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CLERK-AT-THE-TABLE: Finlay Muriuki

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30<sup>TH</sup>, 2021**

**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 YEAR ENDED 30<sup>TH</sup> JUNE 2021**

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**I. UNIVERSITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Masinde Muliro University of Science and Technology (MMUST) is a separate Legal University under the 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. Excellence
- v. Professionalism
- vi. Innovativeness
- vii. Integrity

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**(f) Key Management**

The Council members who held office during the Financial Year ended 30<sup>th</sup> June 2021 and up to the date of this report were:

No	Name	Designation	Appointm ent Date	Retirement Date
1.	Dr. Jane Musangi Mutua	Council Chairman	10-3-2020	9-03-2023
3.	Prof. Solomon I. Shibairo	Vice Chancellor/Secretary	27-3-2020	-
4.	Ms. Lucy Mugwe	Alternate to PS- SDUR/Council Member	27-5-2020	-
5.	Mr. Hezbourne Mackobong'o	Rep CS- Treasury/Council Member	10-03- 2020	June 2021
6.	Mr. Peter Muhia Wanjiku	Rep CS- Treasury/Council Member	June 2021	-
7.	Dr. Ahmed Diriye	Council Member	15-5-2019	28-04-2022
8.	Ms. Connie Okwisa	Council Member	20-3-2020	09-03-2023
9.	Mr. Gad Gathu Kiragu	Council Member	20-3-2020	09-03-2023
10.	Mr. Stephen Mutoro	Council Member	20-3-2020	09-03-2023
11.	Mr. Joshua Onyango Ogango	Council Member	20-3-2020	09-03-2023

- i) PS -Principal Secretary
- ii) SDUR- State Department for University Education and Research
- iii) CS- Cabinet Secretary

**(g) Fiduciary Management**

The key management personnel who held office during the Financial Year ended 30<sup>th</sup> June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Ag. Vice Chancellor and Accounting Officer	Prof. Solomon I. Shibairo
2	Ag. Deputy Vice Chancellor (A&F)	Prof. Charles Mutai
3	Ag. Deputy Vice Chancellor (A&SA)	Prof. Peter Odera
4	Ag. Deputy Vice Chancellor (PRI)	Rev. Prof. Judith S. K. Achoka
5	Head of Finance	CPA Jared G.O.O. Rading'
6	Head of Procurement	Ms. Scarlet Kavaya
7	Ag. Registrar Academic Affairs	Prof. Thomas W. Sakwa
8	Ag. Deputy Registrar Administration	Dr. Eglay Tsuma

**(h) University Headquarters**

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

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**(i) 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

**(j) University Contacts**

Telephone: 254 702 597360/1

E-mail: [info@mmust.ac.ke](mailto:info@mmust.ac.ke), [vc@mmust.ac.ke](mailto:vc@mmust.ac.ke)

Website: [www.mmust.ac.ke](http://www.mmust.ac.ke)

**(k) 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

**(l) Independent Auditors**

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

**(m) 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**

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#### **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 14<sup>th</sup> 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: 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 Chairman of the Old Mutual Investment Group (K) Ltd, the UAP-Old Mutual Foundation, Bel Air Management Ltd, the Advocates Plaza Ltd, Woodley Springs Ltd and 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 a 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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**(ii) THE UNIVERSITY COUNCIL**

 <p>Chairperson of Council</p>	<p><b>Dr. Musangi Jane Mutua</b></p> <p>Holds PhD (Business Administration), Masters in Public Administration, Higher Diploma (HRM) and BA (Government). She Has also served as Chair of Council at Pwani University (2017-2020), Member of Council at University of Eldoret (2013-2017). She worked in and headed Human Resource Departments at Directorate of Personnel Management (DPM), Post Bank and East African Portland Company. She holds membership to Institute of Human Resource Management and Kenya Institute of Management.</p>
 <p>Member</p>	<p><b>Ms. Connie Okwisa Mogaka</b></p> <p>PhD on-going (JKUAT) MA (Sociology)JNU; Bachelor of Education(Science) University of Nairobi; PGDEP&amp;A (NIEP-India), Higher Diploma in Professional Counselling(KAPC); Has had close to forty years of working experience in various sectors in education, training and consultancies with various organisations.</p>
 <p>Member</p> <p>Member</p>	<p><b>Mr. Stephen Mutoro</b></p> <p>He holds a Bachelor's Degree in Literature and a Master's Degree in Criminology, both from the University of Nairobi. He holds short-term training in Innovation in Governance (from the Ash Institute of the JF Kennedy School of Government at Harvard University); Project Management (from the British Council) and Conflict Transformation Across Cultures from School of International Training, Brattleboro, Vermont, USA among others.</p> <p>He is the Secretary General of the Consumers Federation of Kenya (COFEK) having previously worked with The Kenya Alliance of Resident Associations (KARA) and the Nairobi Central Business District Association (NCBDA)</p>

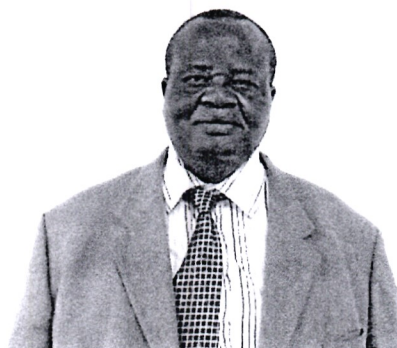
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Member

**Mr. Gad Gathu Kiragu**

He holds a Master of Laws and Bachelor of Laws degrees from the University of Nairobi. He has eleven years of experience as a legal consultant. He specializes in corporate governance, commercial law, civil and commercial litigation, alternative dispute resolution and legal drafting. He has sat in the council of the Law Society of Kenya-Nairobi branch as well as the boards of various other institutions. He is an adjunct lecturer at the Kenya School of Law. He is a Certified Secretary (CS) a member of the Institute of Certified Secretaries and a member of the Chartered Institute of Arbitrators-Kenya Branch (MCI Arb)



Member

**Mr. Joshua Onyango Ogango**

MA in Economics & Social Studies (University of Manchester, UK); PGDPA&M (Glasgow College of Technology). Has over 40years in Teaching and Public Administration. Held various positions from District Officer III rising through the ranks to District Commissioner in 2007. He chaired various District Security Committees, District Procurement Committees, District Education Board, and District Development Committee.



Member

**Dr. Mohammed 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. He is a member of the Institute of Human Resource Management(IHRM) and Kenya Institute of Management (KIM).He previously served as a member of the Council of the Institute of Human Resource Management( IHRM)






Member

**Ms. Lucy Waithira Mugwe**




Works as Deputy Internal Auditor General at the State Department for University and Research with vast experience in the audit field having worked as an internal auditor for 22 years in various government institutions namely, Teachers Service Commission (TSC), Ministry of Foreign Affairs, Ministry of Commerce & Tourism, Ministry of Labour & Social Protection and currently at the Ministry of Education. She holds a Master's degree in Finance, Certified Public Accountant (CPA (K)) and is a Certified Information System Auditor (CISA) and member of the Institute of Internal Auditors (IIA) and Institute of Certified Public Accountants (ICPAK) as well as ISACA.

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 <p>Member</p>	<p><b>Mr. Hezbourne Mackobong'o</b>          Holds a Masters of Science in Statistics and currently pursuing his PhD at JKUAT          Alternate to the Cabinet Secretary to the National Treasury          He is an expert in developing Monitoring and evaluation systems for development programmes. Developed several M&amp;E systems as well as overseeing implementation of Monitoring and Evaluation Systems in numerous areas including EAC-EU Economic Partnership Agreement, EAC Development Strategies and NIMES in Kenya. In addition to the programme management experience, he also has a good understanding of budgeting and financial management procedures particularly the Government of Kenya procedures. Retired in June 2021</p>
 <p>Member</p>	<p><b>Mr. Peter Muhia Wanjiku</b>          Holds a MBA and BCOM(Finance)          Alternate to the Cabinet Secretary to the National Treasury and Planning.          He has 13 years experience in financial management in the Public Sector.          Appointed in June 2021</p>
 <p>Member</p>	<p><b>Prof. Solomon I. Shibairo, B.Sc., MSc, PhD, MKNAS</b>          Has had over 35 years of University teaching, research, supervision and academic leadership. Held various leadership positions from Chairperson of Department, Dean of a School, and Deputy Vice Chancellor. He was appointed as acting Vice Chancellor with effect from 27<sup>th</sup> March 2020</p>

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**III. UNIVERSITY MANAGEMENT BOARD**

Name	Academic and Professional Qualifications
 <p><b>Prof. Solomon I. Shibairo</b></p>	<p><b>Ag. Vice Chancellor</b>            He has over 35 years of University teaching, research, supervision and academic leadership. He is a Professor of Horticulture, specialized in Olericulture. He is a member of the Horticultural Association of Kenya, a member of Kenya National Academy of Sciences. He has undergone professional trainings in corporate governance, leadership and performance management among others. Held various leadership positions from Chairperson of Department, Dean of a School, and Deputy Vice Chancellor. He was appointed as acting Vice Chancellor with effect from 27<sup>th</sup> March 2020.</p>
 <p><b>Prof. Charles Mutai</b></p>	<p><b>Ag. Deputy Vice Chancellor, Administration and Finance</b>            BSc (UON), MSc. (Liverpool), PhD (Athens), Postdoc (China).            He is an Associate Professor in the Department of Medical Laboratory Sciences and has over 2 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 &amp; Technology and has also served as Deputy Principal in charge of Academic and student Affairs at Turkana University College in Lodwar</p>
 <p><b>Prof. Peter Odera</b></p>	<p><b>Ag. Deputy Vice Chancellor, Academic and Student Affairs.</b>            Holds PhD in Psychology, MPhil and MA in Psychology (Aligarh Muslim University-India) and BA (Panjab University-India). His areas of academic and research interest are in the fields of Educational Psychology, cross-cultural studies and Guidance and Counselling. He has 26 years of University teaching, research and academic leadership. He is a member of Kenyan Guidance, Counseling and Psychological Association and The Psychological Society of Kenya. He previously taught at Kenyatta University, United States International University-Africa, and Kigali Institute of Education, Rwanda. He been Chairman of a department, Associate Dean, Director of Academic Quality Assurance, Chairman Faculty Graduate Studies Committee, Dean School of Graduate Studies, Director of Webuye Campus.</p>

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 <p>Prof. Judith K. Achoka</p>	<p><b>Ag. Deputy Vice Chancellor, Planning, Research and Innovation</b> B.Ed hons (UON), M.A (McGILL), PhD (KU), Post-Doc Certificate (Kassel). She is a Full Professor of educational administration, management and policy studies. She has twenty –nine years’ experience, working in various managerial positions at University level; besides, teaching, research and community engagements. She has served in various international institutions as a senior consultant in educational matters. She has also served on various College and School Boards of Governors/ managers to direct and guide in administrative and managerial educational matters.</p>
 <p>CPA Jared G.O.O. Rading</p>	<p><b>Finance Officer</b> Holds B. Com-Accounting(KU), MBA-Accounting, (Maseno) with over 18 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>Dr. Eglay Tsuma</p>	<p><b>Ag. Deputy Registrar in charge of Administration</b> She holds BED(Arts)(KU),MSC(HRM) and PhD(HRM),MMUST She is responsible for Human Resource Management, Central Services and General Administration in the university. Has over 25 years experience in human resource management, teaching and research sectors.</p>
 <p>Prof. Thomas Sakwa</p>	<p><b>Ag. Registrar in charge of Academic Affairs</b> He holds BSc.M.Phil.and PhD (Moi). He has over 21 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><b>Senior Medical Officer</b> 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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 <p>Dr. Benedicte Abwao</p>	<p><b>Dean of Students</b>          Holds M.ED Guidance and Counselling (KU) and PhD (MMUST)          Over 20 years experience in management, out of which 11 are in University Student Affairs Department, and 6 as a member of the University Management Board.          Qualified in Peace and Conflict Management and an expert in Gender issue.          Registered member of CAK, KPCA, KUDSA and DMAK</p>
 <p>Mr. Vincent Chibini</p>	<p><b>Ag. University Librarian</b>          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.</p>
 <p>Dr. Alice Chesambu</p>	<p><b>Ag. Registrar Planning, Research and Outreach</b>          She holds a PhD, MSc in Agricultural Extension, BSc. and Diploma from Egerton University. She has over 20 years in research and community outreach from Kenya Agricultural Research Institute (KARI) and 14 years of university teaching. A founder member of Kenya Professional Association of women in Agriculture and Environment (KEPAWAE), African Women in Science and Engineering (AWSE) and Environmental Impact Assessment Associate Expert (EIA). Joined University Management Board 1<sup>st</sup> November 2020.</p>

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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 30<sup>th</sup> June 2021 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.

The current University Council was appointed at a time when our country and the world at large were under COVID-19 Pandemic which saw disruptions in various activities at the University and the country as a whole. The Council and Management made various strides in ensuring continuity in operations.

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.

The key achievements during the period were the completion of New Tuition Block and Perimeter Wall Phase I. The University managed to equip various laboratories with modern equipment in order to improve quality learning outcomes and position our graduates to be competitive in the job market. We managed to conduct our 15<sup>th</sup> graduation ceremony in December 2020 against a backdrop of COVID-19 pandemic due to the University's ability to change to online learning during the third and the fourth quarter of the financial year as a means of ensuring sustainability of our University. We have maintained prudent utilization of resources which has ensured timely settlement of obligations to different stakeholders. The Council due to good financial results approved the promotion of staff by management as one way of motivating staff.

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

A handwritten signature in black ink, appearing to read 'Dr. Musangi Jane Mutua'. The signature is stylized and written over a horizontal line.

**Dr. Musangi Jane Mutua**  
Chairman of Council

**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 30<sup>th</sup> June 2021. As a University, we continue with our quest to make Masinde Muliro University of Science and Technology the Premier University in Science, Technology and Innovation. We are striving towards providing better services to all our stakeholders, quality teaching, research and consultancy all of which form our core mandate as a University. The University implemented its objectives with a clear direction in staking its position as a Science, Technology and Innovation institution.

