Abdi Hassan works in the banking industry, she specializes in investment, portfolio management and liquidity management.</p>

<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 BA(UoN), MA(UoN), Dip. Ed(KU)</p>	<p>Ms. Lucy A. Osmerah is a consultant and trainer in Financial Management Programmes for women</p>
<p style="text-align: center;">MEMBER ALTERNATE TO PS STATE DEPARTMENT FOR UNIVERSITY EDUCATION</p>  <p style="text-align: center;">Mr. Archer Arina Omollo BSc. (Agri. Edu.& Ext.),MSc.(Tech. Econ. & Mgt.)</p>	<p>Mr. Archer Arina Omollo, is an Assistant Director at Ministry of Education. He has experience in Education Management and in creating linkages within Educational Institutions- Industry- Government to improve efficiency</p>

**MEMBER,
ALTERNATE TO CS THE NATIONAL
TREASURY**



Mr. Paul Kiagu
BA (Hons), MEcon (KU)

Mr. Paul Kiagu is a leading Economist dealing with Public Universities Budgets management at The National Treasury.

MEMBER



Mrs. Ruth Rukunga
BEd (Nairobi), MEd (Leeds)

Mrs. Ruth Rukunga is a Career Educator

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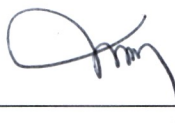


**VICE-CHANCELLOR AND SECRETARY TO
THE UNIVERSITY COUNCIL**







Prof. Julius O. Nyabundi.PhD.,OGW.

Prof. Nyabundi is the immediate former Principal of Muranga University College and a former Acting Deputy Vice-Chancellor (A&F) at Maseno University. He had previously served as the Managing Director, Chemelil Sugar Company. He is a renowned scholar who has published widely in refereed journals and has presented papers in local and international conferences. He earned his Ph.D. from the University of California.

**MEMBERS OF THE UNIVERSITY COUNCIL
(Retired on 29th February, 2017)**

<p>FORMER CHAIR OF COUNCIL</p>  <p>Prof. Rosalind Mutua, PhD (Nairobi), OGW</p>	<p>Prof. Rosalind Mutua, is a leading scholar and served the Maseno University Council as Chairman of Council for two terms of three years each.</p> 
<p>VICE-CHAIR OF COUNCIL</p>  <p>Mr. Dan Shem Omino BSc.(UoN),MBA(Maastricht),OGW</p>	<p>Mr. Dan Shem Omino is a leading strategic management consultant and he served the University for two terms of three years each as vice chairman of council.</p> <p>He holds a Master of Business Administration degree from Maastricht University.</p>
<p>MEMBER</p>  <p>Dr. Ali Adan Ali, Ph.D.</p>	<p>Dr Ali Adan holds a PhD in Environmental and Biosystem Engineering from University of Nairobi. He is currently a Director of Research, Innovation and Outreach at Umma University. Previously he worked with National Museums of Kenya.</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 ALTERNATE TO PS STATE DEPARTMENT FOR UNIVERSITY EDUCATION</p>  <p style="text-align: center;">Mr. Archer Arina Omollo BSc., MSc</p>	<p>Mr. Archer is an Assistant Director at Ministry of Education. He has experience in Education Management and in creating linkages within Educational Institutions- Industry- Government to improve efficiency.</p> 
<p style="text-align: center;">MEMBER ALTERNATE TO CS THE NATIONAL TREASURY</p>  <p style="text-align: center;">Mr. Paul Kiagu BA (Hons), MEcon (KU)</p>	<p>Mr. Paul Kiagu is a leading Economist dealing with Public Universities Budgets management at The National Treasury.</p>

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



Prof. Julius O. Nyabundi.PhD.,OGW.

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III. MANAGEMENT TEAM OF THE UNIVERSITY



Prof. Julius O. Nyabundi Ph.D.,OGW
Vice-Chancellor

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

A handwritten signature in black ink, appearing to be 'J. Nyabundi', written in a cursive style.



Prof. Catherine A. Muhoma, 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.
Qualifications: PhD., M.A, BEd.



Prof. Mary Kipsat Ph.D.,
Deputy Vice-Chancellor (ASA)

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

Qualifications: Ph.D., M Sc, B Sc..

A handwritten signature in black ink, appearing to be 'M. Kipsat'.



Prof. Joseph Chacha Ph.D.,
Deputy Vice-Chancellor (PRI)

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

Qualifications: Ph.D., M Sc, B Ed.,



Mr. Mathew O. Onyango,
REGISTRAR (Administration)

Mr. Mathew O. Onyango heads the Central Administrative Services.

Qualifications: BEd (Nairobi), MEd (Manchester)



Ms. Christine A. Achola
REGISTRAR (Academic Affairs)

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

Qualifications: M.A (Social Dev. & Mgt.) (Maseno), B. A (Soc. & Anthro.) (UoN), Dip Person. Mgt & Industrial Relations, (UK),

A handwritten signature in black ink, appearing to be 'C. Achola'.



Mr. Raymond E. Ochoggia,
UNIVERSITY LIBRARIAN

Mr. Raymond E. Ochoggia is the University Librarian.

Qualifications: M.Phil, (Moi), BLS (Loughborough), MKLA



Mr. Edward M. Kitati,
FINANCE OFFICER

Mr. Edward M. Kitati is responsible for financial management in the University.

Qualifications: Msc (UoN), MBA (SEKU), CPA(K)



Dr Vitalis Ouko Ogilo,
HEAD, MEDICAL SERVICES

Dr Vitalis Ouko Ogilo, is responsible for Medical Services in the University

Qualifications: MBChB (UoN), MPH (Maseno) (Ag.)

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Ms. Elizabeth Ayoo,
LEGAL OFFICER

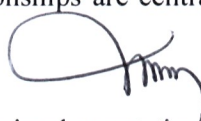
Ms. Elizabeth Ayoo is the principal University Legal Advisor.

Qualifications: LLB (Moi), Dip Law (KSL), LLM (UNISA)

IV. CHAIRMAN'S STATEMENT

I take great pleasure in presenting the financial statements for 2016/2017 of Maseno University. These statements are prepared in conformity with the International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs). Further, the statements incorporate the requirements of Article 81 of the Public Finance Management Act, 2012 and the National Treasury guidelines with regard to adoption of International Public Accounting Standards.

Maseno University continues to be committed to its Mission and Vision. I am pleased to report that the University has continually focused on quality teaching and research as well as prudent financial management. The University kept on course of the implementation of the 2011-2017 Strategic Plan. There are plans to review the Strategic Plan in view of the existing economic realities; this will enable prioritisation of projects that are central to the growth of the university and indeed the attainment of Vision 2030. The University Council is intent in promoting Partnerships and Linkages with its peers both locally and internationally and industry; such relationships are central in transforming the University into a truly global University.



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

We are confident and satisfied that with continued prudent management of resources and an increase in Government grants and engagement of private sector through (Public Private Partnerships (PPPs), Maseno University will develop into a leading University and a competitive centre of excellence in Kenya.

I wish to thank the Chancellor, Council members, the Vice-Chancellor and the staff for their dedication and support. I would also like to commend the student body for their cooperation and understanding, which has contributed greatly to the stability and growth of the University. With the support of all stakeholders we look forward to even greater achievements.


V. REPORT OF THE VICE-CHANCELLOR

University Performance

Maseno University's performance during the year under review was impressive despite the financial constraints faced during the year. The Government capitation still remained as the University's main source of income, followed by tuition fees, research income and other incomes. The Government capitation dropped by **Ksh.54,000,000** compared to what was received in 2015/16. The University faces financing challenges in view of expansion in student population, financing of physical facilities as well as human resource capacity and reduced support from the national government. The development grants received in the year were **Kshs. 180,000,000** a significant increase compared to **Kshs. 100,984,527** in 2015/16.

