

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
REPORT
MEMBERS LAID

DATE: 04 AUG 2021

DAY:
Wed (AM)

TABLED

BY: **OF**

Hon. e wangwe
Majority whip

CLERK-AT
THE-TABLE:

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PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**MASINDE MULIRO UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

**FOR THE YEAR ENDED
30 JUNE, 2019**





MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEARENDED 30TH JUNE 2019

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I. UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background information

Masinde Muliro University of Science and Technology is a separate Legal University under "Universities Act of 2012 (No 42 of 2012). The University is domiciled in Kenya.

(b) Principal Activities

The principal activities of the University are teaching, research, and innovation and extension services.

(c) VISION

To be the Premier University in Science, Technology and Innovation

(d) MISSION

To provide excellent University education, training and research through integrating science, technology and innovation into quality programmes to suit the needs of a dynamic world.

(e) PHILOSOPHY

MMUST holds the view that science and technology is an indispensable tool in harnessing resources of nature for sustainable development and in creating an environment in which human beings can survive and realize their potential. Thus, the human being has the moral obligation to creatively improve the environment. This can be achieved through a well-conceptualized educational, scientific and technological package through which every human being must rightfully experience and acquire the tools to facilitate this philosophy.

To meet the requirements of the Vision, Mission and Philosophy, MMUST upholds the following values:

- i. Customer focus
- ii. Accountability
- iii. Collegiality
- iv. Equity
- v. Excellence
- vi. Innovativeness
- vii. Professionalism

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(f) Key Management

The Council members who held office during the Financial Year ended 30th June 2019 and up to the date of this report were:

No.	Name	Designation	Appointment Date	Retirement Date
1.	Dr. Jeremy Bundi	Council Chairman	14-3-17	
2.	Prof.Eng.FredrickA.O.Otieno	Vice Chancellor/Secretary	1-11-13	30-11-2018
3.	Prof. Joseph Bosire	Vice Chancellor/Secretary	1-12-18	30-6-2019
4.	Prof. Asenath Sigot	Vice Chancellor/Secretary	1-7-2019	To date
8.	Mr. Don R.O. Riaroh	Council Member	14-3-17	
9.	Ms.Dorothy Kimeu	Council Member	16-6-11	
10.	Mr. David Watene	Council Member	10-1-19	
11.	Ms. Joyce Mugure Nderitu	Council Member	14-3-17	
12.	Dr. Samson Muchelule	Council Member	14-3-17	
13.	KosiomFrankOle Kibelekenya	Council Member	14-3-17	February 2019
14.	Ms.Vayonda J. Sirma Koross	Council Member	14-3-17	
15	Mr. Samwel Joseph Otieno	Council Member	04-4-18	October 2018
16	Archbishop Ingana T.Z	Council Member	1-10-18	December 2018
16	Dr. Ahmed Diriye	Council Member	15-5-19	

(d) Fiduciary Management

The key management personnel who held office during the Financial Year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Ag.Vice Chancellor and Accounting Officer	Prof. Joseph Bosire
2	Ag. Deputy Vice Chancellor (A&F)	Dr. Patrick Boniface Ojera
3	Ag. Deputy Vice Chancellor (A&SA)	Dr. Eng. Benedette Sabuni
4	Ag. Deputy Vice Chancellor (PRI)	Prof. Charles Mutai
5	Head of Finance	CPA Jared G.O.O. Rading'
6	Head of Procurement	Ms. Scarlet Kavaya

(e) University Headquarters

Masinde Muliro University of Science and Technology
Kakamega-Webuye Road,
P.O Box 190- Kakamega, 50100, KENYA.

(f) Fiduciary Oversight Arrangements

The Fiduciary oversight is achieved through the following:

- i) Audit, Risk and Compliance Committee of Council
- ii) Finance and Resource Mobilization Committee of Council
- iii) Public Investment Committee of Parliament
- iv) Auditor General

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(g) University Contacts

Telephone: 254 702 597360/1

E-mail: info@mmust.ac.ke, vc@mmust.ac.ke

Website: www.mmust.ac.ke

(h) University Bankers

1. Kenya Commercial Bank Ltd. (Main)
P.O. Box 152
Kakamega
2. Co-operative Bank Of Kenya Ltd.
P.O. Box 1511
Kakamega
3. Barclays Bank of Kenya Ltd.
P.O. Box 1815
Kakamega
4. Standard Chartered Bank Ltd.
P.O. Box 6302
Kakamega
5. National Bank of Kenya Ltd.
P.O. Box 1815
Kakamega
6. Equity Bank Ltd.
P.O. Box 2512
Kakamega
7. Family Bank Ltd.
P.O. Box 1486
Kakamega

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE OFFICERS OF THE UNIVERSITY

i) CHANCELLOR OF THE UNIVERSITY



Chancellor Dr. Peter Wanyaga Muthoka
D.ML, MA(Ed), BA (Hons), EBS, MBS, FKIB,
FKIM

PROFILE






1. Dr. Peter Wanyaga Muthoka was appointed by His Excellency, the President of the Republic of Kenya as the Chancellor of Masinde Muliro University of Science & Technology (MMUST) on 14th December, 2017. He succeeded the third President of the Republic of Kenya His Excellency Hon. Mwai Kibaki who served the University for 10 years. MMUST specialises in key areas of development including, science, technology, innovation, research and entrepreneurship. Dr. Muthoka is also the Chairman of the Board of Fellows of the Kenya Institute of Management (KIM) and Chairman of the Board of Trustees of The Management University of Africa (MUA), He is also Chairman of the Old Mutual Investment Group (K) Ltd, Chairman of the UAP-Old Mutual Foundation, Chairman of Bel Air Management Ltd, Chairman of the Advocates Plaza Ltd, Chairman of Woodley Springs Ltd and Chairman of Faulu Microfinance Bank. He is a Director of UAP-Old Mutual Holdings Ltd and Old Mutual Life Assurance Company (K) Ltd; and Director of the Institute of Directors, Kenya, as well as a Life Member of the Kenya Red Cross Society. He is a patron and initiator of a number of community projects.
2. He retired from Kenya Commercial Bank (KCB) in May 2012 in accordance with the Bank's Board Charter, having served the Board for the maximum 8 years from 2004 to 2012, as a Director, inclusive of the last 4 years as the Group Chairman. He was Chairman of KCB South Sudan, KCB Uganda and KCB Rwanda, Director KCB Tanzania, KCB Foundation, and Savings & Loan Ltd. This period, under his chairmanship, has seen the transformation of the Bank to a shining example of successful turn-around that has moved the Bank from "Good" to "Great". He was the Managing Director of the agricultural company, Sasini Ltd, for 5 years from 2004 to 2008 where he was part of the team that presided over far reaching reforms in this Nairobi Securities Exchange listed company. He is a transformational leader. Details available on request.
3. Dr. Muthoka is an alumnus of Nyeri High School (O-Level) and Strathmore College, (A-Level) and holds BA (Hons) Degree from University of East Africa (UEA), MA Degree from University of California, Los Angeles (UCLA), and Honorary Degree of Doctor of Management and Leadership (D.ML)(Honoris Causa) from The Management University of Africa (MUA), and Course Certificates from United Nations Educational, Scientific and Cultural Organization (UNESCO), Bank of England, International Monetary Fund (IMF), World Trade Organization (WTO), International Trade Centre (ITC), Japanese External Trade Organization (JETRO), Singapore Export Institute (SEI), Kenya Institute of Administration (KIA), Centre for Corporate Governance (CCG), Strathmore Business School (SBS) etc.

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4. He has served in senior positions with the Government Of Kenya (Office of the President and Ministry of Education), United Nations related bodies (UNESCO, UNDP, UNICEF, WTO, ITC), and the Central Bank of Kenya. He was founder and Chief Executive of the College of Banking and Finance of Kenya, founder and first Chief Executive of Export Promotion Council of Kenya and Kenya Commissioner-General at Expo 2000 in Hannover, Germany.
5. Dr. Peter Wanyaga Muthoka has been a corporate leader and an entrepreneur with long and varied experience in public and private sectors in the fields of management, education, finance, investment, export promotion, agriculture, real estate, corporate governance, international diplomacy, and community voluntary work. He has been an initiator and implementer of development programmes at national, regional and international levels under the auspices of the Government of Kenya (GOK) and multilateral and bilateral agencies. He has served in many other Boards and/or capacities including Export Processing Zones, The Ark Ltd, Sasini Ltd, Kenya Joint Industrial and Commercial Consultative Council, National Committee on Investments, Capital Markets Authority Education and Promotion Committee, Coordinator of Kenya Post Lome ACP Steering Committee, Chairman of Old Mutual Investments Services Ltd, Director of Old Mutual Holdings (K) Ltd , Director of Old Mutual Africa Holdings, Director of Old Mutual Emerging Markets, Member of the Panel of the World Bank Conciliators of International Centre for Settlement of Investment Disputes, and Member of a Justice and Peace Committee. He continues to have close association with the industry and academia as he is a frequent facilitator in various Universities and the corporate world in lectures related to management, leadership and governance. He is a trainer and trainer of trainers.
6. Dr. Muthoka is a Fellow of the Kenya Institute of Management (FKIM) and Fellow of Kenya Institute of Bankers (FKIB). In 2004, he was awarded the medal of Moran of the Burning Spear (MBS), by H.E The President of Kenya for “devotion, commitment, loyalty and exemplary service” rendered to the Kenyan Public Service and international organizations for 38 years from 1966 to 2004, whereas in 2012, he was awarded the medal of Elder of the Burning Spear (EBS), by H.E The President of Kenya for distinguished service rendered to the Nation, especially in areas of finance, investments, corporate social responsibility and philanthropy.

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(i) THE UNIVERSITY COUNCIL




 <p>Chairman of Council</p>	<p>Dr. Jeremy Bundi , PhD, MILT-UK, IRAP Associate: \ Chairman of Council Doctor of Philosophy (PhD), (M.A), Transport Geography: University of Nairobi (UoN); Bachelor of Arts (BA) - Economics, Sociology & Geography, University of Nairobi. Member of the Chartered Institute of Transport Professional Memberships; CIT-UK, MILT-UK; Has worked in various capacities in Land Management at County and National level; Administrator in the Ethics and Economic Crimes Commission (EACC); and Manager in the Banking Industry.</p>
 <p>Member</p>	<p>Prof. Joseph Bosire: B.Ed,(UoN); M.Ed, PhD. (KU), Has had over twenty five years of University teaching. Supervision, research, leadership and consultancy, Held various leadership positions from Chairman of Department, Faculty Dean, Director of Graduate School and Deputy Vice Chancellor to the current position of Ag. Vice Chancellor. He has been trained in performance based and has contributed widely in organisational performance improvement in universities.</p>
 <p>Member</p>	<p>Dr. Samson Muchelule MBA (Strategic Management); Bachelor of Veterinary Medicine (BVM). University of Nairobi; Diploma in Sales Management and Marketing Cambridge Tutorial College – England; Has had close to twenty years of working experience in international pharmaceutical and health industry including Regional Head for East Africa for the AstraZeneca Pharmaceuticals Company and Head of Branded Generics, Sub Saharan Africa. He is a chartered professional mediator-MTI and chartered mediator-ICMC</p>
 <p>Member</p>	<p>Joyce Mugure Nderitu- MBA (Marketing); Bachelor of Commerce (Marketing) University of Nairobi; International Management of Information Systems (UK). She is an accomplished executive with vast experience in customer service and marketing management, operations, strategy and planning spanning over fifteen (15) years.</p>
 <p>Member</p>	<p>Dr. Ahmed Diriye PhD(Business administration-HR) and MSC(HR) both from University of Nairobi, Executive Master's in Business Administration (EMBA)(JKUAT),BBA(KeMU). He has undergone professional training's on Corporate Governance, Performance Management and the Mwongozo code of ethics among others.</p>

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	<p>Vayonda J. Sirma Koross Master of Legal Laws (LLM), UoN; Dip. in Law, Kenya School Of Law; Bachelor of Laws (LL.B) Moi University; Has had about fifteen years of private legal practice on various law firms and five years' experience in University Governance as board member in a public university.</p>
<p>Member</p>	<p>Mr. Don. R.O. Riaroh MSc (University of Leicester, UK); BSc, (UoN). An expert in the energy field currently manages companies involved in geothermal energy, Oil and Gas; an Energy Consultant and has offered services for a number of companies operating in Kenya. Previously, he worked at the Ministry of Energy, and was in charge of Petroleum, Geothermal, Coal and nuclear Energy; has provided leadership to/member of many professional societies, private and state corporations.</p>
	<p>Ms Dorothy N Kimeu, MBS. Representing CS, The National Treasury & Planning, MA (International Studies), BA (Political Science - Government), University of Nairobi. Member, Kenya Association of Public Administrators and Management (KAPAM). She has over 34 years experience in government top management across five (5) ministries rising from Assistant Secretary to Director of Administration, currently at the National Treasury. She represents the CS National Treasury and Planning in various other boards.</p>
<p>Member</p>	<p>Mr. David Watene Alternate to CAS & PS - State Department for University Education and Research, Ministry of Education; MEd (Educational Administration and Planning, B, Ed (Arts)(Accounting and Economics), University of Nairobi. Has vast experience of 30 years at various levels of Education sector as an education administrator and manager, senior education officer, assistant director, senior assistant director and Currently Deputy Director.</p>
	<p>Member</p>