**Financial Stewardship**

The University Council has continued to implement 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 2020/2021, the University a surplus of Kshs. 256,406,171. This was a reduction from in its surplus position to Kshs. 296,203,031 for the previous year 2019/2020. This performance resulted from sustained efforts of the Council to foster financial sustainability in the operations of the University. The Balance Sheet of the University grew to Kshs. 6,797,054,491 as at 30<sup>th</sup> June 2021 from Kshs. 6,671,272,584 in June 2020. The working capital improved with cash balances closing at Kshs. 515,701,423 up from Kshs. 480,996,728 in the previous year 2019/2020 while total liabilities reduced from Kshs.732,263,962 in 2019/2020 to Kshs 515,527,160 in 2020/2021 with trade creditors closing at Kshs. 59,372,105 in 2020/2021 from Kshs. 106,527,408 from 2019/2020. The Council will continue to leverage on information technology to improve the operational controls around financial systems to achieve maximum value.

**COVID-19 Pandemic**

Since the first case of COVID-19 Pandemic was reported in March 2020 in Kenya, the operations of our university were significantly reduced in order to observe the guidelines issued by the Ministry of Health towards the containment of the pandemic. In the FY 2020/2021, the Council and Management improved on the learning environment by investing in activities such as hand washing and sensitization points in the University, conducting serializations and encouraging students and staff to be vaccinated to combat the effect of the COVID-19 in the University. The University spent Kshs. 21, 116,578 in the financial year towards enforcing the health protocols on fighting COVID-19 disease.

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**Staff welfare**

The Council approved the promotion of all qualified staff in order to motivate staff who had stayed for longer periods in the same grade. A total of 857 staff applied for promotion in various positions out of which 129 staff applying for academic positions and 728 staff applying for non-academic positions. The interviews were conducted and a total of 410 staff were promoted and distributed as 65 for academic and 345 for non-academic staff. This has improved the working relations in our University.

The University allowed several staff to undertake various trainings in order to boost the skills required for work performance. A total of 62 staff were trained in the year costing Kshs. 13,295,895. Additionally, a total of 16 dependants of staff were awarded financial support in scholarships to the tune of Kshs. 1,390,000.

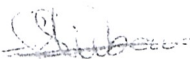
**Infrastructure Development.**

The University completed both Phase I and II of the perimeter wall round the University in order to boost security and protect the assets of the University. The Cabinet Secretary for the National Treasury and Planning approved the request for construction of Engineering and TVET Complex estimated to cost Kshs. 800,000,000 in the University after presentation. The procurement process and the commencement of construction will be done in FY 2020/2021. Similarly, the Management signed contracts for the construction of an Olympic size swimming pool, construction of a footbridge and internet cabling for the SPD building.

**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 2020/2021 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 30<sup>th</sup> June 2021. Finally, I wish to particularly appreciate the support of the National Government 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. Solomon I. Shibairo, PhD  
VICE CHANCELLOR**

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**VI. REVIEW OF MMUST 'S PERFORMANCE FOR FY 2020/2021**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

MMUST has 6 strategic pillars and objectives within its Strategic Plan for the FY 2019/20-2022/2023. These strategic pillars are as follows:

Pillar 1: Academic Excellence

Pillar 2: Research, Innovation, Extension services and Internalization

Pillar 3: Consultancy Services

Pillar 4: Student Services

Pillar 5: Financial Growth and Sustainability

Pillar 6: Institutional Capacity

MMUST developed its annual work plan for FY 2020/2021 based on the above 6 pillars. All heads of cost centres signed cascaded performance contracts with their immediate supervisors. Assessment of the performance for each cost centre was done on quarterly basis. The University achieved its performance targets set for the FY 2020/2021 period for its 6 strategic pillars. A snapshot of the key achievements are given in the table I below

**Table 1: MMUST achievement of 6 strategic pillars**

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1: Academic Excellence	Offer market driven programs	- Report of reviewed programs - No. of Curricula - No of online programmes	- Review of programs - Curriculum development	- 17 programs reviewed - 203 programmes online
Pillar 2: Research, Innovation, Extension services and Internalization	- Generation of knowledge for informed decision making	- No. of final research reports No. of papers published No of innovations	-Rolling out research activities - Organizing conferences and seminars	- Kshs.63,340,825 raised for research activities -Two patents applied for - Publication Of 354 papers - Three workshops held - One conference held
Pillar 3: Consultancy services	-Strengthen consultancy services	- Staffing level for consultancies - Approved	-Develop capacity for staff	-Academic staff trained on proposal writing

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		policy	- Develop consultancy policy	- Consultancy policy developed
Pillar 4: Student Services	-Mentor Students to become responsible citizens	-Approved mentorship program - %tage 0f students engaged	- Develop mentorship program -Enrol students on program	-100 students benefited from work study program -Mentorship program rolled out
Pillar 5: Financial growth & sustainability	-Strengthen resource mobilization	- Functional ERP system	-Full automation of revenue collection	-Improved revenue accounting -Automatic receipting by banks on ERP
Pillar 6: Institutional capacity	-Promote corporate governance	-Training & induction reports	-Train Council & management on integrity & leadership	-Council trained on Human Resource Management

## **VII. 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 systems 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.

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**iii) Committees of the Council**

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.

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:

- a) Finance and Resource Mobilization
- b) Strategy, Planning and Development
- c) Human Resource
- d) Audit, Governance and Risk Management and Compliance

**iv) Full Council and Committee Meetings**

**Table 2: Full Council meetings for 2020/2021**

	NAME	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>	8 <sup>th</sup>	9 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>
1	Dr. Ahmed M. Dirrye	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2	Dr. Jane Mutua Musangi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3	Prof. Solomon I. Shibairo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4	Ms. Connie Okwisa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5	Mr. Hezbourne Mackobong'o	X	✓	✓	✓	✓	✓	✓	✓	✓	✓	X
6	Peter Muhia Wanjiku	X	X	X	X	X	X	X	X	X	X	✓
7	Ms. Lucy Mugwe	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
8	Mr. Gad Gathu Kiragu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
9	Mr. Stephen Mutoro	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10	Mr. Joshua Onyango Ogango	✓	X	✓	✓	✓	✓	✓	✓	✓	✓	✓

**Table 2: The Finance and Resource Mobilization Committee Attendance for 2020/21**

	NAME	1 <sup>st</sup> (2 <sup>nd</sup> normal)	2 <sup>nd</sup> (3 <sup>rd</sup> Special)	3 <sup>rd</sup> (4 <sup>th</sup> Special)	4 <sup>th</sup> (3 <sup>rd</sup> Normal)	5 <sup>th</sup> (4 <sup>th</sup> Normal)	6 <sup>th</sup> (5 <sup>th</sup> Special)	7 <sup>th</sup> (5 <sup>th</sup> Normal)
1	Prof. Solomon I. Shibairo	✓	✓	✓	✓	✓	✓	✓
2	Mr. Joshua Onyango	✓	✓	✓	✓	✓	✓	✓
3	Mr. Stephen Mutoro	✓	X	✓	✓	✓	✓	✓
4	Ms. Lucy Waithira Mugwe	✓	✓	✓	✓	✓	✓	✓
5	Mr. Hesbourne Mackobong'o	X	X	✓	✓	✓	✓	✓
6	Peter Muhia Wanjiku	X	X	X	X	X	X	X

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**Table 3: Academics Research and Students Affairs Committee**

	NAME	1 <sup>st</sup> (2 <sup>nd</sup> Normal)	2 <sup>nd</sup> (3 <sup>rd</sup> Normal)	3 <sup>rd</sup> (1 <sup>st</sup> Special)	4 <sup>th</sup> (2 <sup>nd</sup> Special)	5 <sup>th</sup> (4 <sup>th</sup> Normal)
1	Prof. Solomon I. Shibairo	✓	✓	✓	✓	✓
2	Ms. Connie Okwisa Mogaka	✓	✓	✓	✓	✓
3	Mr. Stephen Mutoro	✓	✓	✓	✓	✓
4	Ms. Lucy Waithira	✓	✓	✓	✓	✓
5	Mr. Hesbourne Mackobong'o	X	✓	✓	✓	✓
6	Peter Muhia Wanjiku	X	X	X	X	X

**Table 4: The Human Resources Committee**

	NAME	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>
1	Dr. Ahmed M. Diriye	✓	✓	✓	✓	✓
2	Prof. Solomon I. Shibairo	✓	✓	✓	✓	✓
3	Mr. Gad Gathu Kiragu	✓	✓	✓	✓	✓
4	MS. Lucy Mugwe	✓	✓	✓	✓	✓
5	Mr. Joshua Onyango	✓	✓	✓	✓	✓

**Table 5: The Audit, Governance, Risk Management and Compliance Committee**

	NAME	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
1	Dr. Ahmed M. Diriye	✓	✓	✓
2	Mr. Gad Gathu Kiragu	✓	✓	✓
3	Ms. Connie Okwisa	✓	✓	✓
4	Ms. Lucy Mugwe	✓	✓	✓
5	Mr. Hesbourne Mackobong'o	✓	✓	✓
6	Peter Muhia Wanjiku	X	X	X

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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**v) Remuneration of Council**

Council members shall be remunerated for their services in accordance with the prevailing relevant legislative provisions and/or guidance from the relevant authority. In line with best practice, the remuneration should include base pay, attendance allowances and bonuses.

The following shall apply:

**1) Chairman**

**(a) Monthly Honoraria**

A monthly taxable honorarium of up to a maximum of Kshs.80, 000 may be paid to the Chairman.

**(b) Telephone Services for Chairman only**

(i) Mobile phone airtime; up to a maximum of Kshs.5, 000/= per month.

(ii) Land-line prepaid telephone card: up to a maximum of Kshs.2, 000= per month.

**2) All Members**

**(a) Sitting Allowance**

A taxable sitting allowance of up to a maximum of Kshs.20, 000/= per sitting may be paid to Chairman and members. In addition, sitting allowance may be payable when on official duty in and outside the country.

**vi) Conflict of Interest**

A conflict of interest may arise where a Council member or close family member such as a spouse, child, parent or sibling has private interests that could improperly influence the performance of the Council member's official duties and responsibilities. Conflict may also arise where a Council member uses their office for personal gain.

Council members are required to avoid conflict of interest and deal at arm's-length in any matter that relates to the organization. However, a Council member who identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Council. In so reporting, the Council member is required to provide all relevant information, including information which relates to their immediate family members by blood or marriage which is related to the area of conflict. When declared, the Council member shall abstain from decisions where the conflict exists.

The Corporation Secretary should keep a record of conflicts of interest declared, for accountability purposes, and as a rule of good practice on appointment and on regular intervals or at any time when circumstances change, all members shall in good faith disclose to the Council for recording, any other business or interest likely to create a potential conflict of interest.

**vii) Evaluation of Council Performance**

The Council will conduct an annual evaluation to appraise its performance. This evaluation will be carried out in accordance with the Council Evaluation Tool.

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The Council evaluation provides an opportunity for Council members to identify strengths, collective skill gaps and individual areas of improvement. The Council will also review the performance of each committee against the agreed Terms of Reference.

The Council will also evaluate the performance of the CEO and Corporation Secretary.

**viii) Process of appointment and removal of Council members**

- i. The relevant appointing authority shall select and appoint Council members. Every appointment shall be by name and by notice in the Kenya Gazette but shall cease if the Council member:
  - (a) Serves the appointing authority with a written notice of resignation; or
  - (b) Is absent, without the permission of the Chairperson, from three consecutive meetings; or
  - (c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
  - (d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of Council; or
  - (e) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of Council.
- ii. Any removal of a Council member under (i) above, shall be through formal revocation.
- iii. The Corporation Secretary will ensure that a record of the appointment letter, gazette notice and written acceptance by the Council member are kept in the personal file of the Council member.

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**VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

**a) Financial Performance Review**

The University achieved revenue of Kshs 3,030m in 2020/2021 down from Kshs. 3,224m in 2019/2020 resulting into a marginal decrease of 6.00%. This income was 91% of the annual target of Kshs. 3,451m. The under-performance is attributed to a reduction of revenues from Tuition and related charges caused by some students deferring studies owing to tough economic times. There was an increase in recurrent grants from Kshs. 1,852m in 2019/2020 to Kshs. 1,900m in 2020/2021. Recurrent Grants achieved Kshs. 1,900m against a target of 1,692m realizing 112%. This performance was high on account of receipt of Kshs. 206m that was meant for settling CBA 2017-2021 by 30<sup>th</sup> June 2020.

Tuition and related charges decreased from Kshs. 1,279m in 2019/2020 to Kshs. 1,065m in 2020/2021. Against a budget of Kshs. 1,120m this was 95% performance for the year ended 30<sup>th</sup> June 2021.

The University recorded a drop in surplus of Kshs.38m from Kshs 296m in 2019/2020 to Kshs.258m in 2020/2021 giving a decrease of 13%. This reduction in performance is explained by a drop in income from tuition and related charges owing to hard economic times for students in the year under review.

In terms of contribution to revenue by source, in FY 2020/2021 Recurrent Grants contributed 62.7% to all operating income followed by Tuition and related revenues at 35.17 % with the other sources recording 0.77%, 0.6% and 0.7% for Research grants, IGU and Other income respectively.