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

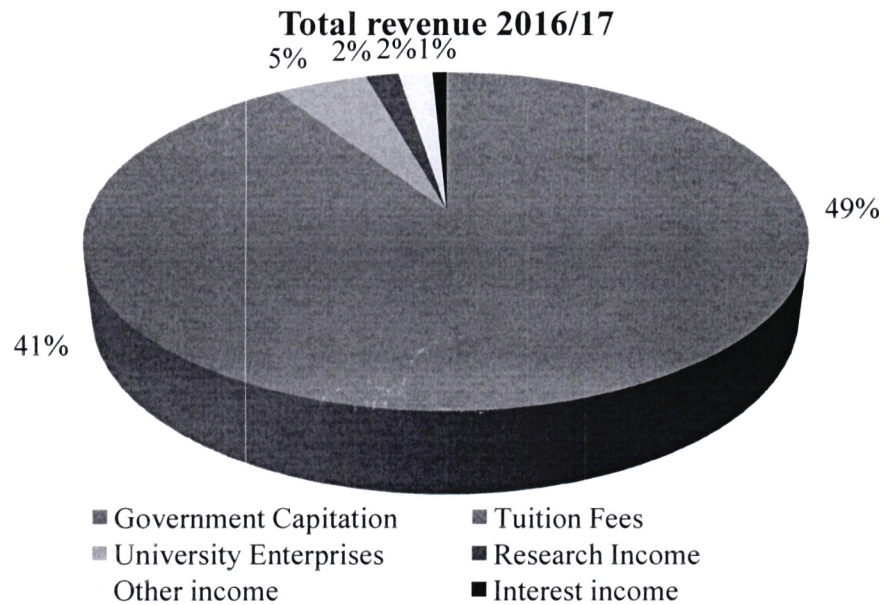
The University has done its best to limit expenditure through a number of strategies. As a result the University realised savings in expenditures on personal emoluments posting a surplus. Some funds have been set aside in the form of a Fixed Deposit. These savings are to be mobilized in the coming year to finance development projects.



Business Performance Summary

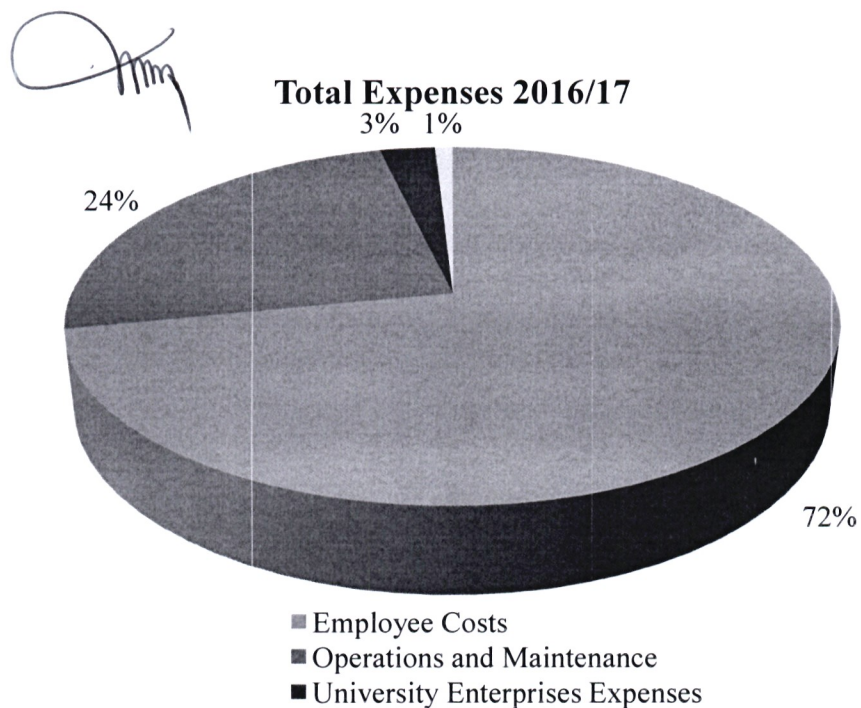
Revenues

During the year 2016/17, the University received a total of **Kshs. 1,407,209,350** in Capitation grants a 1% decline from the previous year. In the current year the University received **Kshs. 50,577,003** being research grants when compared to **Kshs. 81,093,516** in the previous year. The University collected **Kshs. 1,401,136,199** from tuition fees and its income generating units.



Expenses

The University incurred **Kshs. 2,755,534,165** on recurrent expenses for the year 2016/17.

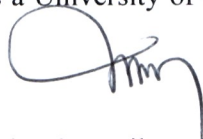


The biggest expenditure item relates to employee costs making up 72% of total expenditure.

Conclusion

To address the funding shortfalls the University has put in place measures to improve revenue realization from the existing revenue streams. The University also looks forward to a review of the funding from the Government to match the economic situation and the increased enrolment. The University has put in place strategies to improve its resource utilization. This is by ensuring efficiency, economy, effectiveness and thrift in their application in order to get the most value out of its resources.

The University continues to position itself as a University of choice in the face of increased competition both locally and internationally.



I wish to thank the Government, the University Council, staff, parents, students, local and international partners, and all our stakeholders for their contributions and support during the year. As we go forward, we continue to count on the Government's support in our endeavour to transform Maseno University into a world class hub for learning and knowledge generation.

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

Maseno University is governed by the University Council. The Universities Act 2012 gives the University Council all the necessary powers for the proper performance of its functions under the Act and in particular, without prejudice to the generality of the foregoing, a University Council shall have powers to:-

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

Corporate Governance Principles

This is the second 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

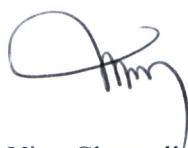
Members of the University Council were inducted on the provisions of the *Mwongozo* code. The Council conducted an evaluation of their performance during the year and this was submitted to State Corporations Advisory Committee. The Board work plan and Board charter were prepared and signed by the Chairman of Council during the year.

Board Size, Composition and Appointment

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

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

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



Board Remuneration

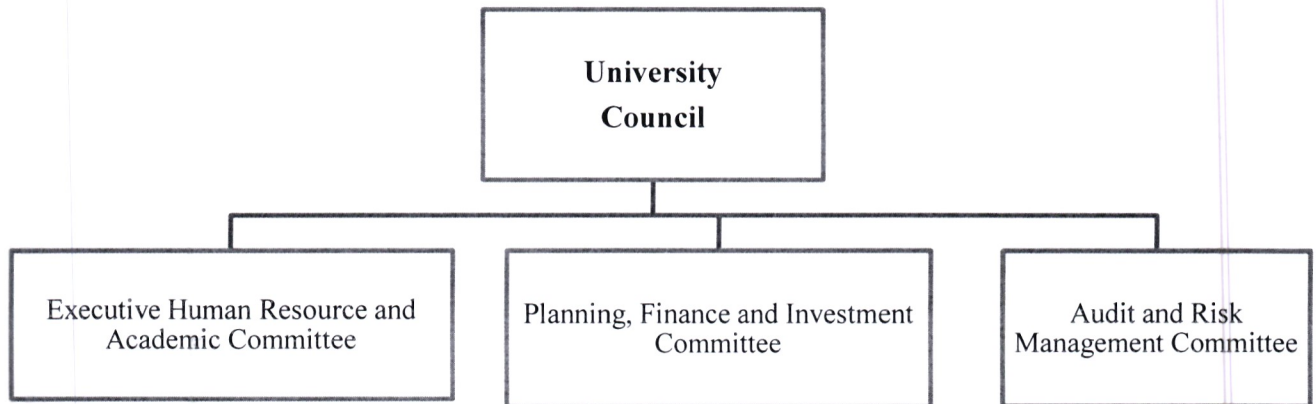
The University Council members other than the Vice-Chancellor do not receive a salary. Instead they are paid a taxable sitting allowance whenever they attend meetings of Council. The Chairman of Council is also paid a monthly honorarium. In the year 2016/17 the University spent **Kshs. 23,604,711** on sitting allowances and other expenses to Council members, compared to the budget of **Kshs.25,000,000**.

Board Committees and responsibilities

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

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

The following are the Committees of Council;



The arrows denote committees of Council that have shared membership.