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III. UNIVERSITY MANAGEMENT BOARD

Name	Academic and Professional Qualifications
 Prof. Asenath Sigot	<p>Ag Vice Chancellor BSc. Ed, MSc. Ed, (UCM, USA) PhD. (KU) Has had over 37years of University teaching, research, supervision and academic leadership. Held various leadership positions from Chairperson of Department, Director of a School, and Deputy Vice Chancellor. Has been trained in corporate governance and has contributed widely in leadership and community engagement as chairperson of Jomo Kenyatta Foundation and as a commissioner in the Commission for University Education. She was appointed w.e.f. 1st July 2019</p>
 Dr. Patrick Ojera	<p>Ag. Deputy Vice Chancellor, Administration and Finance. Ph.D. (MSU), MBA (ESAMI), BCOM (Accounting)(UoN), CPA (K). Has taught accounting, auditing, and finance, strategic and general management and supervised numerous postgraduate students at various universities since the year 2003. He is the Executive Dean, School of Business & Economics He held a similar position previously at Maseno University. He left industry as Acting Chief Executive to take up new career challenge in the academia in 2003. Appointed to act w.e.f 5th June 2018</p>
 Prof. Charles Mutai	<p>Ag. Deputy Vice Chancellor, Planning, Research and Innovation BSc (UON), MSc. (Liverpool), PhD (Athens), Postdoc (China). He is an Associate Professor in the Department of Medical Laboratory Sciences and has over 20 years' experiences in the public service. His expertise is in teaching and research in the areas of Pharmacology, Pharmacognosy and Complementary /Alternative Medicine. He is the founder dean of School of Public Health and Biomedical Sciences & Technology and has also served as Deputy Principal in charge of Academic and student Affairs at Turkana University College in Lodwar</p>

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 <p>Dr. Eng. Benedette Sabuni</p>	<p>Deputy Vice Chancellor, Academic and Student Affairs. MSc, (UoN); MPhil, (University of Glamorgan); PhD. (MMUST), Has had over 15 years of University teaching. Registered Civil Engineer. Professional practice, supervision, research, leadership and consultancy. Held various leadership positions from Chairman of Department; Director, Quality Assurance; Faculty Dean.. He has been trained in performance based and has contributed widely in organisational performance improvement in universities. She was appointed to the University Management Board in November 2018</p>
 <p>CPA Jared G.O.O. Rading</p>	<p>Finance Officer Holds B. Com-Accounting(KU), MBA-Accounting, (Maseno) with over 17 years of practical and hands on experience in Accounting, Finance, Administration, Procurement and Strategic Leadership. He is a Certified Public Accountant and a registered member of the Institute of Certified Public Accountants of Kenya. He is a Certified Pensions Trustee. He joined the University Management Board in October 2016.</p>
 <p>Ms. Rachel C. Atamba</p>	<p>Registrar in charge of Administration She In-Charge of Human Resource Management, Central Services and General Administration in the university. She holds a Bachelor of Arts Degree from the University of Nairobi and a Master of Business Management (MBA in Human Resource Management option) from Egerton University. A career public servant, she worked in the Civil Service and Egerton university before joining MMUST in December 2003. She is a member of the Institute of Human Resource Management (IHRM) and Kenya Institute of Management(KIM)</p>
 <p>Prof. Thomas Sakwa</p>	<p>Ag. Registrar in charge of Academic Affairs He holds BSc.M.Phil.and M.Phil (Moi) He has over 20 years of university teaching and management. He is a member of Kenya National Academy of Sciences, KIM, and MPSK. He was appointed to Management Board in January 2019.</p>
 <p>Dr. Patrick Wanguche</p>	<p>Senior Medical Officer He holds a Bachelor of Medicine and Bachelor of Surgery. M.B.Ch.B (U.O.N) 1989. He has vast experience in medical administration especially in Health Systems Management application of efficiency measures in control of health expenditure in organizations.</p>

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Dr. Lydia Omwoha

Dean of Students

She holds B.Ed (UoN), MSc.(Manchester). She has over 30years management experience in student affairs and general administration.



Mr. Vincent Chibini

Ag. University Librarian

He holds Dip LIS (STTI), B.Sc LIS (Moi), M.Phil LIS (Moi), with over 20 years of practical and hands on experience in Library and Information Resources Management,

He is a registered Member of KLA, IFLA, and KLISC. He joined the University Management Board in November 2015.

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IV. CHAIRMAN OF COUNCIL'S STATEMENT



On behalf of Masinde Muliro University of Science and Technology Council, it is with great pleasure that I present the Annual Report and Financial Statements for the year ended 30th June 2019 of the University. I wish to state that during the financial year, the University maintained prudent financial management strategies and controls to avoid wastage of resources. This effort worked out well as is reflected in the results hereby presented.

In close consultations with our University Chancellor Dr. Peter Wanyaga Muthoka, the Council continued to practice and facilitate good leadership and diversity in the University by ensuring that all operations are grounded on the Mwongozo Code of Governance. And to enhance governance attributes in the Financial Year, Council members attended various training Courses in Corporate Governance. It is worth noting that the 2018/2019 performance evaluation for Council members was carried out in July, 2018 and that the Council performed quite well.

The University Council has committed to the highest level of probity in the conduct of its business and continued to offer leadership and guidance to the Senate and the University Management Board in order to achieve the University's strategic objectives as set out in the University Charter, Statutes and the Strategic Plan which the Council reviewed in April, 2019.

The key achievement during the period was the completion of two flagship projects that have changed the landscape of the University. These are the i), Administration Block and ii) the Human Anatomy Laboratory. The tuition block and perimeter wall are on the completion stage. The new tuition block is a major milestone in the University. When complete, staff will have adequate office space, additional lecture facilities and it will increase the teaching space on campus. All these development projects are being financed by the National Government allocations and retained earnings.

In the financial year 2018/2019, the University established a School of Medicine (SOM) at the main Campus in Kakamega. The establishment and continued development of the School of Medicine will greatly enhance the University's aim of being a major western Kenya region all round medical provider. The School of Medicine is based on international standards, and it has been founded in collaboration with distinguished medical scholars in the university, other universities in Kenya and abroad. The first batch of Government sponsored students was admitted in September of 2018.

The University held its 13th Graduation Ceremony on 14th December 2018 which was presided over by our distinguished Chancellor, Dr. Peter Wanyaga Muthoka at the Main Campus in Kakamega and it was very successful.

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I wish to convey the Council's appreciation to Our Chancellor, Council members, the student fraternity, all the staff, University Management Board, the Senate, the Ministry of Education and the entire National Government for having worked tirelessly in ensuring that the key objectives for the FY 2018/2019 were achieved despite the challenges experienced. I want to assure all our stakeholders of the Council's continued support in strengthening this great University and maintain it as envisaged in our Strategic Plan to continue to be the University of Choice.

The University Council wishes to thank all stakeholders who contributed in one way or another to make the year successful including the teaching staff, non-teaching staff, suppliers, students, the community surrounding the University and, most importantly, the Government of Kenya for continuing to fund the University. God bless them all.



**Dr Jeremy Bundi, PhD, MILT-UK, iRAP Associate, EIA/EA Associate
Chairman of Council**

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V. REPORT FROM THE VICE CHANCELLOR



It is with great pleasure that I present to you the Annual Report and Financial Statements for the year ended 30th June 2019. As a University, we continue with our quest to make Masinde Muliro University of Science and Technology a world class institution. We are still striving towards providing better services to all our stakeholders, quality teaching, research and consultancy all which form our core mandate as a University.

Governance and Leadership

The University Council continued to offer leadership to the University under its chairman Dr. Jeremy Bundi after a Court decision reversed an earlier decision of the Cabinet secretary for Education in March 2019 to revoke his appointment. The Council also witnessed the resignation of Mr. Kosiom Frank Ole Kibelekenya. The position of the Vice Chancellor has been held in acting capacity following the expiry of the term of Prof. Fredrick Otieno on 30th November 2018. The Cabinet Secretary of Education appointed Prof. Joseph Bosire from JOOUST to act for a period of seven months upto 30th June 2019. I was appointed with effect from 1st July 2019 to take charge of the University in acting capacity as the recruitment process went on to find a substantive Vice Chancellor. This transition has the effect of disrupting the implementation of strategic objectives of the University. All the positions of Deputy Vice Chancellor have been held in acting capacity invariably from June 2018.

Financial Stewardship

The University Council has continued to deepen reforms aimed at improving the financial health of the University. The reforms have borne certain fruits namely, timely preparation of quarterly financial statements, compliance with statutory obligations, increase in staff morale and general improvement in service delivery to our key stakeholders and customers.

In the FY 2018/2019, the University recorded increase in its surplus position to Kshs. 212,233,625 from Kshs.133, 287,195 from the previous year. This performance resulted from increased efforts of the Council to rain on wastages while maximizing on our costs advantages to achieve our objectives. The Balance Sheet of the University improved in terms of non-current assets to Kshs. 5,087,716,762 in June 2019 from Kshs. 2,734,085,765 in June 2018. This growth was occasioned by the completion of asset valuation in June 2019 which gave values to several assets which had been omitted from the books of accounts since inception of the University. We removed Turkana University Asset of Kshs. 1,139,507,500 from our books since they have established their own Council and prepare their own financial reports.

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The University is surely on a steady recovery path to remain a strong brand in the pursuit of its mandate as spelt out in the charter. Other reforms currently being undertaken in financial stewardship area includes student debtor's reconciliation. A detailed reconciliation of this asset has been captured in note 31 to the financial statements. To this end, the active student debtors have been reconciled to Kshs. 587,624,474. The Council has maintained a full recovery position with respect to student debtors in order to assure the liquidity and sustainability of our University. We are also automating receipting of all revenues with our bankers in order to reduce cases of double receipting, erroneous allocations and bank reconciliations. The liabilities have reduced marginally from Kshs. 939,161,639 in 2018 to Kshs. 665,902,781 in 2019. The composition of these liabilities includes Trade and other payables, refundable deposits to customers, deferred income and employee benefit obligations of Kshs. 218,503,278, 388,455,491, 30,445,252 and 28,147,311 respectively. Trade and other payables have reduced from Kshs. 589,116,268 in June 2018 to Kshs. 218,503,278 in June 2019. This a clear testament of the prudent principles being implemented by our Finance Office to clean our balance sheet of pending bills. The closing cash position as at 30th June 2019 was Kshs. 349,924,329 up from Kshs. 246,976,770 as at 30th June 2018. This mirror solid liquidity at the University ensuring that operations and investment activities go on smoothly since we are able to settle claims and obligations when they fall due.

Careers day 2019

The University conducted a careers day where a number of companies participated and interacted with our students in order to align their career aspirations along the industry ones. The students had an opportunity to interact with industry champions from all over the republic. All the schools of the University participated in this fair in order to provide an enabling environment for students to relate their classroom experiences with industry practices. The University provides a pillar through aligning career fair by training qualified human capital in achievement of the Big Four Agenda, for the health sectors, manufacturing, food security and housing.

University Reforms

The University is undergoing an internal self-review in line with the National Government policy of improving quality university education and sustainability of public universities. In June 2019, the Cabinet Secretary for Education informed the University leadership of the Cabinet desire to see order being instilled in the university sector in our country. The University Management Board and the Council have identified key areas namely review of academic programmes, closure of non-viable campuses, staff rationalization, cost management, revenue diversification and capital investments as critical in addressing the concerns raised by the Cabinet. In this regard, the Council already closed the following campuses namely Ebungwe, ESMART and Busia. These have resulted in cost savings in various fronts. The following campuses have been earmarked for closure namely, Kisumu, Nairobi, Kapsabet, Webuye, and Mumias. The Management has estimated to save upwards of Kshs. 100,000,000 from rental payments, part-time costs, utilities and other operating expenses. The exit strategies are being considered before implementation by the University.

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Infrastructure projects

MMUST Council implemented a number of capital projects aimed at improving the space needs at the University both for students and staff. We are happy to note that the University has been able to complete the construction of the new Office Block and Tuition Block.



Fig 1: The Office Block under construction



Fig 2. Tuition Block under construction

These buildings have added the much needed space in the University especially office space and teaching space. The University will save up to Kshs. 26,000,000 from rent that it had been paying for tuition space in Kakamega Town to house its School of Business and Economics.

Currently, the University is constructing a perimeter wall around the University to improve security in light of emerging threats such as radicalization of the youth, terrorism, theft and willful destruction of property by some sections of the community.

Human Resource Management

The Council approved various staff development activities during the year ended 30th June 2019. Training and development of our staff ensures that both teaching and non-teaching staff are equipped with requisite skills, knowledge and abilities through provision of training opportunities for professional growth and development. The University has been engaging with Salaries and Remuneration Commission to get clearance in order to finalize on the Collective Bargaining Agreements for UASU and KUSU for period of 2013-2017 which has been outstanding for long. This is aimed at ensuring that smooth labour relations are fostered so as to focus on the core mandate by all stakeholders. The Management organized a training workshop for Senators in March 2019 in order to enlighten them on a number of issues

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affecting the performance of their duties. The University also sponsored staff to attend seminars and conferences and has established an Awards and Rewards Policy to staff and students who raise money for the University. Non-teaching staff have also been trained through the Staff Establishment and Training and the National Industrial Training Authority (NITA). Several other initiatives such as staff scholarships were implemented in order to enable staff acquire more skills and knowledge in their areas of specialisation. The Council has activated a number of initiatives to motivate staff and correct some mistakes that were occasioned on the staff such as MMUST Building Bridges Initiative, appeals for promotions, negotiations with staff who have court cases, dialogue with Unions. All these initiatives are desired to improve the public image of the University and motivate staff to give their best in service delivery.

Conclusion

I wish to take this opportunity to thank the Council, the University Management Board, Senate and other organs of the University for their leadership and commitment to the course of this institution in the FY 2018/2019 despite a number of challenges. I wish to thank all our students who remained calm to ensure smooth running of the University programmes. My appreciation also goes out to the entire staff for their steady commitment that realized the progress recorded in the year ended 30th June 2019. Finally, I wish to particularly appreciate the support of the National and other stakeholders in fulfilling their commitments to our University and we assure you of our continued cooperation and prudent utilization of resources bestowed on us.

Thank you very much. God bless you.



Prof. Asenath Sigot, PhD

AG. VICE CHANCELLOR

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VI. CORPORATE GOVERNANCE STATEMENT

Masinde Muliro University of Science and Technology (MMUST) is committed to mainstreaming best practices in corporate governance. The University has a duty of care to conduct affairs in a responsible and transparent way and to take into account the requirements of funding bodies and other stakeholders.

The University's Council is responsible for enforcing a sound system of internal controls that support the achievement of aims, objectives and implementation of policies enacted while safeguarding the public and other funds and assets for which the Council is responsible. The system of internal controls are designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness against material misstatement or loss.

The University Council has adopted a Statement of Primary Responsibilities which are published on the University's Strategic Plan and Website. These Statements set out the Council's responsibilities in respect of the proper conduct of public business, strategic planning, monitoring effectiveness and performance, finance, audit, estate management, human resource management, equality and diversity, student welfare, health and safety and the appointment of the University officers.

i) The Appointment and Retirement of the Council

The Council is the overall governing Board of the University. The Council is appointed by the Cabinet Secretary responsible for University Education as per the Universities Act No. 42 of 2012. The Council consists of nine (9) members including the Vice Chancellor who is ex-officio. The Council is appointed for a term of three (3) years to oversee good governance, and the Cabinet Secretary ensures rotation of key council positions to ensure continuity upon retirement or expiry of their term.

ii) The Role and Functions of the Council

Section 35(1) (a) of the Universities Act, No. 42 of 2012 provides for the following roles of the Council

- a) Employ staff
- b) Approve the Statutes of the University and cause them to be published in the Kenya Gazette
- c) Approve the policies of the University
- d) Approve the budget
- e) Recommend for appointment of the Vice Chancellor, Deputy Vice Chancellors and Principals of Constituent Colleges through a competitive process; and
- f) Undertake other functions set out under the Act and MMUST Charter

iii) Committees of the Council

- iv) The Council has various committees that enable it perform its functions with more specialised skills. These committees are headed by a member whose training and professional skills are amenable to offer good work.

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The Audit, Governance and Risk Management Committee have in place an approved Audit Charter that spells out the responsibilities of the Committee. It details the type of work and powers that the Committee has. The purpose of the Charter is to assist the Council members in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the University's process for monitoring compliance with laws and regulations and the Code of Conduct.

The following are the Committees of MMUST Council:

- i) Finance and Resource Mobilization
- ii) Strategy, Planning and Development
- iii) Human Resource
- iv) Audit, Governance and Risk Management and Compliance

v) Full Council and Committee Meetings

a) Full Council

The University Council meets at least four times per year and has a number of Committees including: Audit, Governance, Risk Management and Compliance Committee; Strategy, Planning and Development Committee; Human Resources Committee; and Finance and Resource Mobilization. All of these Committees are formally constituted with Terms of Reference and are comprised mainly of independent members. Each Committee is chaired by an independent member. All standing Committees of Council review and reflect on their work and provide report annually.

Schedule of Full Council Meetings from 1st July 2018 to 30th June 2019

	NAME	EXPECTED ATTENDANCE	ACTUAL ATTENDANCE	%TAGE ATTENDANCE
1	DR.JEREMY BUNDI	14	14	100
2	DR.JANE MUTUA MUSANGI	3	3	100
3	DOROTHY KIMEU	17	15	88
4	DAVID WATENE	17	9	53
5	DR.SAMSON MUCHELULE	17	17	100
6	JOYCE NDERITU	17	17	100
7	VAYODA SIRMA	17	9	53
8	KOSIOM KIBELEKENYA	14	11	79
9	DON RIAROH	17	17	100
10	AHMED M DIRIYE	3	3	100
11	PROF.FRED OTIENO	7	7	100
12	PROF JOSEPH BOSIRE	9	9	100
13	ARCHBISHOP INGANA	5	5	100
14	SAMUEL OTIENO	2	2	100

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There were seventeen (17) full council meetings in the FY 2018/2019 excluding Ad Hoc committee meetings.

b) The Finance and Resource Mobilization Committee

Member	12/7/18	20/9/18	25/9/18	11/10/18	1/11/19	21/1/19	24/2/19	10/4/19
Prof. Fred Otieno	P	P	P	P	R	R	R	R
Prof. Joseph Bosire	NYA	NYA	NYA	NYA	P	P	P	P
Mr. David Watene	NYA	NYA	NYA	NYA	P	P	P	P
Ms. Dorothy Kimeu	P	P	P	P	P	P	P	P
Dr. Samson Muchelule	A	P	P	P	P	P	P	P
Ms. Joyce Nderitu	X	P	P	P	P	P	A	P
Mr. Don Riaroh	NYA	NYA	NYA	NYA	NYA	NYA	NYA	P

c) Strategy, Planning and Development

Members	23/7/18	14/11/18	15/11/18	3/12/18	17/1/19	15/2/19
Mr. Don Riaroh	P	P	P	P	P	A
Prof. Fred Otieno	P	P	P	R	R	R
Prof. Joseph Bosire	NYA	NYA	NYA	P	P	P
Dr. Samson Muchelule	P	P	P	P	P	P
Mr. Frank Ole Kibelekenya	p	A	A	A	A	A
Archbishop Ingana T.Z.	A	P	A	P	A	A

d) The Human Resources Committee

Members	17/7/18	10/11/18	13/12/18	21/1/19	15/2/19	4/10/19
Prof. Fred Otieno	P	P	R	R	R	R
Prof. Joseph Bosire	NYA	NYA	P	P	P	P
Mr. David Watene	NYA	NYA	NYA	P	P	P
Ms. Vayonda J. S. Koross	p	A	A	A	A	A
Ms. Joyce Nderitu	P	P	P	P	P	P
Dr. Samson Muchelule	A	A	A	A	A	P
Archbishop Ingana T.Z.	A	P	P	A	A	A

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e) The Audit, Governance, Risk Management and Compliance Committee

Members	12/7/18	20/9/18	15/11/18	24/2/19
Mr. David Watene	NYA	NYA	NYA	P
Ms. Dorothy Kimeu	P	P	P	P
Mr. Don Riaroh	A	P	P	P
Mr. Frank Ole Kibelekenya	P	P	P	A
Ms. Vayonda J. S. Koross	P	P	P	A
Archbishop Ingana T.Z.	NYA	NYA	P	R
Samuel Otieno	P	R	R	R

Key: P= Present, A= Absent, R=Retired, NYA= Not Yet Appointed

A Register of Interests is maintained and declarations of any Conflicts of Interest are made at the start of each Committees and Council meetings.

In order to ensure the effectiveness of the system of internal control, in addition to meeting at regular intervals, the Council regularly receives the minutes and a report from the Chair of the Audit, Governance, Risk Management and Compliance Committee at each Council meeting which includes steps being taken by the University to manage risks. Audit, Governance, Risk Management and Compliance Committee also provides oversight of the University's risk management processes and considers regular reports from the University's independent internal audit, which includes the internal auditor's independent opinion on the adequacy and effectiveness of the University's system of internal control.

The Council's review of the effectiveness of the system of internal control is also informed by the work of the senior management within the University who have the responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management.

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VII. MANAGEMENT DISCUSSION AND ANALYSIS

a) Financial Performance Review

The University achieved revenue of Kshs 2,984m in 2018/2019 up from Kshs.2, 967m IN 2017/2018 resulting into a marginal increase of 0.57%. There was a decrease in recurrent grants from Kshs. 1,865m in 2017/2018 to Kshs. 1,528m in 2018/2019 due to Kshs. 354m to cater for CBA arrears for FY 2013/2017 in the FY 2017/2018. Tuition and related charges increased from Kshs. 1,038m in 2017/2018 to Kshs. 1,362m in 2018/2019 mainly due to overlapping semesters in the academic year and the financial year.

The University recorded growth in surplus of Kshs.79m from Kshs 133m in 2017/2018 to Kshs.222m in 2018/2019 giving an increase of 67%. This was mainly due to deepened financial prudence in spending and tight budgetary controls. The University made a provision of Kshs. 36m in bad debts owed by graduated students. Efforts are in place to ensure that these debts are recovered from the graduands as they come to pick their certificates.

In terms of contribution to revenue by source, in FY 2018/2019 Recurrent Grants contributed 51.2% to all operating income followed by Tuition and related revenues at 45.6 % with the other sources recording 1.0%, 0.9% and 1.3% for Research grants, IGU and Other income respectively.

Table 1: Comparative Income Sources

	2018/2019	%age	2017/2018	%age	2016/2017	%age
Revenue Source	Kshs.(M)		Kshs.(M)		Kshs.(M)	
Recurrent Grants	1,528	51.2	1,865	62.9	1,315	48.2
Tuition & Related Charges	1,362	45.6	1,038	35.0	1,331	48.8
Research Grants	30	1.0	26	0.9	21	0.8
IGU	26	0.9	16	0.5	28	1.0
Other Income	38	1.3	22	0.7	33	1.2
TOTAL	2,984	100	2,967	100	2,728	100

The growth of the University in terms of revenues and surplus over the last four years as shown in the table below;

Table 2: Growth in revenue and surpluses

Year	2019	2018	2017	2016
	Kshs.(M)	Kshs.(M)	Kshs.(M)	Kshs.(M)
Revenues	2,984	2,967	2,728	2,654
Operating Surplus(Deficit)	212	133	306	168
Net Profit Percentage	7.1	4.6	11.2	6.3

Over the last four years we have continued to realize positive results as indicated in table 2 above. In the current year the university recorded a 7.1% in surplus over the previous year an indication of financial efficiency over tough operating environment. With the on-going reforms the University will continue look at all possible ways of maintaining the reported growth in order to allocate resources for investment in key areas.

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Table 3: Comparative Financial Position and ratio Analysis

	30.06.2016	30.06.2017	30.06.2018	30.06.2019
Assets	Kshs.(M)	Kshs.(M)	Kshs.(M)	Kshs.(M)
Non- Current Assets				
Property & Equipment	1,179	2,375	2,734	5,099
Total Non- Current Assets	1,179	2,375	2,734	5,099
Current Assets				
Inventories	46	24	29	22
Accounts Receivables	1,074	1,287	1,366	642
Cash & Bank Balances	289	432	247	350
Total Current Assets	1,410	1,742	1,642	1,014
TOTAL ASSETS	2,588	4,117	4,376	6,114
EQUITY & LIABILITIES				
Capital Reserves	2,081	3,181	3,411	5,007
Revenue Reserves(P&L)	-546	-117	26	-453
Total Equity	1,535	3,064	3,437	5,460
Total liabilities	1,053	1,053	939	654
TOTAL EQUITY & LIABILITIES	2,588	4,117	4,376	6,114
Key Ratios				
(i) Current Ratio	1.34	1.65	1.75	1.52
(ii) Acid Test Ratio	1.29	1.63	1.72	1.49
(iii) Debt to Assets Ratio	0.41	0.26	0.21	0.11
(iv) Total Assets Turnover	1.03	0.81	0.70	0.57
(v) Average Assets	2,588	3,353	4,247	5,245
(vi) Return on Investments(ROI)	10.97	9.98	3.95	3.89

Table 3 above embodies the growth of the University over a four year period. The total assets increased from Kshs. 4,376m n 2018 to Kshs. 6,114m in 2019. This was due to completed asset valuation which brought in huge revaluation surplus especially on land values in Kakamega town. The table also shows that the total liabilities have decreased over the years with current assets also reducing indicating improved efforts to bring down student debtors.

Key financial ratios are indicative of a strong financial position with liquidity covered by more than 1 across all the years. Debts assets ratio shows only 11% debt on our balance sheet in FY 2018/2019. Management continues to deploy applicable strategies to ensure that all required minimal standards in terms of prudent financial management are complied with.

The forecast for FY 2019/2020 remains unpredictable given on-going university reforms and tough competition for key customers in the sector. The strain imposed by reduction in government funding is likely to affect our investment priorities and Council shall continue to review the situation and manage it accordingly.

b) Key Investments

In the year 2018/2019, the Council oversaw the completion of the Office Block and the Tuition Block. These investments are critical in the attainment of our key strategic objectives in the pursuit of our mandate. The University commenced the construction of the perimeter wall at the Main campus in a bid to reduce security threats exposure.

VIII. COMMUNITY OUTREACH (SOCIAL RESPONSIBILITY) STATEMENT

Masinde Muliro University of Science and Technology recognizes its obligations to act responsibly, ethically and with integrity in its dealings with students, staff, their families, customers, contact community, partners, society and the environment as a whole. The institution operates in a socially responsible and ethical manner with high standards of integrity and practice. The University believes in giving back to the community within which it is situated and beyond. During the period under review, the University participated in the following outreach activities:

a) MMUST Career Fair 2019

The Directorate of Career Services held the MMUST Career Fair 2019 from 27th – 29th March 2019 at the University Multipurpose Hall. The Career Fair is an important event in the University's calendar aimed at bringing together all schools in the University and sharing deliverables with key industry players, prospective students and other stakeholders. This Year's theme was 'University-Industry Partnerships for Career Development'. Invited guests and speakers were from the Kenya School of Government and the Nation Media Group. Other organizations which participated in exhibiting their products include Safaricom, Kenya Institute for Public Policy Research and Analysis (KIPPRA), Housing Finance, Kabras Sugar, Telecom, Kenya Seed, Anglican Development Corporation, Kenya Power and several schools.

b) The 2nd Edition of the Cleo Malalah Job and Career Expo

The University hosted the 2nd Edition of the Cleo Malalah Job and Career Expo on Saturday, 18th May 2019. This is an annual event organized by the Office of the Senator, Kakamega County and the Deputy Leader of Minority in the Senate, Hon. Cleophas Malalah. With the theme 'Stepping Forward' the event brought high school students from the western region and youth from Kakamega County. The University had the opportunity of addressing both the students and the youth on various issues. It also showcased its courses in the exhibition which was concurrently held.

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c) 2019 MMUST Kakamega Agri-Expo

The University, through the School of Agriculture, Veterinary Sciences and Technology (SAVET), organised and held its annual MMUST Kakamega Agri Expo on Friday, 24th May 2019 at the University model farm in Milimani. Driven by the theme 'Positioning Agriculture for Sustainable Food and Income Security through Technology and Innovation', the Expo had the objective of teaching, as well as learning from the farmers, on best practices in farming. Among exhibitors in attendance were; Kenya Seed Company, Ecological Organic Agriculture, Pioneer, Kenya Commercial Bank, Davis and Shirlif, Seed Company, Mkopa solar, Feed the Future, Mavuno Fertilizers, Western Seed Company Limited, Yara, Mila Power, Kenya Agricultural and Livestock Research Institute(KALRO), MMUSTMUG, Coopers Limited, Pannar, Juanco Growing Ideas, Baraka Fertilizers, Bubayi Products Limited, Kukuchic Limited, Anglican Development Services, Syngenta Seeds and Agricultural Finance Corporation.



The poster features the MMUST logo at the top left, which includes the text 'MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY' and 'Technology for Development'. The main title 'MMUST Kakamega Agri-Expo' is written in large, bold, red letters. A blue and orange banner on the right says 'FREE ENTRY'. Below the title, there are images of green leafy vegetables, a group of black and white cows, and a cluster of red and green tomatoes. The date 'Date: 24th May, 2019' is displayed in a yellow box. The venue 'Venue: MMUST Model Farm' is listed in a green box. The contact number 'Contact 0724972207' is shown in a white box. At the bottom, the theme 'Theme: Positioning Agriculture for Sustainable Food and Income Security through Technology and Innovation' is written in white text on a black background.

d) Workshop on Sickle Cell Anaemia

The University held a Workshop on Sickle Cell Anaemia on Tuesday, 10th July 2018. The workshop was organized by MMUST in collaboration with Ball State University (BSU) to educate, create awareness and manage Sickle Cell Disease as a journey to establishing a Sickle Cell Research Centre at Masinde Muliro University of Science and Technology. The topic was “Sickle Cell Anemia: A Community Collaboration, Education, Awareness and Management”. The Presenters were Professor Linda Siktberg, Chairperson, School of Nursing, Ball State University (USA) and Dr. Sheila Abebe, School of Nursing, Ball State University (USA).

e) Public Sensitization through Web-based Information

The University has enhanced dissemination of information by regularly publishing news and events on the webpage, newspapers, television, radio and various other media channels. This has led to improvement of the visibility of MMUST around the world, as items such as those listed in Table 1 have contributed to the University web ranking to position 7 from 10, as evidenced in the growing number of visitors on the MMUST Webpage (Figure 1). The University also started a weekly digital newsletter dubbed MMUST *NewsPost* to inform staff, students and other stakeholders of events, functions and other developments taking place at the University.

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IX. REPORT OF THE UNIVERSITY COUNCIL

The University Council submit their report together with the audited financial statements for the year ended June 30th, 2019 which show the state of Masinde Muliro University of Science and Technology's affairs.

Principal activities

The principal activities of the University are teaching, research, and innovation and extension services.

Financial Performance

The results of the University for the Period ending June 30, 2019 are set out on pages 32 to 37. The University recorded a surplus of Kshs. 212,233,625 in 2018/2019 compared to Kshs. 133,287,195 during the financial year 2017/2018


Council

The members of the University Council who served during the year are shown on page 3 of this report

Auditors

The Auditor General is responsible for the statutory audit of the Masinde Muliro University of Science and Technology in accordance with the Public Audit Act of 2015.

By Order of the Council


Sign.....
Prof. Asenath Sigot, PhD

Date: 25/9/2019

Ag. Vice Chancellor/Secretary to Council

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X. STATEMENT OF UNIVERSITY COUNCIL'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and the Universities Act No. 42 Of 2012 require the 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 and the operating results of the University for that year. 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, 2019. 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 accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act and the Universities Act No. 42 of 2012. The 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, 2019, 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.

Approval of the financial statements

The University's financial statements were approved by the Council on 24th September, 2019 and signed on its behalf by:


Signature

**Dr. Jeremy Bundi
Chairman of Council**


Signature

**Prof. Asenath Sigot
Ag. Vice Chancellor**

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Masinde Muliro University of Science and Technology set out on pages 31 to 77, which comprise of the statement of financial position as at 30 June, 2019, 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.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Masinde Muliro University of Science and Technology as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy of the Statements of Financial Position

A review of the statement of financial position reflects cash and cash equivalents balance of Kshs.349,924,329. However, a review of the bank reconciliation statements for the month of June, 2019 reflected un-presented cheques on two (2) bank accounts totalling Kshs.30,596,780 that have remained un-cleared for over six months and were therefore stale, yet they had not been reversed in the cash books.

Further, the statement of financial position reflects receivables from non-exchange transactions balance of Kshs.25,107,549 in respect of outstanding imprests. However, examination of imprest records reflects outstanding imprest amount of Kshs.13,674,311 resulting to an unreconciled and unexplained difference of Kshs.11,433,238.

In addition, and as disclosed under Note 17 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of

Kshs.617,248,475. The balance includes student debtors of Kshs.587,624,473 which differ with the supporting schedules balance of Kshs.1,475,306,534 resulting into an unreconciled variance of Kshs.887,682,061. In addition, the students fee summary report reflected a balance of Kshs.1,510,988,707 resulting into an unexplained variance of Kshs.923,364,233

The statement also reflects refundable deposits from customers balance of Kshs.388,455,491. The balance includes prepayments of Kshs.236,383,906 which differs with the supporting schedules of Kshs.239,414,327 resulting into an unreconciled balance of Kshs.3,030,421.

In the circumstances, the accuracy and completeness of the balances reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

2. Unsupported Expenditure in the Statement of Financial Performance

As disclosed under Note 12 to the financial statements, the statement of financial performance reflects expenditure amounting to Kshs.214,863,570 under general expenses. The balance includes expenditure on fuel amounting to Kshs.4,656,506 but motor vehicle records indicating how the fuel was utilized between August, 2018 and May, 2019 was not corroborated by entries in the work tickets and details of the vehicles. Management did not also provide tender documents including the contract agreement for the supply of fuel.

Further, as disclosed under Note 13 to the financial statements, the statement of financial performance reflects an amount of Kshs.401,705,531 under academic (teaching, research and extension) which constitutes an amount of Kshs.30,349,534 in respect of donor funded research expenses. The balance includes payments totalling to Kshs.9,441,694 which were spent through imprests to individuals mainly as stipends and other project activities that were not adequately supported. It was noted that cash was paid to individuals directly and not through their respective bank accounts.

In addition, the statement of financial performance reflects an amount of Kshs.36,446,649 in respect of provision for bad debts for non-performing debts for students who have since graduated. However, Management did not indicate how this balance was derived or provided the policy on provision for bad debts.

Consequently, the accuracy, completeness and validity of the expenditure amounting to Kshs.50,544,849 reflected in the statement of financial performance for the year ended 30 June, 2019 could not be confirmed.

3. Unexplained Prior Year Adjustments

As disclosed under Note 29 to the financial statements, the statement of changes in net assets reflects accumulated revenue deficit balance of Kshs.452,716,091. The balance was arrived at after a prior year adjustment of Kshs.680,011,773. However, Management did not provide supporting documentation in respect of the prior year adjustments for audit review.

Consequently, the accuracy and completeness of the accumulated revenue reserve balance of Kshs.452,716,091 reflected in the statement of changes in net assets as at 30 June, 2019 could not be confirmed.

4. Unsupported Adjustment of Cash and Cash Equivalents

The statement of cash flows reflects closing cash and cash equivalents balance of Kshs.349,924,329. The balance was adjusted due to variances in cashbook, ledgers and bank balances of Kshs.13,083,412 as disclosed under Note 31 to the financial statements and adjustment for bank reconciliation suspense of Kshs.4,665,700 as indicated under Note 32 to the financial statements. However, the stated adjustments are not supported with the necessary documentations or explanations.

In the circumstances, the accuracy of the statement of cash flows for the year ended 30 June, 2019 could not be ascertained.

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

Key Audit Matters

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

Other Matter

Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved all the issues contrary to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/12/1/44 of 25 June, 2019.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that,

nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delay in Implementation of the Proposed Tuition Block

Management awarded a tender for construction of a tuition block to a construction firm in June, 2016 at a contract sum of Kshs.139,266,420 for a period of 52 weeks between 21 June, 2016 and 20 June, 2017. The contract sum was later varied to Kshs.167,284,573 and completion date extended to 27 March, 2018.

At the time of audit in September, 2019, the work was still not complete and the contractor was still on site. No reason was provided for the delay in project completion and the Management did not indicate the measures being taken to have the building completed and put to use.

Consequently, the University has not obtained value for Kshs.167,284,572 so far incurred on the project as at 30 June, 2019.

2. Compliance with the Public Finance Management (National Government) Regulations, 2015 on Fiscal Discipline

The statement of financial performance reflects employee costs figure of Kshs.1,825,084,950 and total revenue of Kshs.2,984,351,929. The wage bill constitutes 61% of the total revenue. This is contrary to the stipulated ratio in Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which requires that the wage bill should not exceed thirty-five (35) percent of the total revenue.

Consequently, the Management is in breach of the law.

3. Compliance with the Law on Ethnic Diversity

Review of staff data revealed that the University had one thousand and eleven (1,011) permanent employees out of whom six hundred and forty-nine (649) or approximately 64% are from the dominant community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

The Management is therefore in breach of the law.

4. Non-Conformity to a Third Basic Rule Policy

Review of the payroll for the month of June, 2019 revealed that two hundred and thirty-five (235) employees earned less than a third (1/3) of their respective gross basic

salaries. This is contrary to Section 19 (3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

Consequently, the Management is in breach of the law.

5. Non-Adherence to Occupational Safety and Health Act (OSHA)

Although the University has mainstreamed the requirements of the Occupation Safety and Health Act (OSHA), 2007 under Section L.2 of Human Resource Policies and Procedures Manual, the Standing Committee on OSHA was not functional and the University was not following up the matters pertaining to the requirements of OSHA. The minutes of the committee meetings; and safety and health audit reports were not provided, for audit review, contrary to Section 11(1) of the Occupational Safety and Health Act, 2007 which requires that the occupier of a workplace shall cause a thorough safety and health audit of his workplace to be carried out at least once in every period of twelve months by a safety and health advisor, who shall issue a report of such an audit containing the prescribed particulars to the occupier on payment of a prescribed fee and shall send a copy of the report to the Director.

The Management is therefore in breach of the law.

6. Lack of Annual Environmental Audit Report

During the year under review, no follow up reports were made on Environmental Impact Assessment Reports for the University projects that have been undertaken. This is contrary to Section 34(1) of the Environmental (Impact Assessment and Audit) Regulations, 2003 which states that in executing a project, after the environmental impact assessment study report has been approved by the Authority, or after the initial audit of an ongoing project, the proponent shall take all practical measures to ensure the implementation of the environmental management plan. Further, there was no environmental audit report to show that annual environmental audit was undertaken during the year as required by the Environmental Management and Coordination Act (EMCA) Regulations.

Consequently, the Management is in breach of the law.

7. Negotiated Fees on Petitions

During the year under review, a law firm was paid Kshs.6,909,512 in respect of negotiated fee on petitions. Information available indicated that the initial fee amount as per the legal fee notes was Kshs.17,518,888 which was negotiated to Kshs.10,000,000.

However, Management did not avail supporting documents such as negotiation committee minutes, appointment, approval or how the amount was arrived at.

Consequently, I am unable to confirm whether the payment was a proper charge to public funds.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Inaccurate Personnel Records

It was noted from the payroll records that forty-one (41) members of staff did not have Kenya Revenue Authority Personal Identification numbers, twelve (12) had duplicate PIN numbers and one hundred and four (104) had wrong PIN pattern. In addition, one hundred and seventy-seven (177) staff did not have both National Social Security Fund and National Hospital Insurance Fund numbers.

Consequently, I am unable to confirm the existence of effective internal control including governance on personnel records.

2. Weak Information Technology (IT) Governance

Review of a new Enterprise Resource Planning (ERP) system revealed that some vital modules had not been activated while the ones activated had multiple challenges although the contract implementation period had already expired. Further, no documented ERP risk assessment had been done. As such any negative outcome from identifiable risks could not be recognized and investigated.

Consequently, I am unable to confirm the existence of effective IT controls and governance.

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

Responsibilities of Management and Council

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue as a going concern.

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

21 July, 2021

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XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2019	2018
Revenue from non-exchange transactions		Kshs	Kshs
Recurrent Grant(GoK)	3	1,528,040,330	1,864,556,766
Research Grants	4	30,349,534	26,391,166
Total revenue from non-exchange transactions		1,558,389,864	1,890,947,932
Revenue from exchange transactions			
Tuition and Related Charges	5	1,361,643,189	1,035,336,426
Income Generating Units	6	26,039,884	15,958,141
Other Income	7	38,278,992	22,165,489
Total revenue from exchange transactions		1,425,962,065	1,073,460,056
Total revenue		2,984,351,929	2,964,407,987
Expenses			
Employee costs	8	1,825,084,950	2,067,372,454
Depreciation and amortization	9	141,705,273	83,186,374
Repairs and Maintenance Expenses	10	28,083,900	26,881,947
Contracted Services	11	101,800,830	114,326,880
General Expenses	12	214,863,570	183,510,452
Academic(Teaching, Research and Extensions)	13	401,705,531	322,404,325
Remuneration of Council	14	21,151,001	21,593,121
Chancellor Expenses	14	1,276,600	677,419
Provision for bad debts	15	36,446,649	11,163,821
Total expenses		2,772,118,304	2,831,120,793
Surplus/(Deficit)		212,233,625	133,287,195


The notes set out on pages 31 to 77 form an integral part of these financial statements.

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XIII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Notes	2019	2018
ASSETS		Kshs	Kshs
Current assets			
Cash and cash equivalents	16	349,924,329	246,976,770
Receivables from exchange transactions	17	617,248,475	1,325,508,898
Receivables from non-exchange transactions	18	25,107,549	40,420,067
Inventories	19	21,989,542	29,206,439
Total Current Assets		1,014,269,895	1,642,112,173
Non-current assets			
Property ,plant and equipment	20	5,087,716,762	1,578,596,118
Turkana university college Development	21	0	1,139,507,500
Biological Assets	22	627,000	320,000
Intangible assets	23	10,907,910	15,662,147
Total no - current assets		5,099,251,672	2,734,085,765
TOTAL ASSETS		6,113,521,566	4,376,197,938
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	24	218,503,278	589,116,268
Refundable deposits from customers	25	388,455,491	320,068,284
Deferred income	26	18,740,817	15,628,337
Employee benefit obligation	27	28,147,311	14,348,750
Total current liabilities		653,846,896	939,161,639
NET ASSETS			
Capital Grants Reserves		3,585,298,765	3,410,854,515
Accumulated Revenue Surplus		(452,716,091)	15,062,057
Revaluation Reserves		2,327,091,997	11,119,725
Total Net Assets		5,459,674,670	3,437,036,297
Total Net Assets and Liabilities		6,113,521,566	4,376,197,937

The Financial Statements set out on pages 30 to 37 were signed on behalf of the Council by:



Prof. Asenath Sigot
 Ag. Vice Chancellor



CPA Jared G. O. O. Rading'
 Head of Finance
 ICPAK Number 6143



Dr. Jeremy Bundi
 Chairman of the Council

Date.....25/9/2019

Date.....25/9/2019

Date.....25/09/2019

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XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2019

Reserves	Capital Development Reserves	Accumulated Revenue Reserves	Revaluation Reserves	Total
	Kshs	Kshs		Kshs
Balance as at 1ST JULY 2017	3,180,841,590	(127,769,314)	11,119,725	3,064,192,001
Revenue Reserve for the year		133,287,195		133,287,195
Capital Development Grants	60,012,925	-	-	60,012,925
Grants for Special projects	170,000,000	-	-	170,000,000
Prior Year Adjustments	-	9,544,177	-	9,544,177
Revaluation Reserves	-	-	-	-
Balance as at 30 JUNE 2018	3,410,854,515	15,062,057	11,119,725	3,437,036,297
Balance as at 1ST JULY 2018	3,410,854,515	15,062,057	11,119,725	3,437,036,297
Revenue Reserve for the year	-	212,233,625	-	212,233,625
Capital Development Grants	174,444,250	-	-	174,444,250
Grants for Special projects	-	-	-	-
Prior Year Adjustments	-	(680,011,773)	-	(680,011,773)
Revaluation Reserves	-	-	2,315,972,272	2,315,972,272
Balance as at 30 JUNE 2019	3,585,298,765	(452,716,091)	2,327,091,997	5,459,674,670

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XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019	2018
		Kshs	Kshs
Cash flows from operating activities			
Surplus for the year		212,233,625	133,287,195
Add: Depreciation	9	141,705,273	83,186,374
Prior year adjustment (Non cash)	29	(680,011,773)	0
Operating surplus before working capital changes		(326,072,875)	216,473,568
Working capital changes			
Increase/(decrease) in inventories	19	7,216,897	(5,684,439)
Increase/(decrease) in trade and other receivables	17&18	723,572,940	(79,333,483)
Increase/(decrease) in trade and other payables	24,25,26 & 27	(285,314,743)	(113,953,692)
Net cash flows from operations		445,475,094	(198,971,613)
Net cash flows from operating activities		119,591,505	17,501,956
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	20,22&23	(173,149,809)	(441,848,287)
Proceeds from sale of property, plant and Equipment		-	-
Net cash flows used in investing activities		(173,149,809)	(441,848,287)
Cash flows from financing activities			
Capital grants receipts	28	174,444,250	230,012,925
Net cash flows used in financing activities		174,444,250	230,012,925
Net increase/(decrease) in cash and cash equivalents		120,885,946	(194,333,407)
Adjustment due to variance in cashbook ledgers and Bank balances	31	(13,083,412)	9,544,178
Adjustment for Bank reconciliation Suspense	32	(4,665,700)	
Cash and cash equivalents at the beginning of the year		246,976,770	431,765,999
Cash and cash equivalents at end of the year		349,924,329	246,976,770

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**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE YEAR ENDED 30 JUNE 2019**

		Original budget	Adjustments	Final budget	Actual Outcome	Performanc e difference	Budget Vs Actual Variance
		2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	%
A	Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
1	Recurrent Grants	1,557,998,296	(31,159,966)	1,526,838,330	1,528,040,330	1,202,000	100
2	Development Grants	174,444,250	-	174,444,250	174,444,250	-	100
4	Retained Earnings	28,894,000	-	28,894,000	-	(28,894,000)	0
5	Research Grants	20,000,000	-	20,000,000	30,349,534	10,349,534	152
6	Tuition and Related Fees	1,072,773,500	81,000,000	1,153,773,500	1,361,643,189	207,869,689	118
8	Other Income	40,665,500	9,666,250	50,331,750	64,318,876	13,987,126	128
	Total Income	2,894,775,546	59,506,284	2,954,281,830	3,158,796,179	204,514,349	107
	Expenses			-		-	
9	Employee costs	1,793,938,911	-	1,793,938,911	1,825,084,950	(31,146,039)	102
10	Depreciation and amortization	74,000,000	53,506,284	127,506,284	141,705,273	(14,198,989)	111
	Repairs and Maintenance Expenses	36,125,000		36,125,000	28,083,900	8,041,100	78
11	Contracted Services	112,818,924		112,818,924	101,800,830	11,018,094	90
12	General Expenses	305,762,279	-	305,762,279	214,863,570	90,898,709	70
13	Academic(Teaching, Research and Extensions)	348,637,182		348,637,182	401,705,531	(53,068,349)	115
14	Remuneration of Council	20,000,000	4,000,000	24,000,000	21,151,001	2,848,999	88
14	Chancellor Expenses	-	2,000,000	2,000,000	1,276,600	723,400	64
15	Provision for bad debts	-		-	36,446,649	(36,446,649)	0
16	Capital Expenses	203,338,250		203,338,250	173,149,809	30,188,441	85
	Total Expenditure	2,894,620,546	59,506,284	2,954,126,830	2,945,268,113	8,858,717	100
	Surplus	155,000	-	155,000	213,528,066	195,655,631	

This budget statement relates to the approved Budget for Financial year 2018/2019

1. The recurrent grants support from the National Government of Kshs. 1,526,838,330 was realized as planned thus registering 100% performance. This showed commitment from the National government to continue support the University in quest to recruit and retain competent staff.
2. The development grants of Kshs. 174,444,250 was budgeted and received in full from the National Government.
3. Retained Earnings were not invested in assets as envisioned. This was due to low pace of absorption of allocated capital funds.

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4. Research Grants income was realized Kshs. 30,349,534 against a projection of Kshs. 20,000,000. This is income from support received from donor organisations supporting various scholarly activities for the academic staff. The huge variance is due to unpredictability of successful proposals and support that comes through within the year.
5. Tuition and related charges recorded 118% of the budget amounts. This was marginal increase of Kshs. 207,869,689 over the budget amount. This was as a result of industrial unrest that extended the second semester of academic year 2017/2018 to FY 2018/2019 thus extra revenue collected this financial year.
6. Other income recorded 128% of the target giving an increased performance. The main component of other incomes is catering income which realized significant drop in revenues as shown in note 7 in the detailed notes to the financial statements.
7. Employee costs recorded 102% of the budget. The increase was as a result of outstanding Part time lecturers claims for previous periods which had not been provided. A total of Kshs. 31,146,038 was used over and above the budget.
8. Depreciation provision registered 111% against the budget. This largely depends on the level of Property, Plant & Equipment maintained in the year. The university carried out valuation of the Fixed Assets which increased the book value with Kshs. 3,447,948,872. The final report came in June 2019 at the end of the financial year therefore we were not able to make a supplementary budget for excess allocations.
9. Repairs and Maintenance recorded 78% performance against the budget. The University continues to repair a number of facilities to keep them in productive status throughout their lifespan.
10. Contracted services registered a performance of 90% against the budget. All services for the period were received and accounted for thus giving a savings of 10% of budget.
11. General expenses recorded 70% of the budget indicating good results in expenditure management though individual items had mixed variances.
12. Academic (Teaching, Research and Extensions) expenses registered 115% against budget. The over expenditure was caused by PSSP expenses which recorded actual expenditure of Kshs. 186,191,757 against a budget of Kshs. 110,000,000. This was largely contributed by the reduction of the FY 2018/2019 budget by the National Treasury during budget negotiations.
13. Council Expenses registered 88% performance against budget.
14. Capital Expenses recorded 85% of the budget. This was low absorption due to slow pace of project implementation and lengthy procurement procedures.

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XVII. NOTES ON THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Masinde Muliro University of Science & Technology is established by and derives its authority and accountability from "Universities Act of 2012 (No 42 of 2012). The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activities are teaching, research, innovation, and extension services.

2 (a) STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The asset valuation process was completed and report ready by the time of preparing this report thus the assets are recognized including the valuation figures. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the University accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University.

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

2. (b) ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. This has been implemented and has helped in matching expenses as and when they are incurred.

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NOTES ON THE FINANCIAL STATEMENTS (Continued)

2 (b) ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

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

iii. Early adoption of standards

The University did not early – adopt any new or amended standards in year 2019.

2 (c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The University recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the University and the fair value of the asset can be measured reliably.

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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

2 (c) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

The University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the University.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the University's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly in May 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the University upon receiving the respective approvals in order to conclude the final budget.

The University's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

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The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XV of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the University operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

c) Taxes (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent

that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable University and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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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.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the University. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The University also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the University will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the University.

Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

The University expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the University can demonstrate:

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

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.

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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.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the University has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are 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. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The University assesses at each reporting date whether there is objective evidence that a financial asset or an University 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:

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

Financial liabilities

Initial recognition and measurement

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

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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.

i) Inventories

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.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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

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

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

j) Provisions

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

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

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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.

k) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. Capital reserves are meant for development and expansion of long term assets while revenue reserves are for accumulation of operating surpluses which are then used for reinvestment purposes.

i) Changes in accounting policies and estimates

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.

j) Employee benefits

Retirement benefit plans

The University provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an University pays fixed contributions into a separate University (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

k) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

m) Related parties

The University regards a related party as a person or a University 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 Directors/ Council, the Vice Chancellor and Senior Managers.

n) Service Concession Arrangements

The University analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the University recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the University also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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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) Subsequent events

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, 2018.

**2 (d) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION
UNCERTAINTY**

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. State all judgments, estimates and assumptions made: e.g

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:

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

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Provisions

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

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.

F/NO	DETAILS	2019		2018	
		AMOUNT	IN	AMOUNT	IN
		Kshs		Kshs	
3	Recurrent Grant(GoK)				
	July	129,833,191.00		354,831,545.45	
	July			111,192,746.00	
	August	129,833,191.00		111,192,746.00	
	September	129,833,191.00		111,192,746.00	
	October	129,833,191.00		111,192,746.00	
	November	122,043,201.00		184,281,191.20	
	December	122,043,200.00		125,810,435.00	
	January	127,236,527.00		125,810,435.00	
	February	127,236,527.00		125,810,435.00	
	March	119,446,537.00		125,810,435.00	
	April	129,833,191.00		125,810,435.00	
	May	129,833,191.00		125,810,435.00	
	June	20,000.00			
	June	1,182,000.00			
	June	129,833,192.00		125,810,435.00	
	Sub total	1,528,040,330.00		1,864,556,766	
4	Research Grants	30,349,534		26,391,166	
	Provide detailed reconciliation as a separate disclosure.				
5	Tuition and Related Charges				
	Tuition Fees	941,424,910		682,149,514	
	Student Opening Balances	(352,485)		(418,777)	
	Registration fees	2,754,500		2,837,465	
	ID charges	(1,000)		500	
	Activity fees	16,838,335		15,146,900	
	Amenity fees	16,531,850		14,745,150	
	Medical fees	27,541,537		23,525,750	
	Students Organizational Fee	6,759,100		6,036,988	

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	Examination fees	72,440,660	58,855,711
	ICT levy	84,887,145	75,288,365
	Teaching Practice	109,033	69,165
	Field Trips	331,000	330,000
	Thesis	13,180,830	5,250,000
	Supervision	21,788,340	9,641,905
	Professional Insurance Indemnity	555,000	217,500
	Library Fees	51,362,172	44,965,800
	Graduation Fees	20,590,375	23,905,150
	Skill Laboratory Fee	1,740,500	1,447,900
	KUCCPS Processing Fee	3,609,500	5,282,500
	Hospital Consumables	4,023,266	2,149,100
	Medical Insurance	202,500	210,500
	Appraisal Forms	(1,900)	2,100
	Psychiatry Case Presentation Forms	200	200
	Practical Fee /Clinical Placements	3,693,900	2,735,000
	Attachment	56,652,065	53,390,565
	Computer Laboratory Costs	2,158,800	860,000
	Laboratory Fees	1,528,100	915,200
	Board (KNDI)	211,800	18,100
	Training Fees	120,265	3,000
	Referral/Supplementary	1,562,410	86,330
	Collaboration Centre Fees	300,000	
	Damages	48,900	92,900
	Application fees	4,721,250	1,372,500
	Late Application Fee	0	500
	Extended Correction period (Fee)	0	1,000
	Lesson Plan	373,480	275,395
	Supplementary Exam Fee	1,000	0
	Examination Fee - PHD	45,000	15,000
	Alumni	5,000	0
	Field work fee	1,173,550	609,000
	Student smart card charges	2,695,300	3,322,550
	Mmust-Inst Ethical review committee	37,000	
	Total Tuition and Related Income	1,361,643,188	1,035,336,426
6	Income Generation Units		
	Farm income	224,640	46,200
	Catering	15,608,257	7,117,098
	Book Shop	492,019	566,583
	Workshop & Conferences	1,232,850	292,542
	Rental Estate Income	4,662,540	13,000
	Library Income	83,180	120,205
	Estate sell of Grass	81,120	140,340

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	Sale from production unit	382,180	221,181
	Hire of Venues / Trappers/ Equipment	3,273,098	7,239,393
	Short courses/Consultancies	-	201,600
	Total Income From IGU	26,039,884	15,958,141
7	Other Income		
	Accommodation	33,971,220	16,575,035
	Fines & Penalties	565,220	194,816
	Misc. Income	2,346,669	1,814,262
	Sale of Tender Documents	28,500	11,000
	Disposal of Boarded Item Sales	51,140	20,000
	Research Income	67,435	1,301,538
	Interest income	219,665	435,510
	Revenue from collaborations	1,023,643	10,000
	Pan African Congress Proceeds	5,500	1,803,328
	Total Sundry Incomes	38,278,992	22,165,489
8	Employee Costs		
	Basic salaries	859,779,131	1,201,731,097
	Less basic salaries paid for TUC	0	(60,497,766)
	Car Allowances	119,862,516	118,297,479
	Casual Workers	52,716	0
	DISTURBANCE AND SETTLEMENT ALLOWANCE	0	147,000
	Gratuity expenses	49,100,583	28,459,038
	House Allowances	366,405,343	367,730,006
	Management Allowance	1,150,000	1,200,000
	Medical Expenses	52,639,804	45,181,338
	OTHER PERSONAL ALLOWANCES	99,794,798	100,815,110
	Part-time Payments	125,635,901	132,699,750
	Passage and Baggage Allowances	305,700	262,480
	Pension contribution	145,048,723	125,121,847
	Stipend	2,920,000	6,225,074
	Telephone Allowance	2,389,735	0
	Total Personnel Emoluments	1,825,084,949	2,067,372,454
9	Depreciation and Amortization		
	Depreciation of Buildings	60,852,847	28,818,696
	Depreciation of Computers and appliances	24,054,851	12,150,853
	Depreciation of Furniture and Fittings	10,229,900	10,995,999
	Depreciation of Motor vehicles	9,695,570	4,685,419

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	Amortization of Softwares	5,125,352	5,597,000
	Depreciation on Plant and equipment	26,161,471	15,353,125
	Depreciation on Library Books and Journals	5,585,282	5,585,282
	Total Depreciation	141,705,273	83,186,374
10	Repairs and Maintenance		
	Repair and Maintenance of Motor vehicles	5,699,420	4,616,976
	Maintenance of Plant, Furniture and Equipment	3,704,693	1,744,412
	Maintenance of Computers	1,707,010	3,751,012
	Maintenance of Buildings	16,972,777	16,769,546
	Total Maintenance Expenses	28,083,900	26,881,947
11	Contracted Services		
	Cleaning Services	9,654,379	9,355,059
	Insurance Expenses	7,414,019	7,629,343
	Legal Expenses	8,702,001	7,778,855
	Rent and Rates	50,188,000	59,690,911
	Security Services	25,842,432	29,872,712
	Total Contracted Services	101,800,830	114,326,880
12	General Expenses/ Administration Expenses		
	Advertising and Publicity Expenses	11,266,157	14,654,632
	Affiliation fees	6,006,500	2,889,264
	Audit fee	1,160,000	2,682,312
	Careers week	1,063,680	1,053,300
	Corporate Social Responsibility	919,165	1,602,198
	couching and mentoring	1,029,620	1,425,100
	External Travelling and Accommodation Expenses	2,310,720	2,512,642
	Bank Charges	4,948,270	3,561,659
	Bookshop expenses	0	1,006,910
	CATERING EXPENSES	16,103,096	13,147,996
	IGU EXPENSES	5,167,828	514,893
	Forensic Audit	300,785	5,283,467
	Industrial Attachment costs	0	3,014,328
	Inter-University Games	11,638,577	7,398,452
	Kaimosi University college Expenses	0	146,300
	MMUSO	10,274,204	7,134,308
	CAUTION	110,518	
	Office Expenses	9,097,346	3,863,505
	Office Stationery	15,169,257	16,644,251

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	Official entertainment	1,291,695	2,181,121
	Performance Contracting Costs	389,400	0
	Postal and Courier Expenses	890,990	452,984
	Senate Expenses	1,199,580	353,360
	Show and Exhibitions	1,616,314	782,470
	Special Projects	6,212,557	1,731,150
	Sports Equipment	3,288,728	1,578,020
	Student Registration Expenses	672,900	673,500
	Tamasha	1,953,800	27,100
	Telephone Expenses	369,518	589,275
	Training and Staff Development Expenses	3,896,105	4,219,288
	Transport Operating Expenses	12,061,780	10,988,028
	Traveling and Accommodation	11,565,709	9,436,447
	UMB EXPENSES	3,345,811	3,421,109
	University Choir	2,089,634	1,633,915
	Electricity	15,339,238	15,770,110
	MMUST Enterprises	0	195,288
	Public Celebrations and Funerals	3,528,725	1,391,710
	Publishing and printing	201,934	0
	Purchase of Uniforms and Clothing	3,887,810	119,800
	Tender Expenses	363,423	14,450
	Water and Conservancy	19,641,048	20,198,609
	Commission for University Education Expenses	250,920	12,774,000
	SGS Election & Training	3,276,900	2,475,200
	Valuation Services	2,082,320	3,968,000
	KUCCPS Processing Expenses	14,713,500	0
	ISO- QA Activities	4,388,544	
	Total General Administrative Expenses	214,863,570	183,510,452
13	Academic (Teaching, Research & Extension)		
	Alumni expenses	713,450	694,280
	Disability Mainstreaming expenses	252,340	335,300
	Donor funded research expenses	30,349,534	26,391,166
	DRAMA Festivals	2,374,790	3,137,894
	Examination Expenses	5,428,200	3,421,670
	External examiners expenses	4,090,400	2,236,878
	Graduation Expenses	13,377,613	10,714,744
	Graduation gown hire and cleaning expenses	0	150,000
	HIV/AIDS Expenses	76,520	4,550
	Inaugural Lectures expenses	0	474,058
	Internet connectivity expenses	26,407,690	23,174,468
	ISO Certification	0	0
	KNUT-Mmust Scholarship expenses	2,829,650	2,549,725

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	Library expenses	378,485	587,223
	Mmust scholarship	2,139,500	2,479,500
	MMUST Talent Scholarship	5,449,000	2,808,500
	MMUST WORKSTUDY SUPPORT PROGRAMMES	4,175,032	2,070,766
	New Programmes	2,682,820	3,342,954
	performance contracting	0	177,020
	practical/clinical placement expenses	0	464,800
	PSSP Expenses	186,191,757	140,509,484
	Research Expenses	6,959,258	16,686,958
	Seminars and Conferences	9,150,670	6,660,773
	Student refund expenses	0	18,500
	Students Practical Expenses	5,594,411	23,760
	Teaching Material	14,078,944	13,997,264
	Teaching Practice and Field Attachment	57,985,551	49,707,957
	Thesis Supervision Expenses	17,359,931	9,584,092
	Student Expenses	(78,719)	
	University collaborations & exchange programme	31,000	
	Pan-African International Research congress Expense	56,703	
	student smart refunds expenses	3,001,500	
	MMUSO Somesha mwenzako bursary	649,500	
	Total Academic(Teaching,Research and Extensions)	401,705,531	322,404,325
14	Remuneration of Council/Chancellor		
	Council Expenses	(1,116)	21,593,121
	Council honoraria expenses	1,064,299	
	Council travel expenses	3,737,074	
	Council subsistence allowances	5,528,400	
	Council training expenses	600,000	
	Council catering expenses	706,678	
	Council stationery expenses	207,666	
	Council sitting allowances	9,308,000	
	Total	21,151,001	21,593,121
14	Chancellor Expenses	1,276,600	677,419
15	Bad debts Provision		
	Provision for bad debts(See Note 30 for reconciliation)	36,446,649	11,163,821
16	Cash and Cash Equivalents		
	MMUST KCB 1101811269 (Deposit Recurrent)	110,604,729	133,523,440
	MMUST KCB Payments 1101922109(Tuition)	22,871,827	10,955,568
	MMUST KCB 1101922370(Seminar)	10,000	143,347
	MMUST KCB 1101923210 (Capital)	0	461,095
	MMUST BBK 8080317 IGU	7,674,954	811,640

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	MMUST BBK 8086269 (Tuition)	10,449	3,278,085
	MMUST NBK 0100370554000 (Tuition)	17,023,612	26,758,541
	MMUST Standard Bank 0102002576500 (Tuition)	484,270	5,759,469
	MMUST Coop Bank 01129033999900 (tuition)	9,844,274	3,416,254
	MMUST Equity Bank 050029463103	143,574,862	6,114,428
	MMUST Family Bank 078000012655	18,884,134	5,121,844
	MMUST KCB 1101811331 (payment)	(16,763,885)	1,905,818
	MMUST Standards Bank 0102098712400(research grants	8,460,489	21,883,336
	MMUST Standard Bank 8702098712400(Research grants	27,244,613	14,876,531
	Un-surrendered Imprest	0	3,878
	MMUST BBK 0091001438 Collection Account	0	855,743
	MMUST Equity 1650264152539 Kakuma	0	8,092,271
	MMUST Standard Bank 0140098712400 KSHS (CALL	0	603,872
	MMUST School of Medicine KCB 1179668162	0	809,337
	MMUST Pan African Research Congress Standard Bank	0	1,602,272
	Total Cash and Cash Equivalent	349,924,329	246,976,770
17	Receivables from Exchange Transactions		
	IGU Receivable	29,523,123	21,707,598
	Prepaid Expenses	-	1,574,000
	Provision for unbanked cash	12,376	28,976
	Receivable Recurrent Grants	-	4,102
	Sundry Debtors	88,500	88,500
	Student Debtors (See Note 30)	587,624,474	1,302,105,722
	Total Receivables from Exchange Transactions	617,248,473	1,325,508,898
18	Receivables from Non-Exchange Transaction		
	Staff Imprest	25,107,547	40,420,067
	Total Receivables from Non-Exchange Transactions	25,107,547	40,420,067
19	Inventories		
	Book Shop Stock	-	1,165,292
	Clinical Drugs Stocks	5,530,338	2,696,664
	Dry Food Stock	980,689	1,250,961
	Electrical And Communications Engineering Stocks	-	14,500
	Estate Building Materials	9,710,675	12,047,267
	Games and Sports Materials	-	1,360,251
	Hostels & Accommodation Inventories	-	521,238
	Lab Chemicals and Equipment	-	3,069,431
	Production Unit Stocks	-	372,385

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Stationery Central Stores	5,767,840	6,708,450
Total Inventory and Stores	21,989,542	29,206,439

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20	Property, Plant and Equipment									
a	Current year	Land	Buildings	Work in Progress	Plant & Equipment	Computers	Furniture	Library Books	Motor Vehicles	Total
		0	0.025		0.2	0.33	0.125	0.25	0.25	
	Cost									
	At 01 July 2018	78,299,725	1,152,747,856	424,259,900	250,007,818	120,327,170	126,936,943	22,341,126	123,891,911	2,298,812,449
	Additions	-	-	123,521,000	20,370,808	20,224,885	8,207,000	-	-	172,323,694
	Disposals	-								-
	Transfers/ Adjustments	-	117,547,522	(117,547,522)						-
	Revaluation	2,204,460,275	1,163,818,509	-	45,434,272	27,173,564	1,279,112	-	31,211,140	3,473,376,872
	At 30 June 2019	2,282,760,000	2,434,113,887	430,233,378	315,812,898	167,725,619	136,423,055	22,341,126	155,103,051	5,944,513,014
b	Depreciation and Impairment									
	At 30 June 2018	-	(193,227,715)	-	(202,781,569)	(109,174,790)	(88,706,431)	(13,147,374)	(113,178,452)	(720,216,331)
	Charge for the year		(60,852,847)		(26,161,471)	(24,054,851)	(10,229,900)	(5,585,282)	(9,695,570)	(136,579,921)
	At 30 June 2019	-	(254,080,563)	-	(228,943,040)	(133,229,641)	(98,936,331)	(18,732,655)	(122,874,022)	(856,796,252)
	NBV At 30 June 2018	78,299,725	959,520,141	424,259,900	47,226,249	11,152,380	38,230,512	9,193,753	10,713,460	1,578,596,118
	NBV At 30 June 2019	2,282,760,000	2,180,033,325	430,233,378	86,869,858	34,495,979	37,486,723	3,608,471	32,229,030	5,087,716,762

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Notes to PPE Schedule.

1. The transfer of Kshs 117,547,522 relates to the MPH building that has been classified as completed building due to the issuance of a certificate of completion by the Project Manager.
2. The revaluation amounts for various categories of assets relates to reinstatement of useful life of assets through revaluation conducted during the year by a certified valuation firm.

21	Turkana University		
	Turkana University College Development	1,139,507,500	1,139,507,500
	Addition for the year	18,000,000	
		1,157,507,500	
	Transferred out of MMUST Books	(1,157,507,500)	
	Closing Balance	-	1,139,507,500
22	Biological Assets(Livestock)		
	Opening Balance	320,000	320,000
	Additions during the year	455,000	
	Disposals for the year	-	
	Loss on revaluation	(148,000)	
	Closing Balance	627,000	
	Biological assets relate to livestock kept for teaching and research purposes.		
23	Intangible Assets		
	Opening Balance	15,662,147	14,135,889
	Addition for the year	371,115	7,123,258
	Amortized amount	5,125,352	5,597,000
	Closing Balance	10,907,910	15,662,147
24	Trade and Other Payables from Exchange Transactions		
	Accounts recurrent Payables	7,922,034	73,006,869
	Accounts Payables	0	26,151,783
	Botanical Garden	2,000	2,000
	Insurance Claim	1,637,423	2,206,703
	Part time Payable Expenses	85,835	835
	Projects Retention Money	175,226	41,438,205
	KUSU MMUST Chapter	1,438	0
	With Holding Tax Payables	18,096,570	21,277,563
	Bank Staff Loans Deductions	1,547,705	364,064
	CBA Arrears	8,641,173	8,928,688
	Other Staff Deductions	2,804,326	2,527,701
	Payee	2,634,946	7,378,056
	Payroll Net pay	2,835,856	17,215,464
	PSSP Arrears	160,000,000	264,776,828
	Sacco Deduction	620,151	84,702
	Staff Pension Contributions	310,056	310,056
	Bank transfers clearing (Dollars)	24,400	0
	Opening Balances Suspense	118,250	0
	Provision for Audit Fees	0	1,000,000
	Provision for Consultancy Services	1,190,400	5,061,068
	Provision for Part time lecturers	130,753	15,130,753
	Out Put Vat	10,076,186	12,275,883
	Tax Arrears	0	3,062,898
	Total Trade and Other Payables	218,854,728	502,200,119

J			
25	Refundable deposits from Customers		
	Prepayments	236,383,906	222,177,031
	CDF Control	38,289,310	32,361,357
	Customer Prepayments	71,501	67,501
	HELB Control	40,706,901	54,487,304
	Due to Old Students debts	0	68,846,353
	Direct deposit allocation fund acc.	42,056,472	
	Caution Money	30,947,400	29,044,900
	Total Refundable Deposits	388,455,491	406,984,446
26	Deferred Income		
	Research Grants & Donations	18,740,817	15,628,337
27	Employee Benefit Obligation		
	Gratuity	28,147,311	14,348,750
28	Capital Development Grants		
	MMUST- Capital	174,444,250	60,012,825
	Turkana University, Recurrent		120,800,002
	Turkana University, Capital		170,000,000
	Total Capital Grants	174,444,250	
29	Prior Year Adjustments		
	Project Retention Money	41,438,205	
	Due to Old Students(Prepayments)	68,846,353	
	Provision for Audit fees	1,000,000	
	Tax Arrears error	3,062,898	
	Prepaid Expenses	-1,574,000	
	Accounts Recurrent Payables(Double Invoicing)	60,770,776	
	Books and Journals Error in posting	5,218,768	
	Student Debtors Error Correction	-861,071,179	
	PRIOR YEAR DIFFERENCE	2,296,406	
	Total Prior Year Adjustments	-680,011,773	
30	Student Debtors Reconciliation		
	BALANCE AS PER GENERAL LEDGER 30-6-19(Schedule A)	1,485,142,302	
	Inactive Accounts with no student transactions	-447,893,150	
	Expelled Students	-5,400,149	
	Dead Students	-21,400	
	Invoiced after Graduation	-83,053,429	
	Duplicated inactive accounts	-27,458,879	
	Inactive Accounts with student transactions	-297,244,172	
	Total of Errors in Students Accounts being corrected	-861,071,179	
	Active Student Debtors in the Ledger	624,071,123	
	Non-performing(Graduated Students)(Provision for BD)	-36,446,649	
	Performing Student debtors(Reported)	587,624,474	

31	Adjustment due to variance in cash book ledgers and Bank balances			
	Cash and Cash Equivalents	GL Balances	Bank Balances	Variance
	<u>MMUST KCB 1101811269 (Deposit Recurrent)</u>	110,604,729	100,162,099	10,442,630
	<u>Mmust Kcb Payments 1101922109(Tuition)</u>	22,871,827	6,376,362	16,495,465
	<u>Mmust Kcb 1101922370(Seminar)</u>	10,000	0	10,000
	<u>Mmust BBK 8080317 IGU</u>	7,674,954	7,712,434	37,480
	<u>Mmust BBK 8086269 (Tuition)</u>	10,449	0	10,449
	<u>Mmust NBK 0100370554000 (Tuition)</u>	17,023,612	16,402,809	620,803
	<u>Mmust Standard Bank 0102002576500 (Tuition)</u>	484,270	0	484,270
	<u>Mmust Coop Bank 01129033999900 (tuition)</u>	9,844,274	9,936,531	92,257
	<u>Mmust Equity Bank 050029463103</u>	143,574,862	143,954,340	379,478
	<u>Mmust Family Bank 078000012655</u>	18,884,134	17,518,158	1,365,976
	<u>Mmust Kcb 1101811331 (payment)</u>	16,763,885	1,792,554	18,556,439
	<u>Mmust Standards Bank 0102098712400(research grants KES)</u>	8,460,489	6,052,371	2,408,118
	<u>Mmust Standard Bank 8702098712400(Research grants USD)</u>	27,244,613	26,933,258	311,355
	TOTAL	349,924,328	336,840,916	13,083,412
32	Adjustment for bank Reconciliation Suspense	-4,665,700		

33. Contingent Liabilities

The University had a number of cases that were in court touching on various issues. The University discloses these liabilities herein for proper information.

S/NO	CAUSE NO./ PARTIES	Financial Implications
1	KSM Cause No. 397 of 2015 KUSU vs. MMUST	232,000
2	KSM Cause No. 307 of 2015 Richard Wepukhulu vs. MMUST	210,690
3	NRB HCCC No. 23 of 2009 HAIDCO vs. MMUST & Capital Construction Co. Ltd	2,534,141
4	KAK HCCC No.58 of 2012 Capital Construction Co. Ltd vs. MMUST	7,492,990
5	KSM Cause No. 292 of 2015 Almond Kutto vs. MMUST	116,000
6	NRB Public Procurement and Administrative Review Board App No. 32 of 2016 Harmo Engineering & Building Co. Ltd vs. MMUST	266,800
7	KAK CMCCC No. 330 of 2010 Fraca Servcom vs. MMUST	458,080
8	KAK ELC No. 257 of 2015 David Kiilu & Another vs. MMUST & Other	1,000,000
9	KSM Cause No. 379 of 2010 UASU vs. MMUST	116,000
10	KSM Cause No.350 of 2017 Joash Mabonga vs. MMUST	58,000
11	KSM Cause No. 351 of 2017 Leah Mbira vs. MMUST	58,000
12	KSM Cause No.352 of 2017 Beatrice Gorry vs. MMUST	203,000
13	KSM Cause No. 47 of 2018 Humphrey Ayiro vs. MMUST	116,000
14	KSM Cause No. 94 of 2018 KUSU vs. MMUST	232,000
15	KSM Cause No. 27 of 2019 Stephen Odamong & Another vs. MMUST	232,000
16	KSM Cause No. 239 of 2018 Johnson Simiyu Litiema vs. MMUST	174,000
17	KSM Cause No. 217 of 2018 Middlestone Kessesu vs. MMUST	1,497,576
18	NRB PET No. 444 of 2018 Rev. Sr. Regina Syombua vs. MMUST & VIP	37,000
19	LMR Traffic Case No. 536 of 2018 Republic Vs Joel Tandale Tuti	98,600
20	NRB Cause No. 850 of 2012 KUDHEIHA Workers Union vs. MMUST	137,000
21	KAK CMCCC No. 85 of 2018 MMUST & Another vs. Seth Musisi	312,000
22	KAK HCCC No. 24 of 2018 Midland Properties Investment LTD VS MMUST	46,590,578
23	KAK HCCC No. 77 of 2007 Midland Emporium Ltd vs. HAIDCO & MMUST	7,000,000

24	KAK CMCCC No. 330 of 2018 County Gvt of Kak vs. MMUST	6,400,000
25	KAK CMCCC No. 65 of 2019 James Amere Owich vs. MMUST	344,000
26	KSM Cause No. 64 of 2018 Meshack Onzere vs. MMUST	232,000
27	KSM CMCCC No. 164 of 2018 Jonathan Omunyolo vs. MMUST	3,713,327
28	KAK HCCC No. 237 of 2015 MMUST vs. Alfatech Contractors Ltd	585,573
29	NRB PPARB APP No. 53 of 2016 Mocam Security vs. MMUST	150,232,000
30	NRB JR No. 395 of 2016 MMUST vs. PPARB	745,800
31	NRB CAUSE No. 379 of 2010 UASU vs. MMUST	116,000
32	BG CMCCC No. 649 of 2016 Leah MBIRA vs. MMUST	8,040
33	KSM Cause No. 162 of 2017 Rhoda Mombo vs. MMUST	4,489,056
34	KAK CMCC ELC No. 35 of 2019 Registered Trustees of former ASK land vs. MMUST	3,977,220
	TOTAL	240,015,471

34. Related Party Disclosures

Details	2019	2018
Council Remuneration	21,176,759	21,597,121
Chancellor Expense	1,276,600	677,419

35. Financial Risk Management

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

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

(i) Credit risk

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

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

30th June 2019	Fully Performing	Past Due but not impaired	Past due and impaired	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Financial Assets				
Receivables from Exchange Transactions	587,136,907			587,136,907
Receivables from Non-Exchange Transactions	25,107,547			25,107,547
Cash at Bank	383,099,020			383,099,020
Gross financial assets	995,343,474	-	-	995,343,474
30th June 2018	Fully Performing	Past Due but not impaired	Past due and impaired	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Financial Assets				
Receivables from Exchange Transactions	1,325,508,898			1,325,508,898
Receivables from Non-Exchange Transactions	40,420,065			40,420,065
Cash at Bank	246,976,770			246,976,770
Gross financial assets	1,612,905,733	-	-	1,612,905,733

(ii) Liquidity risk management

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

The table below represents cash flows payable by the University under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(iii) Market risk

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

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

The University's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

a) Foreign currency risk

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

Year ended 30th June 2019	US\$	Total
	Kshs.	Kshs.
Financial Assets		
Trade Receivables.		587,136,907
Trade Payables	-	(665,630,686)
Borrowings	-	-
Net Exposure		-78,493,779
Year ended 30th June 2018	US\$	Total
	Kshs.	Kshs.
Financial Assets		
Trade Receivables.		1,325,508,898
Trade Payables		(939,161,639)
Borrowings		-
Net Exposure		386,347,259

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The University analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates no impact on the statement of financial performance. This is due to the fact that at the end of the financial year there was no investment that would be affected by fluctuations in the interest rate.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *University's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The University considers relevant and observable market prices in its valuations where possible.

a) Financial instruments not measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

36. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the University include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *University*, holding 100% of the *University's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the University, both domestic and external. Other related parties include:

- i) The National Government;
- ii) Ministry of Education
- iii) Commission for University Education

37. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

38. ULTIMATE AND HOLDING UNIVERSITY

The University is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

39. BIOLOGICAL ASSETS.

Biological Assets are animals that are kept by the University for purposes of teaching and research in the furtherance of its core mandate. The products such as milk and eggs derived from such biological assets are sold and income thereof recognized as per the relevant accounting policy.

40. Currency

The financial statements are presented in Kenya Shillings (Kshs).

41. RESEARCH GRANTS FUNDS FOR 2018-2019 RECONCILIATION

S/NO.	FUNDING ORGANISATION	BAL B/F	RECEIPTS	EXPENSED	UN SURRENDERED	EXPENDED	BALANCE
1	STS INTRAHEALTH INTER.(FUNZO KENYA)	0	226,275	10,775		215,500	0
2	INTER-UNIVERSITY COUNCIL IUCEA	37,727	0			0	37,727
3	NATIONAL REARCH FUND KEN-SA	0	6,567,831			500,000	6,067,831
4	NACOSTI (NATIONAL REARCH FUND)	0	2,800,500		560,500	1,160,000	1,080,000
5	NACOSTI (NATIONAL REARCH FUND)	612,400	0			0	612,400
6	NATIONAL REARCH FUND-MULTI DISC	14,189,280	0		308,400	4,110,000	9,770,880
7	NATIONAL REARCH FUND -UTAFITI	478,616	0			0	478,616
8	LUTHERAN WORLD FEDERATION	1,561,410	0	177,000	0	1,330,000	54,410
9	UNITED NATIONS UNIVESITY	1,975	0				1,975
10	MACNIGHT - CIAT	100	0				100
11	UNDP NDMA SYMPOSIUM	25,183	0			0	25,183
12	INTERNATIONAL FOUNDATION OF SCIENCE	397,330	0			397,330	0
13	ASARECA	2,783	0			0	2,783
14	INTER-CHILD DEVELOPMENT	160,027	0			0	160,027
15	AFRINIC LTD	3,146	0			0	3,146
16	INSTITUTE FOR ADVANCED .S.STAUDIES	22,026	0				22,026
17	PEJABA	711,563	0			0	711,563
18	UNESCO(TWAS)	0	265,555	13,278	186,500	0	65,777
19	TWAS- NRF	202,613	0				202,613
20	UNESCO(TWAS)	376,416	0			95,000	281,416
21	African Mathematic Millenim science	263	0			0	263
22	J HUTTON INSTITUTE	0	493,466	26,415	0	450,000	17,052
23	UNIVERSITY OF ST ANDREWS	1,527,663	2,789,144	324,970	1,263,820	1,342,150	1,385,867
24	DANISH REFUGE COUNCIL	3,221,000	0	161,050		897,510	2,162,440
25	UNIVERSITY OF CALIFORNIA	415,652	576,416	28,820	400,000	183,000	380,248
26	ROMININYI OLUFEMI BOLANLE	1,611	0			0	1,611

27	University of Cambridge	0	75,800			75,800	(0)
28	University of Cambridge (project 1)	0	507,389	25,369		450,000	32,020
29	University of Cambridge (project 2)	0	1,701,794	85,007		1,496,940	119,848
30	University of Polymouth	0	1,445,193	72,260	599,242	25,000	748,692
31	WINDLE TRUST INTERNATIONAL	416,413	12,010,412	333,445	0	12,093,380	0
32	NACCOSTI(NATIONAL COMM FOR SCI TECH AND INNO	3,975	0			0	3,975
33	KARLO (KENYA AGR & LIVE STOCK ORG)	0	1,771,700	88,585	1,099,915	583,200	0
34	IAEA (ATOMIC PROJECT)	277,196	559,000	27,950		502,600	305,646
35	NEW YORK UNIVERSITY	0	1,432,770	71,639		1,147,440	213,692
36	WHOLE GENOME SEQ WORKSHOP	0	1,701,794	85,007	71,100	1,425,840	119,848
37	GLOBAL RESEARCH FUND(SOUTHAMPTON)	0	1,443,494	72,175		516,000	855,319
38	USN-EYE FK PROJECT(Norway)	0	1,299,464	61,075		1,236,644	1,745
39	INTERNATIONAL PLANT GEN RESOURCE CENTRE		236,412	11,821		116,200	108,391
40	TOTAL RESEARCH GRANTS	24,646,368	37,904,412	1,676,639	4,489,477	30,349,534	26,035,130
41	CLOSING BALANCES						30,524,607

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XVIII. Appendix 1: PROGRESS REPORT ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS ON MMUST ANNUAL REPORT AND FINANCIAL STATEMENTS FOR 30TH JUNE 2018 AND PRIOR YEARS

The following is the summary of issues raised by the Auditor General and management comments on the status of implementation. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Revenue from Tuition and Related Charges	Lack of adherence to fees policy thus huge debts owed by students.	<ol style="list-style-type: none"> 1. Management has reconciled the student debtors in order to rid the ledger of errors and make corrections to accurately state student debtors.(Attached is Reconciliation Report) 2. Management is enforcing the semester studies and fee payment policy(See Attached report) 	Vice Chancellor, DVC ASA, Finance Officer	Being Implemented	30 th September 2019
2.Provision for Bad D	No workings to show how the figure was derived.	<ol style="list-style-type: none"> 1. Management has provided a full reconciliation of the student debtors and has indicated how the provision has been made in the FY 2018/2019(See attached Debtors Reconciliation Report) 	Finance Officer	Resolved	30 th June 2019j
3.Receivables	Misstatement of	Management has provided a reconciliation	Finance Officer	Resolved	30 th June 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Exchange Transaction	receivables from exchange transactions	of receivables from exchange transactions based on its assessment of impairment tests on various accounts. Management believes that the reconciliation provides a fair statement of the position of these receivables.			
4. Property, Plant Equipment	Carrying out revaluation of assets in violation of IPSAS 17	Management wishes to clarify that in 2017/2018 the University commenced valuation of its PPE with a view of carrying out impairment test and correctly carrying the items of PPE in the books of accounts. This has been completed and an asset register developed and the adjustments made in accordance with the IPSAS 17.(Asset Register and PPE Schedule for 2018/2019 Aailed for review)	Finance Officer	Resolved	30 th June 2019
5. Biological Assets	Lack of disclosure on use of biological assets as per IPSAS 27	Management wishes to clarify that the disclosure as per the use of biological assets has been made in the notes to the Financial statements and that a valuation report from a qualified professional has been done and closing balances correctly stated. (See note 22)	Finance Officer	Resolved	30 th June 2019
6. Trade and Other Pay from Exchange Transac	Misstatements of trade and other payables due to lack of detailed	1. Management wishes to clarify that a detailed schedule analysing each category of payable has been	Finance Officer	Resolved	30 th June 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	analysis.	provided for review in FY 2018/2019.			
7. Refundable Deposits Customers	Misstatement of refundable deposits and long outstanding nature of the same.	<ol style="list-style-type: none"> 1. Management has continued to reconcile and correct any misstatements that might have occurred in this liability. 2. Old student of Kshs.68,846,353 has been corrected and a schedule on the treatment has been availed for review 	Finance Officer	On going	31 st December 2019
8. Prior Year Adjustme	Lack of disclosure and explanatory note on the nature of prior year adjustments.	<ol style="list-style-type: none"> 1. Management has provided an explanation that the adjustment related to the opening balances in the cash ledgers. 2. Management has provided a schedule of all prior year adjustments made to clarify their nature and purpose. 		Resolved	30 th June 2019
9. Unresolved Previous Audit Issues	The failure to resolve these matters and re-state the prior period financial statements continue to affect the accuracy of subsequent financial statements	Management is currently seized of the issues raised and has been correcting them as reconciliation work goes on. Most of these prior year issues were as a result of migration of data in to the ERP which affected the accuracy of opening balances.	Finance Officer	On going	30 th June 2020
10. Non-adherence to Occupational Safety	Inability to operationalizes standing	Management is in the process of putting structures in place to address the	Vice Chancellor	On going	30 th September 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
and Health Act(OSHA)	Committee on OSHA.	requirements of the OSHA			
11. Lack of Annual Environmental Audit Report	Lack of EIA Reports for University Projects	At Procurement Stage	Vice Chancellor	On going	30 th September 2019
12. Failure to undertake an Investment Grade Energy Audit	i. Lack of energy management policy ii. lack of energy audits contrary to Energy Management Regulations iii) Lack of economical lighting systems	At Procurement stage	Vice Chancellor	On going	30 th September 2019
13. Supply, delivery, installation, testing and commissioning of CCTV Cameras, Automated Gate and Biometric System	Lack of compliance with the law in procurement timelines observation	Tenders cancelled	Vice Chancellor	Closed	30 th June 2019
14. Unsupported expenditure on Academic Expenses	Lack of adequate support of payment vouchers for Kshs. 5,890,988 which was part of academic expenses	All payment vouchers were availed for review and support documents were availed to the audit team.	Finance Officer	Closed	30 th June 2019
15. Repairs and Maintenance expenditure not	Lack of support documents for Kshs. 3,188,670	Management made advance payments for specialised items whose suppliers demanded for payment upfront. Goods	Procurement Officer	Closed	30 th June 2019

Reference No. of the report	Issue / Observation from Auditor	Observations	Management comments	Facilitator Person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Final date when you expect the issue to be resolved
			Received Notes were issued upon receipt of these supplies and the same were availed to the audit team for review including delivery notes and stores issue notes.			
16.	Outstanding Imprest	Accuracy and Recoverability of Kshs. 40,420,067	Management clarified that out of Kshs. 40,420,067 was Kshs. 11,433,693 which was cancelled in 2016 but the ERP reporting module did not fully process the cancellation. Only Kshs. 28,986,374 was pending by 30 th June 2018 and by 30 th November 2018 only Kshs. 7,333,152 was still outstanding. All the amounts of imprest relating to 2017/2018 have been fully surrendered.	Finance Officer	Closed	30 th June 2019
17.	Contracted services avoidable expenses	Nugatory payment of Kshs.2, 435,479 due to non-compliance with law	Management made the payment in full compliance with the court order which reinstated unprocedurally dismissed staff	Vice Chancellor	Closed	30 th June 2019
18.	Construction of Multipurpose Hall	Excess Project cost of Kshs. 63,897,611 due to unlawful project termination	Management made the extra payment in full compliance legal determination.	Vice Chancellor	Resolved	30 th June 2019
19.	Property, Plant and equipment	Slow pace of work and default in Contract Implementation	The two projects were varied in terms of scope of works which together with other challenges prolonged the completion dates as originally determined. The issues have since been addressed and progress is	Vice chancellor	On going	30 th September 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management could be	Actual Point raised in report for Issue/Concern and Recommendation	Status (Resolved/Not Resolved)	Timeline (If it is still not resolved the date to be resolved)
		recorded as per revised completion dates.			
20. Consultancy for provision of accounting services for student debtors	Low pace of undertaking the student debtors reconciliation by consultants.	Management noted the challenges faced by the consultants and addressed them and work continued thereafter. The work was completed by December 2018 and management is currently implementing the recommendations of the consultants.	Vice Chancellor Finance Officer Registrar Academic Affairs	On Going	30 th September 2019
21. Duplicated Student names and Admission Numbers	Unexplained 806 duplicated admission numbers	Management is in the process of correcting the student information in the ERP as a consequent of the Student Debtors Reconciliation with a view to ensuring reliability of student information.	Finance Officer Registrar Academic Affairs	On going	30 th September 2019

Signed.....

Dr. Jeremy Bundi
Chairman of Council

Date.....

25/09/2019

Signed.....

Prof. Asenath Sigot
Vice Chancellor

Date.....

25/9/2019

XIX. Appendix ii: Inter-University Transfers

UNIVERSITY NAME:			
Break down of Transfers from the State Department of University Education			
FY 17/18			
a.	Recurrent Grants		
	MMUST		
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		2/8/2018	129,833,191.00
		30/08/2018	129,833,191.00
		01/10/2018	129,833,191.00
		07/11/2018	129,833,191.00
		03/12/2018	122,043,201.00
		27/12/2018	122,043,200.00
		01/02/2019	127,236,527.00
		07/03/2019	127,236,527.00
		28/03/2019	119,446,537.00
		02/05/2019	129,833,191.00
		06/06/2019	129,833,191.00
		23/04/2019	20,000.00
		23/04/2019	1,182,000.00
		28/06/2019	129,833,192.00
		TOTAL	<u>1,528,040,330.00</u>
	Turkana University		
		July	9,512,366
		August	9,512,366
		September	9,512,366
		October	9,512,366
		November	8,941,624
		December	8,370,882
		January	9,512,366
		February	9,512,366
		March	8,941,623
		April	9,512,366
		May	9,512,366
		June	9,512,366
		TOTAL	<u>111,865,423</u>
b.	Development Grants		
	MMUST		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		Oct-18	87,222,125
		April-19	87,222,125
		TOTAL	<u>174,444,250</u>

	Turkana University			
		December 2018	63,750,000	
		June 2019	18,000,000	
		TOTAL	<u>81,750,000</u>	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
		Total	XXX	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
		Total	XXX	

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

Finance Officer
MMUST



Sign -----

Head of Accounting Unit
State Dept. of University Education

Sign-----