

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

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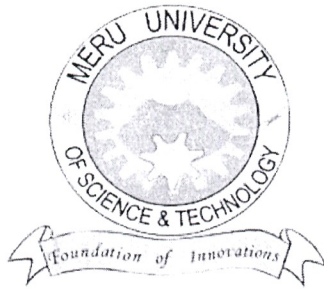


THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
MERU UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

**FOR THE YEAR ENDED
30 JUNE 2016**



MERU UNIVERSITY
OF
SCIENCE AND TECHNOLOGY

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2016

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

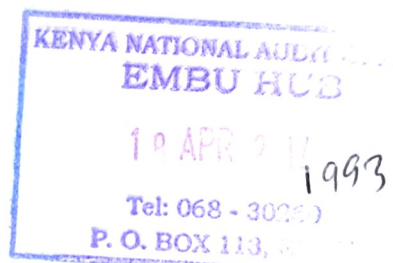


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KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background information

Through the Legal Notice No.103 of July 18, 2008, the then Meru College of Technology was upgraded to a constituent college of Jomo Kenyatta of University of Agriculture and Technology and renamed Meru University College of Science and Technology. On March 1 2013, the University acquired fully fledged university status and became Meru University of Science and Technology. The University is located 16 km from Meru town along Meru-Maua road in Meru County, Tigania West Constituency.

(b) Principal Activities

The principal activities of the University are to:

- a) provide and advance university education and training to appropriately qualified candidates leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing, contribute to labour market needs;
- b) play a leading role in the development and expansion of opportunities for higher education and research in agriculture, forestry, mining, energy, water and environmental sciences on arid and semi-arid lands;
- c) contribute to industrial and technological development through innovations and technology transfer;
- d) contribute to agricultural, industrial and technological development of Kenya in collaboration with industry and other institutions through transfer of appropriate technology;

(c) Key Management

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

- University Senate
- University Management Board

(d) Fiduciary Management

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

No.	Designation	Name
1.	Vice Chancellor	Prof. Japhet K. Magambo
2.	Deputy Vice Chancellor (Administration, Finance and Planning)	Prof Charity W. Gichuki
3.	Deputy Vice Chancellor (Academic, Research and Student Affairs)	Prof Gitonga Mburugu Nkanata
4.	Registrar (Administration and Planning)	Mrs. Erica Ndega Mwololo (1 July 2015-20 June 2016)
5.	Registrar (Academic, Research and Student Affairs)	Prof. Peter Wafula Masinde
6.	Deputy Registrar (Planning)	Dr Elijah Walubuka
7.	Finance Officer	Mr. Nephath Njeru

(e) **Fiduciary Oversight Arrangements**

Audit Committee of the Council activities

The Audit Committee of the Council assists the Council in fulfilling its responsibilities with respect to accounting and management control, and financial reporting.

Specifically, the Audit Committee is responsible for overseeing:

- The internal audit function and the work of external auditor,
- That the system of the management control in the University is robust and effective and protects the assets of the University on a reasonable and economic basis,
- Ensures that financial information is reliable and accurate,
- Monitors compliance with laws and regulations,
- Provides for proper authorization and recording of transactions.

The Committee had five members.

(f) **University Headquarters**

Meru University of Science and Technology
Physical Address: Meru-Maua Road, 16 kilometres from Meru Town
P.O Box 972 – 60200
MERU

(g) **University Contacts**

Telephone: (254) 0704 508 454

E-mail: finance@must.ac.ke; vc@must.ac.ke

Website: www.must.ac.ke

P.O Box 972 – 60200, Meru -Kenya

(h) **University Bankers**

1. National Bank of Kenya – Meru Branch
P.O Box 1774 – 60200, **MERU**
2. Kenya Commercial Bank Ltd- Meru Branch
P.O Box – 178 – 60200, **MERU**
3. Equity Bank –Makutano Branch
P.O. Box 3137 -60200, **MERU**
4. Cooperative Bank- Makutano Branch
P.O. Box 1328-60200, **MERU**

(i) Independent Auditors





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

(j) University Lawyer

Nyaga Nyamu & Co. Advocates
P.O. Box 2418 - 60200, MERU

1. THE UNIVERSITY COUNCIL

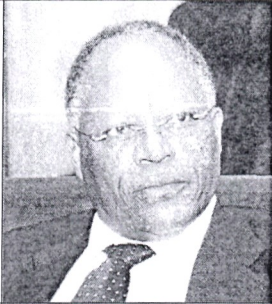




<p>1. PROF. DULACHA GALGALO BARAKO</p> 	<p>Prof Barako did his Ph.D. at the University of Western Australia, Perth, Australia.</p> <p>Prof. Barako joined Central Bank of Kenya in 1996. During his years of services in the Central Bank, he worked in Research, Bank Supervision and Banking Services departments. Currently, he is Assistant Director & Head of Academic Division at the Kenya School of Monetary. He was previously Principal Researcher and Head of Financial Sector Analysis at Research Centre – Kenya School of Monetary Studies. He serves on the Editorial Board of the African Journal of Business Management as Editor.</p> <p>Prof. Barako served as Treasurer to the Council of Moi University (2009-2012), and Chairman of Council of Dedan Kimathi University of Technology (2013-2017).</p>
<p>2. MS FELICITY BIRIRI</p> 	<p>Felicity N Biriri holds a Bachelor of Arts degree in Human Resource Management and a Master’s degree in Conflict Resolution and Peace Management from Kenyatta University. She is a continuing PhD candidate at JKUAT.</p> <p>Ms. Biriri has also undergone professional trainings on Corporate Governance, Enterprise Risk Management, Performance Management, Project and Contract Compliance and the Mwongozo Code of Ethics among others.</p> <p>Ms. Biriri is a Human Resource professional with more than 18 years’ experience in various sectors including banking, advertising and manufacturing. She is the Managing Director of Toppointt (K) Ltd. Ms. Biriri has sat in several Boards such as Geothermal Development Company, Kenya Private Sector Alliance (KEPSA), where she was Governor, Gender, Devolution and Planning sector board and is a trustee of the KEPSA Foundation, COMESA-FEMCOM, Moi University Council, the National Environmental Ombudsman NECC and The Kenya Pipeline Company. She is the current Chairperson of the Kenya Pipeline Company Retirement Benefits Scheme.</p>
<p>3. MS. MARY MUGO</p> 	<p>Ms Mary Mugo holds a Bachelor of Education (Business Studies and Economics) degree from University of Nairobi and a Master of Arts (Counselling Psychology) from Kenyatta University.</p> <p>Ms Mugo is a long-serving education specialist having worked in the Government of Kenya as a Civil Servant for over 20 years and over 5 years in Non-Government Organizations. She has worked in the education sector at different capacities including leadership and management, policy development, education programming, engagement and partnership. She taught at Tala High School from 1991 to 1995, and then moved to the Ministry of Education headquarters as the Peace Education National Coordinator. She has also served in the Office of the President as the Chief Government Counsellor. She later joined Teachers Service Commission and served for two years as the Senior Principal Administration officer. She joined World Vision Kenya in 2012 and served as an Associate Director of Education and Protection till 2016. She is currently the Country Director, Build Africa Kenya Country Office.</p>
<p>4. MS. MARGARET MAKHUNGU-MUKOBA</p> 	<p>Ms Mukoba holds a Master Degree in Business Administration from the United States International University (USIU-A) with a double concentration in Strategic Management and in IT management. She also has a Bachelor of Technology degree in Electrical and Communications Technology from Moi University, and a certificate in Financial Markets from the Securities Institute of Australia. Ms Margaret Mukoba is a certified professional in IT Governance and a certified Information Security Manager.</p> <p>Ms. Mukoba is a business executive and ICT professional with over 25 years of experience in a career spanning ICT services, News & information, Agriculture and Manufacturing industries. She has held senior management roles in a commercial environment in planning and implementing corporate and IT strategy, leading corporate teams in dealing effectively with technology related risks and deriving maximum value from data and technology enabled business processes; identifying, assessing and advising on IT risks and controls, and relating them to the wider business environment.</p>
<p>5. MR. OMAR KASSIM ABIKAR</p> 	<p>Mr. Omar Kassim holds a Master of Business Administration (Strategic Management) from Moi University and Higher Diploma in Water Engineering. He is registered Tech. Engineer with Engineers Registration Board.</p> <p>Currently, he is the Executive Director of Kenya Muslims Charitable Trust, an NGO working in the areas of Development, Health, Education, Humanitarian, Culture and Environmental programs among others. He has previously worked with Ministry of Water Development, National Water Conservation & Pipeline Corporation and Telkom Kenya in various capacities. He has undertaken various Consultancies, Evaluations and Research studies in Project Management.</p>