1. Executive, Human Resource and Academic Committee

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

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

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

2 Planning, Finance and Investment Committee

This committee of Council has the following terms of reference;

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

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



3 Audit and Risk Management Committee

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

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

Attendance of Meetings

The frequency of meetings is provided by article 8 (1a) of the State Corporations Act which states that; “the Board 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 frequently and additional meetings are held as and when necessary. The Maseno University Council works through its various committees.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The University considers sustainability in light of the following;

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

Social Sustainability

Staff Welfare and Development

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

Gender Mainstreaming

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

Community Engagement

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

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

Commissioning of hotspots to allow for full internet access at the University has created an opportunity for staff and students as well as the surrounding community to network, learn, 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 sustainably 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 as the population of Maseno has grown tremendously. This is planned for the year 2017/18 since it was not possible to implement in FY 2016/2017 due to financial constraints.

Economic Sustainability

Innovations in core operations

The University is ahead of its peers with the running of 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. This initiative has been very popular.



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.

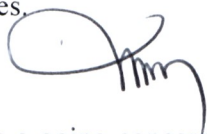
Status of ISO 9001:2008 Certification

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 value money as the University renders services to all the stakeholders.

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 expects to operate as a going concern into the foreseeable future. This assumption is based on the surplus recorded of **Kshs.92,659,778** in FY 2016/17 compared to **Kshs.34,675,294** for FY 2015/16, the positive current ratio of **3.64** for FY 2016/17 against the **1.8** recorded in FY 2015/16, the quick ratio was **3.35** FY 2016/17 against **1.57** FY 2015/16. The University looks to investing significantly in infrastructure and is not expected to curtail its operations in the coming year.

VIII. REPORT OF MASENO UNIVERSITY COUNCIL

The University Council submits its FY 2016/2017 report together with the audited financial statements for the year ended June 30, 2016 which show the state of affairs of Maseno University.

Principal activities

Principal activities of Maseno University are (continue to be) to discover, harness, apply, disseminate and preserve knowledge for the good of humanity.

Results

The results of Maseno University for the year ended June 30, 2017 are set out on pages 1 to 37.

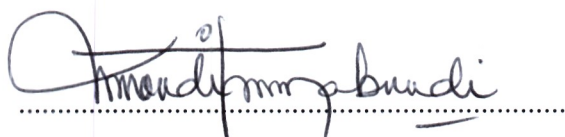
Maseno University Council

The members of Maseno Council who served during the year are shown on pages v to x. In accordance with Government regulations, Prof. Rosalind Mutua, Mr. Dan Omino, Dr. Ali Adan Ali and Mrs. Ruth Rukunga had their terms expiring on 29th February, 2017. Mrs. Ruth Rukunga was re-appointed to the University Council with effect from 10th July, 2017.

Auditors

The Office of the Auditor General is responsible for the statutory audit of Maseno University's financial statements FY2016/2017 in accordance with section 81 of the Public Finance Management (PFM) Act, 2012.

By order of Maseno University Council



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

VICE-CHANCELLOR AND SECRETARY TO MASENO UNIVERSITY COUNCIL

Dated.....

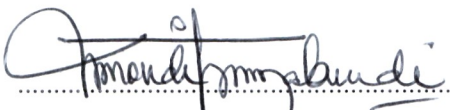
IX. STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

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

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

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

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


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

Vice-Chancellor


.....

Professor Abdullah Naji Said,Ph.D.

Chairman of Maseno University Council

REPUBLIC OF KENYA

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MASENO UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Maseno University set out on pages 1 to 39, which comprise the statement of financial performance, statement of financial position as at 30 June 2017, statement of changes in net assets, statement of cash flows and summary 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.

In my opinion, except for effect of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Maseno University as at 30 June 2017 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.

Further, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion section of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

The Kenya Commercial Bank main account reconciliation cash book balance of Kshs.36,765,965 as at 30 June 2017 includes unrepresented cheques balance of Kshs.15,090,863 which however differs with the unrepresented cheques balance of Kshs.42,975,717 reflected under trade payables balance shown in the respective schedules. Consequently, it has not been possible to confirm that the cash and cash equivalents main account balance of Kshs. 36,765,965 at as at 30 June 2017 is fairly stated.

2. Kisumu Hotel-room Income

The statement of financial performance under Note 8 to the financial statements reflects Kshs. 141,374,893 as revenue earned from University Enterprises. Included in the balance is Kshs26,914,596 room-hire income at Kisumu Hotel. However, the

Report of the Auditor-General on the Financial Statements of Maseno University for the year ended 30 June 2017

income recorded a significant decrease of Kshs.40,416,404 from the previous year financial while the hotel expenditure increased by Kshs.3,447,044 over the same period.

Management have not provided any plausible explanation for this unsatisfactory situation.

3. Property, Plant and Equipment

The statement of financial position reflects property, plant, and equipment balance of Kshs.2,305,562,999 as at 30 June 2017 which includes motor vehicle additions of Kshs.21,688,518 made during the year under review. However, examination of procurement documents for the motor vehicles revealed the following anomalies:

3.1 Purchase of 67 Seater Bus

In the year under review, the University procured a 67-seater bus at a total cost of Kshs.11,768,240 through restricted tendering method. However, the procurement method did not meet the conditions set in regulation 53(3) of the Public Procurement and Disposal Regulations, 2006 as only six (6) suppliers were invited to bid as opposed to a minimum of ten (10) required. Consequently, the management breached the law on public procurement.

3.2 Direct Procurement of Ambulance

The University through the National Government supplies circular R04/2015/2016 of 16 June 2015 procured an ambulance at a cost of Kshs.6,235,278. However management has not presented any evidence showing that the circular was approved as required by Section 56(1) of the Act.

Consequently, it is not possible to confirm that the procurement was done according to the law.

4. Fixed Asset Register

As in the previous financial year, the University has not provided a detailed fixed asset register indicating value, date of acquisition, description and location of assets under its possession as required by Section 143 of the Public Finance Management (National Government) Regulations, 2015.

In the absence of the register, the accuracy, existence and ownership by the University of assets valued at Kshs. 2,305,562,999 as at 30 June 2017 reported under property, plant and equipment cannot not be confirmed.

5. Trade and Other Payables

Note 26 to the financial statements reflects trade and other payables which however decreased from Kshs.477,664,776 as at 30 June 2016 to stand at Kshs.188,942,730 as at 30 June 2017. The following anomalies were noted in relation to payables totaling Kshs. 188,942,730;

- i. Trade and other payables balance of Kshs.188,942,539 excluded payables totaling Kshs.6,717,668 owed to the County Government of Kisumu.
- ii. Trade payables from exchange transaction of Kshs,65,204,392 includes a listing of un-presented cheques amounting to Kshs.42,975,717 which includes fifty five(55) stale cheques of Kshs.4,031,421 that had not been reversed as at 20 June 2017.n analysis for trade payables to show the age of the debts and financial status of the debtors was not presented for audit.

In view of these anomalies, the validity and propriety of trade and other payables balance of Kshs.188,942,730 as at 30 June 2017 cannot be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Maseno University in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements and internal control 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

Managements Responsibility for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the University's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern accounting assumption unless the management has knowledge of the intention to liquidate the University or cease its operations. Those charged with governance are responsible for overseeing the University's financial reporting process.

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.

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

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.

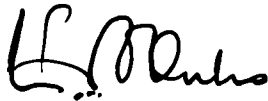
As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Maseno University's ability to continue offering 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 Maseno University to cease to continue offering 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 of the entity or business activities 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

09 August 2018

STATEMENT OF FINANCIAL PERFORMANCE

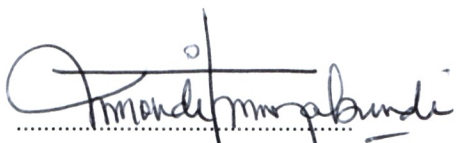
For the year ended 30th June, 2017

		2016/17	2015/16
		KShs.	KShs.
Revenue from non-exchange transactions			
Government Capitation Grants	4	1,407,209,350	1,440,176,644
Research Income	5	50,577,003	81,093,516
Insurance Compensation	6	-	28,815,333
		1,457,786,353	1,550,085,493
Revenue from exchange transactions			
Tuition Fees	7	1,187,220,313	1,364,191,008
Revenue from University Enterprises	8	141,374,893	186,750,402
Interest income	9	21,326,834	10,544,242
Other income	10	51,214,159	92,441,038
		1,401,136,199	1,653,926,690
Total revenue		2,858,922,552	3,204,012,183
Expenses			
Employee Costs	12	1,978,245,450	2,010,877,986
Council Expenses	18	23,604,711	22,954,694
Audit Expenses		952,000	950,000
Depreciation	13	103,112,872	99,245,437
Operations Expenses	14	426,979,827	463,159,765
University Enterprises Expenses	15	76,071,611	100,926,863
Repairs and maintenance	16	39,186,020	36,069,109
General expenses	17	107,381,675	108,935,893
Total expenses		2,755,534,165	2,843,119,747
Other gains/(losses)			
Gain on sale of assets	11	1,456,415	6,307,087
Impairment loss	19	(12,185,024)	(332,524,229)
Surplus/(Deficit)		92,659,778	34,675,294