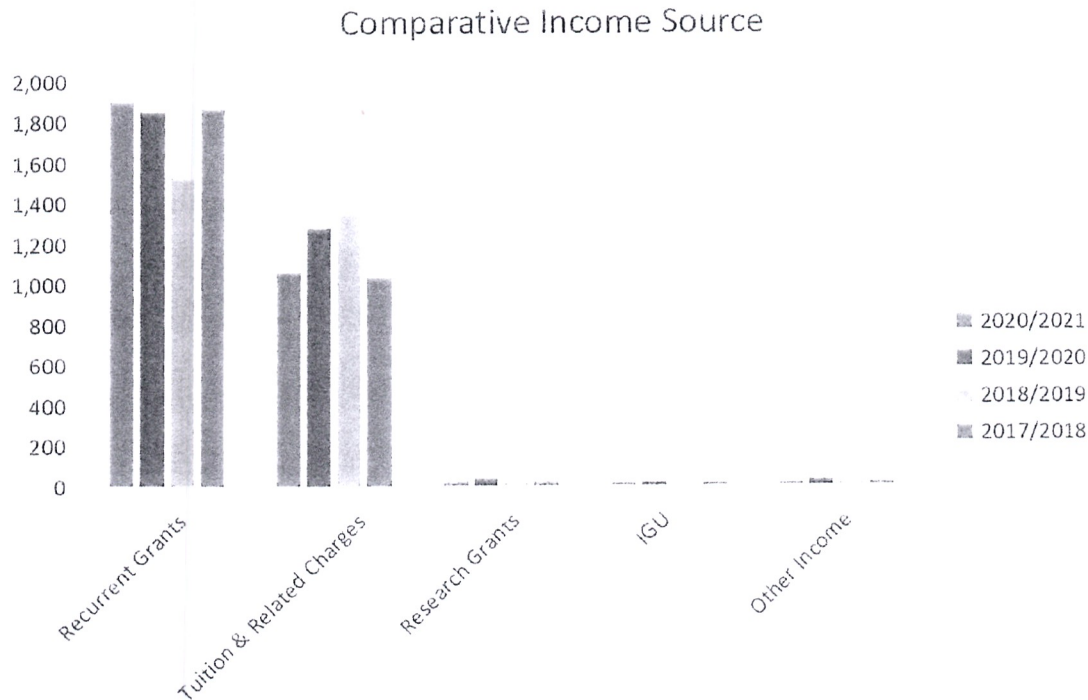
**Table 7: Comparative Income Sources**

Year	2020/2021	%age	2019/2020	%age	2018/2019	%age	2017/2018	%age
Revenue Source	Kshs. (M)		Kshs. (M)		Kshs.(M)		Kshs.(M)	
Recurrent Grants	1,900	62.7	1,852	57.4	1,528	51.2	1,865	62.9
Tuition & Related Charges	1,065	35.17	1,280	39.7	1,362	45.6	1,038	35
Research Grants	23	0.77	41	1.3	30	1	26	0.9
IGU	18	0.60	19	0.6	26	0.9	16	0.5
Other Income	24	0.73	33	1.0	38	1.3	22	0.7
<b>TOTAL</b>	<b>3,030</b>	<b>100</b>	<b>3,225</b>	<b>100.0</b>	<b>2,984</b>	<b>100</b>	<b>2,967</b>	<b>100</b>

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**Figure 1: Bar Graph Showing the Comparative Income Sources**

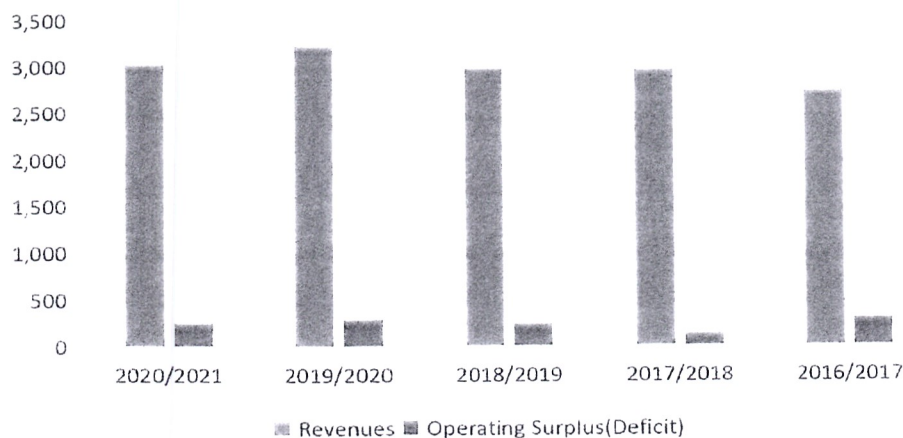
The growth of the University in terms of revenues and surplus over the last four years as shown in the table below;



**Table 8: Comparative growth in revenue and surpluses**

Year	2021	2020	2019	2018	2017
	Kshs. (M)	Kshs.(M)	Kshs.(M)	Kshs.(M)	Kshs.(M)
Revenues	3,028	3225	2,984	2,967	2,728
Operating Surplus(Deficit)	256	296	248	133	306
Net Profit Percentage	8.4	8.9	8.3	4.5	11.2

Growth in revenue and surplus(Shs 'm')



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**Figure 2: Bar Graph Showing the Growth in Revenue and Surpluses**

Over the last four years we have continued to realize positive results as indicated in table 8. In the current year the university recorded 8.9% in surplus over the previous year an indication of financial efficiency over tough operating environment. With the on-going reforms the University will continue to look at all possible ways of maintaining the reported growth in order to allocate resources for investment in key areas.

**Table 9: Comparative Financial Position and ratio Analysis**

Year	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
Assets	Kshs.(M)	Kshs.(M)	Kshs.(M)	Kshs.(M)	Kshs.(M)
<b>Non- Current Assets</b>					
Property & Equipment	5,044	5088	5,099	2,734	2,375
<b>Total Non- Current Assets</b>	<b>5,044</b>	<b>5,088</b>	<b>5,099</b>	<b>2,734</b>	<b>2,375</b>
<b>Current Assets</b>					
Inventories	36	40	22	29	24
Accounts Receivables	1201	1061	1529	1,366	1,287
Cash & Bank Balances	517	480	361	247	432
<b>Total Current Assets</b>	<b>1754</b>	<b>1583</b>	<b>1912</b>	<b>1642</b>	<b>1743</b>
<b>TOTAL ASSETS</b>	<b>6,798</b>	<b>6671</b>	<b>7,011</b>	<b>4,376</b>	<b>4,117</b>
<b>EQUITY &amp; LIABILITIES</b>					
Capital Reserves	6,025	5,643	5,886	3,411	3,181
Revenue Reserves(P&L)	258	296	428	26	-117
<b>Total Equity</b>	<b>6,282</b>	<b>5,932</b>	<b>6,314</b>	<b>3,437</b>	<b>3,064</b>
Total liabilities	517	732	697	939	1,053
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>6,798</b>	<b>6,682</b>	<b>7,011</b>	<b>4,376</b>	<b>4,117</b>
<b>Key Ratios</b>					
(i) Current Ratio	3.40	2.19	2.74	1.75	1.66
(ii) Acid Test Ratio	3.336	2.13	2.71	1.72	1.63
(iii) Debt to Assets Ratio	0.075	0.11	0.10	0.21	0.26
(iv) Total Assets Turnover	0.45	0.5	0.6	0.7	0.8
(v) Return on Investments(ROI)	4.0	5.0	3.9	4.0	10.0

Table 9 shows the growth of the University over a five-year period. The total assets increased from Kshs. 6,671m in 2020 to Kshs. 6,798m in 2021. The total liabilities have decreased over the years.

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 7.5% debt on our balance sheet in FY 2020/2021. Management continues to deploy relevant strategies to ensure that all required minimal standards in terms of prudent financial management are complied with.

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The forecast for FY 2020/2021 remains unpredictable given on-going university reforms, the effect of COVID-19 Pandemic and tough competition for key customers in the sector. The strain arising from 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 2020/2021, the Council oversaw the completion of the Tuition Block and Perimeter Wall Phase I, II & III. These investments are critical in the attainment of our key strategic objectives in the pursuit of our mandate and reduction of security threats and risk exposures.

## **IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

### **1. Sustainability strategy and profile**

Masinde Muliro University of Science and Technology recognizes its obligations to act responsibly, behave ethically and with integrity in its dealings with students, staff and their families, customers, contact community, partners, society at large and the environment as a whole. The institution operates in a socially responsible and ethical manner, with high standards of integrity and practice. Key among these is:-

- i. The health and safety of individuals, including staff, students and other stakeholders, impacted by activities is protected,
- ii. Contribute to the economic development of the quality of life of its students, employees & their families and the communities around us.
- iii. The environment is managed sustainably as far as practicable
- iv. Students, staff and other stakeholders are treated with dignity
- v. Community access to and engagement in University activities is as wide and as practical; and
- vi. The university is engaging with, learning from, respecting and supporting the communities and cultures

To this end:-

- (i) The University is undertaking a greening initiative clarifying its commitment to delivering a net positive impact on the environment.
- (ii) The University is proud that its Quality Management System is recognized through ISO 9001:2015
- (iii) The University has established a Talents scholarship fund through which it supports its social responsibility objectives.
- (iv) The University has established an internship program to assist young people gain work experience.
- (v) The University has MoUs with Kenya National Union of Teachers and Kenya Union of Post Primary Eductaion Teachers in which it offers 15 per cent discount on tuition to members and their dependents.
- (vi) The University has a fees waiver of 50% for staff dependents.
- (vii) The Community Liaison Office activities are integrated with business operations and values of MMUST and resonate well with that of the contact community.

### **2. Environmental performance**

The University has a functional environmental greening initiative aimed at ensuring compliance with current trends in environmental conservation.

On environmental performance we have achieved the following:

- i) Appointed a committee on environment
- ii) Prepared a draft policy on environment
- iii) Planted trees in the University and its environs
- iv) Carried out landscaping
- v) Conducted environmental impact assessments for projects.

### **3. Employee welfare**

The University continues to take the welfare of its staff very seriously and as such has developed and implemented various policies and regulations.

The following have been achieved in this area:

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- i) Approval of Human Resource Policy Manual 2017
- ii) Terms of Service 2016
- iii) Negotiated three internal CBAs with unions.
- iv) Conducted staff training needs assessment.
- v) Conducted and effected staff promotions
- vi) Established Occupational Safety and Health Committee in compliance with OSHA 2007
- vii) Provided protective devices for staff working in risky areas.
- viii) Implemented Health Workers Allowances as per SRC Circular
- ix) Trained and mentored staff on new skills in various areas.

**4. Market place practices-**

MMUST efforts as a responsible service provider are as follows:

- a) Responsible competition practice.
  - i) All our charges are approved after all stakeholder consultations
  - ii) We conduct all our procurements in accordance with the law.
  - iii) We do not condone corruption in all our dealings
  - iv) We are apolitical as an institution of higher learning
- b) Responsible Supply chain and supplier relations-  
MMUST continues to adopt best practices in its dealings with its suppliers and creditors by performing the following:
  - i) Carrying out prequalification of suppliers
  - ii) Promoting transparency and competitiveness in the tendering process
  - iii) Compliance with the law in procurement
  - iv) Prompt settlement of supplier accounts
  - v) Timely resolution of supplier complaints

**c) Responsible marketing and advertisement-**

MMUST ensures responsible marketing and advertisement as follows:

- i) Allocate marketing opportunities equally to all players
- ii) Review of advertisement content and ethical selection of channels
- iii) Prompt payment to service providers

**d) Product stewardship-**

MMUST consolidates its offerings through:

- i) Differentiated product offering
- ii) Market research to inform consumer needs
- iii) Quality service delivery.

**5. Community Engagements-**

MMUST has continued to be mindful of the environment it operates in and participated in community uplifting initiatives such as food, PPEs, Sanitary towels and mentorships to cultivate a positive image and give back to the community.

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY  
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**MMUST IN PICTURES FY 2020/2021**



Muslim students, Optometry and Vision Sciences and Economics club students Pose for a photo after a Medical camp at Amalemba and Joy land (Tawakal mosque) on 19/3/21

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**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
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**X. REPORT OF THE UNIVERSITY COUNCIL**

The University Council submit their report together with the audited financial statements for the year ended June 30<sup>th</sup>, 2021 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, 2020/2021 was Kshs. 258, 080,382 compared to Kshs. 295,953,531 in 2019/2020. This was a decrease of 13% in performance.


**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. Solomon I. Shibairo

Date: 16/07/22

Vice Chancellor/Secretary to Council

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY  
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**XI. 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, 2021. 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, 2021, 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 17th September, 2021 and signed on its behalf by:



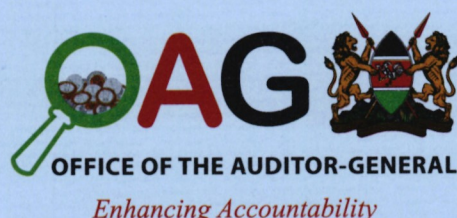
**Dr. Jane Musangi Mutua**  
Chairman of Council



**Prof. Solomon I. Shibairo**  
Vice Chancellor

# REPUBLIC OF KENYA

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**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **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 36 to 85, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance,

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*Report of the Auditor-General on Masinde Muliro University of Science and Technology for the year ended 30 June, 2021*

statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Masinde Muliro University of Science and Technology as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, and the Universities Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Variances between the Statement of Financial Position and Statement of Changes in Net Assets**

The statement of financial position reflects balances under two items which are at variance with the corresponding balances in the statement of changes in net assets, as shown below:

	<b>Statement of Financial Position (Kshs.)</b>	<b>Statement of Changes in Net Assets (Kshs.)</b>	<b>Variance (Kshs.)</b>
Capital Development Reserves	3,697,923,963	1,399,143,743	2,298,780,220
Accumulated Revenue Reserves	258,080,383	2,556,860,603	2,298,780,220

In the circumstances, the accuracy of the statement of financial position and statement of changes in net assets could not be confirmed.

#### **2. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects total income performance difference of Kshs.95,215,315 instead of a computed amount of Kshs.345,215,315 resulting to an unexplained variance of Kshs.250,000,000. Further, total performance difference for expenditure reflects Kshs.553,295,696 while the recomputed expenditure totaled to Kshs.603,295,696 resulting to an unexplained variance of Kshs.50,000,000. In addition, the total expenditure amount of Kshs.2,898,195,304 reflected in the statement differs with the total expenses reflected in the statement of financial performance amounting to Kshs.2,772,253,629 resulting to an unexplained variance of Kshs.125,941,675.

In the circumstances, the accuracy of the statement of comparison of budget and actual amounts could not be confirmed.

### **3. Refundable Deposits from Customers**

The statements of financial position reflects a balance of Kshs.407,486,249 for refundable deposits from customers as disclosed in Note 27 to the financial statement. However, ageing analyses for the six (6) items were not provided for audit.

In the circumstances, the accuracy and completeness of the balance of Kshs.407,486,249 could not be confirmed.

### **4. Unsupported Expenditure on Repairs and Maintenance**

The statement of financial performance reflects an amount of Kshs.18,921,790 for repairs and maintenance expenses as disclosed in Note 12 to the financial statements. However, procurement and stores records, including tender/quotation documents, evidence of advertisements, evaluation reports/minutes, delivery notes, requisitions, stores receipts, issues records and stores ledgers for items valued at Kshs.8,690,124 were not provided for audit.

In the circumstances, the repairs and maintenance expenditure of Kshs.8,690,124 could not be confirmed.

### **5. Unconfirmed Cash and Cash Equivalents**

The statement of financial position reflects a balance of Kshs.517,362,134 for cash and cash equivalents as disclosed in Note 19 to the financial statements. However, the balance excludes an amount of Kshs.18,279,389 deposited in the University bank account in Co-operative Bank in 2012, and on which, as explained under Note 41, the bank is said to have made unauthorized and unjustified reversals without reference to the University. The amount has not been reinstated into the University's account up to date. Although, Management has indicated that a complaint or claim was lodged by the University against the bank, no evidence was provided of any further measures taken to recover the amount for the last ten (10) years since the amount was reversed.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.517,362,134 could not be confirmed.

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**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts shows total budgeted and actual revenue of Kshs.3,501,491,000 and Kshs.3,156,275,685 respectively resulting to a Kshs.345,215,315 shortfall which is equivalent to 10% of the approved budget. Similarly, the University spent Kshs.2,898,195,304 or approximately 83% of the budgeted expenditure of Kshs.3,501,491,000 resulting to under-expenditure of Kshs.603,295,696 or 17% of the budget.

The under realization and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

## **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. Staff Ethnic Diversity**

Review of personnel records of the University, including the payroll, revealed that during the year, the University had 983 employees, out of which, 653 employees (or 66%) were from one ethnic community. This is contrary to Section 71(2) of the National Cohesion and Integration Act, 2008, which states that no public establishment shall have more than one third of its staff from the same ethnic community

In the circumstances, management was in breach of the law.

#### **2. Un-surrendered Imprest**

The statement of financial position reflects a balance of Kshs.81,972,770 for receivables from non-exchange transactions as disclosed in Note 21 of the financial statements. The amount includes a balance of Kshs.31,972,770 being outstanding staff imprests. This is contrary to Regulation 93(5) of the Public Finance Management Regulations, 2015, which

provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) days after returning to duty station.

In the circumstances, Management was in breach of the law.

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 matter 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**

#### **Lack of Risk Management Policy**

Review of the University's risk management framework revealed that there was no Risk Management Policy Framework to guide in identification, assessment and mitigation of risks. This is a contravention of the provisions of Regulation 165(1) of the Public Finance Management (National Governments) Regulations, 2015 which outlines the role and responsibilities of Accounting Officers in respect to risk management.

In the absence of Risk Management Policy the University lacks a blue print for identifying, preventing and mitigating against risks to ensure that its operations are not interrupted in case of unforeseen events

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards requires 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 the Universities 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 governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015, and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to sustain its services
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

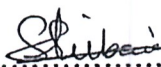
29 September, 2022

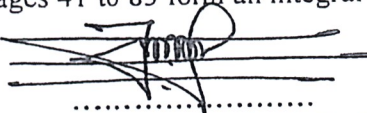
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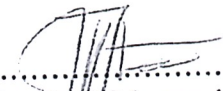
**XIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup>,  
 JUNE 2021**

	Note	2021	2020
<b>Revenue from non-exchange transactions</b>		<b>Kshs</b>	
Recurrent Grant (GoK)	5	1,899,775,089	1,851,777,606
Research Grants	6	23,247,512	41,333,323
<b>Total revenue from non-exchange transactions</b>		<b>1,923,022,601</b>	<b>1,893,110,929</b>
<b>Revenue from exchange transactions</b>			
Tuition and Related Charges	7	1,065,372,974	1,279,532,502
Income Generating Units	8	17,936,418	18,631,105
Other Income	9	24,002,018	32,913,862
<b>Total revenue from exchange transactions</b>		<b>1,107,311,410</b>	<b>1,331,077,469</b>
<b>Total revenue</b>		<b>3,030,334,011</b>	<b>3,224,188,397</b>
<b>Expenses</b>			
Employee costs	10	2,023,708,254	2,122,656,293
Depreciation and amortization	11	170,204,727	146,592,054
Repairs and Maintenance Expenses	12	18,921,790	24,095,911
Contracted Services	13	93,250,143	86,249,364
General Expenses	14	170,274,486	159,398,728
Academic (Teaching, Research and Extensions)	15	249,053,196	344,726,974
Remuneration of Council	16	20,257,357	20,795,234
Chancellor Expenses	17	1,259,865	1,232,200
Provision for bad debts	18	25,323,811	22,488,108
<b>Total expenses</b>		<b>2,772,253,629</b>	<b>2,928,234,866</b>
<b>Surplus/(Deficit)</b>		<b>258,080,382</b>	<b>295,953,531</b>

The notes set out on pages 41 to 83 form an integral part of these financial statements.

  
 .....  
 Prof. Solomon Shibairo  
 Vice Chancellor

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

  
 .....  
 Dr. Jane Musangi Mutua  
 Chairman of the Council

Date.....16/06/2022.....

Date.....16/06/2022.....

Date.....

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
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**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2021**

	Notes	2021	2020
		Kshs	Kshs
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	19	517,362,134	480,996,728
Receivables from exchange transactions	20	1,119,450,996	1,046,343,940
Receivables from non-exchange transactions	21	81,972,770	15,651,809
Inventories	22	35,999,932	40,087,684
<b>Total Current Assets</b>		<b>1,754,785,832</b>	<b>1,583,080,162</b>
<b>Non-current assets</b>			
Property, plant and equipment	23	5,042,127,372	5,081,973,378
Biological Assets	24	1,078,700	718,700
Intangible assets	25	723,299	5,500,345
<b>Total non-current assets</b>		<b>5,043,929,370</b>	<b>5,088,192,422</b>
<b>TOTAL ASSETS</b>		<b>6,798,715,201</b>	<b>6,671,272,584</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	26	59,372,105	106,527,408
Refundable deposits from customers	27	407,486,249	370,364,819
Deferred income	28	26,782,468	20,838,325
Employee benefit obligation	29	21,886,338	234,533,410
<b>Total current liabilities</b>		<b>515,527,160</b>	<b>732,263,962</b>
<b>NET ASSETS</b>			
Capital Reserves		3,697,923,963	3,315,871,394
Revenue Surplus		258,080,382	295,953,531
Revaluation Reserves		2,327,183,697	2,327,183,697
<b>Total Net Assets</b>		<b>6,283,188,041</b>	<b>5,939,008,622</b>
<b>Total Net Assets and Liabilities</b>		<b>6,798,715,201</b>	<b>6,671,272,584</b>

The Financial Statements set out on pages 35 to 84 were signed on behalf of the Council by:



Prof. Solomon Shibairo  
Vice Chancellor



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



Dr. Jane Musangi Mutua  
Chairman of the Council

Date: 16/06/2022 Date: 16/06/2022

Date: .....

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
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**XV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

<b>Details</b>	<b>Capital Development Reserves</b>	<b>Revenue Reserves</b>	<b>Revaluation Reserves</b>	<b>Total</b>
Balance at July, 01 2018	1,174,699,493	2,345,820,199	11,334,325	3,531,854,016
Surplus / Deficit for the year	-	248,314,369	-	248,314,369
Capital Development Grants	174,444,250			174,444,250
Prior Year Adjustment		38,084,304		38,084,304
Revaluation Reserves			2,315,757,672	2,315,757,672
<b>Balance at June, 30 2019</b>	<b>1,349,143,743</b>	<b>2,632,218,872</b>	<b>2,327,091,997</b>	<b>6,308,454,611</b>
<b>Balance at July, 01 2019</b>	<b>1,349,143,743</b>	<b>2,632,218,872</b>	<b>2,327,091,997</b>	<b>6,308,454,611</b>
Surplus / Deficit for the year		295,953,531		295,953,531
Prior Year Adjustment		-665,491,220		-665,491,220
Revaluation Reserves			91,700	91,700
<b>Balance at June, 30 2020</b>	<b>1,349,143,743</b>	<b>2,262,681,183</b>	<b>2,327,183,697</b>	<b>5,939,008,622</b>
Balance at July, 01 2020	1,349,143,743	2,262,681,183	2,327,183,697	5,939,008,622
Movement in reserves	2,262,681,183	-2,262,681,183		
Surplus / Deficit for the year		258,080,382		258,080,382
Capital Development Grants	50,000,000			50,000,000
Prior Year Adjustment	36,099,038			36,099,038
<b>Balance at June, 30 2021</b>	<b>3,697,923,964</b>	<b>258,080,382</b>	<b>2,327,183,697</b>	<b>6,283,188,042</b>

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**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

		<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>			
Surplus for the year		258,080,382	295,953,531
Add: Depreciation	11	170,204,727	146,592,054
Prior Year Adjustments/Suspense figure			13,101
<b>Operating surplus before working capital changes</b>		<b>428,285,109</b>	<b>442,558,686</b>
<b>Working capital changes</b>			
Increase/(decrease) in inventories		4,087,752	(18,098,142)
Increase/(decrease) in trade and other receivables	20 & 21	(216,736,802)	463,673,230
Increase/(decrease) in trade and other payables	27,28,29& 30	(139,428,016)	32,554,328
<b>Net cash flows from operations</b>		<b>(352,077,066)</b>	<b>478,129,416</b>
<b>Net cash flows from operating activities</b>		<b>76,208,043</b>	<b>920,688,102</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	20,22 & 23	(125,941,675)	(135,661,796)
<b>Net cash flows used in investing activities</b>		<b>(125,941,675)</b>	<b>(135,661,796)</b>
<b>Cash flows from financing activities</b>			
Capital fund	30	50,000,000	91,700
Revenue reserves	31	36,099,038	(665,491,220)
<b>Net cash flows used in financing activities</b>		<b>86,099,038</b>	<b>(665,399,520)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>36,365,407</b>	<b>119,626,787</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>480,996,728</b>	<b>361,369,941</b>
<b>Cash and cash equivalents at end of the year</b>		<b>517,362,134</b>	<b>480,996,728</b>

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**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
THE YEAR ENDED 30 JUNE 2021**

	Details	Original budget	Adjustments	Final budget	Actual Outcome	Performance Difference	Variance
		2021/2022	2021/2022	2021/2022	2021/2022	2021/2022	%
		Kshs	Kshs	Kshs	Kshs	Kshs	
<b>A</b>	<b>Revenue</b>						
1	Recurrent Grants	1,755,534,211	6,271,342	1,761,805,553	1,761,805,553	-	100
2	Capital Grants	100,000,000	-	100,000,000	100,000,000	-	100
3	Retained Earnings	260,000,000	-	260,000,000	102,468,104	157,531,896	39
4	Research Grants	40,000,000	-	40,000,000	34,223,233	5,776,767	86
5	Tuition and Other Related Fees	847,041,635	355,430,154	1,202,471,789	1,305,892,923	(103,421,134)	109
6	Other Income	62,724,000	-	62,724,000	65,528,842	(2,804,842)	104
	<b>Total Income</b>	<b>3,065,299,846</b>	<b>361,701,496</b>	<b>3,427,001,342</b>	<b>3,369,918,655</b>	<b>57,082,687</b>	<b>98</b>
<b>B</b>	<b>Expenses</b>						
7	Employee costs	2,126,105,846	104,919,496	2,231,025,342	2,287,560,364	(56,535,022)	103
8	Depreciation and amortization	-	130,000,000	130,000,000	154,089,514	(24,089,514)	119
9	Repairs and Maintenance Expenses	18,500,000	3,500,000	22,000,000	18,297,687	3,702,313	83
10	Contracted Services	75,000,000	28,368,000	103,368,000	103,457,622	(89,622)	100
11	General Expenses	148,100,000	32,784,000	180,884,000	154,555,854	26,328,146	85
12	Academic(Teaching, Research and Extensions)	287,295,000	59,145,000	346,440,000	365,033,125	(18,593,125)	105
13	Remuneration of Council	26,000,000	4,000,000	30,000,000	30,257,207	(257,207)	100
14	Chancellor Expenses	2,000,000	-	2,000,000	1,967,550	32,450	98
15	Covid 19 Mitigation expenses	8,299,000	1785000	10,084,000	9,507,419	576,581	94
16	Finance (Bank) Charges	4,000,000	(1,000,000)	3,000,000	3,739,777	(739,777)	125
17	Provision for bad-debts	10,000,000	(1,800,000)	8,200,000	22,736,020	(14,536,020)	277
18	Capital grants expense	100,000,000	0	100,000,000	100,000,000	-	100
20	Retained Earnings (Capital)	260,000,000	-	260,000,000	102,468,104	157,531,896	39
	<b>Total Expenditure</b>	<b>3,065,299,846</b>	<b>361,701,496</b>	<b>3,427,001,342</b>	<b>3,353,670,242</b>	<b>73,331,100</b>	<b>98</b>
<b>C</b>	<b>Surplus</b>	-	-	-	<b>16,248,413</b>	-	

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**Notes to the Statement of Comparison of Budget and Actual amounts for the year ended  
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This budget statement relates to the approved Budget for Financial year 2020/2021

1. The recurrent grants support from the National Government of Kshs. 1,899,775,089 was realized against planned amount of Kshs1, 692,820,000 thus registering 112% performance. This showed commitment from the National government to continue supporting the University. The difference of Kshs.206, 954,025 was received in July 2020 for settlement of CBA 2017-2021 arrears for staff from the exchequer. The university could not recognise the amount as a receivable in financial year 2019/2020 because there was no guarantee that the funds will be remitted in time. Thus the recognition as income in this year when the funds were received.
2. The Capital Grants is support from the National Government for construction of the Engineering and TVET Complex block. By the end of the financial year not funds had been utilized on the same.
3. Retained Earnings was absorbed at Kshs. 125,941,675 against a target of Kshs. 295,000,000 for the year realizing 43% performance. This low performance was as result of delay in procurement of planned non-financial assets acquisition which was caused by the impact of the Covid-19 pandemic.
4. Research Grants income was realized Kshs. 23,247,512 against a projection of Kshs. 30,000,000 resulting into a performance of 77%. The low consumption is due to unpredictability in receipt and usage of the funds by the academic staff engaged in research and proposal writing.
5. Tuition and related charges recorded Kshs. 1,065,372,974 against a target of Kshs. 1,119,947,000 resulting into a performance of 95% of the budget amounts. The good performance was attributed to full billing of all students for the Academic year 2020/2021. the target was missed on account of hard economic times that witnessed some students missing to register for their studies due to lack of fees.
6. Other income recorded Kshs. 40,277,725 against a target of Kshs. 62,724,000 realizing 64% of the target in performance. The main component of other incomes is catering income which realized significant drop in revenues as shown in note 8&9in the detailed notes to the financial statements. The drop was largely attributed to the closure of most activities when the Covid-19 pandemic set in and staffs were required to work from home in non-core areas of the university.
7. Employee costs recorded Kshs. 2,023,721,754 against a target of Kshs. 2,228,323,000 yielding 91% of the budget. The savings was as result of inability to effect all planned recruitment for the year and resolution of Internal CBAs which would have resulted to full utilization of these funds.

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8. Depreciation provision registered 110% against the budget. This largely depends on the level of Property, Plant & Equipment maintained in the year. The details of this increase are contained in Note 23 of the financial statements.
9. Repairs and Maintenance recorded 66% performance of Kshs18, 921,790 against a budget of Kshs. 28,466,000 for the year.
10. Contracted services registered a performance of Kshs 93,250,143 which is 92% of the budgeted figure of Kshs. 105,000,000.
11. General expenses recorded 71% of the budget due to the suspension of most activities following the COVID-19 pandemic. This meant that most planned activities did not take place thus the low absorption.
12. Academic (Teaching, Research and Extensions) expenses registered 64% against the budget. Most activities such as teaching practice and industrial attachment did not take place owing to the COVID-19 pandemic. All conferences which had been planned were suspended indefinitely thus the low absorption.
13. Council Expenses registered 83% performance against budget. All the meetings were conducted as planned and therefore this was prudent utilization of the budget by the governance wing of the University.
14. Chancellor's Expenses recorded 63% of the budget. This was as a result of reduction of activities under this vote due to COVID-19 pandemic.
15. Covid -19 mitigation expenses vote was incorporated to provide for the costs emanating from Covid-19 pandemic. This registered 78% performance against budget.
16. Finance (Bank) Charges registered 49% performance against budget.
17. Feasibility study registered 33% performance against budget.
18. Provision for bad debts realized Kshs 25,323,811 against a budget of Kshs. 50,000,000 yielding 45% performance. This was due to careful review of non-performing accounts and making specific provision as detailed in note 18 of the financial statements.
19. Capital Grants Expense were not incurred during the financial year 2020/2021.
20. Capital Expenses recorded 43% of the budget. This low absorption was due to slow pace of project implementation and lengthy procurement procedures together with the impact of slowed down activities as a result of COVID-19 pandemic.

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**XVIII. NOTES ON THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Masinde Muliro University of Science & Technology (MMUST) is established by and derives its authority and accountability from the 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 the report prepared, thus the assets have been recognized in the financial statements. The financial statements were prepared in conformity with International Public Sector Accounting Standards (IPSAS), which allows the use of estimates and assumptions. IPSAS 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 (2012), the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**1. (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
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> 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.

**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**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 40: Public Sector Combinations</b>	<b>Applicable: 1<sup>st</sup> January 2019:</b> 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. 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

**3. 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 2020-2021 was approved by the National Assembly in May 2020. 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 same 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 so is the budget.

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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.

The University is not registered for payment of corporation tax as it is exempted by virtue of it offering social services and established by the Government of Kenya.

*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 reassessed 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.

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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.

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

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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.

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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.

***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 a 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

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- 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.

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**

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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.

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. Revaluation reserves are for asset maintenance and impairments.

**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

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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.

**o) Comparative figures**

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

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**p) 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, 2020.

**4. 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

**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

**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.

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F/NO	DETAILS	2021	2020
		AMOUNT IN Kshs	AMOUNT IN Kshs
<b>5</b>	<b>Recurrent Grant(GoK)</b>		
	July	206,954,301	172,487,330
	July	141,068,399	139,940,857
	August	141,068,399	139,940,855
	September	141,068,399	139,940,857
	October	141,068,399	139,940,857
	November	141,068,399	139,940,856
	December	141,068,399	139,940,857
	January	141,068,399	139,940,857
	February	141,068,399	139,940,855
	March	141,068,399	139,940,855
	April	141,068,399	139,940,857
	May	141,068,399	139,940,856
	June	141,068,399	139,940,857
	<b>Sub total</b>	<b>1,899,775,089</b>	<b>1,851,777,606</b>
<b>6</b>	<b>Research Grants</b>	<b>23,247,512</b>	<b>41,333,323</b>
	<b>Provide detailed reconciliation as a separate disclosure.</b>		
<b>7</b>	<b>Tuition and Related Charges</b>		
	Tuition Fees	707,895,559	846,526,902
	Student Opening Balances		16,214,300
	Registration fees	2,996,500	2,926,900
	ID charges	1,500	48,300
	Activity fees	13,720,505	15,427,400
	Amenity fees	13,847,165	15,382,500
	Medical fees	22,322,500	25,749,750
	Students Organizational Fee	5,437,000	6,131,300
	Examination fees	56,321,100	63,896,965
	ICT levy	68,716,610	78,086,599
	Teaching Practice		2,000
	Field Trips	373,600	506,500
	Thesis	12,363,000	15,742,000

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	Supervision	19,656,500	25,250,500
	Professional Insurance Indemnity	485,500	538,500
	Library Fees	41,296,650	47,137,301
	Graduation Fees	26,005,500	26,005,836
	Skill Laboratory Fee	1,191,000	1,555,000
	KUCCPS Processing Fee	4,545,000	3,929,000
	Hospital Consumables	3,410,600	3,597,000
	Medical Insurance	114,000	119,000
	Appraisal Forms	1,000	4,300
	Psychiatry Case Presentation Forms		6,600
	Practical Fee /Clinical Placements	2,869,450	3,670,100
	Attachment	36,634,365	51,811,085
	Computer Laboratory Costs	2,102,000	2,656,000
	Laboratory Fees	1,244,800	1,302,600
	Board (KNDI)		2,000
	Training Fees	13,500	51,584
	Referral/Supplementary	6,569,000	3,834,360
	Collaboration Centre Fees		0
	Damages	7,800	10,983,710
	Application fees	2,495,495	3,730,720
	Project fees	3,295,000	1,656,000
	Extended Supervision fee (Fee)		2,000
	Exmination for revised thesis	105,000	4,660
	Lesson Plan	134,475	227,455
	Supplementary Exam Fee		29,600
	Examination Fee - PHD	80,000	206,000
	Old students receipts		8,000
	Caution fees	498,500	0
	Alumni	2,662,300	2,000
	Field work fee	3,346,000	2,273,000
	Student smart card charges	2,550,500	2,282,175
	Mmust-Inst Ethical review committee	64,000	15,000
	<b>Total Tuition and Related Income</b>	<b>1,065,372,974</b>	<b>1,279,532,502</b>
<b>8</b>	<b>Income Generation Units</b>		
	Farm income	653,790	924,340
	Catering	9,779,362	9,695,539
	MMUST FM	2,000	
	Book Shop	1,076,033	1,674,910

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	Workshop & Conferences	468,050	2,736,212
	Rental Estate Income	1,080,773	761,036
	Library Income	123,050	158,370
	Estate sell of Grass	1,244,600	80,500
	Sale from production unit	885,500	267,110
	Hire of Venues / Trappers/ Equipment	2,623,260	2,333,088
	Short courses/Consultancies	-	-
	<b>Total Income From IGU</b>	<b>17,936,418</b>	<b>18,631,105</b>
<b>9</b>	<b>Other Income</b>		
	Accommodation	15,950,550	28,601,800
	Fines & Penalties	494,901	320,515
	Misc. Income	1,456,699	1,202,389
	Sale of Tender Documents	0	56,000
	Prize and awards	5,000	0
	Foreign Exchange gain/ loss	863,762	1,418,752
	Research Income	210,500	686,100
	Interest income	4,756,106	115,806
	Revenue from collaborations	220,000	512,500
	Insurance Agency fee	44,500	0
	<b>Total Sundry Incomes</b>	<b>24,002,018</b>	<b>32,913,862</b>
<b>10</b>	<b>Employee Costs</b>		
	Basic salaries	1,042,597,419	1,094,405,659
	Car Allowances	125,804,520	122,742,932
	Casual Workers	0	103,902
	Gratuity expenses	33,174,081	24,657,059
	House Allowances	377,852,021	367,345,501
	Management Allowance	1,200,000	1,216,129
	Medical Expenses	47,017,913	52,657,300
	OTHER PERSONAL ALLOWANCES	120,281,181	102,746,158
	Part-time Payments	76,919,031	100,599,550
	Passage and Baggage Allowances	510,890	418,600
	Pension contribution	179,210,203	242,054,122
	NSSF Contribution	2,254,200	2,362,600
	Stipend	4,720,000	920,000
	Telephone Allowance	12,166,795	10,426,781
	<b>Total Personnel Emoluments</b>	<b>2,023,708,254</b>	<b>2,122,656,293</b>
<b>11</b>	<b>Depreciation and Amortization</b>		

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	Depreciation of Buildings	68,594,278	68,594,278
	Depreciation of Computers and appliances	23,673,939	22,521,129
	Depreciation of Furniture and Fittings	9,937,496	9,855,804
	Depreciation of Motor vehicles	27,491,301	8,657,995
	Amortization of Softwares	5,617,738	5,407,565
	Depreciation on Plant and equipment	31,412,362	28,057,904
	Depreciation on Library Books and Journals	3,477,613	3,497,379
	<b>Total Depreciation</b>	<b>170,204,727</b>	<b>146,592,054</b>

**12 Repairs and Maintenance**

	Repair and Maintenance of Motor vehicles	6,083,707	5,000,000
	Maintenance of Plant, Furniture and Equipment	3,382,891	2,220,677
	Maintenance of Computers	3,959,872	5,111,533
	Maintenance of Buildings	4,715,350	11,763,701
	Maintenance of Play Grounds and Parks	779,970	
	<b>Total Maintenance Expenses</b>	<b>18,921,790</b>	<b>24,095,911</b>

**13 Contracted Services**

	Cleaning Services	9,388,058	10,340,564
	Insurance Expenses	6,303,460	5,420,829
	Legal Expenses	15,911,303	3,593,170
	Rent and Rates	26,773,059	33,168,984
	Security Services	34,874,263	33,725,817
	<b>Total Contracted Services</b>	<b>93,250,143</b>	<b>86,249,364</b>

**14 General Expenses/ Administration Expenses**

	Advertising and Publicity Expenses	2,713,239	7,379,873
	Affiliation fees	2,907,615	3,341,610
	Audit fee	91,000	382,000
	Careers week	712,040	94,600
	Corporate Social Responsibility	618,663	1,556,840
	Couching and mentoring	1,044,760	290,790
	External Travelling and Accommodation Expenses	0	69,180
	Bank Charges	2,456,111	4,991,479
	Bookshop expenses	0	0
	CATERING EXPENSES	8,390,963	12,303,478
	IGU EXPENSES	4,838,937	7,524,195
	Forensic Audit	0	0
	Inter-University Games	2,761,780	7,038,060
	MMUSO	7,726,940	6,021,770

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	Office Expenses	4,860,241	3,941,997
	Office Stationery	10,630,847	5,261,003
	Official entertainment	713,600	3,703,185
	Performance Contracting Costs	480,800	1,592,488
	Postal and Courier Expenses	1,074,232	1,150,890
	Senate Expenses	3,443,184	400,571
	Fumigation Expenses	49,900	1,068,984
	Show and Exhibitions	309,100	299,500
	Special Projects	3,643,750	4,263,262
	Sports Equipment	992,021	396,520
	Student Registration Expenses	548,300	1,361,827
	Tamasha	13,350	175,776
	Telephone Expenses	170,865	104,951
	Training and Staff Development Expenses	13,295,895	7,708,754
	Transport Operating Expenses	7,771,023	11,447,780
	Traveling and Accommodation	8,006,955	9,990,093
	UMB EXPENSES	3,200,010	1,473,411
	University Choir	1,045,670	2,678,326
	Electricity	11,187,614	14,406,665
	MMUST Enterprises		451,200
	Public Celebrations and Funerals	2,149,240	2,064,080
	Publishing and printing	1,083,500	1,532,080
	Purchase of Uniforms and Clothing	5,852,051	2,482,468
	Tender Expenses	998,230	81,400
	Water and Conservancy	7,037,092	20,086,903
	Commission for University Education Expenses	8,000,000	4,135,000
	SGS Election & Training	1,629,200	0
	KUCCPS Processing Expenses	4,566,000	3,792,000
	ISO- QA Activities	1,165,835	2,353,740
	College Mentorship Expenses	9,303,795	
	Feasibility Study	1,673,560	
	Covid -19 Mitigation Expenses	21,116,578	
	<b>Total General Administrative Expenses</b>	<b>170,274,486</b>	<b>159,398,728</b>
<b>15</b>	<b>Academic (Teaching, Research &amp; Extension)</b>		
	Alumni expenses	3,029,460	620,350
	Disability Mainstreaming expenses	723,552	649,228
	Donor funded research expenses	23,247,512	41,333,323
	DRAMA Festivals	533,200	12,600

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	Examination Expenses	5,000,839	5,903,272
	External examiners expenses	4,179,261	6,446,137
	Graduation Expenses	7,179,803	13,318,957
	HIV/AIDS Expenses	1,147,490	161,780
	Internet connectivity expenses	56,287,334	36,571,667
	KNUT-Mmust Scholarship expenses	0	587,400
	Library expenses	1,471,390	501,426
	Mmust scholarship	1,390,000	1,694,250
	MMUST Talent Scholarship	3,745,000	3,540,000
	MMUST WORKSTUDY SUPPORT PROGRAMMES	2,574,454	3,672,644
	New Programmes and Curriculum Review	4,525,159	3,941,652
	practical/clinical placement expenses	31,000	0
	PSSP Expenses	9,641,894	140,096,000
	Research Expenses	40,093,313	9,583,841
	Seminars and Conferences	3,139,980	3,530,357
	Robotics Development Expenses	2,422,630	
	Students Practical Expenses	3,669,420	3,061,981
	Teaching Material	22,489,995	14,556,805
	Teaching Practice and Field Attachment	36,835,233	39,793,393
	Thesis Supervision Expenses	8,459,050	6,758,911
	Student smart refunds expenses	3,877,500	4,640,500
	MMUSO Somesha mwenzako bursary	0	28,500
	Publicity of Academic Programmes	3,358,726	3,722,000
	<b>Total Academic(Teaching, Research and Extensions)</b>	<b>249,053,195</b>	<b>344,726,974</b>
16	<b>Remuneration of Council/Chancellor</b>		
	Council honoraria expenses	960,000	1,373,250
	Council travel expenses	3,693,480	3,532,729
	Council subsistence allowances	6,697,600	5,902,500
	Council training expenses	890,844	480,000
	Council catering expenses	1,383,248	802,515
	Council stationery expenses	265,260	271,440
	Council sitting allowances	6,366,925	8,432,800
	<b>Total</b>	<b>20,257,357</b>	<b>20,795,234</b>
17	<b>Chancellor Expenses</b>	<b>1,259,865</b>	<b>1,232,200</b>
18	<b>Bad debts Provision</b>		
	Provision for bad debts	25,323,811	22,488,108
19	<b>Cash and Cash Equivalents</b>		

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	MMUST KCB 1101811269 (Deposit Recurrent)	145,397,544	152,359,041
	MMUST KCB Payments 1101922109(Tuition)	2,750,121	2,080,992
	MMUST KCB 1101922370(Seminar)		0
	MMUST BBK 8080317 IGU	6,415,270	2,556,385
	MMUST BBK 8086269 (Tuition)		0
	MMUST NBK 0100370554000 (Tuition)	4,333,187	10,322,027
	MMUST Standard Bank 0102002576500 (Tuition)		0
	MMUST Coop Bank 01129033999900 (tuition)	4,656,020	1,617,718
	MMUST Equity Bank 050029463103	245,678,323	294,470,713
	MMUST Family Bank 078000012655	88,174,825	8,700,945
	MMUST KCB 1101811331 (payment)	-7,740,541	4,909,995
	MMUST Standards Bank 0102098712400( research grants	3,975,001	1,289,332
	MMUST Standard Bank 8702098712400( Research grants	22,816,261	2,689,580
	Provision for unbanked cash	906,124	0
	Petty Cash	0	0
	<b>Total Cash and Cash Equivalents</b>	<b>517,362,134</b>	<b>480,996,728</b>
<b>20</b>	<b>Receivables from Exchange Transactions</b>		
	IGU Receivable	9,197,098	14,171,962
	Prepaid Expenses	1,585,500	1,500,000
	Sundry Debtors	0	88,500
	Student Debtors	1,156,480,317	1,053,071,586
	Less provision for bad debts	-47,811,919	(22,488,108)
	<b>Total Receivables from Exchange Transactions</b>	<b>1,119,450,996</b>	<b>1,046,343,940</b>
<b>21</b>	<b>Receivables from Non-Exchange Transaction</b>		
	Staff Imprest	31,972,770	15,651,809
	Capital Grant Receivable	50,000,000	
	<b>Total Receivables from Non-Exchange Transactions</b>	<b>81,972,770</b>	<b>15,651,809</b>
<b>22</b>	<b>Inventories</b>		
	Clinical Drugs Stocks	9,297,012	8,178,461
	Dry Food Stock	1,261,940	908,663
	Estate Building Materials	15,155,149	22,599,604
	Stationery Central Stores	10,285,831	8,400,956
	<b>Total Inventory and Stores</b>	<b>35,999,932</b>	<b>40,087,684</b>
<b>23</b>	<b>Property, Plant and Equipment</b>	<b>5,042,127,372</b>	<b>5,081,973,378</b>

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23	Property, Plant and Equipment										Total
	Current year	Land	Buildings	Work in Progress	Plant & Equipment	Computers	Furniture	Library Books	Motor Vehicles		
a		0	0.025		0.2	0.33	0.125	0.25	0.25		
	Cost										
	At 01 July 2019	2,282,760,000	2,434,113,887	430,104,387	315,812,898	167,725,619	136,423,055	22,341,126	155,103,051	5,944,384,023	
	Additions	-	-	47,631,857	12,992,165	10,922,401	4,412,475	5,032,457	54,578,740	135,570,095	
	Disposals									-	
	Transfers/ Adjustments		309,657,227	(309,657,227)						-	
	Revaluation									-	
	At 30 June 2020	2,282,760,000	2,743,771,114	168,079,017	328,805,062	178,648,020	140,835,530	27,373,583	209,681,791	6,079,954,118	
	At 01 July 2020	2,282,760,000	2,743,771,114	168,079,017	328,805,062	178,648,020	140,835,530	27,373,583	209,681,791	6,079,954,118	
	Additions	-	-	48,343,902	28,497,089	12,772,059	5,939,824	8,433,625	20,754,483	124,740,982	
	Revaluation										

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	At 30 June 2021	2,282,760,000	2,743,771,114	216,422,919	357,302,151	191,420,080	146,775,354	35,807,209	230,436,274	6,204,695,100
<b>b</b>	Depreciation and Impairment									
	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)
	Charge for the year	-	(68,594,278)		(28,057,904)	(22,521,129)	(9,855,804)	(3,497,379)	(8,657,995)	(141,184,489)
	As at 30 June 2020	-	(322,674,841)	-	(257,000,945)	(155,750,770)	(108,792,135)	(22,230,034)	(131,532,017)	(997,980,741)
	Charge for the year		(68,594,278)		(31,412,362)	(23,673,939)	(9,937,496)	(3,477,613)	(27,491,301)	(164,586,988)
	As at 30 June 2021	-	(391,269,118)	-	(288,413,307)	(179,424,709)	(118,729,631)	(25,707,647)	(159,023,317)	(1,162,567,729)
<b>c</b>	NBV At 30 June 2020	2,282,760,000	2,421,096,274	168,079,017	71,804,118	22,897,250	32,043,395	5,143,549	78,149,775	5,081,973,378
	NBV At 30 June 2021	2,282,760,000	2,352,501,996	216,422,919	68,888,844	11,995,371	28,045,723	10,099,562	71,412,957	5,042,127,372

Note	DETAILS	2021	2020
		AMOUNT IN Kshs	AMOUNT IN Kshs
<b>24</b>	<b>Biological Assets(Livestock)</b>		
	Opening Balance	718,700	627,000
	Additions during the year	360,000	0
	Disposals for the year	-	-
	Profit / (Loss) on revaluation		91,700
	Closing Balance	<b>1,078,700</b>	<b>718,700</b>
	Biological assets relate to livestock kept for teaching and research purposes.		
<b>25</b>	<b>Intangible Assets\//////////</b>		
	Total Book Value 30th June 2020	21,630,262	21,630,262
	Addition for the year	840,693	0
	Total Book Value 30th June 2021	22,470,955	21,630,262
	Accumulated Amortization as at 30th June 2020	16,129,917	10,722,352
	Charge for the year	5,617,739	5,407,565
	<b>Total Accumulated Amortization as at 30th June 2021</b>	<b>21,747,656</b>	<b>16,129,917</b>
	<b>Closing Balance</b>	<b>723,299</b>	<b>5,500,344</b>
<b>26</b>	<b>Trade and Other Payables from Exchange Transactions</b>		
	Accounts recurrent Payables	33,176,994	218,154
	Accounts Payable	0	1,440,004
	Insurance Claim	0	8,424
	Projects Retention Money	204,271	379,497
	With Holding Tax Payables	16,732,178	15,915,847
	Bank Staff Loans Deductions	197,792	0
	Other Staff Deductions	75,000	76,122
	Payee	0	(2,256)
	Payroll Net pay	0	264,442
	PSSP Arrears	0	60,608,967
	Sacco Deduction	178,896	87,843
	Staff Pension Contributions	254,453	254,452
	Bank transfers clearing (Dollars)	0	(28,000)
	Opening Balances Suspense	0	(118,250)
	Provision for Part time lecturers	130,753	130,753
	Provision for Payable -Part-time Lecturers	0	18,271,396
	MMUST pan African congress	0	2,800
	Out Put Vat	7,460,259	7,283,541
	Withholding VAT @ 2%	775,880	807,118

Note	DETAILS	2021	2020
		AMOUNT IN Kshs	AMOUNT IN Kshs
	Withholding VAT @2% of 114	180,272	926,552
	Staff Tuition Deduction	5,358	
	<b>Total Trade and Other Payables</b>	<b>59,372,106</b>	<b>106,527,408</b>
<b>27</b>	<b>Refundable deposits from Customers</b>		
	Prepayments	277,815,925	252,705,237
	CDF Control	37,085,789	34,452,285
	HELB Control	23,735,158	25,606,699
	Direct deposit allocation fund acc.	29,651,269	23,561,539
	Caution Money	38,998,165	34,390,565
	Students refunds	0	(351,450)
	Endowment Fund	200,000	
	<b>Total Refundable Deposits</b>	<b>407,486,306</b>	<b>370,364,875</b>
<b>28</b>	<b>Deferred Income</b>		
	Research Grants & Donations	26,782,468	20,838,325
<b>29</b>	<b>Employee Benefit Obligation</b>		
	Gratuity	21,886,338	27,579,109
	CBA Arrears	0	206,954,301
	<b>Total</b>	<b>21,886,338</b>	<b>234,533,410</b>
<b>30</b>	<b>Capital Development Grants</b>		
	MMUST- Capital	50,000,000	0
	Turkana University, Recurrent		
	Turkana University, Capital		
	<b>Total Capital Grants</b>	<b>50,000,000</b>	<b>0</b>
<b>31</b>	<b>Prior Year Adjustments</b>		
	<b>Details</b>		
	Projects Retention Money		41,438,205
	Tuition fees and related charges		-685,884,646
	Other Debits	-30,543,383	-107,887,317
	Other Credits	66,642,421	86,833,537
	<b>Total</b>	<b>36,099,038</b>	<b>-665,491,220</b>
<b>32</b>	<b>Student Debtors Reconciliation</b>		
	Balance as per General Ledger as at 1-07-2019		1,482,383,046
	<b>Errors in Students Accounts corrected</b>		-685,884,646
	Additions for the year		256,573,186
	<b>Balances as at 30-06-2020</b>		<b>1,053,071,586</b>

### 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
I C	Meshach Onzere Mulongo & Ano vs The Public Service Commission & MMUST	4,500,000
6. I	Kak. CMCCC No. 330 of 2010 FracaServcom vs. MMUST <b>458,080 damages, interest and costs of the suit.</b> Legal Fees: Kshs. 146,943	<b>605,023</b>
7.A	Kak. ELC No. 257 of 2015 David Kiilu & Another vs. MMUST & Others	<b>0</b>
8. A	Kak. CMCC ELC No. 35 of 2019 Registered Trustees of former ASK land vs. MMUST	3,979.720
9. C	Kak HCCC No. 237 of 2015 MMUST vs. Alfatech Contractors Ltd	250,993.05
10. C NOW A	Nrb. JR No. 7 of 2018 Mutimba Cresser Masayi Joseph vs. TSC & MMUST	630,380
12. I	Nrb. HCCC No. 23 of 2009 HAIDCO vs. MMUST & Capital Construction Co. Ltd. Kshs. 2,534,141 together with interests and costs of the suit.	<b>2,534,141</b>
13. A	Kak. CMCCC No. 330 of 2018 County Gvt of Kak vs. MMUST Kshs. 6,400,000/= outstanding rent for Mumias Campus as at 31.10.2018 together with interests until payment in full as well as the costs of the suit	<b>6,400,000</b>
14 I	Bgm. CMCCC No. 649 of 2016 Leah MBIRA vs. MMUST. <b>Kshs. 8,040/= together with interests until payment in full, damages for injuries sustained and costs of the suit.</b>	<b>8,040</b>
17. A	Ksm Industrial Cause No. 87 of 2015 KUSU vs. MMUST. <b>Among the orders sought are re-instatement into previous positions which the members were holding prior to the downgrading, compensation and costs of the suit.</b> Kshs. 150,000 legal fees	150,000
18. C	KSM CIVIL APPEAL No. 60 of 2018 Ronald Wamalwa & Another vs. MMUST. <b>,343,570 legal costs</b> Kshs. 943,570 paid Kshs. 1,400,000 unpaid.	1,400,000
22 A	Bungoma CMCC NO. 421/2019 Anthony Wamayuyi vs MMUST Legal fees not presented yet	0
23 A	ELRC cause no. E34/2021. Rufus Asembo vs MMUST Legal fees not presented yet	0
	Total	10,492,181

### 34. Related Party Disclosures

Details	2021	2020
Council Remuneration	20,257,357	20,794,234
Chancellor Expense	1,259,865	1,232,200
Turkana University College transfers	0	203,092,565

### 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.

30 <sup>th</sup> June 2020	Fully Performing	Past Due but not impaired	Past due and impaired	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>Financial Assets</b>				
Receivables from Exchange Transactions	1,046,343,940			1,046,343,940
Receivables from Non-Exchange Transactions	15,651,809			15,651,809
Cash at Bank	480,996,728			480,996,728
<b>Gross financial assets</b>	<b>1,542,992,477</b>		-	<b>1,542,992,477</b>

30th June 2021	Fully Performing	Past Due but not impaired	Past due and impaired	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>Financial Assets</b>				
Receivables from Exchange Transactions	1,119,450,995			1,119,450,995
Receivables from Non-Exchange Transactions	81,972,770			81,972,770
Cash at Bank	515,701,423			515,701,423
<b>Gross financial assets</b>	<b>1,717,125,188</b>	-	-	<b>1,717,125,188</b>

## (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.

<b>Year ended 30th June 2020</b>	<b>US\$</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Financial Assets</b>		
Trade Receivables.		1,046,343,940
Trade Payables		(732,263,962)
Borrowings	-	0
<b>Net Exposure</b>		<b>314,079,978</b>
<b>Year ended 30th June 2021</b>	<b>US\$</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Financial Assets</b>		
Trade Receivables.		1,119,450,995
Trade Payables		(515,527,160)
Borrowings		-
<b>Net Exposure</b>		<b>603,923,835</b>

#### **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 endeavored 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
- iv) MMUST Council
- v) Turkana University College

### **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 the purpose 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. CO-OPERATIVE BANK DEBT OF KSHS. 18,279,388.65**

The University sometimes in 2012 lodged a claim against Co-operative Bank of Kshs. 18,279,388.65 which was a result of reversals effected by the bank on the University bank account without justifiable grounds or reference to the University. The University is pursuing this matter and hopes to recover this asset in the future. The issue will be concluded once both parties have reached an amicable solution.

42. RESEARCH GRANTS FUNDS FOR 2020-2021 RECONCILIATION

S/N O.	FUNDING ORGANISATION	RESEARCHER (PI)	BAL B/F 01.07.20	RECEIPTS FY 2020-21	MANAGEMENT FEE	UN SURRENDERED	EXPENDED	BALANCE
1	STS INTRAHEALTH INTER:(FUNZO KENYA)	VICTOR DINDA	96,800	0		0	0	96,800
2	INTER-UNIVERSITY COUNCIL IUCEA	DR.JOHN MUOMA	37,727					37,727
3.P1	KPHSE REARCH GRANT FUND	DR.MUOMA	2,427,000		0		970,000	1,457,000
P2	NACOSTI (NATIONAL REARCH FUND)		1,080,000					1,080,000
P3	NACOSTI (NATIONAL REARCH FUND)	PROF ACHOKA	400					400
P4	NATIONAL REARCH FUND-MULTI DISC	PROF OMOLO	7,454,934			0	3,900,779	3,554,155
P5	NATIONAL REARCH FUND - UTAFITI	PROF OBIRI	478,616		0	0	0	478,616
P6	NATIONAL REARCH FUND -NRF		804,200	0	0	0	0	804,200
P7	NATIONAL REARCH FUND -NRF		0	1,371,967		349,038	1,022,929	0
4	NATIONAL REARCH FUND -NRF FY2019/20		3,049,996			61	2,757,435	292,500
5	LUTHERAN WORLD FEDERATION	MR.RONALD MICHEKA	54,410	1,450,000	0		1,425,000	79,410
6	UNITED NATIONS UNIVESITY	DR. VITALIS OGEMAH	1,975					1,975
7	MACNIGHT - CIAT	PROF.HASSAN WERE	100					100
8	UNDP NDMA SYMPOSIUM	PROF CHINA/DORCAS MAINA	25,183					25,183
9	ASARECA	DR.JOHN MUOMA	2,783					2,783
10	INTER-CHILD DEVELOPMENT	PROF.SIMALA	160,027					160,027





**XIX. Appendix 1: PROGRESS REPORT ON FOLLOW-UP OF AUDITOR RECOMMENDATIONS ON MMUST ANNUAL REPORT AND FINANCIAL STATEMENTS FOR 30<sup>TH</sup> JUNE 2020 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 person to resolve issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame
1.0 Unsupported Bad Debts Write off	<p>As disclosed under Note 42 to the financial statements, the statement of financial performance reflects a restated comparative balance of Kshs. 248,314,369 in respect to operating surplus during the previous year. The restatement is explained to have been caused by reversal of bad debts amounting to Kshs. 36,446,649 that had been previously provided for as it was not possible to pass journals in the system. This resulted in the operating surplus/deficit being restated from Kshs. 212,233,625 to Kshs.248,314,369 as disclosed under Paragraph 5 of Note 42(a). In practice, specific bad debts provided for , can only be written off when specific debts earlier on provided for have been collected in total. However, no documentary evidence was provided to ascertain whether the bad debts of Kshs. 36,446 649 previously provided for were collected in total during the year.</p> <p>In the circumstances, the validity of the reversal of bad debts written off of Kshs. 36,446,649 for the year ended 30<sup>th</sup> June 2020 could not be confirmed.</p>	<p>During the year 2018/2019, adjustments to recognize correct levels of Students Debtor were done but the same had not been passed in the system (ERP) by close of the year. The adjustments were recognized in the Financial Statements but no system ledgers were provided to confirm the same since it was not possible to pass them in the system through use of JVs. Note 30 of financial statements for FY 2028/2019 shows the details of the adjustment which includes provision for bad debts of Kshs 36,446,649. (Attached is the extract of the FS). During the audit for FY 2018/2019, the values were disputed and the university was advised that all changes/adjustments must be reflected in the system and the Trial balance statement should show the same. Since it was late for the figures to be adjusted at that level, management decided to restate the 2018/2019 figures in the financial report and statements for financial year 2019/2020 as shown in note 42 of the same financial statements. These changes included the earlier provided bad debts that were now dropped thus increasing the declared surplus to 248,314,369. It's also good to note that the University did not write of any bad debt as indicated in the report but made a provision for bad debts pursuant to item 6.4 of the MMUST Financial Regulations. The debtors register still contains the names and amounts owed by all students.</p> <p>We submit additional Documentation supported by approval of all changes made to settle the audit observation.</p>	Finance Officer	Resolved	31 <sup>st</sup> October 2021
2.0 Unsupported Provision for Bad Debts	As disclosed under Note 20 to the financial statements, the statement of financial position reflects receivables from transactions balance of Kshs.1,046,343,940. The balance includes provision	<p>The provision of Kshs. 22,488,108 was arrived at as follows:</p> <p>1. Kshs 1,061.634 which was under provision in</p>	Finance Officer	Resolved	31 <sup>st</sup> October 2021

<p><b>3.0 Unsupported Expenditure for Fuel</b></p>	<p>for bad debts amount of Kshs.22,488,108. However, the provisions were not supported with specific schedules of debts provided for. In the circumstances, the accuracy, completeness and validity of provision for bad debts of Kshs. 22,488,108 as at 30<sup>th</sup> June, 2020 could not be confirmed.</p>	<p>the previous year. The total amount owed by graduated students with balance was Kshs 37,508,283 but the provision was Kshs 36,446,649. Attached is the schedule to show the details.</p> <p>2. Kshs 10,164,970 which was done by taking 25% of the total amount owed by graduated students of FY 2019/2020 which was Kshs 40,659,883. Attached is the schedule showing the details and Finance manual to show evidence of the rates used.</p> <p>3. Kshs 11,261,501 which was the amount owed to old students (Students whose registration numbers shows that they should have graduated in the prior years) since the probability of collecting these debts was minimal, the provision was done 100%. Attached is the schedule to show details of this category of the students.</p> <p>A basis for provision is provided in the Mmumst finance regulations and procedure manual see attached.</p> <p>We observed that, fuel consumption as per the work tickets is at variance with the figures given by the auditors. An example is the payment of fuel done 8<sup>th</sup> August 2019, where the payment relates to fuel consumption in arrears.</p> <p>We have attached herewith analysis of fuel paid for and consumption through the work tickets. We hope this will clarify and confirm that, payments made are for fuel consumed. All fuel consumed was supported by work tickets and fuel orders for the generators which don't have work tickets. We have attached the documents. Attached is also service contract with the vendor. Currently we have enhanced controls in consideration of audit observations and to date all payments, invoice and work tickets are properly updated and aligned to clear casting variance's that existed, way forward we adhere to strict internal budgetary controls ,assure value for money, accurate and complete reporting,as evidenced in current documentation attached.</p>	<p>Finance Officer Transport Officer Estates Officer</p>	<p>Resolved</p>	<p>31<sup>st</sup> October 2021</p>
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<p><b>4.0 Budgetary Control and Performance</b></p>	<p>The budget and actual on comparable basis of Kshs. 3,566,402,631 and Kshs. 3,359,758,492 respectively, resulting to under-funding of Kshs. 206,644,139 or 6% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs. 3,566,410,000 and Kshs. 3,063,804,961 respectively resulting to an under-expenditure of Kshs. 502,605,039 or 14% of the budget.</p> <p>Based on the approved estimates, the under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>The approved budget was not realized in full both in terms of revenue and expenditure for FY 2019/2020 due to the health pandemic caused by COVID-19 in March 2020. This pandemic disrupted the planned activities of the University to the extent that all planned revenues were not fully realized. Similarly, expenditure was affected due to the mitigation measures implemented by the Government in order to control the spread of the disease.</p>	<p>Finance Officer Vice Chancellor DVC A&amp;F</p>	<p>Resolved</p>	<p>31<sup>st</sup> October 2021</p>
<p><b>5.0 Non-Compliance with Law on Ethnic Composition</b></p>	<p>During the year under review, the total number of employees at the University was nine hundred and fifty one(951) out of which six hundred and forty six (646) or 68% of the total number were members of the dominant ethnic 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 offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".</p>	<p>Whereas there is imbalance, the positions for top management, academic staff and senior administrative positions have fair distribution of the face of Kenya in terms of ethnicity. The skewed distribution is observed in the lower cadre because naturally it attracts people from the same vicinity unlike people from far areas.</p> <p>The Council has been carefully implementing this requirement of the law while at the same time ensuring that the interests and needs of the University are met by balanced recruitment. It is imperative to note that the lower cadre staff in non-academic units attracted the locals from around the University. Opportunities for employment are advertised through national media for all qualified Kenyans to apply and strict professionalism is observed in the selection process. The majority of the dominant community were employed before the advent of this law.</p> <p>Attached is a schedule showing the higher cadre of staff and their ethnicity distribution.</p>	<p>Finance Officer Registrar Administration Vice Chancellor</p>	<p>Resolved</p>	<p>Continuo us</p>
<p><b>6.0 Non-Compliance with the One third of Basic Salary Rule</b></p>	<p>Review of the payrolls revealed that some employees salary deductions exceeded 2/3 of the basic salary. During the month of September, 2019, three hundred and fifty-six (356) employees earned a net salary of less than a third (1/3) of the basic salary contrary to</p>	<p>This was corrected and enforced on requests from staff for over-deductions. It was caused by staff engaging different banks and other financial institutions for financial support without paying regard to affordability on their net salaries.</p>	<p>Finance Officer</p>	<p>Resolved</p>	<p>31<sup>st</sup> October 2021</p>

	<p>Section C. 1(3) of the Public Service Commission(PSC)Human Resource Policies, 2016 and Section 19(3) of the Employment Act, 17 of 2007 which requires that deductions made by an employer from the wages of his/her employee at any one time shall not exceed two thirds of such wages.</p> <p>In the circumstances, the University contravened Section C.1(3) of the Public Service Commission (PSC) human Resource Policies, 2016 as this may expose the staff to pecuniary embarrassment.</p>	<p>We have provided evidence confirming enforcement for audit review since January 2021 to date.</p>			
<p><b>7.0 Irregular Engagement of Part-Time Lecturers</b></p>	<p>During the year under review, the University engaged a total of one thousand one hundred and sixty (1,160) part-time teaching staff at different departmental levels. A review of the human resource employee list provided for audit review dated 23 October, 2020 revealed that Management did not provide supporting documents such as advertisement for recruitment of part-time teaching staff. Further, the University did not comply with the Part-Time Staff Management Policy requirements on course allocation where departmental heads and part-time teaching staff were allocated more than 3 courses per semester.</p> <p>Consequently, Management is in breach of the Policy.</p>	<p>Management noted the observation done on recruitment and engagement of part-time lecturer. However the university has streamlined the recruitment of part-time lecturers in full compliance with the policy in place except for justifiable requests. And management wishes to confirm that all recruitment done for part-time for FY 2021/2022 were done as per policy. Management has also ensured that the policy on course allocation is followed to the letter. Attached is sample of current course allocation for two departments to show compliant.</p> <p><b>We have attached copies of advertisement done, shortlisting process and appointment letters done for FY 2021/2022.</b></p>	<p>Finance Officer Registrar Academics DVC ASA DVC A&amp;F</p>	<p>continuous</p>	<p>31<sup>st</sup> October 2021</p>
<p><b>8.0 Late Remittance of Employees National Social Security Fund (NSSF) Deductions</b></p>	<p>During the financial year under review, the University paid penalties of Kshs. 32,110,568 for late remittance of employees NSSF deductions. The penalties relate to the years 2008 to 2019. This is contrary to Section</p>	<p>The NSSF deductions of Kshs. 32,110,568 substantially related to contributions for staff for periods between 2008 and 2013 which were never deducted from staff due to the fact that they were already contributing to pension scheme set up for that purpose by the employer. NSSF</p>	<p>Finance Officer Registrar Administration</p>	<p>Resolved</p>	<p>31<sup>st</sup> October 2021</p>

<p><b>9.0 Co-operative Bank Debt</b></p>	<p>19(4) of the Employment Act, 2007 which requires employers to remit the amounts deducted during the period they are made. Management did not avail any evidence of measures taken to avert recurrence of such delay. There is also no evidence of any disciplinary action taken against any officer(s) who may be culpable on the loss of public resources.</p> <p>Consequently, the expenditure therefore amounts to waste of public resources.</p>	<p>conducted a back duty audit from their system and demanded the amount in 2019 from the University. The Management sought legal advice from the University Legal Office which recommended for the payment to be made.</p> <p>The university is in full compliant of the act and Financial statement for FY 2019 and 2020 does not show any arrears owed to NSSF.</p>			
<p><b>9.0 Co-operative Bank Debt</b></p>	<p>As discussed under Note 41 to the financial statements, the Management has lodged a claim against a commercial bank in respect to disputed reversal transaction effected by the bank in the University's bank account in the year 2012 that led to loss of Kshs. 18,279,389. However, review of the internal audit reports and various correspondences with the bank revealed that the matter is yet to be settled. Management has not explained further the action it intends to take to recover the funds given this matter has been outstanding for long.</p> <p>In the circumstances, I am unable to confirm whether the loss occasioned by the reversal will be recovered.</p>	<p>Management is continually pursuing the matter with intention of full recovery of the amount. The bank has given a proposal to share the loss equally but the University has declined the proposal. The Legal officer has given his legal opinion on the same and the University is taking legal action to recover the lost funds. The University council has directed that full legal process be initiated and followed through to recover the lost funds with Cooperative banks. Attached are the follow up evidences.</p> <p>The delay in closing this matter was occasioned by lack of consistent legal officer to pursue the matter and the university management didn't have substantive officers for a long time which made it difficult to get appropriated legal attention, advised and guidance on the same</p> <p><b>We have attached the latest correspondence confirming the ongoing recovery engagements with the bank.</b></p>	<p>Finance Officer</p>	<p>Continuous</p>	<p>31<sup>st</sup> October 2021</p>
<p><b>10.0 Graduate Debtors</b></p>	<p>The University's graduation list for the year 2019 indicated that one hundred and ninety three (193) students who owed the University a total of Kshs. 8,968,848 in fees arrears were allowed to graduate. This is contrary to section 6.3.2 of the University's Financial Regulations and Procedures which require that all students must clear their outstanding accounts by the 5<sup>th</sup> week of the semester, and any student who shall not have settled all fees after that period shall</p>	<p>Management admits that quite a number of students graduated without clearing their school fees. However several strides have been made to recover the monies from the students before collecting their certificates. Attached is a schedule to show the current level of collections and balances thereof. Management is working on modalities to achieve 100% collection</p>	<p>Finance Officer</p>	<p>Continuous</p>	<p>31<sup>st</sup> October 2021</p>

	<p>automatically defer the semester. Consequently, the Management is in breach of the University's Financial regulations and Procedures.</p>	<p>through a credit control policy.</p> <p>The Management has since implemented strict controls to avert similar occurrences in the future by conducting an examination of the graduation booklet to remove those students who have not cleared fees. Similarly, only students who have paid fees as per policy will be offered services after confirmation to avoid such occurrences.</p> <p><b>Sample of August 2021 graduation clearance is attached for confirmation of internal control</b></p>			
<b>11.0 Weaknesses in the Payroll Controls</b>	<p>Review of the personnel data revealed that forty-four (44) staff did not have KRA PIN numbers while fifty (50) had erroneous PIN numbers. Further, five hundred and twenty (520) staff had no National Social Security Fund (NSSF) numbers and two hundred and forty (240) had no National Hospital Insurance Fund (NHIF) numbers.</p> <p>In the circumstances, I am unable to confirm existence of effective payroll controls and governance in the management of public resources.</p>	<p>Human Resource has since worked on the payroll data and we confirm that there are no missing information in the system.</p> <p>We have provided payment details for June 2022 in respect of filed statutory returns as a confirmation of updated staff data profile and enhanced process of university payroll system in settlement of KRA, NHIF and NSSF as proof of compliance with requirements.</p>	Finance Officer	Resolved	31 <sup>st</sup> October 2021
<b>12.0 Weakness in Information Communication Technology (ICT) Controls</b>	<p>Examination of the ICT systems and structures revealed that the University did not have approved IT strategic plan to provide guidelines to Management on implementing IT related issues while the installed fire suppression system at the server room was faulty. Further, there was no proof of training programs undertaken by the IT staff, hence users skills are not being upgraded to meet the changing trends within the organization.</p> <p>Consequently, I am unable to confirm the existence of effective ICT controls at the University.</p>	<p>Management has instructed the Procurement Office to procure the fire suppressor gadget for the server room. Additionally, there are two firefighting equipment at the entrance of the server room for quick response in case of fire break out. Attached are payment documents to confirm the same.</p> <p>ICT has worked on the strategic plan for the directorate and its awaiting approval by management.</p> <p>Training have already been done and we have attached supporting documents on the same.</p> <p>Management clarifies that the cancellations for the receipts were approved by Council to correct billing errors that were identified, thorough reconciliation of</p>	Finance Officer	continuous	31 <sup>st</sup> October 2021
<b>13.0 Cancellation of Accounting Records</b>	<p>Review of University's cash books and general ledgers revealed that there were cancelled receipts amounting to Kshs. 463,345,636 (14% of total</p>		Finance Officer	continuous	31 <sup>st</sup> October 2021

	<p>revenue) and cancelled payments amounting to Kshs. 575,688,059 (20% of total expenses). There were journal entries (debits) amounting to Kshs. 25,795,783 and journal entries (credit) amounting to Kshs. 67,023,063. The cancellations contravene Section 103(2) of the Public Finance Management Regulations which stipulates that journal vouchers shall be supported by sufficient explanations, authorizations and documentation to facilitate accounting. Numerous cancellations of financial statements could easily lead to inaccurate and unreliable financial statements or fraudulent transactions.</p> <p>In the circumstances, I am unable to confirm controls on accounting records including governance.</p>	<p>student debtors.</p> <p>The cancellation of payment vouchers were as a result of technical printing errors on cheque from the ERP system which has since been corrected.</p> <p>The journal vouchers are properly documented and approved by the Finance Officer after verifying the proposals from the respective accountants.</p> <p><b>We have availed the Council approvals, cancelled cheque register and schedules of approved journal vouchers for audit review and consideration of submitted evidence.</b></p>		
<p><b>14.0 Unresolved Prior Year Matters</b></p>	<p>In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved all the issues contrary to provisions of the Public Sector Accounting Standards Board templates and The National Treasury Circular. Although the Management has indicated that some of the issues have been responded to, the matters have remained unresolved as Parliament has not deliberated on the same.</p>	<p>The issues on FY 2018/2019 have not been discussed in parliament as observed in the audit of FY 2019/2020. Management has resolved them and will present the resolutions once we get the opportunity to appear before Parliament.</p> <p>Below are the prior year issues and how they have been resolved</p>	<p>Finance Officer Registrar Administration Vice Chancellor</p> <p>To be reviewed by auditor</p> <p>31<sup>st</sup> October 2021</p>	
<b>FY 2018/2019 AUDIT MATTERS</b>				
<p><b>1. Cash and Cash Equivalents</b></p>	<p>The accuracy of the cash and cash equivalents balance Kshs.349, 924,329 as at 30 June 2019 could not be confirmed.</p>	<p>i) The variance of Kshs. 87,863, Kshs.4,066,830 and Kshs.26,529,950 was corrected and a bank reconciliation reports attached for review and settlement of the matter. <b>Attached also are the bank certificates</b></p>	<p>Finance Officer</p> <p>Resolved</p>	<p>January 2020</p>

<p><b>2. Receivables from Non Exchange Transactions</b></p>	<p>The accuracy of the receivables from non-exchange transactions balance of Kshs.25, 107,547 as at 30 June 2019 could not be confirmed.</p>	<p><b>for the year.(Appendix I)</b></p> <p>ii) The variance of Kshs. 13,083,412 is the difference between the cashbook balances and the bank balances and they are reconciling items as indicated in the reconciliation reports for each bank account as indicated in note 31. We have availed the bank reconciliation reports for further review.</p> <p>iii) The Kshs. 4,665,700 is a reconciliation suspense arising from the statement of cash flows. Management has been conducting reviews on its financial systems in order to clear all outstanding items. This figure will be cleared as we continue to deal with the historical opening entries in the ERP system.</p> <p>We have also attached bank reconciliation for subsequent periods and current year to confirm that the reconciling items noted were cleared from the system.</p> <p><b>Appendix I</b></p> <p>Management admits that there was difference between the ledger amount and outstanding imprest balance ledger. Reconciliation has been done and the correct amount of Kshs 13, 674, 311 has properly been restated. See the extract of Financial statement for FY 2019/2020. (Appendix I)</p>	<p>Finance Officer</p>	<p>Resolved</p>	<p>Immediately</p>
<p><b>3. Receivables from Exchange Transactions</b></p>	<p>The accuracy of the receivables from exchange transactions balance of Kshs.617,248,473 as at 30 June 2019 could not be confirmed</p>	<p>Management had as earlier indicated and reported that the student debtor's ledger was not accurate and the university engaged an independent accounting firm to do reconciliation with purpose of ascertaining the correct status of receivables from exchange transactions.</p> <p>The Student Debtors ledger presented as at 30<sup>th</sup> June 2019 had a balance of Kshs. 1,485,142,302 which had errors and a reconciliation was done and the ledger account restated as shown in note 30 of financial statement for FY 2018/2019.</p> <p>In recognition of the standard procedures IPSAS 3 Accounting policies, changes in accounting estimates and errors and IPSAS 14 Events after the reporting period, both allow for correction of errors when they are detected.</p>	<p>Finance officer</p>	<p>Resolved</p>	<p>30<sup>th</sup> September 2019</p>



		<p>to correct errors in the financial system amounting to Kshs 601,157,570 out of Kshs. 861,071,179 that had been flagged out during reconciliation as errors to be corrected. The balance is being reconciled for accuracy before corrections are made in the form of adjustments in the ERP system.</p> <p>The objective of identifying and correcting these errors is to ensure that the information in the ERP is not only accurate but also give fair presentation of information that is reliable as a basis of making decisions. .</p> <p>We However noted the concerns that audit raised and queried, Management in compliance with audit observations restated the Financial statement for FY 2018/2019 as per ERP trial balance for the period.</p> <p>We resubmit the working on Note 42 of the 2019/2020 financial statements demonstrate and clarify how the statements were restated and the effects thereof. Attached is the extract of 2019/2020 FY report and financial statements. Appendix III)</p>			
<p><b>6. Provision for bad Debts</b></p>	<p>The accuracy of the provision for bad debts figure of Kshs.36, 446,649 for the year ended 30 June 2019 could not be ascertained.</p>	<p>During the year 2018/2019, adjustments to recognize correct levels of Students Debtor were done but the same had not been passed in the system (ERP) by close of the year. The adjustments were recognized in the Financial Statements but no system ledgers were provided to confirm the same since it was not possible to pass them in the system through use of JVs. Note 30 of financial statements for FY 2028/2019 shows the details of the adjustment which includes provision for bad debts of Kshs 36,446,649. (Attached is the extract of the FS). During the audit for FY 2018/2019, the values were disputed and the university was advised that all changes/ adjustments must be reflected in the system and the Trial balance statement should show the same. Since it was late for the figures to be adjusted at that level, management decided to restate the 2018/2019 figures in the financial report and statements for financial year 2019/2020 as shown in note 42 of the same financial statements. These changes included the earlier</p>	<p>Finance officer</p>	<p>Resolved</p>	<p>30<sup>th</sup> September 2019</p>

		<p>provided bad debts that were now dropped thus increasing the declared surplus to 248,314,369. It's also good to note that the University did not write off any bad debt as indicated in the report but made a provision for bad debts pursuant to item 6.4 of the MMUST Financial Regulations. The debtors register still contains the names and amounts owed by all students.</p>		
<p>7. Non-adherence to Occupational Safety and Health Act (OSHA)</p>	<p>During the audit review it was noted that there is no standing committee on OSHA and the university has not been seriously following up the matters pertaining to the requirements of OSHA.</p> <p>Risk</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The status of the University as a work place in the meaning of the OSHA 2007 is doubtful.</li> <li><input type="checkbox"/> The University is of not in compliance with the OSHA 2007 and susceptible to penalties prescribed in the act.</li> </ul> <p>No follow up reports have been made on any Environmental Impact Assessment Reports for university projects that have been done. Further, no annual environmental audit was undertaken during the year as required in law. There was no report availed as required under EMCA Regulation</p> <p>Risks</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The organization may be cited and fined for failure to comply with the law.</li> <li><input type="checkbox"/> The University may be operating in an environment not be conducive for learning</li> </ul>	<p>Management has activated the OSHA committee which is already ensuring compliance with the requirements of the law.</p> <p>Attached are sample activities for the committee.</p>	<p>Registrar Administration</p>	<p>immediately</p>
<p>8. Lack of Annual Environmental Audit Report</p>		<p>The university makes sure that all construction projects are approved by all statutory bodies including NEEEMA. Attached are sample reports from NEEEMA on the ongoing projects.</p>	<p>Estates Manager</p>	<p>Immediately</p>

XX. Appendix ii: Inter-University Transfers

	<b>UNIVERSITY NAME:</b>			
	<b>Break down of Transfers from the State Department of University Education</b>			
	<b>FY 19/20</b>			
a.	<b>Recurrent Grants</b>			
	<b>MMUST</b>			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		July	206,954,301	2020/2021
		July	141,068,399	2020/2021
		August	141,068,399	2020/2021
		September	141,068,399	2020/2021
		October	141,068,399	2020/2021
		November	141,068,399	2020/2021
		December	141,068,399	2020/2021
		January	141,068,399	2020/2021
		February	141,068,399	2020/2021
		March	141,068,399	2020/2021
		April	141,068,399	2020/2021
		May	141,068,399	2020/2021
		June	141,068,399	2020/2021
		<b>Sub total</b>	<b>1,899,775,089</b>	
b.	<b>Development Grants</b>			
	<b>MMUST</b>			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
			50,000,000	2020/2021
		<b>TOTAL</b>	<b><u>50,000,0000</u></b>	