<p>6. MR. ROBERT KIPKIRUI MUTAI</p> 	<p>Mr. Kipkirui holds a Master in Business Administration degree (JKUAT) and an Electrical & Electronics Engineering degree (JKUAT). He is also an advance management graduate of Strathmore/IEESE Business School.</p> <p>Mr. Kipkirui is a telecommunications Leader with over 15 years' experience in ICT sector. Currently, he serves as head of Technology Strategy, Assurance & Governance at Safaricom.</p>
<p>7. DR. MESHACK OPWORA</p> 	<p>Dr. Meshack Chuma Opwora holds a PhD from the University of Newcastle, Australia. He also holds a Master of Business Administration in Human Resources Management and Development from Kenyatta University and a Bachelor of Education in Educational Administration and Planning from the University of Nairobi.</p> <p>Dr. Opwora is the Deputy Director of Technical Education. He represents the Permanent Secretary, Department of University Education, Science and Technology in the Council.</p>
<p>8. MR. KENNETH ODHIAMBO</p> 	<p>Mr. Kenneth A Odhiambo holds a Bachelor of Arts degree from University of Nairobi. He represented the Principal Secretary (National Treasury) in the Council.</p>
<p>9. PROF. JAPHET K. MAGAMBO</p> 	<p>Prof. Japhet K Magambo holds an M.Sc. (Wales, UK) and a Ph.D (University of New Brunswick, Canada). He has carried out many research works and published extensively.</p> <p>Prof Magambo is the Vice Chancellor and the Chief Executive Officer of the University. He was appointed the first Principal of Meru University College of Science and Technology in the year 2009. He became the first Vice Chancellor after the University was chartered in 2013.</p>

COMMITTEES OF THE COUNCIL

Name of the Committee	Members
Finance Committee	<ol style="list-style-type: none"> 1. Ms. Felicity Biriri 2. Mr. Kenneth Odhiambo 3. Dr. Meshack Opwora 4. Mr. Robert K. Mutai
Audit Committee	<ol style="list-style-type: none"> 1. Mr. Omar Kassim 2. Mr. Kenneth Odhiambo 3. Dr. Meshack Opwora
Human Resource	<ol style="list-style-type: none"> 1. Margaret Makhungu-Mukoba 2. Mr. Kenneth Odhiambo 3. Dr. Meshack Opwora
Academic	<ol style="list-style-type: none"> 1. Ms Mary W Mugo 2. Mr. Kenneth Odhiambo 3. Dr. Meshack Opwora

MANAGEMENT TEAM

<p>1. Prof. Japhet K. Magambo</p>		<p>The Vice Chancellor PROF. JAPHET K. MAGAMBO, M.Sc. (Wales, UK), Ph.D (University of New Brunswick, Canada)</p>
<p>2. Prof. Charity W Gichuki</p>		<p>The Deputy Vice Chancellor (Administration, Finance and Planning) PROF. CHARITY W. GICHUKI, BVM. (UoN), Ph.D. (Glasgow)</p>
<p>3. Prof. Gitonga Mburugu Nkanata</p>		<p>The Deputy Vice Chancellor (Academic, Research and Students Affairs) PROF. GITONGA N. MBURUGU, B.Ed (UoN), Msc. (UoN), Ph.D (University of Dundee, Scotland)</p>
<p>4. Mrs. Erica Ndega Mwololo</p>		<p>Registrar (Administration and Planning) MRS. ERICA MWOLOLO, B.Ed. (UoN), MBA (KU)</p>
<p>5. Prof. Peter Wafula Masinde</p>		<p>Registrar (Academic, Research and Student Affairs) PROF. PETER W. MASINDE, Bsc. (JKUAT), Msc. (UoN), Ph.D (Hannover, Germany)</p>

6. Dr. Elijah Walubuka		Deputy Registrar (Planning) DR. ELIJAH WALUBUKA, (AMIHRM), BA (Daystar), MBA (Egerton), Ph.D. (Kabarak)
7. Mr. Nephath Njeru		Finance Officer MR. NEPHATH NJERU, B. Com (KU), MBA(JKUAT), CPA (K)

II. CHAIRMAN'S STATEMENT

I am delighted to report that the Financial Year 2015/2016 has been another very good year for our University, with exceptional outcomes across all pillars of Learning, Research and Innovation. Credit is owed to our tremendous staff, students and alumni, and friends in government, industry, philanthropists and at all levels of communities. I would like to thank all up-front, because the efforts you put enable MUST to make valuable contributions to society.

During the year 2015/16, 948 students graduated. Talented dons have prepared them for future success.