The notes set out on pages 8 to 37 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION
As at 30th June 2017

	Note	2016/17 KShs.	2015/16 KShs.
Assets			
Current assets			
Cash and cash equivalents	20(i)	345,865,432	452,320,219
Receivables from exchange transactions	21	273,995,392	248,407,545
Receivables from non-exchange transactions	21	63,443,001	63,443,001
Inventories	22	54,498,364	42,955,282
		737,802,189	807,126,047
Non-current assets			
Property, plant and equipment	23	2,305,562,999	2,244,458,690
Intangible Assets	24	13,486,251	17,981,668
Biological Assets	25	10,707,800	8,006,500
		2,329,757,050	2,270,446,858
Total assets		3,067,559,239	3,077,572,905
Liabilities			
Current liabilities			
Payables	26	188,942,730	477,664,776
Students Caution Money	27	10,824,400	7,400,000
Provision for Audit Fees	28	2,854,000	1,902,000
		202,621,130	486,966,776
Non-current liabilities			
Students Caution Money	27	10,680,400	9,008,200
Total liabilities		213,301,530	495,974,976
Net assets			
Capital Fund		2,854,257,709	2,581,597,929
Accumulated Surplus		2,341,869,092	2,161,869,092
		512,388,615	419,728,837
Total net assets and liabilities		3,067,559,239	3,077,572,905



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

Vice-Chancellor



Prof. Abdullah Naji Said, Ph.D.

Chairman of Maseno University Council

STATEMENT OF CHANGES IN NET ASSETS

As at 30th June 2017

Attributable to the owners of the controlling entity

	Capital Fund	Accumulated Surplus	Total
Notes	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2015	2,060,884,565	385,053,543	2,445,938,108
Capital grant	100,984,527	-	100,984,527
Surplus/(deficit) for the period		34,675,294	34,675,294
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 JUNE 2016	2,161,869,092	419,728,837	2,581,597,929
Capital grant	180,000,000	-	180,000,000
Surplus/(deficit) for the period		92,659,778	92,659,778
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 JUNE 2017	2,341,869,092	512,388,615	2,854,257,707

Nature and Purpose of Reserves

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

STATEMENT OF CASHFLOWS
For the year ended 30th June 2017

	Note	2016/17 KShs.	2015/16 KShs.
<u>Cash flow from operating activities</u>			
Surplus/(Deficit) for the year		92,659,778	34,675,294
<u>Adjustments for non-cash and non-operating activities</u>			
Interest Received	9	(21,326,834)	(10,544,242)
Depreciation	13	103,112,872	99,245,572
(Increase)/Decrease in Biological assets	25	(2,701,300)	(2,485,500)
Provisions - Audit Fees	28	952,000	950,000
Profit on sale of Fixed Assets		(1,456,415)	(6,307,087)
Operating Profit before working capital changes		171,240,101	115,534,037
<u>Changes in Working Capital</u>			
(Increase) / Decrease in Receivables	21	(25,587,847)	(54,931,686)
(Increase) /Decrease in Inventory	22	(11,543,082)	6,981,424
Increase /(Decrease) in Payables	26	(288,722,046)	205,408,496
Net changes in working capital		(325,852,975)	157,458,234
Cash Generated from Operations		(154,612,875)	272,992,271
<u>Cash flow from Investing Activities</u>			
Interest Received	9	21,326,834	10,544,242
Proceeds from disposal		2,265,000	12,000,000
Acquisition of Fixed Assets	23	(160,530,281)	(82,202,387)
		(136,938,447)	(59,658,145)
<u>Cash flow from Financing Activities</u>			
Development grants from GOK	4	180,000,000	100,984,527
Caution Money Refund-Aggregate	27	5,096,600	5,460,600
		185,096,600	106,445,127
Increase/(Decrease) in Cash & Cash Equivalents		(106,454,722)	319,779,253
Cash & Cash Equivalent at 1st July 2016		452,320,218	132,540,965
Cash & Cash Equivalent at 30th June 2017	20(i)	345,865,496	452,320,218
<u>Represented by:</u>			
Bank balances	20(ii)	94,606,570	242,247,280
Cash balances		135,852	457,580
Cash and cash balances		94,742,422	242,704,860
Short Term Deposits		251,123,010	209,615,358
		345,865,432	452,320,218



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the Year Ended 30th June, 2017

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference
	2016-2017	Kshs	2016-2017	Kshs	2016-2017	Kshs	2016-2017	Kshs	
Revenue									
Government Capitation Grants	1,461,209,351		(54,000,000)		1,407,209,350		1,407,209,350		-
Research Grants	90,000,000		-		90,000,000		50,577,003		(39,422,997)
Tuition Fees	1,103,820,920		-		1,103,820,920		1,187,220,313		83,399,393
Other income	307,207,548		-		307,207,548		213,915,886		(93,291,662)
Total income	2,962,237,819		(54,000,000)		2,908,237,818		2,858,922,552		(49,315,266)
Expenses									
Employee Costs	2,206,157,004		-		2,206,157,004		1,978,245,450		227,911,554
Council Expenses	25,000,000		-		25,000,000		23,604,711		1,395,289
Audit Expenses	930,000		-		930,000		952,000		(22,000)
Depreciation	103,112,872		-		103,112,872		103,112,872		-
Operations Expenses	487,516,367		-		487,516,367		426,979,827		60,536,540
University Enterprises Expenses	106,688,550		-		106,688,550		76,071,611		30,616,940
Repairs and maintenance	37,550,000		-		37,550,000		39,186,020		(1,636,020)
General expenses	86,240,000		-		86,240,000		107,381,675		(21,141,675)
	3,053,194,793		-		3,053,194,793		2,755,534,165		297,660,628
Surplus for the period	(90,956,974)		(54,000,000)		(144,956,975)		103,388,387		248,345,362

Explanations on Variances

1. Government capitation was reduced for the year by Kshs. 54,000,000 hence the adjustment to the budget.
2. There has been a decline in the research grants received by the University from donor agencies.
3. A number of the University's income generating units did not perform well during the year hence the negative variance in other incomes.
4. The University runs a deficit budget and as a result we have been pursuing cost containment and therefore expenditure is bound to be lower than the budget.



Budget Information

The Rationalised Budget for the year was approved by the University Council in August 2016. The only adjustment to the budget was the reduction in government capitation grants by Kshs.54,000,000.

NOTES TO THE FINANCIAL STATEMENTS

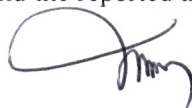
Note 1. Statement of compliance and basis of preparation - IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest shilling. Cash balances held in foreign currency have been reported using the closing rate. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

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

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



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

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

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

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

Note 3. Summary of significant accounting policies

a) Revenue recognition

Revenue from non-exchange transactions - IPSAS 23

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

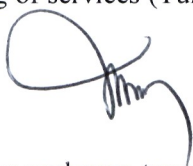
probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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

Revenue from exchange transactions - IPSAS 9

Rendering of services- Tuition Fees

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



Other Revenues from Exchange Transactions

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

b) Budgetary information (IPSAS 24)

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

c) Investment property - IPSAS 16

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

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

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

d) Property, plant and equipment - IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

