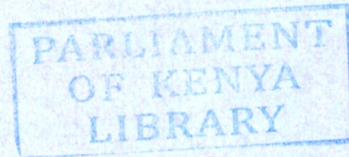


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



Paper laid
By Hon Naomi Shaban, M
Dep. Leader of Majority on
Thur 23/10/14
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REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
MASENO UNIVERSITY
FOR THE YEAR ENDED
30 JUNE 2013





Maseno University

KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI.

12 SEP 2014

RECEIVED
ANNUAL REPORT

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FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE, 2013

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GENERAL INFORMATION

1. OWNERSHIP AND STRUCTURE

The Institution is 100% owned by the Government of Kenya; the Ministry of Education, Science & Technology being the Parent Ministry.

2. ADDRESS

Maseno University
Head Office - College Campus on Kisumu-Busia Road
Private Bag
MASENO
Tel: 057-351622
Fax: 057-351221

3. BANKERS

Kenya Commercial Bank
Kisumu Branch

Standard Chartered Bank
Kisumu Branch

Co-operative Bank
Kisumu & Homa-bay Branches

National Bank of Kenya
Kisumu Branch

Equity Bank
Luanda & Kisumu Branches

4. AUDITORS

Auditor - General
Anniversary Towers
P O Box 30084-00100
NAIROBI

FUNDAMENTAL STATEMENTS OF THE UNIVERSITY

VISION STATEMENT

The University of Excellence in discovery and dissemination of knowledge

MISSION STATEMENT

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

OBJECTIVES

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

CORE VALUES

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

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

Maseno University
Financial Statements for the Year Ended 30th June 2013

MEMBERS OF MASENO UNIVERSITY COUNCIL

(1st July, 2012 to 28th February, 2013)

CHAIR OF COUNCIL	Prof. Japhet Chesire Kiptoon, PhD (Nairobi), EBS, MBS
VICE- CHAIRMAN OF COUNCIL	Mr. Daniel Shem Omino, BSc (Nairobi), MBA (Maastricht), OGW
HON. TREASURER	Mrs Gladys N Taraiya, Dip.Law (Kenya School of Law). LLB Hons(Nairobi).
VICE-CHANCELLOR	Prof. Dominic W. Makawiti, PhD (London), EBS, HSC, FKNAS.
MEMBER	Amb. Prof. David A. K. Kikaya, PhD (Bradford).
MEMBER	Eng. John Kisenga, BSc(Nairobi) MSc (Loughborough)
MEMBER	Dr. Reuben Indiatzi Nasibi. PhD (Howard)
MEMBER	Mr. Don Remmy Ogalo Riaroh, Bsc (Nairobi) Msc (Leicester).
MEMBER	Dr. Ida Odinga, BA (Hons) (Nairobi)
MEMBER	Dr. Dekha Sheikh, PhD (Misseri)
ALTERNATE TO PS-MIN. OF HIGHER EDUCATION SCIENCE AND TECHNOLOGY	Dr. Areba Nyang'ate, PhD (Cebu Doctors University)
ALTERNATE TO PS-MIN. OF FINANCE	Mrs. Nancy Wachira, BEd (KU), MEd (planning), Higher Diploma in HRM (IHRM)
ALTERNATE TO PS-MIN OF PUBLIC WORKS	Architect Cosmas Maweu, BArch.(Nairobi), CIPM
ALTERNATE TO PS-MIN OF STATE FOR PUBLIC SERVICE	Mrs. Njoki Kahiga
SECRETARY CHE	Prof. Everett M Standa, PhD (SUNY-Bufallo), MBS.
DVC (A&F)	Prof. Mary K. Walingo, PhD (Hyderabad)
DVC-(AA)	Prof. Madara Ogot, PhD (Penn State), MKNAS
DVC –PRES	Prof. George Mark Onyango, PhD (Bremen) MKIP
PRINCIPAL BONDO UNIVERSITY	Prof. Stephen Agong, PhD (Justus-Lie Big).
PRINCIPAL CITY CAMPUS	Dr. Catherine A. Muhoma, PhD (Witwatersrand)
SENATE REPRESENTATIVE	Prof: John Ogonji Agure , PhD (Birmingham).
SENATE REPRESENTATIVE	Dr. Erick O. Nyambedha, PhD (Copenhagen)
NON-ACADEMIC STAFF REP	Mr. Joshua Kobudho, HND (Kenya Poly).
LEGAL OFFICER	Ms. Elizabeth Ayoo LLB (Moi), Dip Law (KSL)

MEMBERS OF MASENO UNIVERSITY COUNCIL 2013/14
(1st March 2013 to 30th June 2013)

CHAIR OF COUNCIL	Prof. Rosalind Mutua, PhD, (Nairobi), OGW
VICE-CHAIRMAN OF COUNCIL	Mr. Daniel Shem Omino, BSc (Nairobi), MBA (Maastricht), OGW
VICE-CHANCELLOR	Prof. Dominic W. Makawiti, PhD. (London), EBS, HSC, FKNAS.
MEMBER	Dr. Ali Addan Ali, PhD (Nairobi)
MEMBER	Mrs. Wahu Kaara, BEd (Nairobi)
MEMBER	Mrs. Ruth Rukunga, BEd (Nairobi), Med (Leeds)
MEMBER	Mrs. Norah Ferej, BEd (Starling, U.K), MEd (Illinois)
ALTERNATE TO PS. MINISTRY OF EDUCATION SCIENCE AND TECHNOLOGY	Dr. Areba Nyang'ate (Representative)
ALTERNATE TO PS, THE NATIONAL TREASURY	Mrs. Nancy Wachira (Representative)

Maseno University
Financial Statements for the Year Ended 30th June 2013

PRINCIPAL OFFICERS OF THE UNIVERSITY

CHANCELLOR	Prof. Florida A. Karani, PhD (Pittsburgh), OGW
CHAIR OF COUNCIL	Prof. Rosalind Mutua, PhD (Nairobi)
VICE-CHANCELLOR	Prof. Dominic W. Makawiti, PhD (London), EBS, HSC, FKNAS.
DEPUTY VICE-CHANCELLOR (Administration & Finance)	Prof. Julius O. Nyabundi, PhD (California), OGW (Ag.)
DEPUTY VICE-CHANCELLOR (Academic Affairs)	Prof. Madara Ogot PhD (Penn State), MKNAS
DEPUTY VICE-CHANCELLOR (Planning Research & Extension Services)	Prof. George Mark Onyango, PhD (Bremen), MKIP
PRINCIPAL KISUMU CAMPUS	Dr. Catherine A. Muhoma, PhD (Witwatersrand) (Ag.)
FINANCE OFFICER	Mrs. Ruth K. Chesang', BCom (Nairobi)
UNIVERSITY LIBRARIAN	Dr. Sylvia Ogolla, PhD (Moi) (Ag.)
REGISTRAR (Administration)	Mr. Mathew O. Onyango, BEd (Nairobi), MEd (Manchester).
DEPUTY REGISTRAR (Academic Affairs)	Mr. Charles N. O. Kwach BEd (Nairobi). (Ag.)
HEAD, MEDICAL SERVICES	Dr Vitalis Ouko Ogilo, MBChB (Nairobi), MPH (Maseno) (Ag.)
LEGAL OFFICER	Ms. Elizabeth Ayoo, LLB (Moi), Dip Law (KSL), LLM (UNISA)

EXECUTIVE SUMMARY

1. INTRODUCTION

The annual financial statements for the year ended 30th June, 2013 presents the performance of the University during the period 1st July, 2012 to 30th June, 2013, as represented by the statement of comprehensive incomes, the financial position of the University as at that date and the cash flows for the year then ended.

These statements are prepared in conformity with the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs). Further, the statements incorporate the requirements of the newly enacted Public Finance Management Act 2012 (hereinafter, the Act) which came into force in August 2012.

The actual revenue and expenditure items for the period have been presented line by line with those of the last financial year (2011/12) as required by accounting standards. In addition budgetary figures and variances have also been presented in line with requirements of the Act.

2. REVENUES

There has been a 14% growth in recurrent revenue in the year 2012/13 in comparison to previous year 2011/12 from Kshs.2,060,427,253 to Kshs.2,349,575,350 (Table 1).

Table 1: University Revenues for the year 2012/13

		2011/12	2012/13	Budget 2012/13	Variance
	Notes	KShs	KShs	Kshs	%
Recurrent Revenue					
Capitation Grants	2	1,117,082,764	1,305,682,765	1,305,682,765	(0)
Appropriation in aid					
Tuition Fees	3	656,522,615	751,306,040	753,191,297	(0.25)
Other Incomes	3	286,821,874	292,586,545	290,472,054	0.73
		943,344,489	1,043,892,585	1,043,663,351	(0.02)
Total recurrent revenue		2,060,427,253	2,349,575,350	2,349,346,116	(0.01)
Development grants		40,000,000	29,722,708	70,000,000	(58)

A comparison of actual recurrent revenue and budgeted revenue however showed almost total compliance (0.01%).