The Government has called for sharper thinking around innovation and research translation and MUST is one of the best-placed universities to address these purposes. The University motto is 'Foundation of Innovation'. During the year, our students and staff carried out a number of successful projects and innovations. We had the Raspberry Pi Project, Smart Home Automation Kit, electronic gadget for real time monitoring of crop diseases and pests in the field, Sensor Based Automatic Irrigation System, Micro-net System, and LED Project to name but a few. During the year, a number of key buildings were completed. The first one was phase one of a building to be known as Innovation and Incubation Enterprise Centre, where innovations and other talents will be nurtured. We thank our Chancellor for donating this building to our University. Three engineering workshops were also completed during the year. The workshops were equipped by the Government at a cost of Kshs. 250 million, a donation from the African Development Bank.

In a bid to expand the access to university education, the University opened Marimba Centre at Marimba Farm. The Farm belongs to the Ministry of Agriculture. The Centre is about 17 kilometres from Meru Town and next to the Mt. Kenya Forest. The courses being offered at the Centre are certificates and diplomas in agriculture.

During the year, the representative of the Principal Secretary, State Department of University Education in the Ministry of Education, Dr. Wallace Nyakundi retired and was replaced by Dr. Meshack Opwora. I would like to express my gratitude to Dr. Nyakundi for his leadership, guidance and contributions to the University and welcome on board Dr. Opwora. We are indeed privileged to have him to be part of MUST continuing transformation and pursuit of excellence.

The journey ahead may be increasingly difficult, but let us not be weary as difficult roads will often lead to beautiful destinations.



PROF. DULACHA GALGALO BARAKO
CHAIRMAN OF COUNCIL

III. REPORT OF THE VICE CHANCELLOR

I have the pleasure to present the annual report for Meru University of Science and Technology (MUST) for the year ended 30 June 2016

Financial Performance

During the year, the University reported gross income of Kshs 903,253,558. Out of this, Kshs. 553,088,071 was capitation grant from the Government while Kshs. 350,165,487 was generated internally as Appropriation in Aid. The University also received Kshs. 100,047,724 from the Government for development expenditure. A further Kshs. 30,000,000 was received for the resettlement of the squatters.

Our focus on keeping a tight cost base and commitment towards increasing the internally generated funds yielded results. Our revenue exceeded the target by about Kshs. 20 million while our expenses were lower than the target by about Kshs. 28 million. Consequently, the University reported a surplus of Kshs. 85,840,331.

Growth

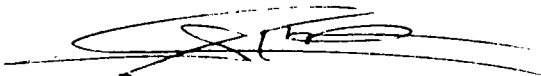
For the last seven years, the University has made great strides in becoming one of the leading institutions of higher learning in Kenya. It has witnessed expansion in demand-driven academic programmes and a rapid increase in student enrolment. Academic programmes are designed with the needs of the Nation in focus. To provide manpower equipped with professional and technological skills for the rapid economic growth of Kenya, three new departments in the School of Engineering and Architecture – Mechanical, Civil, and Electrical - were established during the year. A number of new programmes at the undergraduate and postgraduate levels are in the offing. Plans are underway to establish the department of Architecture, School of Nursing and School of Clinical medicine in the near future.

Outlook

The challenge of lack of funds will persist and will follow us to the next financial year. However, the University will keep a tight cost base and commitment towards increasing the internally generated funds.

Appreciation

On behalf of the management team, I would like to thank the Council for their good counsel; timely guidance and decision making that enabled us succeed in our mission. I also wish to express my appreciation to the entire staff for their dedication and hard work and the Government and all other stakeholders for their support.



PROF. J. K. MAGAMBO
VICE CHANCELLOR

IV. CORPORATE GOVERNANCE STATEMENT

The Council and Management are bound by the highest standards of integrity in carrying out their responsibilities and in the relationship of the University with stakeholders. The Council has overall responsibility for the management of the University. Decisions on operational matters are delegated to senior management and the Council receives presentations from the officers on specific issues.

The Council has four (4) scheduled meetings per annum.

Committees of the Council

The following are the committees of the council:

- i. Finance Committee
- ii. Audit Committee
- iii. Academic Committee
- iv. Human Resources Committee

Committees have four scheduled meetings in a year but meetings may be convened at other times as and when necessary.

V. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The University continues to have a significant involvement in its local community. During the year, the University was involved in promotion of sporting activities among the local community. Local primary and secondary schools, as well as local clubs, teams and youth groups, used the University playground for training and competitions.

The University conducted free trainings to the members of local community in the following areas:

- The School of Agriculture and Food Science taught *Miraa* (khat) farmers good crop husbandry. Other farmers were taught how to use green houses and post harvest technology including value addition.
- The School of Business and Economics organised trainings for motor cycle riders (*boda boda*) on personal financial management as well as safety. The school also conducted trainings among the owners of small business on proper book keeping.

As part of the environmental conservation, the university carried out tree planting exercises within the university compound. The University also conducted cleaning exercises at Nchiru Market and other surrounding shopping centres. The local community was involved in the exercises which served as examples of environmental conservation.

The University management meets regularly with representatives from local communities and associations. Topics encompass regional engagement with University activities and areas of common interest.

VI. REPORT OF THE UNIVERSITY COUNCIL

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

Principal activities

The principal activities of the University continue to be provision and advancement of university education and training to appropriately qualified candidates leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate may from time to time determine and in so doing, contribute to labour market needs.

Results

The financial performance results of the University for the year ended June 30, 2016 are set out on page 18.

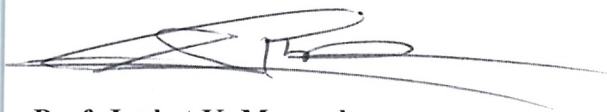
University Council

The members of the University Council who served during the year are shown on pages 7 and 8.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 81 (4) of the Public Finance Management (PFM) Act, 2012.

The Auditor General will carry out the audit of the University for the year ended June 30, 2016.



Prof. Japhet K. Magambo

Council Secretary/Vice Chancellor

Date: 10 April, 2017

VII. STATEMENT OF UNIVERSITY COUNCIL'S RESPONSIBILITIES

Section 81 of the Public Finance Management (PFM) Act, 2012 and section 14 of the State Corporations Act, require the University Council to prepare financial statements in respect of that University, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The University 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 University Council is also responsible for safeguarding the assets of the University.

The University 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, 2016. This responsibility includes:

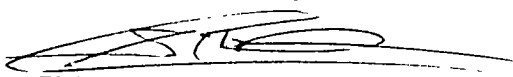
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University;
- (iii) designing, 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.