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



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

e) Leases - IPSAS 13

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

f) Intangible assets - IPSAS 31

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

g) Biological Assets - IPSAS 27

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

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

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

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

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

g) Financial instruments - IPSAS 29



Financial assets

Initial recognition and measurement

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

Receivables

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

h) Inventories - IPSAS 12

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



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

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

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

i) Provisions - IPSAS 19

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

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

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

j) Changes in accounting policies and estimates - IPSAS 3

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

k) Employee benefits - IPSAS 25

Retirement benefit plans

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

l) Foreign currency transactions - IPSAS 4

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

m) Borrowing costs - IPSAS 5

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

n) Related parties - IPSAS 20

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

o) Cash and cash equivalents

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

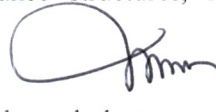
p) Comparative figures

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

q) Financial Risk Management

Objectives and Policies

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



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

r) Subsequent events - IPSAS 14

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

Note 4. Transfers from Government

	2016/17	2015/16
	KShs.	KShs.
Unconditional grants		
Operational grant- Capitation	1,407,209,350	1,440,176,644
Conditional grants		
Development grant	180,000,000	100,984,527
Total government grants and subsidies	1,587,209,350	1,541,161,171
Government grants and subsidies - Capital	180,000,000	100,984,527
Government grants and subsidies - Operating	1,407,209,350	1,440,176,644
Total government grants and subsidies	1,587,209,350	1,541,161,171

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



Note 5. Research Grants

	2016/17	2015/16
	KShs.	KShs.
Research grants	50,577,003	81,093,516

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

Note 6. Insurance Compensation

	2016/17	2015/16
	KShs.	KShs.
Insurance Compensation	-	28,815,333

Note 7. Tuition Fees

	2016/17 KShs.	2015/16 KShs.
Tuition Fees Incomes		
KUCCPS Tuition Fees	434,573,427	338,301,247
Direct Entry - Tuition Fee	401,394,100	365,868,302
Postgraduate Fees	25,824,966	21,688,486
Prior Periods Tuition Fees Income	-	330,111,302
	861,792,493	1,055,969,337
BBA/BA -Eve - Tuition Fee	95,539,363	94,907,392
M.Ed - Tuition Fee	18,001,574	-
Master of Arts Tuition Fees	3,427,100	5,437,850
Certificate Courses City Campus	10,342,300	13,707,320
PGDE - Tuition Fees	2,820,630	1,098,970
MPH- Tuition Fees	2,567,050	1,747,150
MSc - Tuition Fees	8,709,500	8,380,113
MBA - Tuition Fees	5,880,920	5,469,550
B.ED Fees City Campus	9,987,300	11,498,350
Bsc. City campus	36,806,532	31,339,840
Urban Planning	23,560,321	21,549,602
Diploma Fees City campus	4,636,115	7,682,490
MITC Receipts	-	1,836,865
Application fees City Campus	2,126,500	2,153,047
Sub-totals: Tuition fees	254,798,355	227,562,947
E-learning	18,434,530	25,582,845
Homabay Tuition Fees	49,428,635	49,407,879
Collaborations (IAT, RIBM, KISE)	2,766,300	5,668,000
	70,629,465	80,658,724
Total Revenue from Tuition Fees	1,187,220,313	1,364,191,008

Maseno University

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Note 8. Revenue from University Enterprises

	2016/17	2015/16
	KShs.	KShs.
Bookshop sales	5,484,294	4,833,892
Farm Sales	12,207,952	1,951,886
Kisumu Hotel Restaurant sales	54,159,740	49,632,490
Kisumu hotel bar sales	10,095,355	15,452,046
Hotel and Stationery sales	1,322,200	-
Kisumu Hotel equipment Hire	804,354	796,493
Kisumu Hotel Laundry Charges	60,414	149,178
Kisumu Hotel- Hall Hire	2,702,223	9,645,700
Kisumu Hotel swimming pool charges	874,063	1,562,635
Kisumu hotel Tel, fax, internet & Airtime Sales	174,702	1,108,319
Kisumu Hotel - Room Income	26,914,596	67,331,000
Varsity Plaza Restaurant	2,405,660	3,232,831
City Campus cafeteria	988,044	5,003,880
Catering Food Sales	10,441,607	12,422,013
I.G.A. - Tent Food Sales	2,858,715	2,285,489
Varsity Plaza rental	9,880,974	11,342,550
Total of University Enterprises Income	141,374,893	186,750,402



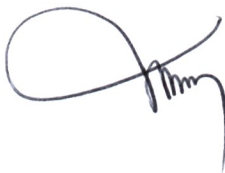
Note 9. Interest Income

	2016/17	2015/16
	KShs.	KShs.
Interest Income (On Short Term Deposits)	21,326,834	10,544,242

The University earned **Kshs. 21,326,834** from two Term deposits held with KCB. Further disclosures on this can be found in **Note 20**.

Note 10. Other Incomes

	2016/17	2015/16
	KShs.	KShs.
Accommodation Fees	26,610,500	36,920,700
Student fines and damages	87,500	25,118,100
Convocation Fees	8,888,866	10,223,800
Direct Entry Form Sales	807,000	952,500
House Rent Income	3,867,500	4,252,200
Imprest Recovery	289,551	852,454
Imprest Under Exp.	884,867	3,354,417
Staff Surcharge/Fines	490,390	26,249
Tender Document Sales	-	3,000
Library Fines & Books Disposal	88,480	186,405
Misc Income	100,344	-
Water Sales	206,500	207,500
Misc.Income-Health	91,753	48,440
Shuttle Income	36,790	148,300
Sale of Postgrad. Forms	235,000	154,500
Photocopying - Library	-	19,434
Other Incomes	1,250,820	1,720,812
Insurance Rebates	1,370,643	1,715,507
T.P. Lesson Plan	645,890	-
Library Binding Services	563,580	371,530
Cyber Cafe Income	120,460	-
Disposal Catalogue	-	2,708,500
Ethical Review Charges	1,876,425	971,190
Gain on Biological Assets	2,701,300	2,485,500
Total revenue from Other incomes	51,214,159	92,441,038
Total revenue from exchange Transactions	1,401,136,199	1,653,926,690



Note 11. Gain on Sale of Assets


	2016/17	2015/16
	KShs.	KShs.
Motor vehicle disposal	1,456,415	-
Administration Building - Deemed disposal	-	6,307,087
	1,456,415	6,307,087

Note 12. Employee costs

	2016/17	2015/16
	KShs.	KShs.
Basic Emoluments	858,604,443	830,824,841
House Allowance	457,792,963	448,728,032
Car Allowance + non use of official car	26,107,688	19,711,187
Entertainment allowance	19,514,132	18,033,936
Responsibility Allowance	25,423,218	18,762,393
Telephone Allowance	7,991,235	7,799,904
Water & Electricity Allowance	5,424,667	5,198,929
Acting allowance	766,142	-
Special Duty Allowance	182,855	-
Co-ordination Allowance	609,377	-
Tax Refund	9,898	-
Over recovery refund	267,450	-
Pension Deduction refund	2,797	-
Imprest recovery refunds	504,472	-
Utility Allowance	507,000	-
Non-practicing allowance	17,176,420	13,505,345
Book Allowance	5,140,000	4,697,596
Leave Allowance	6,776,483	7,588,150
Commuting allowance	162,116,283	164,873,978
Risk Allowance	6,540,868	6,072,067
Passage and Baggage allowance	212,842	825,479
Gratuity & Retirement Benefits	219,133,261	189,405,102
Part-time Teaching Payments	77,916,195	214,728,533
Examination coordination	1,042,000	484,000
Thesis Examination	3,698,100	5,566,000
Domestic workers	3,756,954	2,955,000
Casual Wages	22,962,591	91,875
Other Allowances- Extraneous allowance	34,016,320	30,977,131
eLearning Module Devt	-	4,721,500
Call Allowance	10,735,096	8,206,008
MUERC Allowances	206,000	422,500
Project Examination	-	328,000
Project Supervision	809,200	1,014,000
eCampus Facilitation	283,500	4,956,500
Management Support Allowance	2,015,000	400,000
Total Employee Costs	1,978,245,450	2,010,877,986
Audit Fees Expenses	952,000	950,000

Note 13. Depreciation and amortization expense

	2016/17	2015/16
	KShs.	KShs.
Buildings	51,744,627	51,527,026
Motor Vehicles	5,711,295	1,807,362
Plant and Equipment	35,357,038	35,828,980
Furniture and Fittings	5,804,494	5,586,719
Management Information System - Amortization	4,495,417	4,495,417
Total depreciation and amortization	103,112,872	99,245,504



Note 14. Operations expenses

	2016/17	2015/16
	KShs.	KShs.
Stationery & Stores	25,013,988	25,731,247
Travelling & Accommodation	22,226,586	12,815,086
Teaching materials	2,401,637	5,155,112
Computer Materials	181,927	6,367,745
Committee Expenses	331,064	230,000
Office Entertainment	1,108,983	955,000
Field Trips/Industrial Attach.	12,669,217	16,373,602
Supply of Electricity	20,952,839	33,367,337
Students Welfare & Games	65,900	3,202,150
Students Activity	11,153,460	18,731,550
Purchase of Cleaning Materials	5,708,244	2,739,191
Telephone Expenses	2,883,843	3,413,054
Legal Expenses & Fees	7,805,424	2,945,784
Advertising & Publicity	13,140,433	24,496,226
Contingency Fund	674,631	2,241,500
Senate Expenses	194,470	66,000
Postal & Telegram Expenses	58,720	172,290
Transport Operating- Fuel & Generator fuel	17,137,626	18,879,288
Transp. Oper. Exp-Tyres	3,558,223	3,732,483
External Travel	446,778	667,424
Rent & Rates	2,999,416	5,461,008
Insurance Related Expenses	9,537,907	14,164,602
Water Bill Charges	8,834,943	9,561,809
Laboratory Reagents	1,083,551	6,889,512
Fuel for Boilers & Generators	2,795,780	-
Cooking Fuel/Gas	4,247,089	4,832,304
Bank Charges	1,236,000	1,393,001
Security services	-	3,469,516
Hired Security Services	46,787,308	47,500,613
Sanitary Expenses	2,053,648	3,502,810
Examination Material	13,405,808	10,876,343
Teaching Practice Expenses	9,547,028	3,433,440
Purch. of Library Books	9,100,177	831,699
Purch. of Periodicals	125,030	736,020
Library Management System license renewal	-	1,020,000
Post Graduate Expenses	4,971,458	3,574,200
University Level Research	940,100	
Research Programme	76,461,019	69,537,489
Admission Related Expenses	1,601,415	923,025
Bindery Material	1,011,341	37,400
External Examiners	2,877,830	7,057,422

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Uniforms & Clothing	-	452,000
Licences & Fees	-	1,170,810
IGA - Purch of Food	42,503,094	48,179,778
Review of curriculum	970,000	-
Course Development Expenses	2,744,949	66,150
Offshore Moodle Hosting	678,495	-
Renewal of Driving Licence	14,830	12,450
e- Campus Expenses	2,081,040	4,439,292
Internet Services	25,467,244	24,849,031
Tender committee expenses	20,500	1,130,000
Calibration Of equipment	1,984,684	127,052
Broadcasting Frequency - License	30,000	60,000
Community Health Attachment	1,886,750	2,578,000
RIBM Expenses	-	168,100
KISE Expenses	497,000	749,200
IAT Expenses	770,400	2,093,620
	426,979,827	463,159,765

Note 15. University Enterprises Expenses

	2016/17	2015/16
	KShs.	KShs.
Animal Feeds	5,729,500	6,701,242
Livestock Drugs	44,600	606,535
Crop Inputs and Land preparation	62,000	-
Purch. of Chicken	85,000	2,362,000
Farm Maintenance	-	3,778,842
Vertinery Services	30,000	-
Casual Wages - Farm	3,552,564	1,033,175
Kisumu Hotel Purch. of Food	20,948,359	36,962,788
Ksm Hotel Bar Purchases	3,531,039	5,494,097
Kisumu Hotel Accommodation Transfers	-	6,241,730
Purchase of Cutlery	25,000	9,890
Catering Levy - Kisumu Hotel	1,942,153	2,229,487
Kisumu Hotel - Expenses	33,786,333	30,339,289
Bookshop purchases	6,306,063	1,969,507
Bookshop Marketing	29,000	46,583
Varsity Restaurant Expenses	-	3,151,698
	76,071,611	100,926,863

Note 16. Repairs and maintenance

	2016/17	2015/16
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	KShs.	KShs.
Maint. of Office Equipment	2,957,861	1,494,834
Maint-Water Supply/Sewerage	129,980	1,708,315
Maint-Office Buildings	9,468,368	11,857,250
Maintenance of Grounds	2,509,151	-
Repair & Maintenance of boilers	41,749	-
Repair & Maintenance of Generator	362,580	-
Minor Works & Construction	4,877,680	10,577,121
Maint. of Hostels	7,121,832	1,422,184
Main. Of Plant & Equip.	5,010,346	270,887
Transport Oper. Exp. Repairs	-	5,449,213
Lecture Halls Maintenance	3,947,613	500,000
Lift Maintenance	2,758,860	2,789,306
Total repairs and maintenance	39,186,020	36,069,109

Note 17. General expenses

The following are included in general expenses:

	2016/17 KShs.	2015/16 KShs.
Purchase of Drugs	20,618,900	21,794,152
Payment of Medical Bills.	35,357,512	36,321,612
Dental Optical Services	3,921,742	9,986,545
Staff Developments	3,550,828	2,116,139
Recruitment Expenses	-	37,188
Seminars & Conferences	1,046,934	2,451,167
Shows & Exhibitions	3,808,378	2,628,305
Publishing & Printing	-	964,166
Staff Welfare - Misc	1,188,202	913,451
Student Work Study Programme	562,275	1,095,822
Environmental Awareness	-	10,000
Graduation Expenses	9,520,400	14,828,659
Animal House	10,000	-
Kenya Music Festival	1,668,100	964,800
PGDE- Teaching Expenses	553,600	1,133,440
Planning Studio	362,900	602,300
KUCCPS Expenses	11,643,000	-
Development of new programmes	-	153,300
Subscriptions & Journal	1,519,750	1,975,438
Varsity Plaza - Expense	-	44,488
Disposal Expenses	-	400,000

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ICT Development	5,074,752	6,046,694
ISO Certification	1,793,407	64,750
Strategic Plan Certification	1,422,475	-
Professional Membership Fees	144,210	161,600
Network Access & Expansion	949,628	1,299,600
Cuisine Day	239,682	400,000
Performance Contract Expenses	-	1,331,000
Monitoring & Evaluation	75,000	179,000
Tom Mboya Setup Costs	-	1,653,164
Software Development & Licence	2,350,000	-
Total general expenses	107,381,675	108,935,893

Note 18. Council Expenses



	2016/17	2015/16
	KShs.	KShs.
Council Expenses	21,097,377	21,910,694
Council Chairman Honoraria	2,507,334	1,044,000
	23,604,711	22,954,694

Note 19. Impairment Loss

	2016/17	2015/16
	KShs.	KShs.
Allowance for Impairment loss on receivables	12,185,024	332,524,229

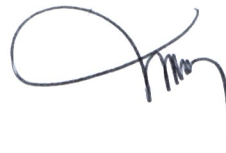
Further disclosures on this item are in **Note 21**.

Note 20. Cash and cash equivalents

	2016/17	2015/16
	KShs.	KShs.
Bank Balances and Guarantee	94,606,570	242,247,280
Cash	135,852	457,580
Short term Deposits at KCB	251,123,010	209,615,358
Total cash and cash equivalents	345,865,432	452,320,219

Note 20. (i) Summary of Bank Balances and Bank Guarantee (Additional Details in Note 30)

	2016/17	2015/16
	KShs.	KShs.
Cash held in;		
Equity Bank Kenya	9,076,957	15,336,805
Standard Chartered Bank	24,165,400	18,130,282
Kenya Commercial Bank	58,364,213	205,780,193
Bank Guarantee with KCB	3,000,000	3,000,000
Total Cash in Bank	94,606,570	242,247,280



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

Note 21. Receivables

(i) From exchange transactions

	2016/17	2015/16
	KShs.	KShs.
Current Trade receivables		
Kisumu Hotel Debtors	38,063,114	38,295,292
Varsity Plaza Rent Debtors	8,810,831	8,595,825
Bookshop Debtors	803,936	1,367,421
	47,677,881	48,258,538
Less: Impairment Allowance (5%)	(2,383,894)	(2,412,927)
	45,293,987	45,845,611
Student Debtors	196,022,603	499,598,464
Less: Impairment Allowance	(9,801,130)	(330,111,302)
Student Debtors	186,221,473	169,487,162
Total trade receivables	231,515,460	215,332,773

Impairment assessment has been done on trade debtors and an allowance of 5% of total receivables outstanding provided in report for FY 2016/2017. The adjustment of Kshs. 330,111,302 made in FY 2015/2016 was necessary to correct the errors on billings to students who never reported or left studies but billings continued.

	2016/17	2015/16
	KShs.	KShs.
Current Non-Trade receivables		
Sundry Debtors	5,484,657	6,374,897
Prepaid Rent - Homabay	299,552	2,396,416
Prepaid insurance	6,403,656	6,113,774
Imprest Outstanding	7,360,518	12,373,330
Advances to MURBS	2,159,224	127,477
Advances to Tom Mboya University	20,772,325	5,688,878
Total non-trade receivables	42,479,932	33,074,772
Total Receivables from Exchange Transactions	273,995,392	248,407,545

Reconciliation of allowance for impairment of receivables

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	Current Receivable		Non-Current Receivable	Total
	Trade Receivables	Student Receivables		
	KShs.	KShs.		
At 1 July 2015	-	-	-	-
Charge for the Year	2,412,927	330,111,302	-	332,524,229
Utilized	-	-	-	-
Unused amounts reversed	-	-	-	-
At 30 June 2016	2,412,927	330,111,302	-	332,524,229
Charge for the Year	2,383,894	9,801,130	-	12,185,024
Utilized	-	-	-	-
Unused amounts reversed	-	-	-	-
At 30 June 2017	4,796,821	339,912,433	-	344,709,254

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(ii) From non-exchange contracts

	2016/17	2015/16
Current receivables	KShs.	KShs.
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	51,799,015
	51,799,015	51,799,015
Other Assets		
Deposit with High Court from Court Judgement	11,643,986	11,643,986
	63,443,001	63,443,001
Total Receivables	337,438,393	311,850,546

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

Note 22. Inventories

	2016/17	2015/16
	KShs.	KShs.
Farm Stocks	625,780	524,635
Bookshop Stores	8,500,894	221,694
Stationery Stocks	6,385,599	3,755,440
Catering Stores	2,282,086	1,399,395
Medical Stores	3,656,276	3,967,129
Maintenance Stores	16,628,368	17,238,890
Hostel Stores	1,118,604	2,732,463
Kisumu Hotel Store	12,210,200	9,542,522
Games Store	1,640,650	1,640,650
Varsity Plaza Store	1,449,906	1,932,464
TOTAL	54,498,364	42,955,282



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Note 23. Property, Plant and Equipment

	LAND KSHS	BUILDINGS KSHS	MOTOR VEHICLE KSHS	PLANT & EQUIPMENT KSHS	FURNITURE & FITTINGS KSHS	W.I.P KSHS	TOTAL KSHS
COST/VALUATION							
As at 30.06.2015	215,922,317	1,711,044,550	94,289,199	598,866,646	72,797,301	712,930,093	3,405,850,106
Additions	-	-	10,040,900	16,251,692	9,596,823	46,312,972	82,202,387
Transfers/adjustments	-	360,387,241	-	-	-	(382,864,326)	(22,477,085)
Disposals	-	(10,350,750)	-	-	-	-	(10,350,750)
As at 30.06.2016	215,922,317	2,061,081,041	104,330,099	615,118,338	82,394,124	376,378,739	3,455,224,658
Additions	-	-	21,688,518	20,371,651	4,825,344	113,644,768	160,530,281
Transfers/adjustments	-	8,704,049	-	-	-	(8,704,049)	-
Disposals	-	-	(8,085,853)	-	-	-	(8,085,853)
As at 30.6.2017	215,922,317	2,069,785,090	117,932,764	635,489,989	87,219,468	481,319,458	3,607,669,086
DEPRECIATION							
As at 30.06.2015	-	517,235,661	84,860,279	464,963,997	53,613,714	-	1,120,673,651
Disposals	-	(4,657,837)	-	-	-	-	(4,657,837)
Charge for the year	-	51,527,026	1,807,362	35,828,980	5,586,719	-	94,750,087
As at 30.06.2016	-	564,104,850	86,667,641	500,792,977	59,200,433	-	1,210,765,901
Disposals	-	-	(7,277,268)	-	-	-	(7,277,268)
Charge for the year	-	51,744,627	5,711,295	35,357,038	5,804,494	-	98,617,455
As at 30.6.2017	-	615,849,477	85,101,668	536,150,015	65,004,927	-	1,302,106,088
NET BOOK VALUE							
As at 30.6.2016	215,922,317	1,496,976,191	17,662,459	114,325,361	23,193,691	376,378,739	2,244,458,758
As at 30.6.2017	215,922,317	1,453,935,613	32,831,096	99,339,975	22,214,541	481,319,458	2,305,562,999

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Note 23. (i) Analysis of WIP

	As at 01/07/16	Additions	Transfers	As at 30/06/17
	Kshs.	Kshs.	Kshs.	Kshs.
Admin Block	-	34,955,700	-	34,955,700
Microbiology Lab (Phase II)	-	23,674,747	-	23,674,747
Sewerage Project	39,919,253	-	-	39,919,253
Access Roads Maintenance	12,381,068	-	-	12,381,068
Library Project	288,584,794	44,068,941	-	332,653,735
Microbiology Lab	29,475,217	-	-	29,475,217
Master Plan	1,577,600	2,366,400	-	3,944,000
Ablution Blocks	4,440,805	4,263,244	(8,704,049)	-
Installation of Lifts (Admin & Library)	-	4,315,736	-	4,315,736
	376,378,737	113,644,768	(8,704,049)	481,319,456



Note 24. Intangible Assets - Management Information System

	KSHS.
COST/VALUATION	
As at 30.06.2015	-
Additions	
Transfers/adjustments	22,477,085
Disposals	-
As at 30.06.2016	22,477,085
Additions	-
Transfers/adjustments	-
Disposals	-
As at 30.6.2017	22,477,085
DEPRECIATION	
As at 30.06.2015	-
Disposals	-
Charge for the year	4,495,417
As at 30.06.2016	4,495,417
Disposals	-
Charge for the year	4,495,418
As at 30.06.2017	8,990,835
NET BOOK VALUE	
As at 30.6.2016	17,981,668
As at 30.6.2017	13,486,250



Note 25. Biological assets

	2016/17	2015/16
Reconciliation of Biological Assets	KShs.	KShs.
Carrying amount at 1 July	8,006,500	5,521,000
Gain/(Loss) on biological assets	2,701,300	2,485,500
Carrying amount at 30 June	10,707,800	8,006,500

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 gain on biological asset of Kshs.2,701,300 arose from increases in fair values as a result of physical changes.



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Note 26. Trade and other payables from exchange transactions

	2016/17	2015/16
	KShs.	KShs.
PAYE	37,470,542	32,894,432
NHIF	-	1,730,600
NSSF	167,800	241,500
Pension & Gratuity	-	17,004,763
Benevolent Fund	3,878,100	2,659,800
HELB Loan Repayments	230,073	283,707
Union Dues	1,117,097	1,103,312
Other Loans	334,969	33,128,631
Maseno Univ. Sacco	2,613,224	3,281,624
Other SACCOS	1,486,130	2,052,989
Part-time Teaching Claims	31,998,787	74,018,582
Pension Plots	-	135,781
Bookshop Recoveries	175,585	117,065
Hotel Recoveries	-	49,412
Returned Salary	-	138,927
Insurances	457,663	288,761
SOMU Activities -Bank balances	665,293	475,301
University Fees Prepaid	-	151,833,442
Withholding Tax	6,613,562	247,546
Retention on Construction contracts	22,471,513	10,183,337
Chancellor's Scholarship Fund	2,170,000	-
Trade Payables	65,204,392	140,795,264
Siaya County Advances	5,000,000	5,000,000
Placement Fees	6,888,000	-
Total trade and other payables	188,942,730	477,664,776

Note 27. Refundable Deposits (Caution Money)

	2016/17	2015/16
	KShs.	KShs.
Caution Money	21,504,800	16,408,200
Less: Total current portion of caution money	(10,824,400)	(7,400,000)
Total non-current portion of caution money	10,680,400	9,008,200

Note 28. Current provisions - Audit Fees

	2016/17	2015/16
	KShs.	KShs.
Balance at the beginning of the year	1,902,000	952,000
Additional provisions raised	952,000	950,000
Balance as at 30 June 2015	2,854,000	1,902,000

Note 29. Contingent Liabilities

The University has six cases in court with a value of **Kshs. 20,649,462**. The outcomes of these cases are not known and the amount of the obligation cannot be measured with sufficient reliability.



Note 30. 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.

	2016/17	2015/16
	KShs.	KShs.
Total grants received from government	1,587,209,350	1,541,161,171

c) Due from related parties



	2016/17	2015/16
	KShs.	KShs.
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	51,799,015
Maseno University Retirement Benefit Scheme	2,159,224	127,477
Tom Mboya University College	20,772,325	5,688,878
	<u>74,730,564</u>	<u>57,615,370</u>

Note 31. Detailed Cash and Bank Balances

	2016/17 KShs.	2015/16 KShs.
1 Main Campus Fee Collection Account (1120297065141) Equity Bank Ltd.	9,076,957	15,336,805
	9,076,957	15,336,805
2 Main Current Account 1103898094	36,765,965	97,784,278
3 Capital Development Account 1108378056	371,645	53,252,272
4 SGS / IRPS Account 1107735971	9,407,281	13,550,938
5 Kisumu Hotel Account 1101560894	1,418,962	6,425,690
6 City Campus Fee Collection 11041561076	1,770,919	7,216,788
7 IGA Account 1108378226	759,149	6,114,032
8 Bookshop Account 1101560703	351,042	905,236
9 KLIP Savings Account 11600049351 (RES. KSH)	4,565,691	2,107,113
10 KCB Flood Disaster Mgt 1176816284 (RES. KSH)	959,114	8,260,725
11 KCB Flood Disaster Mgt 1176816365 (RES. EURO)	1,329,152	9,687,820
12 Student Activity KCB S/A (1102264946)	1,546	170,060
13 Student Welfare KCB S/A (1102265055)	594,391	207,896
14 Student Activity KCB Current (1108266207) Kenya Commercial Bank Ltd.	69,356	97,345
	58,364,213	205,780,193
15 Standard Chartered 8752524018401 (RES. USD)	4,264,762	2,685,810
16 Standard Chartered 9352524018401 (RES. EURO)	5,257,006	3,587,244
17 Standard Chartered 0102024018401 (RES. KSH)	3,715,552	974,569
18 Standard Chartered 8752524018400 (BSU USD)	9,446,998	4,959,723
19 Standard Chartered 0102024018400 (BSU KSH) Standard Chartered Bank Ltd.	1,481,082	5,922,936
	24,165,400	18,130,282
Bank Guarantee	3,000,000	3,000,000
Total Cash in Bank	94,606,570	242,247,280

Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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

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

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual 2016/17	Sources of funds
1	Completion of new Library	188,956,302	83,836,474	86%	70,000,000	44,068,941	GoK
2	Microbiology Laboratory (Phase II)	32,733,485	17,668,366	98%	30,000,000	23,674,747	GoK
3	Reconstruction of Administration Block	89,900,245	27,580,836	37%	60,000,000	34,955,701	A-I-A
4	Ablution Blocks	8,704,061	8,704,061	100%	12,000,000	8,526,488	A-I-A
5	Installation of Lifts (Admin block and Library)	9,300,000	4,315,736	50%	9,300,000	4,315,736	
						115,541,613	

Appendix 2: INTER-ENTITY TRANSFERS

ENTITY NAME:		Maseno University		
Break down of Transfers from the State Department for University Education				
FY 16/17				
a. Recurrent Grants				
		Bank Statement Date	Amount (KShs)	FY to which the amounts relate
	Inward Swift State Dept Uni	10-Aug-16	117,267,445.80	2016/17
	Inward Swift State Dept Uni	27-Aug-16	117,267,445.80	2016/17
	Inward Swift State Dept Uni	30-Sep-16	117,267,445.00	2016/17
	Inward Swift State Dept Uni	09-Nov-16	117,267,445.00	2016/17
	Inward Swift State Dept Uni	14-Dec-16	117,267,445.00	2016/17
	Inward Swift State Dept Uni	30-Dec-16	117,267,445.00	2016/17
	Inward Swift State Dept Uni	09-Feb-17	117,267,445.00	2016/17
	Inward Swift State Dept Uni	15-Mar-17	117,267,445.00	2016/17
	Inward Swift State Dept Uni	07-Apr-17	117,267,445.00	2016/17
	Inward Swift State Dept Uni	02-May-17	117,267,445.00	2016/17
	Inward Swift State Dept Uni	02-Jun-17	117,267,445.00	2016/17
	Inward Swift State Dept Uni	27-Jun-17	117,267,452.00	2016/17
	Inward Swift State Dept Uni (For: NRF)	30-Jun-17	1,000,000.00	2016/17
		Total	1,408,209,348.60	
b. Development Grants				
		Bank Statement Date	Amount (KShs)	FY to which the amounts relate
	Inward Swift State Dept Uni	06-Jan-17	21,248,824.60	2016/17
	Inward Swift State Dept Uni	24-Jan-17	111,822,190.00	2016/17
	Inward Swift State Dept Uni	23-Mar-17	6,928,985.00	2016/17
	Inward Swift State Dept Uni	10-May-17	20,000,000.00	2016/17
	Inward Swift State Dept Uni	10-May-17	20,000,000.00	2016/17
		Total	179,999,999.60	
c. Direct Payments				
		Bank Statement Date	Amount (KShs)	FY to which the amounts relate
			NIL	
		Total	NIL	
d. Donor Receipts				
		Bank Statement Date	Amount (KShs)	FY to which the amounts relate
			NIL	
		Total	NIL	

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

Finance Officer
Maseno University

Head of Accounting Unit
State Department for University Education

Sign: _____

Sign: _____

Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent / Development / Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
State Department for University Education	06-Jan-17	Development	21,248,825	-	21,248,825	-	-	-	21,248,825
State Department for University Education	24-Jan-17	Development	111,822,190	-	111,822,190	-	-	-	111,822,190
State Department for University Education	23-Mar-17	Development	6,928,985	-	6,928,985	-	-	-	6,928,985
State Department for University Education	10-May-17	Development	20,000,000	-	20,000,000	-	-	-	20,000,000
State Department for University Education	10-May-17	Development	20,000,000	-	20,000,000	-	-	-	20,000,000
State Department for University Education	10-Aug-16	Recurrent	117,267,446	117,267,446	-	-	-	-	117,267,446
State Department for University Education	27-Aug-16	Recurrent	117,267,446	117,267,446	-	-	-	-	117,267,446
State Department for University Education	30-Sep-16	Recurrent	117,267,445	117,267,445	-	-	-	-	117,267,445
State Department for University Education	09-Nov-16	Recurrent	117,267,445	117,267,445	-	-	-	-	117,267,445
State Department for University Education	14-Dec-16	Recurrent	117,267,445	117,267,445	-	-	-	-	117,267,445
State Department for University Education	30-Dec-16	Recurrent	117,267,445	117,267,445	-	-	-	-	117,267,445
State Department for University Education	09-Feb-17	Recurrent	117,267,445	117,267,445	-	-	-	-	117,267,445
State Department for University Education	15-Mar-17	Recurrent	117,267,445	117,267,445	-	-	-	-	117,267,445
State Department for University Education	07-Apr-17	Recurrent	117,267,445	117,267,445	-	-	-	-	117,267,445
State Department for University Education	02-May-17	Recurrent	117,267,445	117,267,445	-	-	-	-	117,267,445
State Department for University Education	02-Jun-17	Recurrent	117,267,445	117,267,445	-	-	-	-	117,267,445
State Department for University Education	27-Jun-17	Recurrent	117,267,452	117,267,452	-	-	-	-	117,267,452
National Research Fund ¹	30-Jun-17	Recurrent	1,000,000	1,000,000	-	-	-	-	1,000,000
			1,588,209,348	1,408,209,349	180,000,000	-	-	-	1,588,209,348

Amounts were received through the State Department for University Education