2.1. Capitation Grants

During the year 2012/13, the University received a total of Kshs. 1,305,682,765 in Capitation grants. This comprised the approved budgeted capitation grants of Kshs. 1,117,482,000 and an additional allocation of Kshs. 188,200,000 which was remitted as salary arrears following Collective Bargaining Agreement, (CBA) 2010/2012 .

2.2. Development Grants

During the year, the University received Kshs. 29,722,708 Development Grants as compared to Kshs. 40,000,000 received in the previous year and a budget of Ksh. 70,000,000.

2.3. Appropriation in Aid

During the year 2012/13, the University received Kshs. 1,043,892,585 as Appropriation in Aid against a budget of Kshs.1,043,663,351 (0% variance). Compared to the previous year's figure of Ksh. 943,344,489, the University realized a 10.6% increase in AIA.

2.3.1. Tuition Fees

Out of the total Appropriation in Aid, Kshs. 751,306,040 was realized from tuition fees against a budget of Kshs. 753,191,297 which translates to a variance of only 0.25%. The result was on upward trend compared to last year's Kshs. 656,522,615 which translates to a 14% increase. This positive result was largely attributed to increase in student numbers arising from expansion of programmes

2.3.2. Other Income Generating Activities (IGAs) – Note 3

During the year the University realized Kshs.292,586,545 from other income generating activities compared to the budgeted figure of Kshs. 290,472,054 giving a positive variance of 0.73%. Significant among these IGAs, Kisumu Hotel realized gross revenue of Kshs. 148,034,045 compared to a budget of Kshs.166,900,000 resulting to a variance of -11%. However, the current year's results exhibit a growth of 16% compared to the results of the previous financial year. The Other Growing IGA is The University farm which supplies foodstuffs to catering units within the University. The farm realized Kshs. 3,138,423 in terms of sales to external parties compared to Kshs. 7,138,536 collected the previous year. It is worth noting that for the purposes of final accounts, interdepartmental sales were not recognized to avoid double accounting therefore the value of foodstuffs supplied to University catering units were not included in the stated farm revenue. All the same, the farm realized decrease in external sales which is attributed to increase in student numbers leading to increased consumption of the farm produce within the system.

3. Expenses

The University budgeted to spend Kshs. 2,436,015,543 on expenses and spent Kshs. 2,490,663,134 for the year 2012/13 giving a budgetary variance of -2.24%.

Maseno University
Financial Statements for the Year Ended 30th June 2013

This overall variance is largely attributable to increase in personal emoluments expenditure (-9.72% budget variance) as a result of salary increments following CBA agreements, an expenditure which was not anticipated at the time of setting the budget.

Table 2: Expenditures 2012/13

	2011/12	2012/13	2012/13 Budget	Variance
	KShs	KShs	Kshs	%
Personal emoluments	1,416,477,406	1,692,259,764	1,542,274,318	(9.72)
Operating and maintenance expenses	724,597,633	775,792,827	871,941,225	11.03
Council expenses	18,706,099	21,740,544	21,000,000	(3.53)
Audit Fees	750,000	870,000	800,000	(8.75)
Total Expenses	2,160,531,138	2,490,663,134	2,436,015,543	(2.24)

The University targeted to incur Kshs. 871,941,225 on operating and maintenance expenses but spent Kshs. 775,792,827 thereby saving 11.03% of the budgeted amount. There was increase in provision for audit fees as a result of 16% VAT loaded on the previous audit fee chargeable.

4. Conclusion

The University's revenues during the year 2012/13 grew as a result of increased activity in terms of student numbers and expanded revenue bases, despite the fact that the Government capitation remained stagnated. However, the expenditures have also grown as a result of the increased enrolment and expansion of programmes. The University has exhibited commendable compliance to the budget with 0% variance in revenues and only 2.2% variation in expenditure. This is an indication of prudent financial management in terms of both budget development and implementation. As the University continues to grow, even with stagnated capitation, there is need to identify opportunities of increasing revenue generation both in terms of increased efficiency and broadened revenue base. Tuition fees comprised 70% of AIA and realized one of the highest growths (14%). The University needs to remain focused and make prudent investments specifically geared towards nurturing this revenue line in short and medium term periods.

THE CHAIRMAN'S REPORT

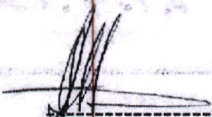
I take great pleasure in presenting the financial statements for 2012/2013 of Maseno University. This financial statement marks the second year of the implementation of our Strategic Plan 2011-2017. It is prepared in conformity with Article 81 of the Public Finance Management Act, 2012 which commenced on 27th August 2012.

Maseno University continues to be committed to its Mission and Vision. The major milestones in the year under review include the remarkable improvements in webometrics ranking from position 7 to 3 nationally, new Charter and new Universities Act. Substantial revenues have also been realized from various University campuses as well as the innovative e-campus programmes.


However, major challenges continue to face the institution. These include under capitation which has affected capital development within the University. We look forward to increased funding to enable us discharge our mandate effectively.

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

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



Professor Rosalind Mutua, PhD, OGW
Chairman, Maseno University Council


↓
24 Sept. 2013

Date

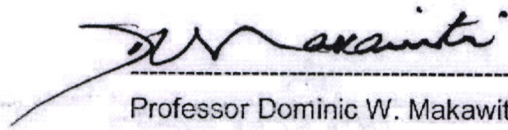
VICE CHANCELLOR'S REPORT

Maseno University's performance during the year under review was good in the face of the financial constraints faced during the year. The Government capitation, which is the University's main source of income, has remained essentially at the same level despite the significant increase in prices of goods and services and the continued growth in student population. Expansion in student population requires financing of physical facilities as well as human resource capacity. This has placed a strain on the limited financial resources of the University.

The limited funding resulted in a huge budgetary deficit which has led to strained cash flow position. As the University has faced the challenge of meeting its operating costs adequately, a number of capital projects remain uncompleted.

To overcome these challenges the University looks forward to a review of the funding from the Government to match the economic situation and the increased enrolment. The University has also put in place measures to revitalize the University's other existing revenue streams.

I wish to thank the Government, the Council, staff, parents, students, local and international partners and all our stakeholders for their contributions and support during the year. We look forward to the future with renewed optimism and count on your continued support.



Professor Dominic W. Makawiti, PhD, EBS, HSC, FKNAS
Vice-Chancellor

27.7.13

Date

STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

Maseno University is required to prepare financial statements, which give a true and fair view of the state of affairs of the University as at the end of the financial year, and of its surplus or deficit for that year.

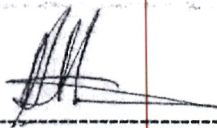
The University Council is required to ensure that the University maintains proper accounting records that disclose, with reasonable accuracy, at any time the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

The Council accepts responsibility of annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, consistent with previous years, and in conformity with International Financial Reporting Standards.

The Council is of the opinion that, based on the provided information, the financial statements give a true and fair view of the state of financial affairs of the University as at 30th June 2013 and of its surplus/(deficits) for the year then ended. The Council further confirms the accuracy and completeness of the accounting records maintained by the University, which may be relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal controls.

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

This Statement is approved by the University Council and signed on its behalf by:



Professor Rosalind Mutua, PhD
Chairman, Maseno University Council

JA
Date 27 Sept, 2013

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON MASENO UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Maseno University set out on pages 7 to 28, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in capital funds and reserves and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

Council's Responsibility for the Financial Statements

The Maseno University Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Council is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion of these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those Standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Financial Position

The statement of comprehensive income for the year ended 30 June 2013 reflects a deficit of Kshs.141,087,784 (2011/12 deficit – Kshs.100,103,885). Further, the current liabilities of Kshs.161,492,730 exceeded the current assets of Kshs.114,144,617 resulting in a negative working capital of Kshs.47,348,113. The University is technically insolvent and if strategies are not put in place to reverse the trend, the University may face financial difficulties in its future operations, as its continued operation is dependent on the support of Government and creditors.

2. Council Expenses

Review of the statement of comprehensive income for 2012/2013 shows that included in the council expenses figure of Kshs.21,740,544 is Kshs.6,370,747 which further includes Kshs.727,780, Kshs.545,600, Kshs.150,000, Kshs.280,000, Kshs.1,937,367 and Kshs.2,300,000 for other payments, hotel accommodation, contingencies, payroll payments, undescribed payments and payments to three officers respectively which were not supported. Also attendance registers for six council meetings were not availed for audit review. In addition Kshs.430,000 was paid as sitting allowance to staff members. In the circumstances, the propriety of the council expenses figure of Kshs.21,740,544 could not be confirmed as at the year ended 30 June 2013.

3. Property, Plant and Equipment

(i) Self-Catering Student Accommodation (Vet Farm)

As similarly reported in the previous year, the property, plant and equipment balance of Kshs.2,355,175,976 as at 30 June 2013 includes Work-in-Progress balance of Kshs.644,688,989 out of which an amount of Kshs.238,222,122 is in respect of construction of four hundred (400) units of self-catering students accommodation. According to information available, the project was undertaken through a system

referred to as 'labour contract' which involved buying of building materials by the University while contracting out the labour component. Records made available indicate that the cost of the project was estimated at Kshs.167,000,000, while the cost as at 30 June 2013 was Kshs.238,222,122 leading to a cost of overrun of Kshs.71,222,122 (30%). Although the project has been completed and has been put to use but has not been transferred to completed buildings and depreciated, the variation of 30% appears irregular.

(ii) **Work-in-Progress (WIP)**

As similarly reported in the previous year 2011/2012, the work-in-progress of Kshs.644,688,989 as at 30 June 2013 includes Kshs.58,377,188 and Kshs.22,477,085 for Millennium Lecture Halls and Management Information Systems respectively. The projects have been completed and are in use but have not been transferred from the Work in Progress. Further, included in the work in progress is Kshs.12,770,903 relating to the construction of the graduation pavilion whose contract terms and procurement documents were not availed for audit verification.

In addition, included in the work-in-progress figure of Kshs.644,688,989 is Kshs.209,524,340 being cost of the construction of a library which is also being undertaken through the 'labour contract' system. However no bills of quantities were availed for audit review. Further, the project was to take a duration of 56 weeks, but as at 30 June 2013, the construction had taken 216 weeks and is yet to be completed as it has since stalled. Management has indicated that the project has been re-tendered. Further, included in the Work In Progress figure of Kshs. 644,688,989 as at 30 June 2013 is Kshs. 39,919,253 for the sewerage project. However a site visit revealed that the project had stalled at the excavation level.

Consequently, the accuracy, valuation and completeness of WIP figure of Kshs.644,688,989 as at 30 June 2013 could not be ascertained.

- (iii) As similarly reported in the previous year, the property, plant and equipment balance of Kshs.2,335,175,976 as at 30 June 2013 excludes five (5) parcels of land measuring 115 hectares with undetermined value, situated at Kisumu Municipality and Maseno Township.
- (iv) Similarly, as reported in the previous year 2011/2012, the University incurred an expenditure of Kshs.125,000,000 in the year 2010/2011 for the purchase of parcel ref. no. 12/55 measuring 0.4181 hectares in Kisumu Municipality. However, and according to information available, the expenditure does not appear to have been factored in the budget for that year, contrary to Section 12 of the State Corporations Act, Cap 446.
- (v) Further the loss for the year under review of Kshs.141,087,784 has been understated by undetermined amount chargeable as depreciation for

completed building which have not been capitalized during the year. Consequently, it could not be confirmed that the property, plant and equipment balance of Kshs.2,355,175,976 is fairly stated as at 30 June 2013.

4. Cash and Bank Balances

(i) As similarly reported in the previous year 2011/2012, included in the cash and bank balances figure of Kshs.(5,122,172) as at 30 June 2013 is Kshs.184,524, Kshs.1,637,502, for two bank accounts which have remained dormant for a long period of time and for which no cash books were maintained and no bank reconciliation statements were prepared. In addition no bank confirmation certificates for 12 bank accounts were availed for audit review.

(ii) Further, and as similarly reported in the previous year, the cash and bank balances figure of Kshs.(5,122,172) was arrived at after taking into account Kshs.4,514,341, Kshs.27,500 and Kshs.321,923 being unreceipted deposits, unrepresented bank slips and unidentified credit respectively which had not been explained or identified as at 30 June 2013.

(iii) Included in the bank and cash balances figure of Kshs.(5,122,172) is Kshs.38,627,074 for a bank overdraft for which no University Council approval was availed for audit review. Also the overdraft was not classified under current liabilities.

(iv) Bank Guarantees

Included in the current assets figure of Kshs.114,144,617 is a bank guarantee of Kshs. 2,000,000. However, management has not given any explanation in a form of a note as to the kind of asset that constitutes this bank guarantee.

(v) The main account bank reconciliation statement for June 2013 has an unidentified debit under cheque No. 059531 dated 17 December 2012 of Kshs.27,417. The item has been carried forward as a reconciling amount over a long period without being investigated and corrected.

In the circumstances, it has not been possible to confirm whether the cash and bank balance of Kshs.(5,122,172) as at 30 June 2013 is fairly stated.

5. Receivables

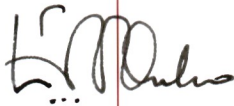
Included in the receivables figure of Kshs.43,507,263 as at 30 June 2013 is Kshs.15,651,792, Kshs.12,426,300 and Kshs.8,544,088 for Kisumu Hotel debtors, HELB and Bursary awards respectively whose schedules were not availed for audit review. Further no age analysis was availed for all the receivables. In the circumstances, the accuracy and recoverability of the receivables figure of Kshs.43,507,263 as at 30 June 2013 could not be confirmed.

6. Statement of Cash Flows

The statement of financial position shows that payables balance decreased by Kshs.4,271,342 while the statement of cash flows reflects a decrease of Kshs.8,552,432 leading to an unexplained difference of Kshs.4,281,090. Consequently, the statement is not compliant with provisions of International Accounting Standards No. 7 and the accuracy of cash and cash equivalent figure of Kshs.22,233,792 as at 30 June 2013, could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the University as at 30 June 2013, and of its financial performance and its cash flow for the year then ended, in accordance with International Financial Reporting Standards and comply with the Universities Act, 2012.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

14 August 2014

Maseno University
Financial Statements for the Year Ended 30th June 2013

STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30TH JUNE 2013

	Notes	2013 KShs	BUDGET 2013 KShs	Budget %	2012 KShs
Capitation Grants	2	1,305,682,765	1,305,682,765	0	1,117,082,764
Appropriation in aid ¹					
Tuition Fees ²	3	751,306,040	753,191,297	(0.25)	656,522,615
Other Incomes ³	3	292,586,545	290,472,054	0.73	286,821,874
Total appropriation in aid		1,043,892,585	1,043,663,351	(0.02)	943,344,489
Sub-Total		2,349,575,350	2,349,346,116	(0.01)	2,060,427,253
Expenditure for the Year	4				
Personal emoluments	4(a)	1,692,259,764	1,542,274,318	(9.72)	1,416,477,406
Operating and maintenance expenses	4(b)	775,792,827	871,941,225	11.03	724,597,633
Council expenses	4(c)	21,740,544	21,000,000	(3.53)	18,706,099
Audit Fees	4(c)	870,000	800,000	(8.75)	750,000
Total Expenses		2,490,663,134	2,436,015,543	(2.24)	2,160,531,138
Surplus/(Deficit) for the year ⁴		(141,087,784)	(86,669,427)		(100,103,885)
Balance b/f		427,697,393			527,801,278
Surplus/(Deficit) C/Forward		286,609,609			427,697,393

¹ There was 100% budgetary compliance in Appropriation in Aid. During the year 2012/13, the University received Kshs. 1,043,892,585 as Appropriation in Aid against a budget of Kshs.1,043,663,351 thus 0% variance. This variance is contributed by the two components of AIA as follows;

² Kshs. 751,306,040 was realized from tuition fees against a budget of Kshs. 753,191,297 which translates to a variance of only 0.25%. This positive result was largely attributed to increase in student numbers arising from expansion of programmes

³ During the year the University realized Kshs.292,586,545 from other income generating activities against a budget of Kshs. 290,472,054 hence 0.73% variance.


⁴ The resulting deficit of Kshs 141,087,784 reduced revenue reserves from Ksh.427,697,393 to Kshs.286,609,609

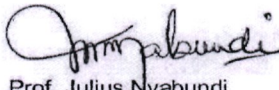
Maseno University
Financial Statements for the Year Ended 30th June 2013

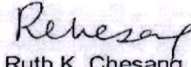
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2013

	Notes	2013 KShs	2012 KShs
ASSETS			
NON CURRENT ASSETS			
Property, Plant & Equipment	5	2,355,175,976	2,334,857,539
Investment in Treasury Bonds	6	-	10,000,000
Biological Assets	7	7,419,410	10,339,865
TOTAL NON CURRENT ASSETS		2,362,595,385	2,355,197,404
CURRENT ASSETS			
Inventories	8	48,403,563	64,379,781
Receivables	9	43,507,263	31,282,556
Short Term Deposits	10	25,355,963	55,355,963
Bank & Cash Balances	11	(5,122,172)	87,709,607
Bank Guarantee		2,000,000	2,000,000
Total Current Assets		114,144,617	240,727,907
TOTAL ASSETS		2,476,740,003	2,595,925,311
EQUITY AND LIABILITIES			
EQUITY			
Capital Fund		2,020,384,565	1,990,661,856
Revenue Reserve		286,609,609	427,697,393
TOTAL EQUITY		2,306,994,173	2,418,359,249
LIABILITIES			
Noncurrent liabilities			
Students Caution Money	13	8,253,100	8,390,900
Current liabilities			
Payables	14	159,872,730	164,144,072
Bank Overdraft	14	-	4,281,090
Provision for Audit Fee		1,620,000	750,000
Total Current Liabilities		161,492,730	169,175,162
TOTAL EQUITY & LIABILITIES		2,476,740,004	2,595,925,311

The notes on page 12 to 31 form an integral part of these Financial Statements. The Financial Statements were approved and signed on behalf of the University Council on.....

By: 
 Prof. Dominic Makawiti
 Vice Chancellor


 Prof. Julius Nyabundi
 Ag. DVC A & F


 Ruth K. Chesang
 Finance Officer

Maseno University
Financial Statements for the Year Ended 30th June 2013

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30/06/2013

	2013 KShs	2012 KShs
<u>Cash flow from operating activities</u>		
Surplus/(Deficit) for the year	(141,087,784)	(100,103,885)
<u>Adjustments for non-cash and non-operating activities</u>		
Depreciation	96,550,573	84,185,663
Provisions - Audit Fees	870,000	750,000
Profit on sale of Fixed Assets	(1,601,011)	-
(Increase)/Decrease in Biological assets	2,920,455	(3,135,615)
Interest Received	(2,253,644)	(1,332,723)
Prior year Adjustments	-	-
Operating Profit before working capital changes	(44,601,412)	(19,636,560)
Changes in Working Capital		
(Increase)/Decrease in Inventory	15,976,218	(24,725,068)
(Increase) / Decrease in Receivables	(12,224,707)	4,085,486
Increase /(Decrease) in Payables	(8,552,432)	(2,687,807)
Net changes in working capital	(4,800,920)	(23,327,389)
Cash Generated from Operations	(49,402,332)	(42,963,949)
Return on investing & Servicing Finance		
Interest Received	2,253,644	1,332,723
<u>Cash flow from Investing Activities</u>		
Acquisition of Fixed Assets	(117,612,998)	(183,071,067)
Payment of Audit Fees	-	(1,500,000)
Proceeds from sale of Motor Vehicles	2,345,000	-
	(115,267,998)	(184,571,067)
<u>Cash flow from Financing Activities</u>		
Development Grants (MOHEST)	29,722,709	40,000,000
Redemption of Investments in Treasury Bonds	10,000,000	-
Caution Money Refund-Aggregate	(137,800)	2,434,200
	39,584,909	42,434,200
Increase/(Decrease) in Cash & Cash Equivalents	(122,831,778)	(183,768,093)
Cash & Cash Equivalent at 1st July 2012	145,065,570	328,833,663
Cash & Cash Equivalent at 30th June 2013	22,233,792	145,065,570
Represented by:		
Bank balances(Note 10)	(4,331,983)	89,708,056
Cash balances (Note 11)	1,209,811	1,551
Cash and cash balances	(3,122,172)	89,709,607
Short Term Deposits(Note 11)	25,355,963	55,355,963
	22,233,791	145,065,570

Maseno University
Financial Statements for the Year Ended 30th June 2013

STATEMENT OF CHANGES IN CAPITAL FUND & RESERVES
As at 30th June 2013

	Capital Fund KShs.	Revenue Reserves KShs.	Total KShs.
Balance as at 1/7/2011	1,950,661,856	527,801,278	2,478,463,134
Capital Grants	<u>40,000,000</u>		<u>40,000,000</u>
Balance as at 30/6/2012	1,990,661,856	527,801,278	2,518,463,134
Deficit for the year		<u>(100,103,885)</u>	<u>(100,103,885)</u>
Balance as at 30/6/2012	<u>1,990,661,856</u>	<u>427,697,393</u>	<u>2,418,359,249</u>
Balance as at 1/7/2012	1,990,661,856	427,697,393	2,418,359,249
Capital Grants	29,722,709		29,722,709
Surplus/(Deficit) For the Year		<u>(141,087,784)</u>	<u>(141,087,784)</u>
Balance as at 30/6/2013	<u>2,020,384,565</u>	<u>286,609,609</u>	<u>2,306,994,173</u>

NOTES TO THE ACCOUNTS - 2012/2013

Note 1: ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya Shillings (Kshs.) and prepared under the historical cost convention as adjusted by revaluation of certain assets.

b) Revenue recognition

Grants and fees are charged over the period that is expected to benefit there from with exception of Capital Grants which are credited to the capital Fund and debited to the relevant asset Account.

Interest income and rental income are recognized on an accrual basis.

c) Property, Plant & Equipment

All property, Plant & Equipment is stated at historical cost less depreciation. Depreciation is calculated on the straight-line basis to write the cost of its residual values over its estimated useful life, except for Motor Vehicles as below:

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

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

d) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Library books and teaching materials are expensed in the year of Purchase.

e) Employee entitlements

Employee entitlements to annual leave and gratuity awards are recognized when they accrue to employees.

f) Cash and Cash Equivalent

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at bank and short term fixed deposits held at bank.

Maseno University
Financial Statements for the Year Ended 30th June 2013

Note 2 **Capitation Grants**

The capitation grants for the year were received as follows

Month	MODE OF TRANSFER	Kshs.
July 2012	RTGS	93,090,230.40
August 2012	RTGS	93,090,230.40
September 2012	RTGS	93,090,230.40
October 2012	RTGS	93,090,230.40
November 2012	RTGS	93,090,230.40
December 2012	RTGS	188,600,000.00
December 2012*	RTGS	93,090,230.40
January 2013	RTGS	93,090,230.40
February 2013	RTGS	93,090,230.40
March 2013	RTGS	93,090,230.40
April 2013	RTGS	93,090,230.40
May 2013	RTGS	93,090,230.40
June 2013	RTGS	93,090,230.60
		1,305,682,765.00

* Capitation grants received in December, 2012 include Kshs.188,600,000 for salary arrears as per the Collective Bargaining Agreement (CBA) and Ksh.93,090,230.40 monthly capitation.

Maseno University
Financial Statements for the Year Ended 30th June 2013

Note 3 Detailed AIA for the Year 2012/13

		2013 KShs	2012 KShs
3(i)	Tuition Fees Incomes		
	Main Campus Fees		
3100	JAB Tuition Fees	172,452,010	148,692,500
3200	Direct Entry - Tuition Fee	343,840,557	328,821,612
		<u>516,292,567</u>	<u>477,514,112</u>
	Kisumu Campus Fees		
3251	BBA/BA -Eve - Tuition Fee	56,992,321	32,333,062
3300	M.Ed - Tuition Fees	9,363,685	9,893,082
3301	Master of Arts Tuition Fees	13,693,200	11,620,357
3310	Certificate Courses City Campus	5,085,877	8,368,326
3312	PGDE - Tuition Fees	1,193,100	1,515,000
3320	MPH- Tuition Fees	12,637,050	13,399,350
3321	MSc - Tuition Fees	4,175,000	2,830,070
3323	MBA - Tuition Fees	14,256,150	13,896,120
3324	B.ED Fees City Campus	6,423,550	2,759,470
3325	Bsc. City campus	7,452,300	5,294,869
3331	Diploma Fees City campus	23,759,055	19,247,792
3351	PhD - Tuition Fee	1,216,047	226,055
3390	Application fees City Campus	2,570,400	2,763,845
3391	Miscellaneous City Campus	444,594	89,425
		<u>159,262,329</u>	<u>124,236,823</u>
3382	E-learning	22,047,096	9,145,650
3900	Collaborations	4,358,060	9,167,815
3703	Homa bay Tuition Fees	49,345,988	36,424,215
3704	PGDE Homa Bay	-	34,000
		<u>75,751,144</u>	<u>54,771,680</u>
	Sub-totals: Tuition fees	751,306,040	656,522,615
3(ii)	Other Incomes		
	Kisumu Hotel Incomes		
3870	Kisumu Hotel Restaurant sales	40,577,281	34,367,248
3874	Kisumu hotel bar sales	10,999,894	10,201,546
3876	Hotel and Stationary sales	1,328,730	-
3878	P.A/Entertainment	-	452,100
3881	Kisumu Hotel equipment Hire	383,920	51,100
3882	Kisumu Hotel Laundry Charges	160,755	113,280
3885	Kisumu Hotel- Hall Hire	5,207,080	6,137,950
3887	Kisumu Hotel swimming pool charges	589,130	236,150
3888	Kisumu Hotel Pool Bar sales	2,005,400	1,921,440
3891	Kisumu hotel Tel, fax, internet & Airtime Sales	995,268	2,050,303
3895	Kisumu Hotel -Room Income	85,900,100	84,949,350
3896	Kisumu Hotel Kitchen salvage	192,487	349,919
	Sub-total Kisumu Hotel Income	<u>148,340,045</u>	<u>140,830,386</u>

Maseno University
Financial Statements for the Year Ended 30th June 2013

	Other IGA incomes		
3407	Accommodation Fees	28,929,950	24,482,000
3414	Convocation Fees	2,129,000	1,917,250
3422	Direct Entry Form Sales	1,035,500	1,846,595
3501	House Rent Income	4,502,584	6,556,966
3502	Imprest Recovery	1,267,263	665,017
3503	Imprest Under Exp.	196,158	3,082,748
3606	Research grants	48,412,499	38,509,222
3507	Staff Surcharge/Fines	210,310	110,890
3509	Varsity Plaza rental	13,384,323	11,058,162
3702	Other Revenue Donations	136,380	5,563,508
3802	Bookshop sales	8,202,158	943,311
3803	Tender Document Sales	2,036,501	1,216,960
3805	Library Fines & Books Disposal	141,654	41,649
3807	Misc Income	384,580	767,125
3809	Water Sales	230,750	207,125
3810	City Campus cafeteria	5,545,001	5,051,370
3813	Farm Sales	3,138,423	7,138,536
3816	Interest Income	2,253,644	382,723
3817	Catering Food Sales	13,254,990	15,553,022
3818	Misc. Income-Health	150,935	40,878
3819	Interest on treasury bond	-	950,000
3821	Shuttle Income	514,965	838,250
3825	Motor vehicle disposal	1,601,011	-
3827	Farm Catering(Bamboo)Sales	1,551,887	1,930,437
3831	Sale Of Postgraduate Forms	402,000	631,000
3837	Photocopying – Library	87,456	113,968
3838	Other Incomes	655,643	1,218,906
3839	Insurance Rebates	-	2,652,452
3843	I.G.A. - Tent Food Sales	2,041,480	1,978,530
3851	Accommodation Guest House-IGA	323,010	428,330
3857	T.P. Lesson Plan	217,040	519,080
3873	Library Binding Services	715,710	12,300
3877	MITC – Income	3,514,150	6,447,564
3899	Gain on Biological Assets	-2,920,455	3,135,615
	Sub-Total: Other IGAs	144,246,500	145,991,489
	TOTAL OTHER INCOMES (Hotel & other IGAs)	292,586,545	286,821,875
	TOTAL AIA (FEES & OTHER INCOMES)	1,043,892,585	943,344,489

Maseno University
Financial Statements for the Year Ended 30th June 2013

Note 4 Expenditure For the Year

Code	Description	2012/13 Kshs.	2011/12 Kshs	2012/13 Budget Kshs	Budget Variance %
Note 4(a)	4100 Personal Emoluments	1,692,259,764	1,416,477,406	1,542,274,318	-9.72
Note 4(b)	Operations & maintenance expenses				
4201	Stationery & Stores	36,727,829	24,005,822	29,980,762	-22.50
4202	Travelling & Accommodation	16,308,930	18,256,673	17,256,673	5.49
4204	Teaching materials and lab. reagents	7,983,875	9,179,198	13,726,180	37.24
4205	Computer Materials	1,653,791	6,573,292	4,459,455	62.91
4208	Office Entertainment	1,826,757	1,420,388	1,763,260	-3.6
4210	Purchase of Drugs	16,809,044	26,128,797	20,960,000	19.8
4211	Payment of Medical Bills.	22,239,722	24,597,487	19,230,800	-15.65
4213	Field Trips/Industrial Attach.	19,548,176	15,603,381	21,511,248	9.13
4214	Maint. of plant and Equipment	44,678,189	38,259,656	55,537,043	19.55
4215	Maint-Water Supply/Sewerage	1,283,349	1,052,510	1,720,728	25.42
4216	Supply of Electricity	30,691,885	38,734,443	35,000,000	12.31
4218	Students Welfare & Games, Music	1,342,000	394,516	1,362,400	1.5
4220	Students Activity	5,708,787	6,562,962	7,336,000	22.18
4221	Purchase of Cleaning Materials	11,473,602	14,249,877	15,196,000	24.5
4222	Telephone Expenses	13,895,377	6,233,942	12,738,440	-9.08
4223	Staff Developments	4,099,484	4,826,790	7,598,000	46.05
4224	Legal Expenses & Fees	1,059,846	4,271,671	25,000,000	95.76
4225	Advertising & Publicity	16,302,160	21,269,015	23,580,000	30.86
4227	Contingency Fund	2,664,530	993,453	5,000,000	46.71
4231	Postal & Telegram Ex	664,384	552,663	733,600	9.44
4232	Transport Operating- Expenses	34,654,429	35,160,878	35,178,740	0.05
4236	External Travel	815,912	1,253,799	1,362,400	40.11
4237	Shows & Exhibitions	3,311,038	2,871,769	3,144,000	-5.31
4240	Rent & Rates	10,930,876	6,548,560	7,860,000	-39.07
4244	Water Bill Charges	10,787,552	12,232,213	12,060,000	10.55
4247	Student Work Study Programme	36,400	723,183	3,144,000	98.84
4253	Minor Works & Construction	15,023,590	11,594,963	15,196,000	1.13
4255	Purchase of Cutlery	2,225,539	2,251,252	2,359,312	5.67
4258	Cooking Fuel/Gas	6,756,580	7,540,560	6,812,000	0.81
4261	Bank Charges	1,328,186	2,791,730	2,096,000	36.63
4262	External Linkage	0	270,000	183,400	100
4266	Hired Security Services	43,672,505	42,413,006	36,065,000	-21.09
4267	Sanitary Expenses	1,988,931	2,979,841	1,257,600	-58.15
4268	Purch. of TextBooks	129,659	16,800	181,346	28.5
4271	Teaching Expenses	630,782	127,217	524,000	-20.38
4272	Animal Feeds	8,316,150	7,071,395	10,480,000	20.65
4273	Livestock Drugs	964,765	1,943,412	943,200	-2.29

Maseno University
Financial Statements for the Year Ended 30th June 2013

		2012/13	2011/12	2012/13 Budget	Budget Variance
4276	Purch. of Beef Cattle	3,400,000	7,733,800	2,620,000	-29.77
4278	Purch. of Chicken	3,693,000	2,276,500	2,096,000	-76.19
4279	Purch of Farm Tools	141,500	114,860	262,000	45.99
4281	Farm Maintanance & preparation	3,600,838	1,093,092	5,617,280	35.90
4282	Vertinery Services	37,855	35,628	366,800	89.68
4284	Purch. of Library Books	1,721,243	3,161,495	3,772,800	54.38
4285	Purch. of Periodicals	509,495	623,903	524,000	2.77
4289	Research Programme	79,413,913	52,228,076	70,011,872	-13.43
4293	External Examiners & thesis examination	15,050,128	5,753,315	11,004,000	-36.77
4294	Graduation Expenses	3,842,078	4,418,150	4,716,000	18.53
4300	Uniforms & Clothing	825,474	2,553,234	3,013,000	72.6
4301	Examination Material	3,860,800	5,273,814	7,860,000	50.88
4302	Licences & Fees	2,534,305	3,646,802	3,668,000	30.91
4305	IGA - Purch of Food	49,451,124	24,546,468	44,540,000	-11.03
4306	Kisumu Hotel Purch. of Food	20,431,073	19,151,827	18,864,000	-8.31
4308	Depreciation Charge	96,550,573	84,185,663	93,500,000	-3.26
4312	Insurance Expenses	8,351,393	20,770,651	19,596,000	57.38
4319	Transport Oper. Exp. Repairs	3,805,934	5,051,795	5,344,800	28.79
4321	Honorarium	2,259,812	2,411,428	2,410,400	6.25
4323	PGDE- Teaching Expenses	1,064,780	887,780	1,158,040	8.05
4326	Joint Admissions Board	683,190	476,500	1,152,800	40.74
4331	Ksm Hotel Bar Purchases	5,735,509	6,638,790	7,000,000	18.06
4333	Catering Levy - Kisumu Hotel	2,762,612	2,496,750	3,000,000	7.91
4335	Kisumu Hotel – Expenses	7,393,161	11,339,244	10,794,400	31.51
4336	Subscriptions & Journal	9,108,451	6,435,772	9,170,000	0.67
4339	Internet Services	11,134,744	14,850,928	20,960,000	46.88
4343	ICT Development	8,855,172	6,661,142	18,549,600	52.26
4344	ISO Certification	1,391,368	221,328	2,096,000	33.62
4345	Odel Programs	14,669,829	9,242,677	15,824,800	7.3
4307	City Campus Restaurant Expenses	967,460	1,666,574	1,809,446	46.53
4286	Bookshop purchases	7,489,706	6,902,289	14,672,000	48.95
4349	Sonyaco Expenses	3,267,831	3,644,562	3,877,600	15.73
4356	Strategic Plan Certification	1,261,366	5,592,400	2,096,000	39.82
4350	Tender committee expenses	1,992,500	1,680,500	1,980,000	-0.63
		775,792,827	724,597,633	871,941,225	11.03
Note 4(c)					
4256	Council Expenses	21,740,544	18,706,099	21,000,000	-3.53
4309	Audit Fees Expenses	870,000	750,000	800,000	-8.75
	Grand Totals	2,490,663,134	2,160,531,139	2,436,015,543	-2.24

Explanations on variances

1. Personal emoluments (-9.72% variance)
The increase in personal emoluments is as a result of increase in basic and house allowance arising from the CBA salary arrears.
2. Stationary and stores (-22.5% variance) : The variance is as a result of increase in student numbers and the increase in market prices.
3. Rent and rates (-39.07% variance): There was additional floor rented at Sonyaco building to take care of additional student population
4. Legal Fees: - +95.75% variance: Provision had been made for contingent liability based on the pending cases, however, most of these cases were ruled in favour of the University thus savings on the allocated budget.
5. External examiners and thesis examination: -36.77% Variance: The expenditure grew as a result of increased student numbers and programmes.
6. Security services -21.09 % variance: The rates for security services in the new contract awarded through competitive tendering process have increased.

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Note 5(i)

Property, Plant and Equipment As at 30th June 2013

	LAND		BUILDINGS		MOTOR VEHICLE		PLANT & EQUIPMENT		FURNITURE & FITTINGS		W.I.P		TOTAL
	KSHS		KSHS		KSHS		KSHS		KSHS		KSHS		
COST/VALUATION													
As at 1.7.2012	215,922,317		1,711,044,550		101,729,081		468,345,743		54,336,171		630,400,156		3,181,778,018
Additions	-		-		-		96,250,974		7,073,191		14,288,833		117,612,998
Transfers													
Disposals					7,439,882								(7,439,882)
As at 30.6.2013	215,922,317		1,711,044,550		94,289,199		564,596,717		61,409,362		644,688,989		3,291,951,134
DEPRECIATION													
As at 1.7.2012	-		388,907,319		73,906,547		345,310,111		38,796,502		-		846,920,479
Disposals					(6,695,893)								(6,695,893)
Charge for the year	-		42,776,114		7,007,206		42,214,383		4,552,869		-		96,550,573
As at 30.6.2013	-		431,683,433		74,217,859.85		387,524,494		43,349,372		-		936,775,158
NET BOOK VALUE													
As at 30.6.2013	215,922,317		1,279,361,117		20,071,339		177,072,223		18,059,990		644,688,989		2,355,175,976
As at 30.6.2012	215,922,317		1,322,137,231		27,822,534		123,035,632		15,539,669		630,400,154		2,334,857,537
Analysis of WIP													
MILLENIUM LECTURE HALLS							58,377,188		-		58,377,188		
SEWERAGE PROJECT							32,007,300		7,911,953		39,919,253		
EXTENSION OF HEALTH CENTRE							11,198,888		-		11,198,888		
MANAGEMENT INFORMATION SYSTEM							20,370,545		2,106,540		22,477,085		
VET FARM HOSTELS							238,222,122		-		238,222,122		
LIBRARY CONSTRUCTION							208,364,940		1,159,400		209,524,340		
ROAD CONSTRUCTION							12,381,068		-		12,381,068		
MEDICAL LABORATORIES							36,707,200		3,110,940		39,818,140		
GRADUATION SQUARE PAVILLION							12,770,903.00		-		12,770,903		
							630,400,156		14,288,833		644,688,989		

Maseno University
Financial Statements for the Year Ended 30th June 2013

Note 5(ii) Property Plant and Equipment as at 30th June 2012

	LAND KSHS	BUILDINGS KSHS	MOTOR VEHICLE KSHS	PLANT & EQUIPMENT KSHS	FURNITURE & FITTINGS KSHS.	W.I.P KSHS.	TOTAL KSHS
COSTVALUATION							
As at 1.7.2011	215,922,317	1,711,044,550	101,729,081	411,197,579	46,109,861	512,703,563	2,998,706,951
Additions	-	-	-	57,148,164	8,226,310	117,696,593	183,071,067
Transfers							
Disposals							
As at 30.6.2012	215,922,317	1,711,044,550	101,729,081	468,345,743	54,336,171	630,400,156	3,181,778,018
DEPRECIATION							
As at 1.7.2011	-	346,131,205	66,899,340	315,127,099	34,577,171	-	762,734,816
Disposals							
Charge for the year	-	42,776,114	7,007,206	30,183,012	4,219,331	-	84,185,663
As at 30.6.2012	-	388,907,319	73,906,546.57	345,310,111	38,796,502	-	846,920,479
NET BOOK VALUE							
As at 30.6.2012	215,922,317	1,322,137,231	27,822,534	123,035,632	15,539,669	630,400,156	2,334,857,539
As at 30.6.2011	215,922,317	1,364,913,345	34,829,741	96,070,480	11,532,690	512,703,561	2,235,972,133
Analysis of WIP							
MILLENIUM LECTURE HALLS				58,377,188	-	58,377,188	
SEWERAGE PROJECT				22,806,250	9,201,050	32,007,300	
EXTENSION OF HEALTH CENTRE				11,198,888	-	11,198,888	
MANAGEMENT INFORMATION SYSTEM				20,370,545	-	20,370,545	
VET FARM HOSTELS				238,222,122	-	238,222,122	
LIBRARY CONSTRUCTION				133,334,378	75,030,562	208,364,940	
ROAD CONSTRUCTION				12,381,068	-	12,381,068	
MEDICAL LABORATORIES				16,013,122	20,694,078	36,707,200	
GRADUATION SQUARE PAVILLION				-	12,770,903	12,770,903	
				512,703,561	117,696,593	630,400,156	

Maseno University
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Note 5 (j) Schedule of Buildings

Particulars	Date of Construction/ Acquisition	Cost/ Revaluation	Depreciation Charge			Net Book Value
			As At 30/6/2012	Charge for The Year	Cumulative As At 30/6/2013	As At 30/6/2013
Admin. Bldgs	1998/99	41,403,000	14,491,050	1,035,075	15,526,125	25,876,875
Education Bldgs	1998/99	10,486,000	3,670,100	262,150	3,932,250	6,553,750
Recreation Bldgs	1998/99	27,849,279	9,747,247	696,232	10,443,479	17,405,800
Hostels	1998/99	242,056,088	49,797,814	6,051,402	55,849,217	186,206,871
Residential Bldgs	1998/99	25,502,000	8,925,700	637,550	9,563,250	15,938,750
Support Structures	1998/99	2,059,000	720,650	51,475	772,125	1,286,875
Residential Bldgs	1998/99	50,470,000	17,664,500	1,261,750	18,926,250	31,543,750
Support Structures	1998/99	153,000	53,550	3,825	57,375	95,625
Water Structures	1998/99	2,000,000	700,000	50,000	750,000	1,250,000
Admin. Bldgs	1998/99	52,255,956	18,289,618	1,306,399	19,596,017	32,659,939
Education Bldgs	1998/99	100,582,000	35,203,700	2,514,550	37,718,250	62,863,750
Hostels/Catering	1998/99	88,886,000	31,110,100	2,222,150	33,332,250	55,553,750
Health Services	1998/99	12,455,334	2,618,299	311,383	2,929,682	9,525,652
Recreational Bldgs	1998/99	9,465,000	3,312,750	236,625	3,549,375	5,915,625
Residential Bldgs	1998/99	82,940,000	29,029,000	2,073,500	31,102,500	51,837,500
Religious Bldgs	1998/99	2,626,000	919,100	65,650	984,750	1,641,250
Farm Structures	1998/99	15,817,920	5,473,832	395,448	5,869,280	9,948,640
Water Structures	1998/99	242,000	84,700	6,050	90,750	151,250
Support Structures	1998/99	2,679,200	937,720	66,980	1,004,700	1,674,500
KSM Municipality	1998/99	4,302,385	1,239,407	107,560	1,346,967	2,955,418
Minor Works	1998/99	22,014,768	7,154,798	550,369	7,705,168	14,309,600
Non-Residential Bldgs	1998/99	240,598,505	42,056,930	6,014,963	48,071,893	192,526,612
Seminar Rooms	2001/02	2,189,582	602,137	54,740	656,877	1,532,705
Lecture Hall 14	2001/02	2,626,200	722,205	65,655	787,860	1,838,340
lecture Hall 15	2001/02	15,204,880	4,181,341	380,122	4,561,463	10,643,417
I.R.P.S Library	2001/02	1,904,933	523,856	47,623	571,479	1,333,454
Incubator House	2001/02	100,000	27,500	2,500	30,000	70,000
Kisumu Hotel	2002/03	44,151,445	11,037,860	1,103,786	12,141,646	32,009,799
MITC	2003/04	1,054,796	237,330	26,370	263,700	791,096
Physics Laboratory	2003/04	993,500	223,540	24,838	248,378	745,123
Town House	2004/05	11,500,000	2,300,000	287,500	2,587,500	8,912,500
Sunrise Hostels	2005/2006	86,511,139	15,108,604	2,162,778	17,271,382	69,239,757
Kisumu Hotel Ext.	2005/2006	97,591,860	16,776,635	2,439,797	19,216,432	78,375,429
Varsity Plaza	2005/2006	233,618,434	40,737,780	5,840,461	46,578,241	187,040,193
Show Ground Building	2006/2007	3,947,318	592,098	98,683	690,781	3,256,537
Vet Farm Improvements	2006/2007	31,400,000	4,710,000	785,000	5,495,000	25,905,000
Kisumu Hotel Renovations	2007/2008	11,406,929	1,425,865	285,173	1,711,039	9,695,890
Sokhi Building	2010/2011	130,000,100	6,500,003	3,250,003	9,750,005	120,250,095
	TOTAL	1,711,044,550	388,907,319	42,776,114	431,683,433	1,279,361,117

Maseno University
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Note 5(ii) Schedule of Equipments

Year of Acquisition	Total Assorted cost	Depreciation			Net Book Value 6/30/2013
		As At 30/6/2012	Charge for Year	As At 30/6/2013	
1990/91	2,755,733	2,755,733	-	2,755,733	-
1991/92	1,783,029	1,783,029	-	1,783,029	-
1992/93	9,744,909	9,744,909	-	9,744,909	-
1993/94	2,371,257	2,371,257	-	2,371,257	-
1994/95	3,247,236	3,247,236	-	3,247,236	-
1995/96	7,404,320	7,404,320	-	7,404,320	-
1996/97	19,146,439	19,146,439	-	19,146,439	-
1997/98	3,120,520	3,120,519	-	3,120,519	-
1998/99	158,919,171	158,919,171	-	158,919,171	-
1999/00	2,919,960	2,919,960	-	2,919,960	-
2000/01	6,430,510	6,430,510	-	6,430,510	-
2001/02	2,452,071	2,452,071	-	2,452,071	-
2002/03	4,728,270	4,728,270	-	4,728,270	-
2003/04	1,858,226	1,858,227	-	1,858,227	-
2004/05	20,057,521	20,057,520	2,507,190	22,564,710	2,507,190
2005/06	17,006,500	14,880,690	2,125,813	17,006,503	3
2006/2007	40,950,694	30,713,021	5,118,837	35,831,858	5,118,836
2007/2008	23,590,132	14,743,831	2,948,766	17,692,597	5,897,534
2008/2009	24,147,191	12,073,596	3,018,399	15,091,994	9,055,197
2009/2010	33,402,470	12,525,927	4,175,309	16,701,235	16,701,235
2010/2011	25,161,421	6,290,355	3,145,178	9,435,533	15,725,888
2011/2012	57,148,164	7,143,521	7,143,521	14,287,041	42,861,123
2012/2013	96,250,974		12,031,372	12,031,372	84,219,603
TOTAL	564,596,717	345,310,111	42,214,383	387,524,494	177,072,223

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Note 5(iii) Schedule of Furniture & Fittings

Year of Acquisition	Cost/Valuation	Depreciation			Net Book Value
		As At 30/6/2012	Charge for Year	As At 30/6/2013	As at 30/06/2013
1998/99	16,011,491	16,011,491	-	16,011,491	-
1999/00	233,000	233,000	-	233,000	-
2000/01	527,424	527,424	-	527,424	-
2001/02	1,282,028	1,282,028	-	1,282,028	-
2002/03	298,684	298,615	-	298,615	69
2003/04	2,223,983	2,223,983	-	2,223,983	-
2004/05	4,409,796	4,409,796	-	4,409,796	-
2005/06	4,704,025	4,116,021	588,003	4,704,024	1
2006/2007	3,638,325	2,728,746	454,791	3,183,537	454,788
2007/2008	4,371,619	2,732,261	546,452	3,278,713	1,092,906
2008/2009	3,083,137	1,541,568	385,392	1,926,960	1,156,177
2009/2010	2,653,537	995,076	331,692	1,326,768	1,326,769
2010/2011	2,672,811	668,203	334,101	1,002,305	1,670,506
2011/2012	8,226,310	1,028,289	1,028,289	2,056,578	6,169,733
2012/2013	7,073,191		884,149	884,149	6,189,042
	61,409,362	38,796,502	4,552,869	43,349,372	18,059,990

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Note 5(iv)		Schedule of Motor Vehicles						
Vehicle Reg. No.	Vehicle Type	Date of Acquisition	Cost	Depreciable Amount (less 10% res. Value)	Depreciation			Net Book Value
					As at 30/6/2012	For the year	As at 30/6/2013	
KAB 971B	Isuzu Bus	1992	1,138,100	1,024,290	1,024,290	-	1,024,290	113,810
KAG 648P*	Datsun Pick-Up	1996	-	-	400,500	-	-	-
KAG 206F*	Mercedes Benz	1996	-	-	4,376,812	-	-	-
KZG 135	Peugeot 504GR	1997	558,000	502,200	502,200	-	502,200	55,800
KAG 846F	Toyota Saloon	1997	708,121	637,309	637,309	-	637,309	70,812
KAG 852F	Toyota SWagon	1997	579,853	521,868	521,868	-	521,868	57,985
KAG 851F	Toyota SWagon	1997	579,853	521,868	521,868	-	521,868	57,985
KAG 853F	Toyota SWagon	1997	579,853	521,868	521,868	-	521,868	57,985
KAG 855F	Toyota Landcruiser	1997	1,075,696	968,126	968,126	-	968,126	107,570
KAH 307F	Toyota Truck DA115	1997	1,848,812	1,663,931	1,663,931	-	1,663,931	184,881
KAH 053F	Toyota Mini-Bus	1997	1,642,526	1,478,273	1,478,273	-	1,478,273	164,253
KAH 308F	Toyota Hiace Ambula	1997	1,357,132	1,221,419	1,221,419	-	1,221,419	135,713
KAH 051F*	Toyota Hiace Van	1997	-	-	748,581	-	-	-
KAH 052F	Toyota Hiace Van	1997	831,757	748,581	748,581	-	748,581	83,176
KAH 055F	Toyota Pick-Up	1997	582,922	524,630	524,630	-	524,630	58,292
KAH 056F	Toyota Pick-Up	1997	582,922	524,630	524,630	-	524,630	58,292
KAC 508G	Mitsubishi Pajero	1997	1,000,000	900,000	900,000	-	900,000	100,000
KYF 654	Tractor	1997	480,000	432,000	432,000	-	432,000	48,000
KAJ 375S	Toyota Prado	1999	2,975,000	2,677,500	2,677,500	-	2,677,500	297,500
KAL 350U	Isuzu Bus	2001	6,023,826	5,421,443	5,421,443	-	5,421,443	602,383
KAL 316U	Toyota Pick-Up	2001	1,554,802	1,399,322	1,399,322	-	1,399,322	155,480
KAG 242T*	Ssang Young	2001	-	-	1,170,000	-	-	-
KAV 662E	Isuzu MV123 Bus	2006	7,080,000	6,372,000	6,372,000	-	6,372,000	708,000
KAV 675E	Isuzu Mini Bus	2006	3,220,400	2,898,360	2,898,359	-	2,898,359	322,041
KAV 435E	Isuzu 7Ton Lorry	2006	4,884,700	4,396,230	4,396,230	-	4,396,230	488,470
KAV 441E	Tractor 290	2006	2,285,000	2,056,500	2,056,500	-	2,056,500	228,500
KAW 618Z	Mitsub Pajero V31 GLX	2007	3,051,000	2,745,900	2,745,900	-	2,745,900	305,100
KAW 619Z	Mitsub Pajero V31 GLX	2007	3,051,000	2,745,900	2,745,900	-	2,745,900	305,100
KAW 620Z	Mitsub Pajero V31 GLX	2007	3,051,000	2,745,900	2,745,900	-	2,745,900	305,100
KAW 621Z	Mitsub Paj. V76 DIESEL	2007	4,638,000	4,174,200	4,174,200	-	4,174,200	463,800
KBJ 028U	Isuzu Mini Bus	2009	3,629,000	3,266,100	1,959,660	653,220	2,612,880	1,016,120
KBJ 027U	Isuzu Mini Bus	2009	3,629,000	3,266,100	1,959,660	653,220	2,612,880	1,016,120
KBJ 561U	Toyota Corolla	2010	2,525,100	2,272,590	1,363,554	454,518	1,818,072	707,028
KBJ 562U	Toyota Corolla	2010	2,525,100	2,272,590	1,363,554	454,518	1,818,072	707,028
KBJ 662U	Toyota Corolla	2010	2,525,100	2,272,590	1,363,554	454,518	1,818,072	707,028
KBL 234G	Volkswagen Passat 1.8	2010	3,900,000	3,510,000	2,106,000	702,000	2,808,000	1,092,000
KBL 523 G	ISUZU Bus	2011	7,800,000	7,020,000	2,808,000	1,404,000	4,212,000	3,588,000
KBN 565E	Toyota Hiace Micro Bus	2011	4,392,000	3,952,800	1,581,120	790,560	2,371,680	2,020,320
KBN 566E	Toyota Corolla Saloon	2011	2,649,000	2,384,100	953,640	476,820	1,430,460	1,218,540
KBN 568E	Toyota Corolla Saloon	2011	2,649,000	2,384,100	953,640	476,820	1,430,460	1,218,540
KBN 567E	Toyota Corolla Saloon	2011	2,705,625	2,435,063	974,025	487,013	1,461,038	1,244,588
	TOTAL		94,289,199	84,860,279	73,906,547	7,007,206	74,217,859	20,071,340

*These Vehicles were sold during the year.

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Note 5(v) Schedule of Land

Year of Acquisition	L.R. No.	Locality	Acreage	Nature of Ownership	Usage	Cost/Valuation Kshs.
1990	2163	College Campus	16.1 Acres	Lease	Admn. Block & Hostels	5,000,000
1990	9166/VA/25A	Plot A (Academic Village)	108 Acres	Lease	Staff Houses	54,000,000
1990	9166/VA/25B	Plot B	110.74 Acres	Lease	Botanical Garden	20,000,000
1990	9341/47	Siriba Campus	96.5 Acres	Lease	Lecture Halls, Offices & Hostels	50,000,000
1999		Uhanya Beach	0.7 Acres	Freehold	Research Centre	2,328,865
2002	8/26	Kisumu Hotel	2.78 Acres	Lease	Hotel Teaching Facility	42,000,000
2002	11/1	Kisumu Municipality	0.1393 Hac.	Lease	City Campus Library	2,250,000
2006	7/445	KNA Parking Bay	0.3108 Hac.	Lease	Parking Bay	11,243,452
2007	Block 1/18	Vet Farm , Maseno	114.2 Hac.	Lease	Farming	29,100,000
TOTAL						215,922,317

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Note 6 Investment in Treasury Bond

The institution invested on a 9%, 9years Bonds. Interest is paid half yearly.
 This security was retired during the year.

	<u>2013</u> KShs.	<u>2012</u> KShs.
Value	-	10,000,000

Note 7 Biological Assets

	<u>2013</u> KShs.	<u>2012</u> KShs.
	7,419,410	10,339,865

Note 8 Inventories

	<u>2013</u> KShs.	<u>2012</u> KShs.
FARM STOCKS	645,131	2,461,038
BOOKSHOP STORES	294,998	1,010,361
STATIONERY STOCKS	7,480,865	6,333,650
CATERING STORES	2,362,296	20,030,310
MEDICAL STORES	5,411,515	1,542,628
MAINTENANCE STORES	15,602,424	14,809,506
HOSTEL STORES	3,358,074	2,561,629
KISUMU HOTEL STORE	7,435,747	10,591,399
GAMES STORE	1,640,650	1,859,998
VARSITY PLAZA STORE	4,171,863	3,179,263
TOTAL	<u>48,403,563</u>	<u>64,379,781</u>

Note 9 Receivables

	<u>2013</u> KShs.	<u>2012</u> KShs.
SUNDRY & BOOKSHOP DEBTORS	3,007,770	1,011,232
KISUMU HOTEL DEBTORS	15,651,792	17,791,730
HELB	12,426,300	6,646,000
BURSARY AWARDS	8,544,088	
VARSITY PLAZA R.DEBTORS	2,000,776	3,839,635
STAFF DEBTORS	1,876,537	1,993,959
	<u>43,507,263</u>	<u>31,282,556</u>

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	2013 Kshs.	2012 Kshs.
Note 10 Short term Deposits	25,355,963	55,355,963
The university uses short term deposits as a way of investing idle funds. These funds are mobilized to finance Universities operations from time to time.		
KCB Bank Guarantee	2,000,000	2,000,000

Note 11 Bank Balances

	2013 Kshs.	2012 Kshs.
BARCLAYS BANK A/C 1281015	184,524	184,524
STANDARD CHAR. S/A 0152095381800	2,396,249	6,496,999
MAIN CURRENT A/C KCB	(38,627,074)	8,429,813
CAPITAL DEV'T. KCB 132.066.100	1,451,418	614,822
SGS BANK/ IRPS A/C 130.319.742	1,818,164	1,636,510
AICAD RESEARCH A/C 6002572	1,637,507	1,637,507
KISUMU HOTEL A/C 130.490.946	1,943,219	-
CITY CAMPUS S/A 130.490.952	44,454	8,453,392
IGA KCB S/A 132.066.117	376,648	6,262,966
MITC A/C 130.490.923	123,604	456,864
CO-OP. MAIN SAVINGS A/C	1,411,585	1,916,692
VARSITY PLAZA CO-OP. SAVINGS A/C	3,056,793	2,010,395
COOP BANK SONYACO	1,010,725	9,229,106
EQUITY BANK LUANDA	3,489,291	10,984,192
COOP BANK MAIN CAMPUS	464,180	2,572,034
NATIONAL BANK KSM	3,265,944	9,444,055
EQUITY (VARSITY PLAZA ACCOUNT)	675,990	5,448,900
STANDARD CHARTERED 8752524018401	7,063,783	7,237,667
STANDARD CHARTERED 8752524018400	887	3,745,566
STANDARD CHARTERED 0102024018400 (BSU)	1,760,038	946,052
STANDARD CHARTERED 0102024018401	-	-
STANDARD CHARTERED 9352524018401	120,090	-
	(6,331,983)	87,708,056
MAIN PETTY CASH FLOAT	114,970	1,551
KISUMU HOTEL CASH ACCOUNT	1,094,841	-
	1,209,811	1,551
MAIN PETTY CASH FLOAT	-	-
TOTAL CASH AND BANK BALANCES	(5,122,172)	8,709,607

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Note 12 REVENUE RESERVES

As at 30th June 2013

	Revenue Reserves KShs.
Balance as at 01/07/2011	527,801,278
Prior year Adjustment	-
Balance as at 30/06/2011	527,801,278
Surplus/(Deficit) For the Year	<u>(100,103,885)</u>
Balance as at 1/7/2012	427,697,393
As restated	427,697,393
Surplus/(Deficit) for the year	<u>(141,087,784)</u>
Balance as at 30/6/2013	<u>286,609,609</u>

Note 13 Students ' Caution Money

	2013 Kshs	2012 Kshs
Opening Balance	10,164,500	7,471,100
Deposits during the year	<u>4,620,000</u>	<u>5,070,800</u>
	14,784,500	12,541,900
Refunds during the year	<u>(3,155,400)</u>	<u>(2,377,400)</u>
Balance Carried Forward	<u>11,629,100</u>	<u>10,164,500</u>
Refundable within 12 months	3,376,000	1,773,600
Refundable after 12 months	<u>8,253,100</u>	<u>8,390,900</u>
	<u>11,629,100</u>	<u>10,164,500</u>

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Note 14(a) Schedule of Payables

	2013 Kshs.	2012 Kshs.
2204 PAYE	30,183,387	25,659,983
2205 NHIF	395,560	402,520
2206 NSSF	157,641	1,041
2210 BENEVOLENT FUND	7,805,952	7,087,402
2213 UNION DUES	548,824	401,387
2216 OTHER LOANS	22,465,090	20,918,654
2217 MASENO UNIV. SACCO	9,008,617	7,181,352
2220 PENSION PLOTS	656,051	481,257
2221 KISUMU HOTEL CREDITORS	-	3,141,751
2235 VAT -(INPUT)-PAYABLE	-	1,660,859
2237 VAT- KISUMU HOTEL	-	272,896
2400 TRADE CREDITORS	85,275,608	95,161,371
2001 CAUTION MONEY	3,376,000	1,773,600
	159,872,730	164,144,072

	Kshs.	Kshs.
Note 14(b) Provision for audit fees	870,000	750,000

	Kshs.	Kshs.
Note 14(c) Bank Overdraft		
Kisumu Hotel Bank A/c**	-	4,281,090

**The Overdraft was as a result of an Overdrawn Cash book

Note 15 Retirement Benefits Obligation

The University operates a defined contribution retirement benefit scheme for particular all employees. The assets of the scheme are held in a separate trustee administered fund that is funded by contributions from both the University and the Employees. The University's contributions to this scheme are charged to the Income and Expenditure Account in the year to which they relate

Benefits are paid to retiring staff in accordance with scheme rules.

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