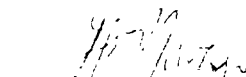
The University Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The University Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2016, and of the University's financial position as at that date. The University Council further confirms the completeness of the accounting records maintained by 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 University Council to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The University's financial statements were approved by the Council on 30 September, 2016 and signed on its behalf by:


Vice Chancellor


Chairman


Council Member



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Meru University of Science and Technology set out on pages 18 to 43, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's 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 (Accruals 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.

The 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 Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

Report of the Auditor-General on the Financial Statements of Meru University of Science and Technology for the year ended 30 June 2016

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Meru University of Science and Technology as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with Meru University of Science and Technology Order 2008 and the Public Finance Management Act, 2012.

Other matter

Ethnic Balancing

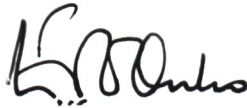
Review of human resource management documents made available for audit verification revealed that the University did not comply with Section 7(1)(2) of the National Cohesion and Integration Act, 2008 (Revised 2012) that requires at least thirty percent of the vacant posts at entry level be filled by candidates who are not from the dominant ethnic community in the respective County.

Meru University of Science and Technology had a total staff of three hundred and seventeen (317) as follows:

Ethnic Community	No of Staff	Percentage(%)
Meru	228	71.9
Kikuyu	27	08.5
Embu	13	04.1
Kisii	09	02.8
Luhya	09	02.8
Kamba	08	02.6
Luo	08	02.6
Kalenjin	07	02.2
Others	08	02.6
Total	317	100.0

Out of the total of 317 employees, 228 (71.9%) were from the dominant ethnic community while those from other communities comprised only 89 (21%) of the establishment.

In view of the foregoing, Meru University of Science and Technology has not complied with the provisions of the National Cohesion and Integration Act, 2008 (Revised 2012).



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

Nairobi

02 June 2017

IX. STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended 30 June 2016

	Note	2015-2016 Kshs.	2014-2015 Kshs.
Revenue from non-exchange transactions			
Grants in Aid	3	553,088,071	514,088,150
		553,088,071	514,088,150
Revenue from exchange transactions			
Tuition and other Fees	4	322,785,401	259,426,397
Other Income	5	27,380,087	21,580,490
		350,165,487	281,006,887
Total revenue		903,253,558	795,095,037
Expenses			
Operational Expenses	6	692,984,578	644,081,968
Academic Costs	7	27,801,568	27,944,922
Administration Costs	8	13,614,750	9,087,902
Student Welfare	9	15,402,929	14,420,788
Depreciation	10	67,609,403	57,277,502
Total expenses		817,413,227	752,813,082
Surplus		85,840,331	42,281,955

The notes are set out on pages 23 to 43 form an integral part of the Financial Statements


MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY


X. STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2015-2016	2014-2015
Assets			
Current Assets			
Cash and cash equivalents	11	374,158,778	245,810,316
Prepayments	12	11,843,742	7,967,755
Receivables from exchange transactions	13	48,110,435	22,865,003
Receivables from non-exchange transactions	14	-	42,840,679
Inventory	15	4,544,434	6,265,406
		<u>438,657,390</u>	<u>325,749,159</u>
Non-current assets			
Property, plant and equipment	16	1,631,631,772	1,466,028,559
Biological Assets	17	724,800	521,500
Intangible Asset (ERP)	18	23,175,098	26,071,985
		<u>1,655,531,669</u>	<u>1,492,622,044</u>
Total assets		<u>2,094,189,059</u>	<u>1,818,371,203</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	19	179,454,229	173,045,724
Provisions	20	8,403,750	4,540,000
Deferred Income	21	12,349,650	16,654,320
Total liabilities		<u>200,207,629</u>	<u>194,240,044</u>
Net assets		<u>1,893,981,430</u>	<u>1,624,131,159</u>
Capital			
Reserve Fund	22	1,888,700,085	1,688,652,361
Revaluation Reserve	23	(18,439,095)	(104,279,427)
	24	23,720,440	39,758,224
Total net assets and liabilities		<u>1,893,981,430</u>	<u>1,624,131,158</u>

The Financial Statements set out on pages 18 to 22 were signed on behalf of the University Council by:


Mr. Nephath Njeru
Finance Officer
Date: 10 April, 2017


Prof. Japhet K. Magambo
Vice Chancellor
Date: 10 April, 2017


Prof. Dulacha Galgalo Barako
Chairman of the Council
Date: 10 April, 2017

XI. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2016

Details	Capital	Revaluation Reserve	Revenue Reserve	Total
Balance as at 1 July 2015	1,688,652,361	39,758,224	(104,279,426)	1,624,131,159
Development Grants	200,047,724	-	-	200,047,724
Surplus	-	-	85,840,331	85,840,331
Depreciation	-	(16,037,784)	-	(16,037,784)
Balance as at 30 June 2016	1,888,700,085	23,720,440	(18,439,095)	1,893,981,430

Revenue Reserve

Revenue reserve is the accumulated surpluses/deficits made by the University over the years.

Capital

Capital is composed of:

- The assets inherited from Meru College of Technology in July 2009 less liabilities as at that time.
- The accumulated development funds from the Government of Kenya or other external donors.

Revaluation Reserve

Revaluation reserve was created in the financial year 2014/2015 when the computers and motor vehicles were revalued.

XII. STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	NOTE	2015/16 KSHS.	2014/2015 KSHS.
Surplus for the year		85,840,331	42,281,955
Adjustment for :			
Loss on Disposal of Fixed Asset	6	-	2,366,477
Gain Revaluation of biological asset	17	(203,300)	(88,500)
Depreciation Charge	10	67,609,403	57,277,502
Operating surplus before working capital changes		153,246,434	101,837,434
Decrease(increase) in Debtors		13,719,260	(4,130,480)
Decrease(increase) in Stocks		1,720,972	(364,151)
Increase(Decrease) in Creditors		5,967,585	(45,966,597)
		21,407,817	(50,461,228)
Net cash generated from Operating Activities		174,654,251	51,376,206
CASH FLOWS FROM INVESTING ACTIVITIES			
Buildings		(128,750,705)	(16,817,384)
Work In Progress		(65,069,851)	(83,569,388)
Furniture & Fittings		(27,341,657)	(24,482,500)
Computers		(714,219)	(286,901)
ERP		-	(2,935,954)
Motor Vehicle		-	(22,320,000)
Machinery & Equipment		(24,477,081)	(13,033,029)
Net cash flows from investing Activities		(246,353,513)	(163,445,156)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants allocated to Finance Capital Fund		200,047,724	148,612,244
Net Increase (Decrease) in cash and cash equivalents		128,348,462	36,543,294
Cash and cash equivalents at beginning of year		245,810,316	209,267,022
Cash and cash equivalents at end of year		374,158,778	245,810,316

XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Revenue	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs
Grants in Aid	553,088,071	-	553,088,071	553,088,071	-
Tuition and other Fees	332,000,000	-	332,000,000	322,783,401	9,216,599
Other Income	23,280,847	-	23,280,847	27,380,087	(4,099,240)
Total income	908,368,918	-	908,368,918	903,251,559	5,117,359
Expenses					
Operational Expenses	735,485,136	-	735,485,136	692,984,578	42,500,558
Academic Costs	43,167,379	-	43,167,379	27,801,568	15,365,811
Administration Costs	16,832,038	-	16,832,038	13,614,750	3,217,288
Student Welfare	21,834,882	-	21,834,882	15,402,929	6,431,953
Depreciation	67,768,715	-	67,768,715	67,609,403	159,312
Total expenses	885,088,150	-	885,088,150	817,413,228	67,674,922
	23,280,768	-	23,280,768	85,838,331	(62,557,563)

XIV. NOTES TO THE FINANCIAL STATEMENTS

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

The University'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 University. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the University and can be measured reliably.

Government Grants and Assistance

Financial assistance provided by the Government is recognised in the year it was received or when the entitlement for the revenue is established. Most of the government grants and assistance received are considered to be a contribution. A contribution occurs when the University receives an asset without having to give equal value to the other party / parties of the transfer. If the consideration received is in the form of a contribution, the income is to be recognised as revenue when all of the following conditions have been satisfied:

- i. the University obtains control of the contribution or the right to receive the contribution;
- ii. it is probable that the contribution will flow to the University; and
- iii. the amount of the contribution can be reliably measured.

Income is therefore, only recognised when the University has control over the contribution, which is usually achieved through receipt or when entitlement for the revenue is established. If the government contributions are received with conditions attached, and contributions have to be refunded if the conditions are not met, then revenue should not be recognised until all of those conditions are met and treated as income in advance or monies held from the government.

ii) Revenue from exchange transactions – IPSAS 9

The University recognises revenue arising from the following transactions and events:

- student fees and charges;
- the rendering of services; and
- other revenue.

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Measurement of Revenue

Revenue is measured at the fair value of the consideration received or receivable, where in most cases, the consideration is in the form of cash or cash equivalents.

Recognition of Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the University and specific criteria have been met for each of the following activities as described below.

Student Fees and Charges

Student fees and charges are recognised as revenue in the year which the service is provided to students. Student fees and charges received that relate to the service to be rendered in the future period are treated as income in advance.

Rendering of Services

Revenue recognition based on contracts to provide services require income to be recognised in stages of completion often as a percentage of services performed to the total of services to be provided as stipulated in the contract. Revenue associated with the sale of services is recognised by reference to the stage of completion of the transaction at the reporting date when the outcome of a transaction involving the rendering of services can be estimated reliably. The outcome of a transaction can be estimated reliably when all of the following conditions are satisfied:

- i. the amount of revenue can be measured reliably;
- ii. it is probable that the economic benefits associated with the transaction will flow to the University;
- iii. (iv) the stage of completion of the transaction at the reporting date can be measured reliably; and
- iv. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the University. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Other Revenue

Other revenue represents miscellaneous income and other grant income not derived from core business and is recognised when it is earned.

b) Budget information – IPSAS 24

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

c) Property, plant and equipment – IPSAS 17

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

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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.

d) 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.

Loans and receivables

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

Impairment of financial assets

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

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

e) Inventories – IPSAS 12

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

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

f) Provisions – IPSAS 19

Provisions are recognized when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or

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service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities

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

Contingent assets

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

g) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. The University has one reserve namely Revenue Reserve. Revenue Reserve is composed of accumulated surplus fewer transfers to the Capital Reserve.

Capital is composed of the following:

- value of non-current assets as at 30 June 2009,
- development grants received from the government from July 2009 to date, and
- transfers from Revenue Reserve. Capital expenditure over and above the development grants from the Government is financed by the Revenue Reserve.

h) Changes in accounting policies and estimates – IPSAS 3

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

i) Employee benefits – IPSAS 25

Retirement benefit plans: The University provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which the University pays fixed contributions into a separate University Pension Scheme (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund

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obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

j) Related parties – IPSAS 20

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

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank and also call accounts.

l) Comparative figures

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

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

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

Estimates and assumptions

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

Useful lives and residual values

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

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

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The following are the estimated useful lives of the various assets:

Details	Rate of depreciation	Life
Buildings	4%	25 years
Furniture & Fittings	10%	10 years
Computers	20%	5 years
Motor Vehicles	20%	5 years
Machinery & Equipment	10%	10 years
Biological Asset	Not depreciated	
Work In Progress	Not depreciated	
Land	Not depreciated	

It is the policy of the University to charge full year's depreciation on the year of purchase and nil depreciation on the year of disposal.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

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

n) Subsequent events – IPSAS 14

The University adjusts the financial statement for events after the reporting date together with the appropriate disclosures. The University adjusts the amount recognised in its financial statement to reflect the adjusting events after reporting date. Some examples of adjusting events include:

- i) Settlement after the reporting date of a court case
- ii) The receipt of information after reporting date indicating that an asset was impaired at the reporting date
- iii) Determination after reporting date of the cost of an asset purchased before reporting date
- iv) Discovery of fraud or errors that show that the financial statements were incorrect.

o) Policy on Biological Assets

The University recognises a biological asset or agricultural produce when and only when:

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

In agricultural activity, control may be evidenced by, for example, legal ownership of cattle and the branding or otherwise marking of the cattle on acquisition, birth, or weaning. The future benefits are normally assessed by measuring the significant physical attributes. A biological asset is measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. Cost may sometimes approximate fair value, particularly when:

- a) little biological transformation has taken place since initial cost incurrence or
- b) the impact of the biological transformation on price is not expected to be material

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If an active market does not exist, the University uses one or more of the following, when available, in determining fair value:

- a) the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period;
- b) market prices for similar assets with adjustment to reflect differences; and
- c) sector benchmarks such as the value of an orchard expressed per export tray, bushel, or hectare, and the value of cattle expressed per kilogram of meat.

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NOTES TO FINANCIAL STATEMENTS CONTINUED...

NOTE	DETAILS	2015/16 <u>KSHS</u>	2014-2015 <u>KSHS</u>
3	GOVERNMENT GRANT		
	Grants in Aid	553,088,071	514,088,150
	SUB-TOTAL	553,088,071	514,088,150
4	TUITION AND OTHER FEES		
	Accommodation fee	9,310,900	9,172,575
	Activity Fees	7,222,280	1,480
	Application Fees	851,045	732,225
	Computer Fees	10,278,880	-
	Course Retake	12,163	-
	Examination Fees	35,444,072	159,140
	Examinations Remarketing	17,000	-
	Field Trips/Attachment Fees	27,176,458	404,950
	ID/Registration Fees	4,842,600	23,190
	Laboratory Workshop Materials Fees	2,431,000	-
	Library Fees	7,481,690	-
	Material Development Fees	5,741,700	-
	Medical Fees	18,553,908	104,000
	Tuition Fees	193,421,705	248,828,837
	SUB-TOTAL	322,785,401	259,426,397
5	OTHER INCOMES		
	Chemistry sale of Detergent Income	9,050	-
	Donations and Gifts	246,500	-
	Farm Sales - Fish	9,600	-
	Farm Sales -Dairy Farm	247,490	-
	Farm Sales -Food Crops	893,531	1,008,353
	Farm Sales -Grass	931,683	-
	Food Science Sales	61,320	111,660
	Gain on revaluation: Biological assets	203,300	88,500
	Graduation Fees	2,893,000	1,642,050
	Hire of Academic Attire	472,000	178,027
	Hire of Equipment	5,950	-
	Hospital Income	1,778,013	27,360
	Interest on Deposits	345,982	2,396,921
	Library Fines	56,051	139,134
	Miscellaneous Income	513,743	957,003
	Printing and Photocopy	117,780	-
	Sale of Tender Documents	17,000	-
	Staff Cafeteria Sales	6,983,740	5,799,861
	Students P.A.Y.E Sales	7,131,492	6,511,573
	Surcharges and Fines	2,395,497	2,163,669
	Transport Charges	2,067,366	556,379

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NOTES TO FINANCIAL STATEMENTS CONTINUED...

NOTE	DETAILS	2015/16	2014-2015
		<u>KSHS</u>	<u>KSHS</u>
	SUB-TOTAL	27,380,087	21,580,490

6 OPERATIONAL EXPENSES

a) Personnel Emoluments

Acting Allowance	180,288	-
Basic Salary	196,596,806	186,884,742
Book Allowance	630,000	-
Bus fare Allowance	16,176,942	16,264,767
Casual Wages	13,044,260	12,310,931
Domestic Work Allowance	1,890,000	1,896,500
Duty House Allowance	2,160,000	-
Entertainment Allowance	7,820,100	-
Extraneous Allowance	4,682,803	-
Gratuity	4,816,652	8,716,771
House Allowance	110,506,788	110,358,453
Leave Allowance	1,391,090	1,400,760
Management Allowance	3,840,000	-
Non Practice Allowance	1,440,000	-
NSSF -Employer	97,200	-
Other Personnel Allowance	459,205	38,414,417
Out of Office Allowance	-	110,000
Overtime	466,198	72,663
Part-Time Teaching	98,987,878	80,007,068
Passage and Baggage	182,250	146,800
Pension -Employer's Contribution	29,201,281	29,389,926
Responsibility Allowance	10,148,163	-
Risk Allowance	143,000	-
Security Allowance	1,080,000	-
Students' Work Study Programme	680,430	109,280
Telephone Allowance	4,268,466	-
Tender Allowance	10,000	-
Use of own Car Allowance	22,710,451	20,167,131
VC Commuter Allowance	240,000	-
Water and Electricity Allowance	877,000	-
SUB-TOTAL	534,727,252	506,250,209

b) Maintenance Costs

Marimba Centre Maintenance	5,050,477	-
Maintenance of Plant and Machinery	78,276	1,807,790
Maintenance of Furniture and Fittings	153,549	42,850
Maintenance of Buildings	4,204,755	4,139,893
Maintenance of Water and Sewerage	1,269,794	330,830
Maintenance or Roads	218,523	69,700

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NOTES TO FINANCIAL STATEMENTS CONTINUED...

NOTE	DETAILS	2015/16	2014-2015
		<u>KSHS</u>	<u>KSHS</u>
	Maintenance of Grounds	1,231,657	372,790
	Motor Vehicle Repair and Maintenance	3,223,451	6,142,233
	Maintenance of Computers	642,301	-
	Computer Software Maintenance	749,161	-
	SUB-TOTAL	<u>16,821,944</u>	<u>12,906,086</u>

c) Council Expenses

	Council Sitting Allowance	3,286,176	5,994,244
	Council Subsistence	3,466,184	-
	Council Monthly Honoraria	960,000	-
	Council Fare	114,000	-
	Council Mileage	1,089,667	-
	Council Telephone	60,000	-
	Council Air Travel	565,283	-
	Council Lunch	16,000	-
	SUB-TOTAL	<u>9,557,310</u>	<u>5,994,244</u>

d) Other Operational Expenses

	Advertising & Publicity	6,052,067	6,650,798
	Audit Fees	870,000	870,000
	Bank Charges -O.D. Interest, Ledger Fee	1,431,845	607,758
	Chancellor Expenses	1,229,390	1,200,000
	Cleaning Materials	8,347,313	7,149,476
	Community Welfare	14,500	9,700
	Conferences and Seminars	3,104,574	2,202,024
	Contracted Professional Charges	2,699,562	-
	Dairy Production Expenses	774,395	-
	Farm Crops Inputs	147,004	-
	Farming/Production Costs	1,056,635	2,594,264
	Dental Optical Expenses	1,073,400	-
	Directorate of Quality Assurance	20,000	49,240
	Drug Abuse Prevention	15,000	13,000
	Electrical Materials	-	15,850
	Electricity	8,119,764	7,627,032
	External Travel	571,595	593,688
	Funeral Expenses	-	120,000
	Gender and Disability Expenses	27,430	-
	Generator Expenses	566,719	417,015
	Hire of Equipment & Machinery	-	72,000
	HIV AIDS Prevention	7,000	50,000
	Insurance	22,778,999	21,532,617
	Internet	10,642,529	8,602,142
	ISO Expenses	2,008,755	1,356,281

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NOTES TO FINANCIAL STATEMENTS CONTINUED...

NOTE	DETAILS	2015/16	2014-2015
		<u>KSHS</u>	<u>KSHS</u>
	Legal Fee	1,368,815	1,310,000
	Library Expenses	6,990,142	5,601,546
	Loss on disposal	-	2,366,477
	Lost Cash Expense	-	70,620
	Marimba Centre Maintenance	-	1,780,150
	Medical Expenses -Out Patient	5,293,220	5,969,150
	Medical Supplies	3,780,154	3,027,848
	Motor Vehicle Fuel	4,326,240	4,434,086
	Newspaper & Journals	138,575	-
	Official Entertainment	50,400	36,115
	Performance Contracting	570,330	790,875
	Postal and Telegram	119,190	249,499
	Public Celebrations	45,200	-
	Purchases	1,880,200	-
	Rent and Rates	18,864,291	17,633,237
	Security Services	14,608,700	12,590,964
	Show Expenses	451,680	1,027,857
	Subscription Expenses	1,468,983	-
	Uniform and Clothing	363,476	310,120
	SUB-TOTAL	<u>131,878,072</u>	<u>118,931,429</u>
	 TOTAL OPERATIONAL EXPENSES	 <u>692,984,578</u>	 <u>644,081,968</u>
	 ACADEMIC COSTS		
	Student Admission Expenses	86,300	-
	Quality Assurances CUE Expenses	2,790,000	-
	Programme Inspection Expenses	950,000	-
	Travel and Accommodation Academic	1,122,493	890,183
	Field Trips	502,620	1,934,548
	Graduation Expenses	6,741,265	4,703,151
	Industrial Attachment	836,298	-
	KUCCPS	33,200	-
	University Research Expenses	1,817,182	902,327
	Stationery Academic	4,475,519	3,703,462
	Student Examinations	2,874,917	3,219,850
	Teaching Materials	3,274,182	9,282,102
	Telephone Academic	29,750	34,700
	Training -Academic Staff	246,322	-
	Entertainment Academic	1,975,150	2,172,360
	Curriculum Development Expenses	46,370	614,401
	Computer Expenses Academic	-	487,838
	SUB-TOTAL	<u>27,801,568</u>	<u>27,944,922</u>

MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS CONTINUED...

NOTE	DETAILS	2015/16	2014-2015
		<u>KSHS</u>	<u>KSHS</u>
8	ADMINISTRATION COSTS		
	Travelling and Accommodation Admin	5,045,711	4,007,758
	Telephone Admin	122,239	50,195
	Entertainment Admin	3,030,346	1,773,771
	Stationery Admin	4,306,939	2,209,058
	Computer Expenses Admin	-	315,460
	Training -Non-Teaching Staff	1,109,514	731,660
	SUB-TOTAL	<u>13,614,750</u>	<u>9,087,902</u>
9	STUDENT WELFARE		
	Student Hostels Expenses	8,316	-
	Cooking Fuel	1,958,591	606,145
	Student Recreation Activities	1,659,104	2,275,939
	Games and Sports	747,380	-
	Foodstuffs	9,952,119	11,516,554
	Crockery & Kitchen Equipment	834,326	22,150
	Entertainment Student Welfare	243,093	-
		<u>15,402,929</u>	<u>14,420,788</u>
10	DEPRECIATION and AMORTIZATION		
	DEPRECIATION		
	Buildings	38,130,148	32,980,120
	Furniture & Fittings	15,320,878	12,586,713
	Motor Vehicles	-	-
	Computers	-	-
	Machinery	11,261,490	8,813,782
	SUB-TOTAL	<u>64,712,516</u>	<u>54,380,615</u>
	AMORTIZATION		
	ERP	2,896,887	2,896,887
	TOTAL	<u>67,609,403</u>	<u>57,277,502</u>
11	CASH AND BANK BALANCES		
	Cash in hand	88	88
	BANK A/C (NBK) Main A/C no. 0102139008700	5,431,547	536,600
	Bank A/C (NBK) KESSP A/C no.01021390025800	-	225,570
	Bank A/C (NBK) Recurrent A/C no. 0102139852400	-	796,521
	Bank A/C (NBK) Farm –A/C no.0124239008700	5,197,864	24,391,826
	Bank A/C (NBK) Project A/C no.0102140013000	(321,123)	14,189,030
	Bank A/C (KCB) Fees Collection 1117775917	18,436,315	98,177,775

MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS CONTINUED...

NOTE	DETAILS	2015/16	2014-2015
		<u>KSHS</u>	<u>KSHS</u>
	Bank A/C (KCB) Operations A/C 1121458165	127,440,342	-
	Bank A/C (NBK) Sinking Fund –A/C no.0124840374000	-	6,526,544
	Bank Equity-Fee collection account 1040297858661	65,015,540	64,326,293
	Bank CO-OP Bank- Fee Collection A/c	101,233,783	34,991,081
	Bank A/C (NBK) TOWA A/C	-	(239)
	NBK-CAD Account	-	8
	Co-op Call Account	1,724,422	1,649,219
	KCB Call A/C	50,000,000	-
	SUB TOTAL	374,158,778	245,810,316

Note:

The following bank accounts in National Bank of Kenya were closed during the Financial Year 2015/2016:

No.	Name
1	Bank A/C (NBK) KESSP A/C no.01021390025800
2	Bank A/C (NBK) Recurrent A/C no. 0102139852400
3	Bank A/C (NBK) Sinking Fund –A/C no.0124840374000
4	Bank A/C (NBK) TOWA A/C 01248040506400
5	NBK-CAD Account A/C NO. 05020039008700

MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS CONTINUED...

NOTE	DETAILS	2015/16	2014-2015
		KSHS	KSHS
12	PREPAYMENTS		
	Rent Deposits	758,302	-
	Electricity Deposits	1,794,500	-
	Prepaid Rent	4,578,733	-
	Prepaid Insurance	4,712,207	7,967,755
	SUB TOTAL	11,843,742	7,967,755
13	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Sundry Debtors	1,137,139	175,348
	Students Debtors	46,382,261	22,183,824
	Research Project-Dr Zablon Njiru		37
	Imprest Recovery	-	505,794
	Imprest Control Account	584,190	-
	Staff Debt Recovery	6,845	-
	SUB TOTAL	48,110,435	22,865,003
	RECEIVABLES FROM NON-EXCHANGE		
14	TRANSACTIONS		
	National Treasury	-	42,840,679
	SUB TOTAL	-	42,840,679
15	INVENTORY		
	Estate Hardware Store	777,143	55,380
	Central Store	2,559,531	2,958,162
	Health Drug Store	773,296	1,757,497
	Kitchen Store	434,464	1,494,367
	Stationery Stores	-	-
	Transport Store	-	-
	Farm Inputs Store	-	-
	House Keeping Materials Store	-	-
	SUB TOTAL	4,544,434	6,265,406

MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

16. PROPERTY, PLANT AND EQUIPMENT

RATE	LAND 0%	BUILDINGS 4%	WORK IN PROGRESS 0%	FURNITURE & FITTINGS 10%	COMPUTERS 20%	MOTOR VEHICLES 20%	MACHINERY & EQUIPMENT 10%	TOTAL Kshs
Cost/Valuation 30.6.2015	108,292,000	824,502,996	409,826,932	125,867,126	19,184,703	60,290,000	88,137,816	1,636,101,573
Additions	-	128,750,705	65,069,851	27,341,657	714,219	-	24,477,081	246,353,513
Cost/Valuation 30.6.2016	108,292,000	953,253,701	474,896,783	153,208,783	19,898,922	60,290,000	112,614,897	1,882,455,086
Provision for Deprec. (30.6.15)	-	104,095,311	-	37,469,614	-	958,710	27,549,379	170,073,014
Depreciation	-	38,130,148	-	15,320,878	3,979,784	12,058,000	11,261,490	80,750,300
Provision for Deprec. (30.6.16)	-	142,225,459	-	52,790,492	3,979,784	13,016,710	38,810,869	250,823,314
Net Book Value NBV as at 30.06.2015	108,292,000	720,407,685	409,826,932	88,397,512	19,184,703	59,331,290	60,588,437	1,466,028,559
NBV as at 30.06.2016	108,292,000	811,028,242	474,896,783	100,418,291	15,919,138	47,273,290	73,804,028	1,631,631,772

MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

17 BIOLOGICAL ASSET

	Amount
RATE	0%
COST	
Opening Balance 1.7.2014	433,000
Changes in fair value	88,500
Balance C/F 30.6.2015	521,500
Balance B/F 1.7.2015	521,500
Additions	-
Changes in fair value	203,300
	724,800
Net Book Value as at 30.06.2016	724,800

As at 30 June 2016, the university had seven dairy cows. Three of the cows are young heifers about two years old. Four of the cows are mature animals According to the University Farm Manager, the value of the animals has remained fairly the same (at cost).

18: INTANGIBLE ASSET

	ERP
RATE	10%
Cost as at 30.6.2015	28,968,872
Provision for Deprec. (30.6.15)	2,896,887
Depreciation Expense	2,896,887
Provision for Deprec. (30.6.16)	5,793,774
Net Book Value	
NBV As at 30.06.2015	26,071,985
NBV As at 30.06.2016	23,175,098

Intangible asset is Enterprise Resource Planning system known as Microsoft Navision. The system was commissioned in the Financial Year 2014/15 and is expected to serve the University for a period of ten years.

MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS CONTINUED...

NOTE	DETAILS	2015/16 <u>KSHS</u>	2014-2015 <u>KSHS</u>
19	TRADE AND OTHER PAYABLES		
	Accreditation (Regulating Body) Fees	531,900	-
	APPEAR Project	67,705	-
	Caution Money	-	3,500
	CDF Account	9	-
	Cystic Echinococcosis Project-Prof Magambo -	10,594,780	18,043,633
	Dr. Eunice Marete -Research Project	458,650	598,240
	Dr. Joshua Arimi NACOSTI	202,500	-
	Economic Stimulus P	-	6,585,577
	Equity Fees A/c Unidentified Deposits	161,154	-
	HELB Control Account	61,000	539,000
	Imprest Control Account	-	228,650
	Insurance Claim Refunds	625,251	-
	KCB Fees Coll Unidentified Deposits	111,600	-
	Ms Edith Adera Bursary Fund	336,215	372,224
	MUST Alumni Association	2,870,530	1,411,030
	MUST Pension Scheme	251,291	-
	NBK Recurrent Unidentified deposits	43,172	-
	P.A.Y. E	438,451	-
	Phylis Mwenda -Research Project	-	6,210
	Placement Fees (KUCCPS)	1,156,000	-
	Prof J Magambo Bursary Fund	40,750	38,250
	Quality Assurance(QUE) Fees	2,118,000	-
	Quality Audit Fees	4,863,000	-
	Research Administration Fund	701,494	657,021
	Retention Money for Projects	28,622,694	28,622,694
	SAMU Subscriptions	360,732	248,721
	Squatters Settlement Fund	30,000,000	-
	Students Indexing by Regulator Fees	140,000	-
	Sundry Creditors	92,757,808	115,687,483
	Teaching Practice Fees	604,000	-
	TOWA Project	-	3,491
	VAT on Purchases	1,001,289	-
	Withholding Tax	334,254	-
	SUB TOTAL	179,454,229	173,045,724
20	PROVISIONS		
	Provision for Part-time	8,403,750	-
	Provision for Audit Fee	-	1,740,000
	Provision for Chancellor's allowance	-	2,800,000
	SUB TOTAL	8,403,750	4,540,000
21	DEFERRED INCOME		
	Deferred Tuition Fee	12,349,650	16,654,320
	SUB TOTAL	12,349,650	16,654,320

MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS CONTINUED...

NOTE	DETAILS	2015/16 <u>KSHS</u>	2014-2015 <u>KSHS</u>
22	CAPITAL		
	Capital B/F	1,688,652,361	1,540,040,117
	Additional Capital during the year	100,047,724	142,026,667
		<u>1,788,700,085</u>	<u>1,682,066,784</u>
	Add: Donation-Building	100,000,000	6,585,577
	Capital C/F	<u>1,888,700,085</u>	<u>1,688,652,361</u>
23	REVENUE RESERVE		
	Revenue Reserve B/F	(104,279,426)	(146,561,382)
	Surplus for the Year	85,840,331	42,281,955
	Revenue Reserves C/F	<u>(18,439,095)</u>	<u>(104,279,427)</u>
24	Revaluation Surplus		
	Revaluation-Computers B/F	14,857,950	14,857,950
	Less: Depreciation-Computers	3,979,784	-
	Net Revaluation Surplus (Computers)	<u>10,878,166</u>	<u>14,857,950</u>
	Revaluation-Motor Vehicles B/F	24,900,274	24,900,274
	Less: Depreciation-Motor Vehicles	12,058,000	-
	Net Revaluation Surplus (Motor-Vehicle)	<u>12,842,274</u>	<u>-</u>
	Revaluation Surplus C/F	<u>23,720,440</u>	<u>39,758,224</u>

25. RELATED PARTY DISCLOSURE

a) Council

1. The following individuals served as Council members during the year:

- i. Prof. Gulacho Galgalo Barako (Chairman)
- ii. Ms Mary Mugo
- iii. Ms. Felicity Biriri
- iv. Ms. Margaret Mukoba
- v. Mr. Omar Kassim
- vi. Mr. Robert Mutai
- vii. Mr. Kenneth A. Odhiambo
- viii. Dr. Meshack Opwora
- ix. Prof. Japhet K. Magambo (Vice Chancellor)

2. The Council members, except the Vice Chancellor, were paid sitting allowances, per diem, mileage, and airfare, and for Chairman- Director's fee and telephone allowance. The University also paid for their medical insurance cover. The University paid the Council members a total of Kshs. **9,534,860** in form of allowances as follows: