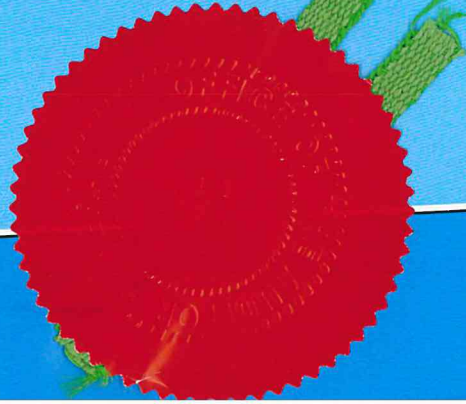




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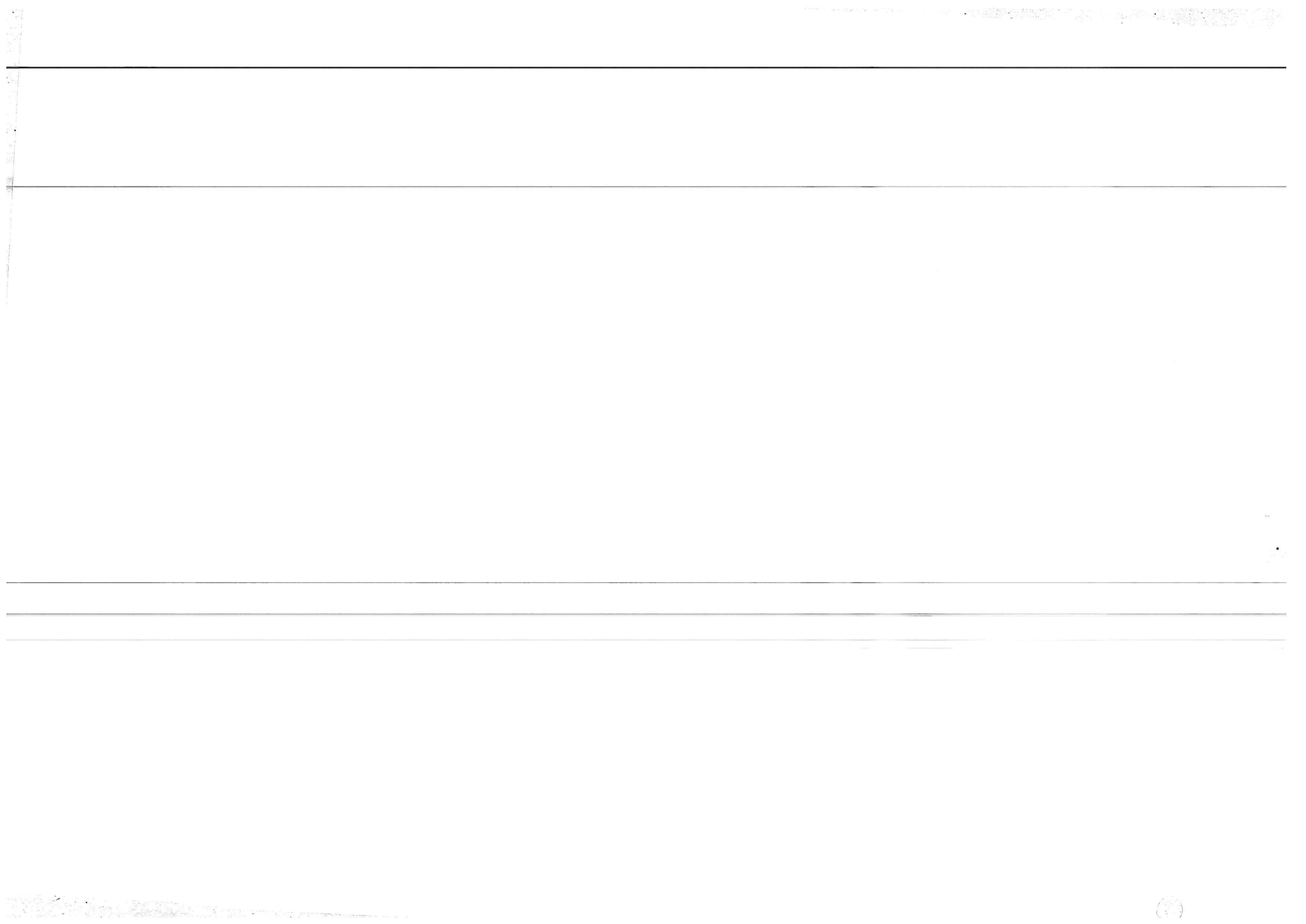
THE AUDITOR-GENERAL

ON

MASENO UNIVERSITY

FOR THE YEAR ENDED  
30 JUNE, 2020









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**MASENO UNIVERSITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020**

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



## 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

- i. 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.
- ii. 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.
- iii. To harness acquired knowledge of the natural, applied and social sciences to manage the environment and to conserve biodiversity.
- iv. To conduct examination for and to grant such academic awards as may be, from time to time, provided for in the statutes
- v. To determine who may teach, what may be taught and how it may be taught in the University
- vi. 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: “**REFQI**”

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

*Maseno University*  
*Annual Report and Financial Statements for the Year Ended 30<sup>th</sup> June, 2020*

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**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background of Maseno University**

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

**b) Principal Activities**

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

**c) Key Management**

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

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

**d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June, 2020 and who had direct fiduciary responsibility were:

| <b>Name</b>                 | <b>Designation</b>            |
|-----------------------------|-------------------------------|
| 1. Prof. Julius O. Nyabundi | Vice-Chancellor               |
| 2.Prof. Catherine A. Muhoma | Deputy Vice-Chancellor(A,F&D) |
| 3.Prof. Mary J. Kipsat      | Deputy Vice-Chancellor(ASA)   |
| 4. Prof. Joseph S. Chacha   | Deputy Vice-Chancellor(PRI)   |
| 5.Mr. Edward M.Kitati       | Finance Officer               |

**Maseno University**  
**Annual Report and Financial Statements for the Year Ended 30<sup>th</sup> June, 2020**

**e) Fiduciary Oversight Arrangements**

Planning, Finance and Investment Committee of the University Council reviewed quarterly financial statements before they were recommended to the University Council for approval.

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

The University Council approved the Budget for FY2019/20 and approved Quarterly Financial Statements before they were submitted to The National Treasury at the end of every quarter of FY2019/2020.

**f) Maseno University Headquarters**

Private Bag, MASENO

Maseno University Head Office - College Campus on Kisumu-Busia Road  
MASENO, KENYA

**g) Maseno University Contacts**

Private Bag MASENO

**Tel:** 057-351622

**FAX:** 057-351221

**email:** [vc@maseno.ac.ke](mailto:vc@maseno.ac.ke)

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

**h) Maseno University Bankers**

Kenya Commercial Bank Ltd  
Kisumu Branch

Standard Chartered Bank Ltd  
Kisumu Branch

Equity Bank Ltd.  
Luanda Branch

**i) Independent Auditors**

Office of the Auditor - General  
Anniversary Towers, University Way  
P O Box 30084-00100  
NAIROBI, KENYA



## II. MEMBERS OF THE UNIVERSITY COUNCIL

| CHAIRMAN OF MASENO UNIVERSITY COUNCIL                                                                                                                |                                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p>Prof. Abdullah Naji Said<br/>BSc(UoN), MSc(UoN), Ph.D.</p>    | <p>Prof. Abdullah Naji Said is a Professor of Animal Nutrition. He formerly served as Chairman of Council, Laikipia University and has also served on the Egerton University Council. He is currently also the chairman of Malindi Museum Society.</p> |
| MEMBER                                                                                                                                               |                                                                                                                                                                                                                                                        |
|  <p>Mr. Edwins Mukabana<br/>BA (UoN), MSc (Westminster)</p>        | <p>Mr. Edwins Mukabana is the Chief Executive Officer of Kenya Bus Service. He has wide experience in transport planning, operation and management.</p>                                                                                                |
| MEMBER                                                                                                                                               |                                                                                                                                                                                                                                                        |
|  <p>Ms. Sophia Abdi Hassan,<br/>BSc ((Maldern), MSc ((Maldern))</p> | <p>Ms. Sophia Abdi Hassan works in the banking industry. She is a specialist in investment, portfolio management and liquidity management.</p>                                                                                                         |

*Maseno University  
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|                                                                                                                                                                                                                                |                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p style="text-align: center;"><b>MEMBER</b></p>  <p style="text-align: center;">Mr. Gerald Kariithi Mira<br/>BA (Moi), MSc (JKUAT)</p>      | <p>Mr. Gerald Kariithi Mira is a practising insurance professional with specialization in Entrepreneurship.</p>                                            |
| <p style="text-align: center;"><b>MEMBER</b></p>  <p style="text-align: center;">Ms. Lucy A. Osmerah<br/>Dip. Ed(KU), BA(UoN), MA(UoN)</p>  | <p>Ms. Lucy A. Osmerah is a consultant and trainer in Financial Management Programmes.</p>                                                                 |
| <p style="text-align: center;"><b>MEMBER</b></p>  <p style="text-align: center;">Mrs. Caroline Nkirote Nyororo<br/>BA (UoN), MBA (UoN)</p> | <p>Mrs. Caroline Nkirote Nyororo is a practising Land Valuer. She is specialised in land Economics, Business Administration and information Technology</p> |



|                                                                                                                                                                                                             |                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>MEMBER</b></p>  <p>Mrs. Ruth Rukunga<br/>BEd (Nairobi), MEd (Leeds)</p>                                            | <p>Mrs. Ruth Rukunga is a Career Educator</p>                                                                                                                                              |
| <p><b>MEMBER</b></p>  <p>Mr. Andrew Rukaria<br/>BA(UoN), MBA(Moi)<br/>Rep. Principal Secretary Ministry of Education</p> | <p>Mr. Andrew Rukaria is Director of Administration in the State Department for Early Learning and Basic Education. He is a career public administrator.</p>                               |
| <p><b>MEMBER</b></p>  <p>Mr. Samuel Kiptorus<br/>BA(UoN), M.A(DAR)<br/>Rep. Cabinet Secretary National Treasury</p>        | <p>Mr. Samuel Kiptorus works in the National Treasury as a Senior Deputy Director Intergovernmental Fiscal Relations. His experience is in Economic Planning and strategic management.</p> |



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



Prof. Julius O. Nyabundi, OGW  
BSc.(UoN), MSc.(UoN), Ph.D.(California, Davis),

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

### III. MANAGEMENT TEAM OF THE UNIVERSITY



Prof. Julius O. Nyabundi, OGW  
BSc.(UoN), MSc.(UoN), Ph.D.(California, Davis),  
**Vice-Chancellor**

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



Prof. Catherine A. Muhoma,  
BEd.(Maseno), M.A, (Maseno) Ph.D.,  
**Deputy Vice-Chancellor(A,F&D)**

Prof. Catherine A. Muhoma, Ph.D. is the Deputy Vice-Chancellor in charge of Administration, Finance and Development.

|                                                                                                                                                                                                  |                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
|  <p>Prof. Mary Kipsat,<br/>BSc(UoN), MSc.(UoN), Ph.D.(Moi)<br/><b>Deputy Vice-Chancellor (ASA)</b></p>         | <p>Prof. Mary Kipsat,PhD.is the Deputy Vice- Chancellor in charge of Academic and Student Affairs.</p>                |
|  <p>Prof. Joseph Chacha,<br/>BSc(UoN)., MSc(UoN).,Ph.D(Ottawa).,<br/><b>Deputy Vice-Chancellor (PRI)</b></p> | <p>Prof. Joseph Chacha, Ph.D. is the Deputy Vice- Chancellor in charge of Partnership, Research, and Innovations.</p> |



*Maseno University  
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|                                                                                                                                                                                                     |                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
|  <p>Mr. Mathew O. Onyango,<br/>BEd (UoN), MEd (Manchester)<br/><b>REGISTRAR (Administration)</b></p>             | <p>Mr. Mathew O. Onyango is the Registrar in charge of Administration and Central Services.</p> |
|  <p>Ms. Christine A. Achola,<br/>B.A(UoN), M.A (Maseno)<br/><b>REGISTRAR (Academic &amp; Student Affairs)</b></p> | <p>Ms. Christine A. Achola is the registrar in charge of Academic and Student Affairs.</p>      |
|  <p>Mr. Raymond E. Ochoggia,<br/>BLS (Loughborough), M.Phil, (Moi) MKLA<br/><b>UNIVERSITY LIBRARIAN</b></p>        | <p>Mr. Raymond E. Ochoggia is the University Librarian.</p>                                     |

|                                                                                                                                                                                                           |                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
|  <p>Mr. Edward M. Kitati,<br/>BSc.(UoN), Msc (UoN), MBA (SEKU), CPA(K)<br/><b>FINANCE OFFICER</b></p>                   | <p>Mr. Edward M. Kitati is the University Finance Officer.</p>                            |
|  <p>Dr. Naphtali OnyukaAroko,<br/>MBCbB (UoN), PgDIH(Berlin) CTM, MPH(Maseno)<br/><b>CHAIRMAN, HEALTH SERVICES</b></p> | <p>Dr. Naphtali OnyukaAroko, is the Acting Chairman Health services in the University</p> |
|  <p>Ms. Joy A. Akinyi<br/>LLB (Moi), PGD (KSL), Dip (KIM), MBA(UoN)<br/><b>LEGAL OFFICER</b></p>                      | <p>Ms. Joy Akinyi is the head of legal services</p>                                       |



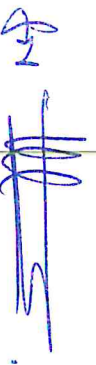
IV. CHAIRMAN'S STATEMENT

I am pleased to present the annual report and financial statements of Maseno University for the year ended 30.06.2020. Maseno University has continually focused on quality teaching, research and outreach activities in fulfilment of its Vision and Mission. The University is on track in the implementation of the 2017-2022 Strategic Plan. The University reviewed the Strategic Plan to align it to the national development priorities provided in the Vision 2030, Medium-Term Plan III and also the "Big four" Agenda in view of the existing economic realities. This enabled prioritisation of projects that are critical to the growth of the University. The University Council is intent in promoting Partnerships and Linkages with its peer institutions and industry; such relationships are central in transforming the University into a truly global institution.

The year 2019/20 marked the fifth year of the implementation of the *Mwongozo*- The Code of Governance for State Corporations. This framework focuses on addressing matters of effectiveness of the Council, transparency and disclosures, accountability, risk management, internal controls, ethical leadership and good corporate citizenship. The Maseno University Council and management is committed to the full implementation of the provisions of the *Mwongozo* code, which takes cognisance of the importance of good corporate governance and citizenship on the development of the Institution and the Community it seeks to serve.

While the University has made great strides in the pursuit of its priorities, it continues to face challenges in terms of constrained financial resources as a result of reduced Government funding and declining pool of Self-Sponsored students. In response, the University operates on a highly constrained budget with little capacity to respond to emerging budgetary dynamics which may challenge continued optimisation of University operations.

On behalf of the University Council, I thank the Government for the support to this end. I also wish to thank the Management and staff for their continued dedication and commitment. I wish to commend the student body for their cooperation and understanding, which has contributed greatly to the stability and growth of the University. Finally, I would take the earliest opportunity to thank our stakeholders for their continued support. With the support of all stakeholders, we look forward to even greater achievements in the coming financial year.



Prof. Abdullah Najisaid, Ph.D.  
Chairman of Maseno University Council



## **V. REPORT OF THE VICE-CHANCELLOR**

It is my great pleasure to once again present the annual report and financial statements of Maseno University for the financial year 2019/2020. Maseno University is committed to its vision and mission as contained in the Strategic Plan 2017-2022.

### **University Financial Performance**

The University closed on 20<sup>th</sup> March, 2020 as part of the Government efforts to contain the Covid-19 pandemic. Consequently the University revenue streams were adversely affected as students left before clearing fees and doing exams. The University has been financing 100% operations and maintenance expenses and 30% payroll costs from internally as government capitation only 70% of payroll costs.

Maseno University's financial performance during the year was still relatively stable despite the constraining financial environment in which the University operated. The Government capitation still remains the University's main source of income contributing 65% of the University revenue, followed by Appropriation in Aid at 32% and research grants at 3% in FY 2019/2020. The Government recurrent capitation in FY2019/2020 was **Kshs.2,151,251,228** made up **Kshs.204,196,000** of supplementary allocation and **Kshs.346,742,267** for salary arrears for the 2017-2021 CBA. Although as at the close of the financial year **Kshs.256,363,067** to cover 2017-2020 CBA had not been received, there was commitment from the Government on settlement of the same.

The key milestones that the university achieved during the year include valuation of university assets and development of a complete asset register, Management Information System (MIS) and network upgrade. The enhancement of the ICT infrastructure is expected to make University efficient and effective in delivering services to students who are our main clients.

### **Statutory compliance**

Despite the financial constraints, Maseno University prioritised and complied with the statutory obligations, including timely remittance of PAYE, NHIF, HELB, SACCO dues, staff pension, and all other staff deductions for the financial year.

### **Development projects**

The development grants received in the year was **Kshs.210,923,487** as per the approved allocation. The funds were utilized to finance a number of development projects. Key amongst them includes the student hostels and tuition block and laboratory complex, all of which are essential to cater for achievement of sustainable quality education.

*Maseno University  
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**Core mandate**

In pursuit of its mandate, Maseno University engaged in various core and support functions within the financial year within its short term objectives. These and other medium term objectives remain the key focus of the University as follows:-

**I. Academic programmes**

Maseno University continuously reviews and develops new programmes in line with the strategic plan, relevance to the job market and towards achieving the vision 2030, and Sustainable Development Goals (SDGs). The School of Medicine developed three programmes in 2019/2020 Financial Year namely; Bachelor of Science in Pharmacy (B. Pharm) that was approved by Pharmacy and Poisons Board and is awaiting Commission for University Education (CUE).

The University is making concerted efforts to ensure implementation of blended teaching and examination in addition to the eCampus in the face of the COVID-19 Pandemic.

**II. Student Welfare**

The University has improved its relationship with the students' body. The needy students are continuously being placed on paid work study programme as per Government Policy. The University established the Office of career services to work on the enhancement of favourable positioning of the University's graduates in the job market.

**III. Research and Development**

Research is a core mandate of the University and therefore, it is mandatory to ensure that the research done is of high quality and relevant. This requires the University to make a concerted effort to gradually improve on the required capacities especially human resource and physical infrastructure. The University has made reasonable strides to put the basic research requirements in place and regularly build the capacity of the researchers on emerging research related issues and specific donor agency requirements for developing grant winning proposals. Researchers have made efforts to develop multidisciplinary proposals in key thematic areas in line with the National Research Priority Strategy, the University Strategic Plan and the University Thematic Research Areas. During the last two quarters of the year to date, the researchers have taken advantage of the lockdown and the emerging Covid-19 grant calls to develop proposals which have been submitted to a number of funding agencies to be considered for funding.

On behalf of the Management and Staff, I wish to thank the Government for their continued support, I also wish to pay tribute to parents, students, local and international partners, and all our stakeholders for their contributions and support during the year. As we move forward, we continue to count on their support in our endeavour to transform Maseno University into a world class University whose Vision is excellence in discovery and dissemination of knowledge.

A handwritten signature in blue ink, reading "Nyabundi 30/09/2020". The signature is stylized and includes the date.

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

**Vice-Chancellor**



**VI. REVIEW OF MASENO UNIVERSITY'S PERFORMANCE FOR FY 2019/20**

Maseno University continuously reviews and develops new programmes in line with the strategic plan, relevance to the job market and towards achieving the vision 2030, and Sustainable Development Goals (SDGs). In compliance with Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012, Maseno University has 11 strategic pillars and objectives within its Strategic Plan 2017/2020.

These strategic pillars are as follows:

1. Provision of quality and relevant academic programmes
2. Enhance access to University education
3. Enhance research output
4. Strengthen and develop new linkages and outreach.
5. Enhance infrastructure development.
6. Attract, develop and retain qualified staff.
7. Strengthen student welfare.
8. Enhance University revenue streams.
9. Enhance University visibility.
10. Strengthen quality assurance and internal control systems.
11. Adapt to sustainable technological and environmental changes.

Maseno University achieved its performance targets set for the FY 2019/2020 period for its strategic pillars, as indicated in the table below:

**TABLE 2 MASENO UNIVERSITY'S PERFORMANCE 2019/20**

|    | <b>Strategic Pillar</b>                                | <b>Objective</b>                                         | <b>Key Performance Indicators</b>               | <b>Activities</b>                                                              | <b>Achievements</b>                                                                                                                                                            |
|----|--------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Provision of quality and relevant academic programmes. | To invest in quality and relevant academic programmes    | 1) Number of new academic programmes accredited | Development and accreditation of academic programmes in the School of Medicine | Three academic programmes developed namely:<br>Bachelor of Science in Pharmacy<br>2. Master of Medicine in Obstetrics and Gynaecology<br>2. Master of Science in Human Anatomy |
| 2. | Enhance access to University education                 | To enhance by 10% annually access to academic programmes | Number of graduands                             | Expansion and diversification of programmes and space                          | Over 3900 students graduated during the year                                                                                                                                   |
| 3. | Enhance research output                                | Increased research output                                | Research facilities in                          | Allocating seed funds for                                                      | Grants for researchers of Kshs.98Million                                                                                                                                       |

| Strategic Pillar | Objective                                                    | Key Performance Indicators                                                                                                           | Activities                                                                              | Achievements                                                                                       |
|------------------|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| 4.               | Strengthen and develop new linkages and outreach.            | Increased linkages and outreaches<br>Policy in place                                                                                 | research<br>Developing and operationalizing partnership, linkages and outreach policies | realised during the year<br>Partnership policy in place, collaborations with neighbouring counties |
| 5.               | Enhance infrastructure development.                          | To develop/upgrade infrastructure in tandem with need<br>Tuition Block completed                                                     | Complete construction of tuition block complex                                          | Tuition block Completed                                                                            |
| 6.               | Attract, develop and retain qualified staff                  | Provide quality education<br>Review recruitment criteria                                                                             | Provision of infrastructure to improve work environment                                 | Adequate work stations provided                                                                    |
| 7.               | Strengthen student welfare.                                  | Provision of robust student welfare system<br>Needs assessment of students psychological needs                                       | Addressing security issues relating to students                                         | Holistically healthy students                                                                      |
| 8.               | Enhance University revenue streams                           | Improve revenue streams<br>Increased revenue from tuition fees payments                                                              | Enhance fee collection.                                                                 | Revenue realized of Kshs.900Million                                                                |
| 9.               | Enhance University visibility.                               | To develop and implement high-end quality academic and research programmes<br>Produce and disseminate annual reports                 | Identify potential reputable partner                                                    | University Visibility in the market                                                                |
| 10               | Strengthen quality assurance and internal control systems.   | To increase capacity for quality assurance and internal control system<br>Sensitization of staff and students                        | Reduced incidences of examination cheating                                              | All staff and students sensitized                                                                  |
| 11.              | Adapt to sustainable technological and environmental changes | Ensure University is in tandem with changing technological and environmental trends<br>Make Maseno University environmental friendly | Collecting data                                                                         | Research study reports                                                                             |



## VII. CORPORATE GOVERNANCE STATEMENT

### Introduction

Maseno University is governed by the University Council. The Universities Act 2012 gives the University Council the necessary powers to oversee the proper management of resources of the University. As per the Universities Act 2012, the Council shall have powers to:-

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

### Corporate Governance Principles

This is the fifth year of the implementation of *Mwongozo*-The Code of Governance for State Corporations. This code was issued by his His Excellency, The President Hon. Uhuru Kenyatta, C.G.H., in January, 2015. Before the issuance of the code, State Corporations did not have a singular document of reference in matters of governance, best practice and good corporate citizenship.

The University has strived to adhere to the corporate governance principles as contained in the *Mwongozo* code. The University is happy to report that a number of activities have been undertaken geared towards compliance with the *Mwongozo* Code.

### Progress of *Mwongozo* Code implementation

Members of the University Council were inducted on the provisions of the *Mwongozo* code. The Board work plan and Board charter were prepared and signed by the Chairman of Council during the year.



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**Council Size, Composition and Appointment**

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

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

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

**Council Remuneration**

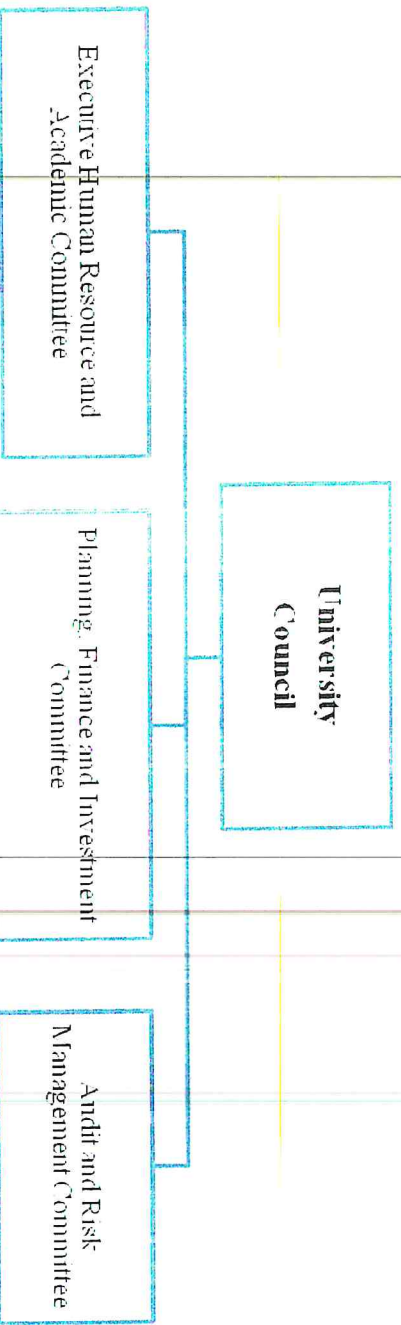
The University Council members other than the Vice-Chancellor do not receive a salary. Instead they are paid a taxable sitting allowance whenever they attend meetings of Council. The Chairman of Council is paid a monthly honorarium as prescribed by the Government. In the year 2019/20, the University spent **Kshs.19,329,256** on sitting allowances and other expenses to Council members, compared to the budget for the year of **Kshs.26,300,000**.

**Council Committees and responsibilities**

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

This is in addition to ensuring that the operations of the University adhere to the existing legislative frameworks and best practice.

The following are the Committees of Council;



### 1. Executive, Human Resource and Academic Committee

The Committee of Council has the following terms of reference;

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

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



## 2 Planning, Finance and Investment Committee

The committee of Council has the following terms of reference;

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

- Receive for consideration and recommendation to Council opening, and/or closing of bank account(s) for the funds of the University;
- Receive, consider and make recommendation to Council on reports of implementation of the University Master Plan bi-annually;
- Receive, consider and submit for Council approval proposals on new projects;
- Review the performance of all ongoing projects and submit reports to Council on a quarterly basis;
- Transact any other business as directed by Council

### **3 Audit and Risk Management Committee**

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

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

*Maseno University  
Annual Report and Financial Statements for the Year Ended 30<sup>th</sup> June, 2020*

**Attendance of Meetings**

The frequency of meetings is provided for by article 8 (1a) of the State Corporations Act which states that; “the Council of every state corporation shall meet not less than four times in every financial year and not more than four months shall elapse between the date of one meeting and the date of the next meeting.” The Maseno University Council meets as per the Council Almanac prepared and approved every year. Special meetings are held as and when necessary. The Maseno University Council works through its various committees which report to the full Council.



### VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The University closed on 20<sup>th</sup> March, 2020 as part of the Government efforts to contain the Covid-19 pandemic. Kisumu Hotel also had to close its doors as part of the directives issued to contain the novel virus. With all students out of Campus since then, and with the closure of Kisumu Hotel, there has been a substantial decline in revenue from exchange transactions realized by the University during the financial year 2019/2020.

#### 1.0 REVENUE

In the year, the total recurrent revenue was **Kshs.3,338,210,812** of which **Kshs.2,151,251,228** was from Government recurrent grants and **Kshs.1,186,959,584** from exchange transactions and research grants. There was a slight decline in revenue from exchange transactions from **Kshs.1,229,734,694** in FY 2018/19 to **Kshs.1,088,232,883** in the FY 2019/20 majorly attributed to the closure of the University and Kisumu Hotel as a result of the Government effort to contain the Covid-19 pandemic.

**Table 1: Revenue streams of the University**

|                                                | 2019/20              | 2018/19              |
|------------------------------------------------|----------------------|----------------------|
|                                                | Kshs                 | Kshs                 |
| Government Capitalation Grants-Recurrent       | 1,600,312,961        | 1,456,316,287        |
| Supplementary Allocation                       | 204,196,000          | -                    |
| Operational Grant - Doctors Allowances Arrears | 90,379,200           | -                    |
| 2017-2021 CBA Arrears                          | 256,363,067          | -                    |
| Research Grants                                | 98,726,701           | 139,433,053          |
| Revenue from exchange transactions             | 1,088,232,883        | 1,229,734,694        |
| <b>TOTAL</b>                                   | <b>3,338,210,812</b> | <b>2,828,425,422</b> |

#### 1.1 Revenue from Non-Exchange Transactions

The Government recurrent capitapion in FY2019/2020 was **Kshs.2,151,251,228** made up **Kshs.204,196,000** of supplementary allocation and **Kshs.346,742,267** for salary arrears for the 2017-2021 CBA and Doctors/ Lecturers Allowances. Although as at the close of the financial year **Kshs.256,363,067** to cover 2017/2020 had not been received, there was commitment from the Government on settlement of the same. In addition the University raised **Kshs.98,726,701** from research grants.

## 1.2 Revenue from Exchange Transactions

The University realized total revenue from exchange transactions of **Kshs.1,088,232,883** made up of **Kshs.899,399,315** tuition fees, **Kshs.118,025,661** net operating income from University enterprises and **Kshs.70,807,907** from other incomes. The decline in revenue from exchange transactions is attributed to the indefinite closure of the University as a result of the Government effort to contain the global Covid-19 pandemic which affected the fourth quarter of the year.

The comparison of revenue performance is shown in the figure below;

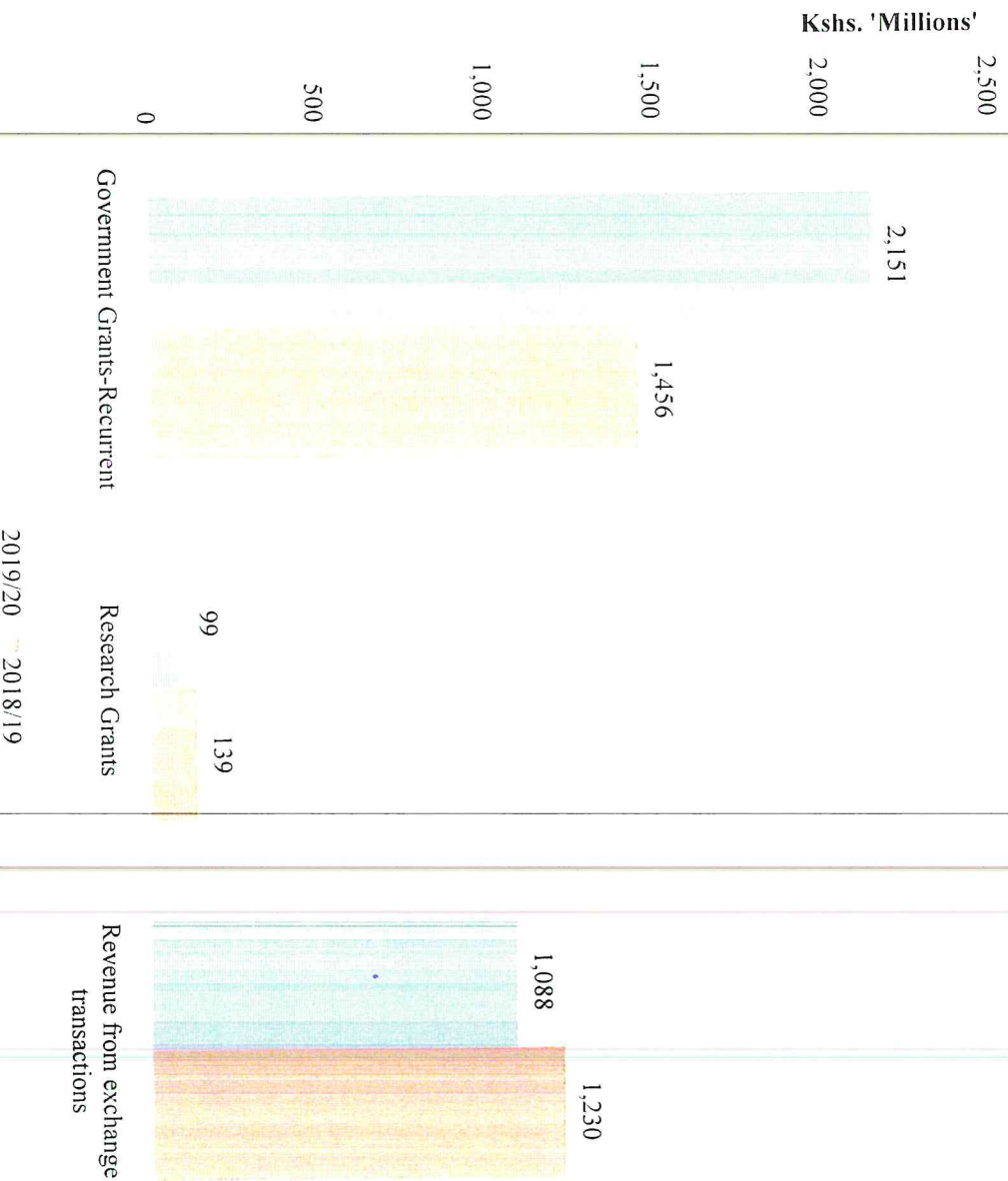


Figure 1 Revenue Performance

**2.0 EXPENDITURE**

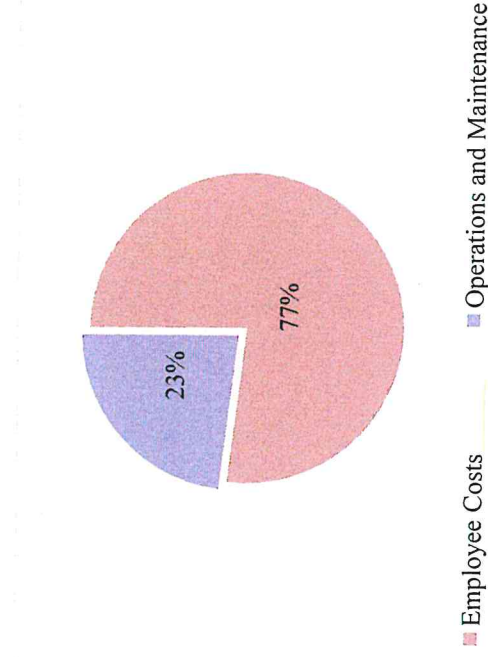
The total expenditure during the year was **Kshs.3,374,710,758** against **Kshs.3,323,894,568** that was incurred in the year 2018/19. The increase is as a result of the recognition of salary arrears.

Overall the University managed to contain its expenses. This is attributable to the cost containment strategies put in place by the University as attention has been given to the key result areas. Among the key measures put in place by the management includes; recruitment against exits only scaling down on casual labour. Further, the University was not operating as a result of the closure occasioned by the Covid-19 pandemic thus students related expenses like teaching costs, hostel and accommodation were not incurred.

**Table 5 Schedule of Total Expenditure**

|                         | 2019/20              | 2018/19              |
|-------------------------|----------------------|----------------------|
|                         | Kshs                 | Kshs                 |
| Employee Costs          | 2,581,036,471        | 2,460,784,123        |
| Council Expenses        | 19,329,256           | 23,667,327           |
| Audit Expenses          | 755,000              | 952,000              |
| Interest on Loan        | 17,161,015           | 11,055,058           |
| Depreciation            | 129,842,480          | 105,326,432          |
| Operations Expenses     | 363,493,612          | 478,609,842,         |
| Repairs and maintenance | 56,377,715           | 24,408,516           |
| University Enterprises  | 57,545,202           | 68,747,816           |
| General expenses        | 149,170,006          | 150,434,454          |
| <b>TOTAL</b>            | <b>3,374,710,758</b> | <b>3,323,894,568</b> |

Employee costs remain the biggest component of expenditure at 77% of total University spending. This is illustrated below;





## 2.1 Employee Cost

The payroll cost for the year was **Kshs.2,581,036,471** while in the FY 2018/19, the payroll costs was **Kshs.2,460,784,123**. The payroll costs were within the budget. The increase in employee cost as compared to same period last year is occasioned by the Government supplementary allocation towards the 2017/21 CBA arrears and doctors allowances.2018/19.

## 5.0 Development Grants and Expenditure

### Development projects

The development grants received in the year was **Kshs.210, 923,487**as per the approved allocation. The funds were utilized to finance a number of development projects. Key amongst them includes the student hostels and tuition block and laboratory complex, all of which are essential to cater for achievement of sustainable quality education.

### Statutory compliance

Despite the financial constraints, Maseno University prioritised and complied with the statutory obligations, including timely remittance of PAYE, NHIF, HELB, SACCO dues, staff pension, and all other staff deductions for the financial year. Where there were challenges, the concerned parties were adequately engaged and agreement reached.

## **IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The University considers sustainability in light of the following;

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

### **Social Sustainability**

#### **Staff Welfare and Development**

The University has been identifying and supporting staff for PhD education. The University has supported academic members of staff in training at Masters and PhD levels on full time both locally and internationally. In addition a number were also granted scholarships through the graduate assistants program. The number of Tutorial Fellows on full scholarships was thirty five (35) members of teaching staff.

#### **Gender Mainstreaming**

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

#### **Mainstreaming of People with Disabilities**

The University has a Department of Special Needs Education in the School of Education to cater for the training with various challenges: audio, visual physical and others. Buildings and other facilities in the University are made user-friendly for students, staff and members of the public for people with those challenges.

#### **Community Engagement**

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

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

Commissioning of hotspots to allow for full Internet access at the University has created an opportunity for staff and students as well as the surrounding community to network, learn, and research and outreach all of which advertise the institution and its programmes.

### **Environmental Sustainability**

The University is committed to promoting the physical environment to ensure sustainability for the current and future generations. In line with the increased significance and increased recognition of the responsibility bestowed on us to protect the environment for posterity; the University has developed a policy on the environment. In this regard a number of programmes have been put in place;

- Marking of the World Environment day
- Maseno University and environs cleaning day
- Maseno University has a tree planting day each year.

These are now part of the University calendar and it's hoped with time that they will be inculcated into the psyche of the Maseno University community.

The University is keen to construct a Sewerage Disposal System to replace the existing one through partnership with the County Government of Kisumu as the population of Maseno has grown tremendously. To this end, the University has allocated Kshs.200Million in the 2019/2020 towards the same.

### **Economic Sustainability**

#### **Innovations in core operations**

Maseno University operates an e-Campus that offers distance learning comfortably. The University also continues to offer undergraduate degree programmes 'with IT'. This is in recognition of the role played by IT not only as a tool at the workplace but as a key resource. The IT skills imparted on the Maseno University graduate are crucial in enabling them stand out at the workplace. These initiatives have enabled the University to grow the student numbers and generate more income internally.

The University supports its post graduate students in their final year of study to conduct research by providing them with funds from the Post-Graduate research fund annual allocation.

The University has mounted a variety of professional courses both at the Main Campus and in Kisumu Campus to further enhance the skills and employability of the youth in the country.

#### **Research and Technology Development**

Research and Technology Development is one of the principal missions of a University. It is for this reason that Maseno University has established the Directorate of Research and Innovations. Its primary objective is to enhance the capacity to undertake research and technology development as well as attracting research funds for various donors both locally and internationally. In doing so, Science and Technology thus has become a powerful tool for fighting poverty, food insecurity and tropical



diseases.

### **Transition from ISO 9001:2008 to ISO 9001:2015 Certification**

The University is committed to continuously improving its processes and systems in line with the ISO 9001:2008 certification. Efficiency and effectiveness are essential for ensuring value for money as the University renders services to all the stakeholders. Maseno University is currently in the process of transiting from ISO9001:2008 to ISO 9001:2015

### **Income Sustainability**

The University is dependent on the Government for all its development grants. The University is keen to grow its internally generated revenue from Tuition fees, University Enterprises and Research to become self-sufficient in terms of recurrent expenditure. The Government funding on recurrent expenditure does not cover the payroll costs for each month, hence the need to grow the internally generated revenues.

### **Going concern status**

The University is a going concern despite the funding gap experienced in the financial year. The University posted a deficit of **Kshs.49,087,933** in the FY 2019/20, the current ratio computed as current assets divided by current liabilities was **1.29:1**. The ratio indicates that the University is a going concern. The University is investing significantly in infrastructure and is not expected to curtail its operations in the coming year on the expectation that there will be support from the Government.

**X. REPORT OF MASENO UNIVERSITY COUNCIL**

The University Council hereby submits the FY2019/2020 report together with the audited financial statements for the year ended June 30, 2020 which shows the state of affairs of Maseno University.

**Principal activities**

Principal activity of Maseno University is to discover, harness, apply, disseminate and preserve knowledge.

**Results**

The results of Maseno University for the year ended June 30<sup>th</sup>, 2020 are set out on pages 1 to 34.

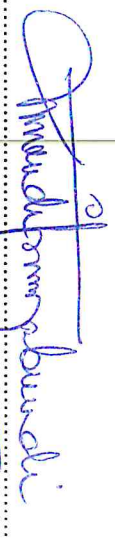
**Maseno University Council**

The members of Maseno University Council who served during the year are shown on pages v to vii. in accordance with Government regulations.

**Auditors**

The Office of the Auditor General is responsible for the statutory audit of Maseno University's financial statements for FY2019/2020 in accordance with section 81 of the Public Finance Management (PFM) Act, 2012.

By order of Maseno University Council



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

**Vice-Chancellor and Secretary to Maseno University Council**

Dated 30/09/2020.

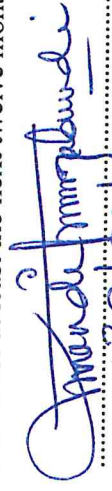
## XI. STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

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

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for the financial year, ended 30<sup>th</sup> June, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that the University's financial statements give a true and fair view of the financial state of affairs of the University for the year ended June 30, 2020, 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 be a going concern for at least the next twelve months from the date of this financial statement.

  
30/09/2020  
Professor Julius O. Nyabundi, Ph.D., OGW

Vice-Chancellor

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30/09/2020  
Professor Abdullah Naji Said, Ph.D.  
Chairman of Maseno University Council



**X. REPORT OF THE INDEPENDENT AUDITORS**



## **REPORT OF THE AUDITOR-GENERAL ON MASENO UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2020**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Maseno University set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, 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 Maseno University as at 30 June, 2020, 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 University Act, 2012.

#### **Basis for Qualified Opinion**

##### **1.0 Unsupported Cash and Cash Equivalents**

The statements of financial position as at 30 June, 2020 and Note 23 to the financial statement reflects cash and cash equivalents balance of Kshs.301,712,753. However, the cash and cash equivalents balance was not supported by board of survey reports hence casting doubt on the accuracy and completeness of the reported balance of Kshs.301,712,753.

Further, the cash and cash equivalents ledger balance of Kshs.369,651,500 had been adjusted to Kshs.301,712,753 resulting in unexplained variances of Kshs.67,938,747, which was not supported with any documentary evidence such journal entries.

Consequently, the validity and accuracy of the cash and cash equivalents balance of Kshs.301,712,753 for the year ended 30 June, 2020 could not be confirmed.

##### **2.0 Unconfirmed Student Debtors**

Included in the student debtors figure of Kshs.191,138,890 at Note 24 to the financial statement is an amount of Kshs.3,652,815 for a total of 129 student debtors whose names appeared on the ledger more than once and had more than one registration number. No explanation was provided for the anomaly.



Consequently, the accuracy and validity of the student debtors of Kshs.191,138,890 as at 30 June, 2020 could not be confirmed.

### **3.0 Un-supported Research Expenses**

The statement of financial performance reflects operating expenses of Kshs.363,493,612 which includes Kshs.68,235,212 for research program which further includes an amount of Kshs.8,084,483 paid as research funds to a consultant from Kisumu County Government. The consultancy was for research costs planning, survey and titling project of Kshs.7,276,034 with the balance of Kshs.808,448 being administrative costs. However, it was not clear how the consultant was identified since the University did not provide the procurement method used to offer the service.

Under the circumstances, the Management is in breach of the law and the propriety of the expenditure of Kshs.8,084,483 for consultancy fee for the period ended 30 June, 2020 could not be confirmed.

### **4.0 Presentation of the Financial Statements**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 did not include reasons for the material over/under collections of revenues and expenditure items as is required by the latest revised template for the regulatory and other Non-Commercial Government owned entities issued by the National Treasury while preparing the financial statements for the year ended 30 June, 2020.

Consequently, the Management was in breach of the IPSAS and the prescribed PSASB template.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Maseno University 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 reflects Kshs.3,861,951,267 in respect to approved revenue budget and actual revenue of Kshs.3,338,210,812 resulting to budget under-realization of Kshs.523,740,455 or 14%.

Similarly, the statement of comparison of budget and actual amounts reflects Kshs.3,855,804,484 in respect to approved expenditure budget and actual expenditure of Kshs.3,374,710,758 resulting to a budget under-expenditure of Kshs.481,093,726 or 21%.



In overall, the under spending of the budget by Kshs.481,093,726 represents equivalent services budgeted for but not delivered to the University.

## 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 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. Non-adherence to Procurement Regulations

During the year under review the University invited prequalified suppliers under the restricted tender for supply and delivery of computers, printers and scanners category to be reserved for special groups.

However, the following unsatisfactory matters were observed: -

According to the statement of professional opinion a total of thirteen (13) firms were invited to bid while a report of the evaluation committee indicated that only five (5) firms were invited and submitted their bids as follows;

| Bidder Name | Amount<br>(Kshs.) | Remarks                                                              |
|-------------|-------------------|----------------------------------------------------------------------|
| Firm 1      | 5,200,000         | Price was not the lowest                                             |
| Firm 2      | 4,400,000         | No Access to Government Procurement Opportunities (AGPO) certificate |
| Firm 3      | 3,500,000         | Speed of card submitted was below the requested speed                |
| Firm 4      | 4,200,000         | No evidence of ICT certificate in Infrastructure                     |
| Firm 5      | 3,300,000         | No evidence of ICT certificate in infrastructure                     |

It was not clear how firm 2, firm 4 and 5 were in the entities data base under this category of prequalified suppliers and yet they lacked some of the mandatory requirements needed under the category.

In addition, firm 5 quoted the least price of Kshs.3,300,000 yet another firm not listed in the table above was awarded the contract at a sum of Kshs.3,840,000 which was higher by Kshs.540,000 compared to the amount quoted by firm 5.

In the circumstances, the University breached the law and no value for money was received.

## 2. Delay in Project Completion

The University entered into contract agreement with a firm on 15 July 2019 for upgrade of Microsoft Navision for a contract sum of Kshs.37,992,100. However, the following unsatisfactory issues were noted;

- i. The contract period was seven (7) weeks from the date of signing (15 July, 2019) however, during the time of audit in January, 2021 the project was not yet complete and no authority for the extension was provided for audit scrutiny.
- ii. The University paid the cost of license fee to the company of Kshs.12,082,560 on 11 September, 2019. However, information available indicates that the license information for the old ERP created on 31 July, 2018 was to expire on 29 May, 2021. It was not clear how the amount was arrived at and why the University had to pay for the new license fee yet the license for the currently implemented (ERP) had not expired.
- iv. The contract agreement indicated a contract sum of Kshs.37,992,100. However, it was not clear how the amount was determined since documents such as technical specifications were not provided for audit review.
- v. The contractor had been paid Kshs.10,363,815 being in respect to submission and approval of a functional system yet the status report as at the month of January, 2021 indicated that some modules had not been completed such as transport/fleet management, farm management, research management, library integration among others.
- vi. The ICT Project implementation requires that ICT Authority Officers be part of the implementation and take up the role of project management for successful completion of the project as per the ICTA Standards. However, there was no indication that the ICT Authority Officers were involved in the project implementation.
- vii. The bond security from an insurance firm of Kshs.800,000 for a period of 150 days (4 Months) from 4 June, 2019 signed on 31 May, 2019 had expired and the work was not complete and the contractor was not on site.

Consequently, the University failed to achieve value for money in the upgrade of Microsoft Navision (ERP) project.

## 3. Staff Ethnic Composition

Review of the staff establishment records of the University revealed that, out of the total number of staff of one thousand one hundred and seventy one (1171), seven hundred and fifty one (751) members of staff representing 64% are from the dominant ethnic community of the area which is against the National Cohesion and Integration Commission Act, 2008 Section 7(1).

Consequently, the Management was in breach of the law.

## 4. Staffs on Contract Employments

Records of the Kisumu Hotel, a unit of the University, staff establishment records, revealed that some employees are either being engaged on renewable contract terms or

as casual for longer periods which are longer than the required period as required by Section 39 of the Employment Act, 2007 (Revised 2012). Some of the employees have been in service of the hotel since 2004 and have not been employed on permanent basis. Consequently, the University was in breach of the law.

#### **5. Non-conformity to a Third of Basic Pay Rule Policy**

The June, 2020 payroll statistics revealed instance where one hundred and forth one (141) officers were earning net salaries which are below one third of the basic salary. This is contrary to Section 19(3) of the Employment Act, 2007.

Consequently, the University was in breach of the law.

#### **6. Non-Compliance with Government Circulars**

The financial statements submitted on 30 September, 2020 indicated that the University had investments in call deposits of Kshs.50,000,000 which were placed in commercial banks contrary to the National Treasury Circular No. 4/2017, Ref: DGIPE/P/100 dated 2 May, 2017 and the Ministry of Education, State Department for University Education, Circular Ref: MST/11/9(32) dated 3 July, 2017 which directed "All State Corporations to invest surplus in Treasury bills/bonds directly through the Central Bank of Kenya without intermediaries and that all maturing investments of surplus funds in fixed deposits in commercial banks/financial institutions should not be rolled over but retired and invested in Treasury bills/bonds."

The University therefore breached the Government Circulars.

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

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Lack of ICT Data Recovery Plan**

During the year under review, a scrutiny of the University Information Security Management Policy Document revealed that the University has no cloud back up but uses portable hard drive which are prone to bugs that can corrupt the system and does not guarantee full recovery of data.



Consequently, the integrity of the IT infrastructure and the IT assets of the University is compromised and data may not be recovered in the event of a disaster.

## **2. Lack of an Annual Environmental Audit Report**

The University did not carry out any follow up reports on past environmental impact assessment reports. Further there was no annual environmental audit undertaken during the year as required by part V Section 34(1) of the Environmental (Impact Assessment Audit) Regulations, 2003.No explanation was provided for this anomaly.

Consequently, the University is in breach of the law.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 University 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.

In preparing the financial statements, Management is responsible for assessing the University's ability to continue 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 money is applied in an effective manner.

The University Council is responsible for overseeing the University 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 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 to continue 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 continue 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

02 February, 2022



**STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 30<sup>th</sup> June, 2020**

|                                                    |    | 2019/20<br>Kshs      | 2018/19<br>Kshs      |
|----------------------------------------------------|----|----------------------|----------------------|
| <b>Revenue from non-exchange transactions</b>      |    |                      |                      |
| Government Capitalation Grants                     | 6  | 1,600,312,961        | 1,456,316,287        |
| Supplementary Allocation                           | 6  | 204,196,000          | -                    |
| Funds Received for Doctors Allowances Arrears      | 6  | 90,379,200           | -                    |
| Funds Receivable to pay CBA 2017-21 Salary Arrears | 6  | 256,363,067          | -                    |
| Research Income                                    | 7  | 98,726,701           | 139,433,053          |
| Insurance Compensation                             | 8  | -                    | 2,941,388            |
|                                                    |    | <b>2,249,977,929</b> | <b>1,598,690,728</b> |
| <b>Revenue from exchange transactions</b>          |    |                      |                      |
| Tuition Fees                                       | 9  | 899,399,315          | 994,070,799          |
| Revenue from University Enterprises                | 10 | 118,025,661          | 167,068,180          |
| Interest income                                    | 11 | 4,329,719            | 1,533,410            |
| Other income                                       | 12 | 66,478,188           | 67,062,305           |
|                                                    |    | <b>1,088,232,883</b> | <b>1,229,734,694</b> |
| <b>Total revenue</b>                               |    | <b>3,338,210,812</b> | <b>2,828,425,422</b> |
| <b>Expenses</b>                                    |    |                      |                      |
| Employee Costs                                     | 13 | 2,581,036,471        | 2,460,784,123        |
| Council Expenses                                   | 14 | 19,329,256           | 23,667,327           |
| Audit Expenses                                     | 15 | 755,000              | 952,000              |
| Interest on Loan                                   | 16 | 17,161,015           | 11,055,058           |
| Depreciation                                       | 17 | 129,842,480          | 105,326,432          |
| Operations Expenses                                | 18 | 363,493,612          | 478,609,842          |
| University Enterprises Expenses                    | 19 | 56,377,715           | 68,747,816           |
| Repairs and maintenance                            | 20 | 57,545,202           | 24,408,516           |
| General expenses                                   | 21 | 149,170,006          | 150,343,454          |
| <b>Total expenses</b>                              |    | <b>3,374,710,758</b> | <b>3,323,894,568</b> |
| <b>Other gains/(losses)</b>                        |    |                      |                      |
| Impairment loss                                    | 22 | (12,587,987)         | (11,649,992)         |
| <b>Deficit for the year</b>                        |    | <b>(49,087,933)</b>  | <b>(507,119,137)</b> |

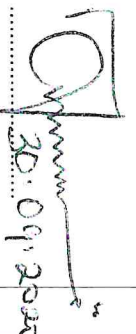
The notes set out on pages 7 to 39 form an integral part of the Financial Statements.

**Maseno University**  
**Annual Report and Financial Statements for the Year Ended 30<sup>th</sup> June, 2020**

**STATEMENT OF FINANCIAL POSITION**  
**As at 30<sup>th</sup> June, 2020**

|                                            | Note   | 2019/20<br>Kshs      | 2018/19<br>Kshs      |
|--------------------------------------------|--------|----------------------|----------------------|
| <b>Assets</b>                              |        |                      |                      |
| <b>Current assets</b>                      |        |                      |                      |
| Cash and cash equivalents                  | 23(i)  | 301,712,753          | 276,269,554          |
| Receivables from exchange transactions     | 24(i)  | 275,998,472          | 271,713,670          |
| Receivables from non-exchange transactions | 24(ii) | 319,806,068          | 63,443,001           |
| Inventories                                | 25     | 63,334,351           | 59,038,401           |
|                                            |        | <b>960,851,644</b>   | <b>670,464,625</b>   |
| <b>Non-current assets</b>                  |        |                      |                      |
| Property, plant and equipment              | 26     | 6,325,001,551        | 2,610,086,001        |
| Intangible Assets                          | 27     | -                    | 4,495,417            |
| Biological Assets                          | 28     | 6,980,800            | 7,786,887            |
|                                            |        | <b>6,331,982,351</b> | <b>2,622,368,305</b> |
| <b>Total assets</b>                        |        | <b>7,292,833,995</b> | <b>3,292,832,931</b> |
| <b>Liabilities</b>                         |        |                      |                      |
| <b>Current liabilities</b>                 |        |                      |                      |
| Payables                                   | 29     | 730,962,748          | 513,616,289          |
| Students Caution Money                     | 30     | 11,562,400           | 11,457,400           |
| Provision for Audit Fees                   | 31     | 2,657,000            | 1,902,000            |
|                                            |        | <b>745,182,148</b>   | <b>526,975,689</b>   |
| <b>Non-current liabilities</b>             |        |                      |                      |
| Students Caution Money                     | 30     | 16,902,400           | 14,489,800           |
| Bank Loan                                  | 32     | 249,484,089          | 100,400,000          |
|                                            |        | <b>266,386,489</b>   | <b>114,889,800</b>   |
| <b>Total Non-Current Liabilities</b>       |        | <b>1,011,568,637</b> | <b>641,865,489</b>   |
| <b>Total liabilities</b>                   |        |                      |                      |
|                                            |        | <b>6,281,265,359</b> | <b>2,650,967,441</b> |
| <b>Net assets</b>                          |        |                      |                      |
| Capital Fund                               |        | 2,873,657,257        | 2,662,733,770        |
| Revaluation Reserve                        | 26(ii) | 3,468,462,363        | -                    |
| Accumulated Surplus                        |        | (60,854,264)         | (11,766,331)         |
|                                            |        | <b>7,292,833,995</b> | <b>3,292,832,931</b> |
| <b>Total net assets and liabilities</b>    |        |                      |                      |

  
 Professor Julius O. Nyabundi, Ph.D., OGW.  
 Vice-Chancellor 30/09/2020

  
 CPA. Joseph W. Omondi  
 Finance Officer (Ag)  
 ICPAK No.: 10898

  
 Professor Abdullah Naji Said, Ph.D.  
 Chairman of University Council

## STATEMENT OF CHANGES IN NET ASSETS

As at 30<sup>th</sup> June, 2020

|                                       | Notes | Capital Fund         |  | Revaluation Reserve  |  | Accumulated surplus |  | Total                |  |
|---------------------------------------|-------|----------------------|--|----------------------|--|---------------------|--|----------------------|--|
|                                       |       | Kshs                 |  | Kshs                 |  | Kshs                |  | Kshs                 |  |
| <b>Balance as at 30 JUNE 2018</b>     |       | 2,382,733,770        |  | -                    |  | 495,352,807         |  | 2,878,086,577        |  |
| Capital grant                         | 6     | 280,000,000          |  | -                    |  | -                   |  | 280,000,000          |  |
| Surplus/(deficit) for the period      |       | -                    |  | -                    |  | (507,119,137)       |  | (507,119,137)        |  |
| Transfers to/from accumulated surplus |       | -                    |  | -                    |  | -                   |  | -                    |  |
| <b>Balance as at 30 JUNE 2019</b>     |       | <b>2,662,733,770</b> |  | <b>-</b>             |  | <b>(11,766,331)</b> |  | <b>2,650,967,439</b> |  |
| Capital grant                         |       | 210,923,487          |  | -                    |  | -                   |  | 210,923,487          |  |
| Revaluation Gain                      | 26    | -                    |  | 3,468,462,363        |  | -                   |  | 3,468,462,363        |  |
| Surplus/(deficit) for the period      |       | -                    |  | -                    |  | (49,087,933)        |  | (49,087,933)         |  |
| Transfers to/from accumulated surplus |       | -                    |  | -                    |  | -                   |  | -                    |  |
| <b>Balance as at 30 JUNE 2020</b>     |       | <b>2,873,657,257</b> |  | <b>3,468,462,363</b> |  | <b>(60,854,264)</b> |  | <b>6,281,265,357</b> |  |

## Nature and Purpose of Reserves

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

During the year, the University carried out a revaluation of all its fixed assets; this gave rise to a revaluation surplus that has been credited to the reserve.



*Maseno University*  
*Annual Report and Financial Statements for the Year Ended 30<sup>th</sup> June, 2020*

| STATEMENT OF CASHFLOWS<br>For the year ended 30 <sup>th</sup> June 2020 |        |                      |                      |
|-------------------------------------------------------------------------|--------|----------------------|----------------------|
|                                                                         | Note   | 2019/20<br>KShs      | 2018/19<br>KShs      |
| <b><u>Cash flow from operating activities</u></b>                       |        |                      |                      |
| Surplus/(Deficit) for the year                                          |        | (49,087,933)         | (507,119,137)        |
| <b><u>Adjustments for non-cash and non-operating activities</u></b>     |        |                      |                      |
| Interest Received                                                       | 11     | (4,329,719)          | (1,533,410)          |
| Depreciation                                                            | 17     | 129,842,480          | 105,326,432          |
| (Increase)/Decrease in Biological assets                                | 28     | 806,087              | 823,513              |
| Provisions - Audit Fees                                                 | 31     | 755,000              | 952,000              |
| Interest Paid                                                           | 16     | 17,161,015           | 11,055,058           |
| Payment of Audit Fees                                                   | 31     | -                    | (1,904,000)          |
| <b>Operating Profit before working capital changes</b>                  |        | <b>95,146,930</b>    | <b>(392,399,545)</b> |
| <b><u>Changes in Working Capital</u></b>                                |        |                      |                      |
| (Increase) / Decrease in Receivables                                    | 24     | (260,647,869)        | (34,950,119)         |
| (Increase) / Decrease in Inventory                                      | 25     | (4,295,951)          | (2,339,685)          |
| Increase / (Decrease) in Payables                                       | 29     | 217,346,459          | 220,014,525          |
| <b>Net changes in working capital</b>                                   |        | <b>(47,597,361)</b>  | <b>182,724,721</b>   |
| <b>Cash Generated from Operations</b>                                   |        | <b>47,549,569</b>    | <b>(209,674,823)</b> |
| <b><u>Cash flow from Investing Activities</u></b>                       |        |                      |                      |
| Interest Received                                                       | 11     | 4,329,719            | 1,533,410            |
| Acquisition of Fixed Assets                                             | 26     | (371,800,250)        | (242,791,638)        |
|                                                                         |        | <b>(367,470,531)</b> | <b>(241,258,228)</b> |
| <b><u>Cash flow from Financing Activities</u></b>                       |        |                      |                      |
| Development grants from GOK                                             | 6      | 210,923,487          | 280,000,000          |
| Loan disbursement net repayments                                        | 32     | 149,084,089          | 100,400,000          |
| Interest Paid                                                           |        | (17,161,015)         | (11,055,058)         |
| Caution Money Refund-Aggregate                                          | 30     | 2,517,600            | 1,835,000            |
|                                                                         |        | <b>345,364,161</b>   | <b>371,179,942</b>   |
| <b>Increase/(Decrease) in Cash &amp; Cash Equivalents</b>               |        | <b>25,443,199</b>    | <b>(79,753,109)</b>  |
| Cash & Cash Equivalent at 1st July 2019                                 |        | 276,269,553          | 356,022,728          |
| Cash & Cash Equivalent at 30th June 2020                                | 23(i)  | <b>301,712,752</b>   | <b>276,269,619</b>   |
| <b>Represented by:</b>                                                  |        |                      |                      |
| Bank balances                                                           | 23(ii) | 301,712,753          | 276,237,573          |
| Cash balances                                                           |        | -                    | 31,980               |
| <b>Cash and cash balances</b>                                           |        | <b>301,712,753</b>   | <b>276,269,553</b>   |

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

For the Year Ended 30<sup>th</sup> June, 2020

|                                                    | Original budget      | Adjustments        | Final budget         | Actual on comparable basis | Performance difference | Performance difference |
|----------------------------------------------------|----------------------|--------------------|----------------------|----------------------------|------------------------|------------------------|
|                                                    | 2019-2020            | 2019-2020          | 2019-2020            | 2019-2020                  | 2019-2020              | 2019-2021              |
| Revenue                                            | Kshs                 | Kshs               | Kshs                 | Kshs                       | Kshs                   | %                      |
| Government Capitation Grants                       | 1,600,313,000        | -                  | 1,600,313,000        | 1,600,312,961              | (39)                   | 0%                     |
| Supplementary Allocation                           | 204,196,000          | -                  | 204,196,000          | 204,196,000                | -                      | 0%                     |
| Funds Received for Doctors Allowances Arrears      | -                    | 90,379,200         | 90,379,200           | 90,379,200                 | -                      | 0%                     |
| Funds Receivable to pay CBA 2017-21 Salary Arrears | -                    | 256,363,067        | 256,363,067          | 256,363,067                | -                      | 0%                     |
| Research Grants                                    | 150,490,109          | -                  | 150,490,109          | 98,726,701                 | (51,763,408)           | -34%                   |
| Tuition Fees                                       | 1,303,401,000        | -                  | 1,303,401,000        | 899,399,315                | (404,001,685)          | -31%                   |
| Other income                                       | 256,808,891          | -                  | 256,808,891          | 188,833,568                | (67,975,323)           | -26%                   |
| <b>Total income</b>                                | <b>3,515,209,000</b> | <b>346,742,267</b> | <b>3,861,951,267</b> | <b>3,338,210,812</b>       | <b>(523,740,455)</b>   | <b>-14%</b>            |
| Expenses                                           |                      |                    |                      |                            |                        |                        |
| Employee Costs                                     | 2,525,754,000        | 346,742,267        | 2,872,496,267        | 2,581,036,471              | 291,459,796            | 10%                    |
| Council Expenses                                   | 26,300,000           | -                  | 26,300,000           | 19,329,256                 | 6,970,744              | 27%                    |
| Audit Expenses                                     | 755,000              | -                  | 755,000              | 755,000                    | -                      | 0%                     |
| Interest On Loan                                   | 20,000,000           | -                  | 20,000,000           | 17,161,015                 | 2,838,985              | 14%                    |
| Depreciation                                       | 129,842,480          | -                  | 129,842,480          | 129,842,480                | -                      | 0%                     |
| Operations Expenses                                | 465,909,125          | -                  | 465,909,125          | 363,493,612                | 102,415,513            | 22%                    |
| University Enterprises Expenses                    | 154,897,929          | -                  | 154,897,929          | 56,377,715                 | 98,520,214             | 64%                    |
| Repairs and maintenance                            | 32,815,320           | -                  | 32,815,320           | 57,545,202                 | (24,729,882)           | -75%                   |
| General expenses                                   | 152,788,363          | -                  | 152,788,363          | 149,170,006                | 3,618,357              | 2%                     |
| <b>Other gains/(losses)</b>                        | <b>3,509,062,217</b> | <b>346,742,267</b> | <b>3,855,804,484</b> | <b>3,374,710,758</b>       | <b>481,093,726</b>     | <b>12%</b>             |
| <b>Surplus / (Deficit) for the period</b>          | <b>6,146,783</b>     | <b>-</b>           | <b>6,146,783</b>     | <b>(49,087,933)</b>        | <b>(42,646,730)</b>    | <b>-694%</b>           |

*Maseno University*  
*Annual Report and Financial Statements for the Year Ended 30<sup>th</sup> June, 2020*

**Explanations of Variances**

**1. Income**

- a) Research Grants- The University did not receive funding for proposals that were submitted by various researchers.
- b) Tuition Income - Due to closure of the University as a result of Covid19, the revenue targets for tuition fees for the year were not met.
- c) Other Incomes- The hotel which is the biggest contributor of other incomes also faced closure as a result of the Government directive to combat the spread for Covid19, hence failure to meet revenue targets

**2. Expenditure**

- a) Council Expenses- There were fewer face to face meetings hence savings in travelling and accommodation component of Council Expenses.
- b) Interest on loan-The University did not receive all the loan proceeds it had projected hence lower expenditure on interest when compared to budget.
- c) Operations expenditure - The University made savings in operations expenditure when compared to budget due to slowdown in activities in the final half of the year
- d) University Enterprises - Closure of the Hotel and the University gave rise to savings in expenditure on this item.
- e) Repair and Maintenance - The University was undertaking the upgrading of its infrastructure that has been run down over the years. In addition, expenditure on these items went towards getting the University ready to reopen in adherence to Ministry of Health Covid19 protocols.

**Explanations of Changes in Budget**

The Government committed **Kshs.90,379,200** and **Kshs.256,363,067** to go towards the payment of Doctors CBA arrears and Staff Salary Arrears for CBA 2017-21. The University therefore adjusted its budget to include these new grants and the corresponding expected expenditure of **Kshs.346,742,267** in employee costs.



**Maseno University**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**Note 1. General Information**

Maseno University is established by and derives its authority and accountability from the Universities Act 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is teaching and research.

**Note 2. Statement of compliance and basis of preparation- IPSAS 1**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University.

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

**Note 3. Adoption of New and Revised Standards**

- i. **Relevant new standards and amendments to published standards effective for the year ended 30<sup>th</sup> June 2020**

| Standard                                          | Impact                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>IPSAS 40:</b><br>Public Sector<br>Combinations | <b>Applicable: 1<sup>st</sup> January 2019</b><br>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 are covered purely under Public Sector combinations as amalgamations. |

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

| Standard                                                                 | Effective date and impact:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>IPSAS 41:</b><br>Financial Instruments                                | <p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> |
| <b>IPSAS 42:</b> Social Benefits                                         | <p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | <p><b>Applicable: 1st January 2022:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |



| Standard                    | Effective date and impact:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                             | instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Other Improvements to IPSAS | <p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p> |

### iii. Early adoption of standards

The University did not early adopt any new or amended standards in year 2020.

### Note 4. Significant judgments and sources of estimation uncertainty - IPSAS 1

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

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

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

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



- a) The classification of financial assets;
- b) The going concern
- c) Useful lives and residual values
- d) Provisions (Additional disclosure of these estimates of provisions is included in **Note 31**)

#### **Note 5. Summary of significant accounting policies**

##### **a) Revenue recognition**

##### **Revenue from non-exchange transactions- IPSAS 23**

Revenues from non-exchange transactions (Government grants) are measured at fair value and recognized on obtaining control of the asset with the exception of cases where from past experience it is more likely than not the University will obtain control of the asset. In such a case the revenue is recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the University and the fair value of the asset can be measured reliably.

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

##### **Revenue from exchange transactions- IPSAS 9**

##### **Rendering of services- Tuition Fees**

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

##### **Other Revenues from Exchange Transactions**

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

##### **b) Budgetary information (IPSAS 24)**

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

##### **c) Investment property- IPSAS 16**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes 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.

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

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

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.

Land

- not depreciated as it is deemed to have an indefinite life

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**e) Leases- IPSAS 13**

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

**f) Intangible assets - IPSAS 31**

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

**g) Biological Assets - IPSAS 27**

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

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

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

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

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

**g) Financial instruments- IPSAS 29**

**Financial assets**

**Initial recognition and measurement**

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

**Receivables**

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



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

## **Financial liabilities**

### **Initial recognition and measurement**

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

### **h) Inventories- IPSAS 12**

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

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

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

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

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**i) Provisions- IPSAS 19**

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

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

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

**j) Changes in accounting policies and estimates- IPSAS 3**

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

**k) Employee benefits- IPSAS 25**

**Retirement benefit plans**

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

**l) Foreign currency transactions- IPSAS 4**

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

**m) Borrowing costs- IPSAS 5**

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

**n) Related parties- IPSAS 20**

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

**o)Cash and cash equivalents**

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

**p) Comparative figures**

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

**q) Financial Risk Management**

**Objectives and Policies**

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

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

**r)Subsequent events - IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.



## Note 6. Transfers from Government

|                                                    | 2019/20<br>KShs.     | 2018/19<br>KShs.     |
|----------------------------------------------------|----------------------|----------------------|
| <b>Unconditional grants</b>                        |                      |                      |
| Operational grant- Capitation                      | 1,600,312,961        | 1,456,316,287        |
| Supplementary Allocation                           | 204,196,000          | -                    |
| Funds Received for Doctors Allowances Arrears      | 90,379,200           | -                    |
| Funds Receivable to pay CBA 2017-21 Salary Arrears | 256,363,067          | -                    |
|                                                    | <b>2,151,251,228</b> | <b>1,456,316,287</b> |
| <b>Conditional grants</b>                          |                      |                      |
| Development grant                                  | 210,923,487          | 280,000,000          |
|                                                    | <b>210,923,487</b>   | <b>280,000,000</b>   |
|                                                    | <b>2,362,174,715</b> | <b>1,736,316,287</b> |
| <b>Total government grants and subsidies</b>       |                      |                      |
| Government grants and subsidies - Capital          | 210,923,487          | 280,000,000          |
| Government grants and subsidies - Operating        | 2,151,251,228        | 1,456,316,287        |
| <b>Total government grants and subsidies</b>       | <b>2,362,174,715</b> | <b>1,736,316,287</b> |

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

## Note 7. Research Grants

|                         | 2019/20<br>KShs.  | 2018/19<br>KShs.   |
|-------------------------|-------------------|--------------------|
| K-LIP Consultancy Funds | -                 | 3,096,100          |
| Research grants         | 98,726,701        | 136,336,953        |
|                         | <b>98,726,701</b> | <b>139,433,053</b> |

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

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**Note 8. Insurance Compensation**

|                        | 2019/20 | 2018/19   |
|------------------------|---------|-----------|
|                        | KShs.   | KShs.     |
| Insurance Compensation | -       | 2,941,388 |

**Note 9. Tuition Fees**

|                                        | 2019/20            | 2018/19            |
|----------------------------------------|--------------------|--------------------|
|                                        | KShs.              | KShs.              |
| <b>Tuition Fees Incomes</b>            |                    |                    |
| KUCCPS - Tuition Fees                  | 359,798,734        | 446,231,404        |
| Direct Entry - Tuition Fee             | 243,390,533        | 257,363,000        |
| Postgraduate Fees                      | 25,256,610         | 5,448,900          |
|                                        | <b>628,445,877</b> | <b>709,043,304</b> |
| Kisumu Campus Tuition fees             | <b>255,266,922</b> | <b>261,050,843</b> |
| E-campus                               | 14,591,516         | 21,194,152         |
| Collaborations (LAT, RIBM, KISE)       | 1,095,000          | 2,782,500          |
|                                        | <b>15,686,516</b>  | <b>23,976,652</b>  |
| <b>Total Revenue from Tuition Fees</b> | <b>899,399,315</b> | <b>994,070,799</b> |

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**Note 10. Revenue from University Enterprises**

|                                               | 2019/20<br>KShs.   | 2018/19<br>KShs.   |
|-----------------------------------------------|--------------------|--------------------|
| Bookshop sales                                | 652,103            | 8,058,486          |
| Farm Sales                                    | 3,132,547          | 11,026,572         |
| Kisumu Hotel Restaurant sales                 | 52,522,852         | 72,670,462         |
| Kisumu hotel bar sales                        | 9,473,510          | 12,347,826         |
| Hotel and Stationery sales                    | 1,285,700          | 1,675,600          |
| Kisumu Hotel equipment Hire                   | 1,308,100          | 882,112            |
| Kisumu Hotel Laundry Charges                  | 1,033,865          | 924,035            |
| Kisumu Hotel - Hall Hire                      | 2,084,600          | 1,754,420          |
| Kisumu Hotel swimming pool charges            | 471,110            | 809,450            |
| Kisumu hotel Airtime Sales & Misc             | 247,642            | 449,803            |
| Kisumu Hotel - Room Income                    | 17,857,967         | 26,758,100         |
| Varsity Plaza Restaurant                      | 2,338,722          | 3,189,232          |
| City Campus cafeteria                         | 1,636,050          | 2,025,700          |
| Catering Food Sales                           | 6,483,847          | 7,730,678          |
| I.G.A. - Tent Food Sales                      | 1,644,783          | 1,613,270          |
| Varsity Plaza rental                          | 15,852,263         | 15,152,434         |
| <b>Total of University Enterprises Income</b> | <b>118,025,661</b> | <b>167,068,180</b> |

**Note 11. Interest Income**

|                 | 2019/20<br>KShs. | 2018/19<br>KShs. |
|-----------------|------------------|------------------|
| Interest Income | 4,329,719        | 1,533,410        |
|                 | <b>4,329,719</b> | <b>1,533,410</b> |

The University earned **Kshs.4,329,719** from Term deposits held with Equity Bank and KCB during the year.

Further disclosures on this can be found in **Note 23.**



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**Note 12. Other Incomes**

|                                         | 2019/20<br>KShs.  | 2018/19<br>KShs.  |
|-----------------------------------------|-------------------|-------------------|
| Accommodation Fees                      | 35,370,900        | 33,382,600        |
| Student fines and damages               | -                 | 2,322,400         |
| Convocation Fees                        | 17,924,400        | 13,902,600        |
| Direct Entry Form Sales                 | -                 | 171,200           |
| House Rent Income                       | 5,253,500         | 6,017,750         |
| Imprest Under Exp.                      | 1,041,623         | 1,115,880         |
| Salary Pay In lieu of notice            | -                 | 29,145            |
| Staff Surcharge/Fines                   | 1,267,410         | -                 |
| Tender Document Sales                   | 20,000            | 4,000             |
| Library Fines & Books Disposal          | 50,880            | 81,967            |
| Misc Income                             | 1,685,901         | 2,871,490         |
| Water Sales                             | 168,750           | 184,000           |
| Misc.Income-Health                      | 32,170            | 23,630            |
| Sale Of Postgrad. Forms                 | 123,500           | 162,000           |
| Other Incomes                           | -                 | 3,791,046         |
| T.P. Lesson Plan                        | 59,000            | 830,710           |
| Library Binding Services                | 385,850           | 485,300           |
| Cyber Cafe Income                       | 11,874            | 91,612            |
| Disposal Catalogue                      | 28,000            | -                 |
| Ethical Review Charges                  | 3,054,430         | 1,594,975         |
| <b>Total revenue from Other incomes</b> | <b>66,478,188</b> | <b>67,062,305</b> |

## Note 13. Employee costs

|                                               | 2019/20<br>KShs.     | 2018/19<br>KShs.     |
|-----------------------------------------------|----------------------|----------------------|
| Basic Emoluments                              | 1,045,265,966        | 1,036,771,411        |
| House Allowance                               | 451,883,128          | 464,914,607          |
| Car Allowance + non-use of official car       | 24,930,129           | 26,437,893           |
| Entertainment allowance                       | 22,046,161           | 21,840,567           |
| Responsibility Allowance                      | 32,099,986           | 36,920,642           |
| Telephone Allowance                           | 9,061,144            | 9,768,963            |
| Water & Electricity Allowance                 | 6,310,638            | 6,224,937            |
| Acting allowance                              | 1,728,137            | 2,184,636            |
| Special Duty Allowance                        | 668,182              | 332,647              |
| Co-ordination Allowance                       | -                    | 4,855,413            |
| Over recovery refund                          | -                    | 471,468              |
| Non-practicing allowance                      | 20,963,242           | 20,636,000           |
| Book Allowance                                | 6,558,376            | 6,803,442            |
| Leave Allowance                               | 8,617,793            | 8,887,825            |
| Commuting allowance                           | 190,978,965          | 194,555,942          |
| Risk Allowance                                | 9,462,412            | 9,357,000            |
| Passage and Baggage allowance                 | 517,440              | 102,361              |
| Gratuity & Retirement Benefits                | 220,486,843          | 299,648,904          |
| Part-time Teaching Payments                   | 99,851,705           | 168,928,136          |
| Examination coordination                      | 4,619,534            | 28,800               |
| Thesis Examination                            | 1,527,797            | 5,062,000            |
| Domestic workers                              | 2,700,000            | 2,700,000            |
| Casual Wages                                  | 19,917,541           | 18,653,215           |
| Other Allowances- Extraneous allowance        | 38,550,858           | 36,654,500           |
| Call Allowance                                | 11,900,226           | 11,784,000           |
| MUERC Allowances                              | 1,013,000            | 596,075              |
| Management Support Allowance                  | 2,635,000            | 2,835,000            |
| Doctors Allowances CBA Arrears                | 90,379,200           | -                    |
| CBA 2017-21 Salary Arrears (Accrued)          | 256,363,067          | -                    |
| Employer Pension Contribution (2013/2017 CBA) | -                    | 62,827,739           |
| <b>Total Employee Costs</b>                   | <b>2,581,036,471</b> | <b>2,460,784,123</b> |

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**Note 14. Council Expenses**

|                            | 2019/20<br>KShs.  | 2018/19<br>KShs.  |
|----------------------------|-------------------|-------------------|
| Council Expenses           | 18,285,256        | 22,023,327        |
| Council Chairman Honoraria | 1,044,000         | 1,044,000         |
| Chancellor's Honorarium    | -                 | 600,000           |
|                            | <b>19,329,256</b> | <b>23,667,327</b> |

**Note 15. Audit Fees**

The University has provided for **Kshs.755,000** as audit fees expense in the current year. This is as per the approved budget.

**Note 16. Interest on Loan**

The University has a loan facility from Equity bank. During the year the University paid **Kshs.17,161,015** as interest. Further disclosures on the loan facility are contained in Note 32.

**Note 17. Depreciation and amortization expense**

|                               | 2019/20<br>KShs.   | 2018/19<br>KShs.   |
|-------------------------------|--------------------|--------------------|
| Buildings                     | 68,942,169         | 53,497,707         |
| Motor Vehicles                | 18,081,270         | 9,208,983          |
| Plant and Equipment           | 20,281,828         | 32,174,211         |
| Furniture and Fittings        | 13,960,444         | 5,950,113          |
| Computers                     | 4,081,352          | -                  |
| Management Information System | 4,495,417          | 4,495,417          |
| <b>Total depreciation</b>     | <b>129,842,480</b> | <b>105,326,432</b> |

**Note 18. Operations expenses**

|                                | 2019/20<br>KShs. | 2018/19<br>KShs. |
|--------------------------------|------------------|------------------|
| Stationery & Stores            | 36,808,154       | 22,060,686       |
| Travelling & Accommodation     | 10,329,836       | 14,570,993       |
| Teaching materials             | 272,808          | 1,543,566        |
| Computer Materials             | 171,040          | 119,500          |
| Committee Expenses             | 83,295           | 25,980           |
| Office Entertainment           | 1,281,140        | 1,367,079        |
| Field Trips/Industrial Attach. | 2,909,020        | 14,012,176       |



|                                            | 2019/20<br>KShs. | 2018/19<br>KShs. |
|--------------------------------------------|------------------|------------------|
| Supply of Electricity                      | 30,666,204       | 27,267,550       |
| Students Welfare & Games                   | 98,900           | 2,534,162        |
| Students Activity                          | 11,047,685       | 23,928,514       |
| Purchase of Cleaning Materials             | 3,073,200        | 6,542,060        |
| Telephone Expenses                         | 3,420,710        | 2,980,296        |
| Legal Expenses & Fees                      | 1,185,598        | 8,978,287        |
| Advertising & Publicity                    | 1,068,144        | 8,173,809        |
| Contingency Fund                           | 66,970           | 335,350          |
| Senate Expenses                            | 1,023,000        | 2,000            |
| Postal & Telegram Expenses                 | 24,900           | 15,450           |
| Transport Operating- Fuel & Generator fuel | 16,202,942       | 13,060,281       |
| Transp. Oper. Exp-Tyres                    | 1,167,395        | 5,391,770        |
| External Travel                            | 1,234,795        | 2,283,516        |
| Rent & Rates                               | 328,861          | 1,652,361        |
| Insurance Related Expenses                 | 887,636          | 11,858,880       |
| Water Bill Charges                         | 9,831,151        | 12,329,768       |
| Laboratory Reagents                        | 1,089,531        | 1,663,896        |
| Fuel for Boilers & Generators              | -                | 2,148,323        |
| Cooking Fuel/Gas                           | 2,327,100        | 3,941,588        |
| Bank Charges                               | 668,749          | 606,572          |
| Hired Security Services                    | 70,115,480       | 65,461,591       |
| Sanitary Expenses                          | 1,851,824        | 781,430          |
| Examination Material                       | 80,000           | 2,585,516        |
| Teaching Practice Expenses                 | 1,464,100        | 8,100,990        |
| Purch. of Library Books                    | 3,751,655        | 15,010,674       |
| Purch. of Periodicals                      | -                | 223,600          |
| Library Management System license renewal  | 1,020,000        | -                |
| Post Graduate Expenses                     | 2,953,872        | 2,759,713        |
| Research Operation & Outreach              | 2,450            | 2,525,830        |
| Research Programme                         | 68,235,212       | 110,828,388      |
| Admission Related Expenses                 | 101,000          | 683,850          |
| Alumni Expenses                            | 92,000           | 21,000           |
| Bindery Material                           | 16,960           | 816,050          |
| External Examiners                         | 3,973,485        | 2,154,245        |
| Uniforms & Clothing                        | 9,889            | 1,159,950        |
| Licences & Fees                            | 40,963           | 19,150           |
| Cutlery and Kitchenware                    | -                | 389,739          |
| IGA - Purch of Food                        | 34,954,803       | 37,452,720       |

|                                  | 2019/20<br>KShs.   | 2018/19<br>KShs.   |
|----------------------------------|--------------------|--------------------|
| Review of curriculum             | 52,500             | 202,000            |
| Course Development Expenses      | -                  | 695,900            |
| Offshore Moodle Hosting          | 1,132,500          | 213,020            |
| Renewal of Driving Licence       | 2,900              | 1,400              |
| e- Campus Expenses               | 509,900            | 3,184,421          |
| Internet Services                | 33,502,160         | 26,729,857         |
| Calibration Of equipment         | 457,295            | 2,689,355          |
| Broadcasting Frequency - License | 30,000             | -                  |
| Community Health Attachment      | 1,826,300          | 4,035,040          |
| RIBM Expenses                    | -                  | 411,600            |
| IAT Expenses                     | 47,600             | 78,400             |
|                                  | <b>363,493,612</b> | <b>478,609,842</b> |

**Note 19. University Enterprises Expenses**

|                                      | 2019/20<br>KShs.  | 2018/19<br>KShs.  |
|--------------------------------------|-------------------|-------------------|
| Animal Feeds                         | 10,670,575        | 5,696,804         |
| Livestock Drugs                      | 9,000             | 66,000            |
| Crop Inputs and Land preparation     | 260,054           | 44,000            |
| Farm Maintenance                     | 288,000           | 93,270            |
| Vertinery Services                   | 18,563            | 71,500            |
| Casual Wages - Farm                  | -                 | 3,544,847         |
| Kisumu Hotel Purch. of Food          | 15,324,970        | 19,321,570        |
| Ksm Hotel Bar Purchases              | 4,703,280         | 4,940,475         |
| Kisumu Hotel Card Costs              | 45,270            | 4,140             |
| Kisumu Hotel Accommodation Transfers | 648,000           | 56,000            |
| Catering Levy - Kisumu Hotel         | 1,462,463         | 2,365,436         |
| Kisumu Hotel - Expenses              | 22,483,001        | 26,270,276        |
| Bookshop purchases                   | 464,539           | 6,273,498         |
|                                      | <b>56,377,715</b> | <b>68,747,816</b> |

**Note 20. Repairs and maintenance**

|                                      | 2019/20<br>KShs.  | 2018/19<br>KShs.  |
|--------------------------------------|-------------------|-------------------|
| Maint. of Office Equipment           | 1,251,440         | 1,262,857         |
| Maint-Water Supply/Sewerage          | 1,554,080         | 618,400           |
| Maint-Office Buildings               | 28,612            | 10,961,618        |
| Maintenance of Grounds               | -                 | 65,025            |
| Repair & Maintenance of Generator    | 111,640           | 1,204,312         |
| Minor Works & Construction           | 49,500,961        | 7,294,802         |
| Main. Of Plant & Equip.              | 4,978,469         | 2,535,130         |
| Transport Oper. Exp. Repairs         | 120,000           | -                 |
| Lecture Halls Maintenance            | -                 | 466,372           |
| <b>Total repairs and maintenance</b> | <b>57,545,202</b> | <b>24,408,516</b> |

**Note 21. General expenses**

The following are included in general expenses:

|                                     | 2019/20<br>KShs. | 2018/19<br>KShs. |
|-------------------------------------|------------------|------------------|
| Purchase of Drugs                   | 20,615,479       | 17,199,671       |
| Payment of Medical Bills.           | 41,865,525       | 47,722,097       |
| Dental Optical Services             | 3,279,644        | 5,720,482        |
| Staff Developments                  | 882,870          | 830,990          |
| Seminars & Conferences              | 547,950          | 567,650          |
| Shows & Exhibitions                 | 1,720,900        | 3,446,471        |
| Staff Welfare – Misc                | 1,133,402        | 1,379,612        |
| Fee waiver benefit                  | 1,103,000        | -                |
| Graduation Expenses                 | 8,643,160        | 13,041,916       |
| Kenya Music Festival                | 1,117,200        | 984,600          |
| Glassware and Consumables           | -                | 2,169,048        |
| Capacity/ Building Trainers         | -                | 222,000          |
| PGDE- Teaching Expenses             | 707,600          | 896,440          |
| PGDE- TP Supervision                | 369,200          | -                |
| Planning Studio                     | -                | 447,500          |
| Students Smart Identification Cards | 4,535,500        | -                |
| KUCCPS Expenses                     | 12,724,500       | 4,433,870        |
| CUE Expenses - Quality Assurance    | -                | 10,025,100       |
| Accreditation of New Programs - CUE | 280,000          | 2,085,147        |
| Development of new programmes       | -                | 513,600          |
| Subscriptions & Journal             | 630,000          | 1,927,000        |
| Varsity Plaza - Expense             | -                | 363,850          |
| Disposal Expenses                   | -                | 9,340            |
| Honorarium                          | 850,668          | -                |



|                                                      |                    |                    |
|------------------------------------------------------|--------------------|--------------------|
| ICT Development                                      | 172,000            | 1,450,000          |
| ISO Certification Expenses                           | 144,000            | 1,294,340          |
| Strategic Plan Expenses                              | -                  | 939,300            |
| Corporate Subscriptions                              | 2,271,146          | 1,711,700          |
| Professional Membership Fees                         | 194,035            | 1,416,170          |
| Disability Mainstreaming Expenses                    | -                  | 498,530            |
| Extraneous Expenses                                  | -                  | 1,838,121          |
| Network Access & Expansion                           | -                  | 7,284,083          |
| Cuisine Day                                          | -                  | 674,619            |
| Performance Contract Expenses                        | 764,000            | 67,150             |
| Laundry and Housekeeping                             | 571,835            | 1,201,475          |
| Software Development & Licence                       | 375,000            | 378,000            |
| Valuation of Assets                                  | 38,068,100         | -                  |
| Prior Year Period expenses committed in current year | 4,797,205          | 17,173,039         |
| Loss on Biological Assets                            | 806,087            | 430,543            |
| <b>Total general expenses</b>                        | <b>149,170,006</b> | <b>150,343,454</b> |

**Note 22. Impairment Loss**

|                                              | 2019/20<br>KShs.  | 2018/19<br>KShs.  |
|----------------------------------------------|-------------------|-------------------|
| Allowance for Impairment loss on receivables | 12,587,987        | 11,649,992        |
|                                              | <b>12,587,987</b> | <b>11,649,992</b> |

Further disclosures on this item are in **Note 24.**

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**Note 23. Cash and cash equivalents**

|                                        | 2019/20            | 2018/19            |
|----------------------------------------|--------------------|--------------------|
|                                        | KShs.              | KShs.              |
| Bank Balances and Guarantee            | 301,712,753        | 226,237,573        |
| Cash                                   | -                  | 31,980             |
| Short term Deposits                    | -                  | 50,000,000         |
| <b>Total cash and cash equivalents</b> | <b>301,712,753</b> | <b>276,269,554</b> |
|                                        | <b>2019/20</b>     | <b>2018/19</b>     |
|                                        | KShs.              | KShs.              |
| Cash in bank held in;                  |                    |                    |
| Equity Bank Kenya                      | 134,867,534        | 132,559,128        |
| Standard Chartered Bank                | 82,830,692         | 43,259,400         |
| Kenya Commercial Bank                  | 84,014,528         | 47,319,045         |
| Bank Guarantee with KCB                | -                  | 3,100,000          |
| <b>Total Cash in Bank</b>              | <b>301,712,753</b> | <b>226,237,573</b> |

Cash balances held in foreign currency have been reported using the closing exchange rate by Central Bank and respective banks. Further disclosures are contained in Note 37.

**Note 24. Receivables**

**i) From exchange transactions**

|                                  | 2019/20            | 2018/19            |
|----------------------------------|--------------------|--------------------|
|                                  | KShs.              | KShs.              |
| <b>Current trade receivables</b> |                    |                    |
| Kisumu Hotel Debtors             | 49,441,994         | 43,036,451         |
| Varsity Plaza Rent Debtors       | 9,554,513          | 17,824,444         |
| Bookshop Debtors                 | 1,624,333          | 3,275,085          |
|                                  | <b>60,620,840</b>  | <b>64,135,980</b>  |
| Less: Impairment Allowance       | (3,031,042)        | (3,206,799)        |
|                                  | <b>57,589,798</b>  | <b>60,929,181</b>  |
| Student Debtors                  | 191,138,890        | 168,863,858        |
| Less: Impairment Allowance       | (9,556,945)        | (8,443,193)        |
|                                  | <b>181,581,946</b> | <b>160,420,665</b> |
| <b>Total trade receivables</b>   | <b>239,171,744</b> | <b>221,349,846</b> |

Impairment assessment has been done on trade debtors and an allowance of 5% of total receivables outstanding provided in report for FY 2019/20.

Reconciliation of allowance for impairment of receivables

|                     | Current Receivable |             | Non-Current | Total       |
|---------------------|--------------------|-------------|-------------|-------------|
|                     | Trade              | Student     | Receivable  |             |
|                     | Receivables        | Receivables |             |             |
|                     | KShs.              | KShs.       | KShs.       | KShs.       |
| At 30 June 2018     | 7,603,210          | 347,105,634 | -           | 354,708,844 |
| Charge for the Year | 3,206,799          | 8,443,193   | -           | 11,649,992  |
| At 30 June 2019     | 10,810,009         | 355,548,827 | -           | 366,358,836 |
| Charge for the Year | 3,031,042          | 9,556,945   | -           | 12,587,987  |
| At 30 June 2020     | 13,841,051         | 365,105,771 | -           | 378,946,822 |

|                                                     | 2019/20            | 2018/19            |
|-----------------------------------------------------|--------------------|--------------------|
|                                                     | KShs.              | KShs.              |
| Current Non-Trade receivables                       |                    |                    |
| Sundry Debtors                                      | 5,434,709          | 9,592,437          |
| Prepaid insurance                                   | 11,241,975         | 3,634,542          |
| Imprest Outstanding                                 | 5,194,270          | 9,892,890          |
| Advances to MURBS                                   | 4,611,334          | 6,471,630          |
| Advances to Tom Mboya University                    | 10,344,439         | 20,772,325         |
| <b>Total non-trade receivables</b>                  | <b>36,826,727</b>  | <b>50,363,824</b>  |
| <b>Total Receivables from exchange transactions</b> | <b>275,998,472</b> | <b>271,713,670</b> |

(ii) From non-exchange contracts

|                                              | 2019/20            | 2018/19            |
|----------------------------------------------|--------------------|--------------------|
|                                              | KShs.              | KShs.              |
| Current receivables                          |                    |                    |
| Receivable from CBA 2010/13 (IPUCCF)         | 51,799,015         | 51,799,015         |
| Receivable from CBA 2017-21 (Accrued)        | 256,363,067        | -                  |
| <b>Other Assets</b>                          | <b>308,162,082</b> | <b>51,799,015</b>  |
| Deposit with High Court from Court Judgement | 11,643,986         | 11,643,986         |
|                                              | 319,806,068        | 63,443,001         |
| <b>Total Receivables</b>                     | <b>595,804,540</b> | <b>335,156,671</b> |

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



## Note 25. Inventories

|                     | 2019/20<br>KShs.  | 2018/19<br>KShs.  |
|---------------------|-------------------|-------------------|
| Farm Stocks         | 3,128,037         | 3,141,079         |
| Bookshop Stores     | 5,746,233         | 5,746,233         |
| Stationery Stocks   | 9,063,298         | 9,646,940         |
| Catering Stores     | 2,111,646         | 1,997,769         |
| Medical Stores      | 6,680,254         | 3,499,817         |
| Maintenance Stores  | 17,238,157        | 22,107,356        |
| Hostel Stores       | 6,555,864         | 4,516,074         |
| Kisumu Hotel Store  | 11,408,805        | 7,027,841         |
| Varsity Plaza Store | 1,402,058         | 1,355,293         |
| <b>TOTAL</b>        | <b>63,334,351</b> | <b>59,038,401</b> |

## Note 26. Property, Plant and Equipment

|                         | COST/VALUATION |               |               |               |                   |                      |               |                 |
|-------------------------|----------------|---------------|---------------|---------------|-------------------|----------------------|---------------|-----------------|
|                         | LAND           | BUILDINGS     | VEHICLE       | MOTOR         | PLANT & EQUIPMENT | FURNITURE & FITTINGS | COMPUTER      | W.I.P           |
|                         | KSHS           | KSHS          | KSHS          | KSHS          | KSHS              | KSHS.                | KSHS.         | KSHS.           |
| As at 30.06.2018        | 215,922,317    | 2,139,908,283 | 135,125,893   | 647,053,348   | 88,584,577        | -                    | 640,092,512   | 3,866,686,930   |
| Additions               | -              | -             | -             | 21,537,920    | 5,126,191         | -                    | 225,727,527   | 252,391,638     |
| Transfers/adjustments   | -              | -             | -             | -             | -                 | -                    | (9,600,000)   | (9,600,000)     |
| Disposals               | -              | -             | -             | -             | -                 | -                    | -             | -               |
| As at 30.06.2019        | 215,922,317    | 2,139,908,283 | 135,125,893   | 668,591,268   | 93,710,768        | 856,220,039          | 4,109,478,568 | 4,109,478,568   |
| Additions               | -              | -             | 32,001,500    | 10,550,728    | 3,283,700         | 119,480              | 325,844,842   | 371,800,250     |
| Revaluation (Net)       | 2,386,377,683  | 139,441,717   | (66,675,893)  | (516,887,370) | 14,689,084        | 12,124,575           | -             | 1,969,069,796   |
| Transfers/adjustments   | -              | 478,336,759   | -             | -             | -                 | (478,336,759)        | -             | -               |
| Disposals               | -              | -             | -             | -             | -                 | -                    | -             | -               |
| As at 30.06.2020        | 2,602,300,000  | 2,757,686,759 | 100,451,500   | 162,254,626   | 111,683,552       | 12,244,055           | 703,728,122   | 6,450,348,614   |
| DEPRECIATION            |                |               |               |               |                   |                      |               |                 |
| As at 30.6.2018         | -              | 669,347,184   | 92,296,028    | 566,269,973   | 70,648,367        | -                    | -             | 1,398,561,552   |
| Disposals               | -              | -             | -             | -             | -                 | -                    | -             | -               |
| Charge for the year     | -              | 53,497,707    | 9,208,983     | 32,174,211    | 5,950,113         | -                    | -             | 100,831,015     |
| As at 30.06.2019        | -              | 722,844,891   | 101,505,011   | 598,444,185   | 76,598,480        | -                    | -             | 1,499,392,567   |
| Disposals (Revaluation) | -              | (722,844,891) | (101,505,011) | (598,444,185) | (76,598,480)      | -                    | -             | (1,499,392,567) |
| Charge for the year     | -              | 68,942,169    | 18,081,270    | 20,281,828    | 13,960,444        | 4,081,352            | -             | 125,347,063     |
| As at 30.06.2020        | -              | 68,942,169    | 18,081,270    | 20,281,828    | 13,960,444        | 4,081,352            | -             | 125,347,063     |
| NET BOOK VALUE          |                |               |               |               |                   |                      |               |                 |
| As at 30.06.2019        | 215,922,317    | 1,417,063,392 | 33,620,882    | 70,147,084    | 17,112,288        | -                    | 856,220,039   | 2,610,086,001   |
| As at 30.06.2020        | 2,602,300,000  | 2,688,744,590 | 82,370,230    | 141,972,798   | 97,723,108        | 8,162,703            | 703,728,122   | 6,325,001,551   |

Note 26. (i) Analysis of WIP

|                              | As at 01/07/19 | Additions   | Transfers     | As at 30/06/20 |
|------------------------------|----------------|-------------|---------------|----------------|
| Analysis of WIP              | Kshs.          | Kshs.       | Kshs.         | Kshs.          |
| Admin-Block                  | 106,265,147    | -           | (106,265,147) | -              |
| Sewerage Project             | 39,919,253     | -           | -             | 39,919,253     |
| Sewerage Project - II        | -              | 5,755,400   | -             | 5,755,400      |
| Library Project              | 372,071,612    | -           | (372,071,612) | -              |
| Access Roads Maintenance     | 12,381,068     | -           | -             | 12,381,068     |
| Tuition Block and Laboratory | 302,212,865    | 91,825,483  | -             | 394,038,348    |
| Perimeter Wall & CCTV        | 23,370,092     | 947,925     | -             | 24,318,017     |
| Construction of Hostel       | -              | 174,796,303 | -             | 174,796,303    |
| Network Upgrade              | -              | 30,031,356  | -             | 30,031,356     |
| MIS Upgrade                  | -              | 22,488,375  | -             | 22,488,375     |
|                              | 856,220,037    | 325,844,842 | (478,336,759) | 703,728,120    |

Note 26. (ii) Analysis of Revaluation Surplus

|                                  | LAND          | BUILDINGS     | MOTOR<br>VEHICLE | PLANT &<br>EQUIPMENT | FURNITURE<br>& FITTINGS | COMPUTER   | Total           |
|----------------------------------|---------------|---------------|------------------|----------------------|-------------------------|------------|-----------------|
|                                  | Kshs          | Kshs          | Kshs             | Kshs                 | Kshs                    | Kshs       | Kshs            |
| Opening Cost                     | 215,922,317   | 2,139,908,283 | 135,125,893      | 668,591,268          | 93,710,768              | -          | 3,253,258,529   |
| Accumulated Depreciation         | -             | (722,844,891) | (101,505,011)    | (598,444,185)        | (76,598,480)            | -          | (1,499,392,567) |
| Opening Net Book Value           | 215,922,317   | 1,417,063,392 | 33,620,882       | 70,147,084           | 17,112,288              | -          | 1,753,865,962   |
| Revalued Amount (Closing Amount) | 2,602,300,000 | 2,279,350,000 | 68,450,000       | 151,703,898          | 108,399,852             | 12,124,575 | 5,222,328,325   |
| Revaluation Surplus              | 2,386,377,683 | 862,286,608   | 34,829,118       | 81,556,814           | 91,287,564              | 12,124,575 | 3,468,462,363   |

The University engaged an independent valuer to carry out a revaluation of its assets during the financial year. The effective date of the revaluation was October 2019.



## Note 27. Intangible Assets - Management Information System

|                       | MANAGEMENT<br>INFORMATION<br>SYSTEM<br>KSHS. |
|-----------------------|----------------------------------------------|
| <b>COST/VALUATION</b> |                                              |
| As at 30.06.2018      | 22,477,085                                   |
| Additions             | -                                            |
| Transfers/adjustments | -                                            |
| Disposals             | -                                            |
| As at 30.06.2019      | 22,477,085                                   |
| Additions             | -                                            |
| Transfers/adjustments | -                                            |
| Disposals             | -                                            |
| As at 30.06.2020      | 22,477,085                                   |
| <b>DEPRECIATION</b>   |                                              |
| As at 30.06.2018      | 13,486,251                                   |
| Disposals             | -                                            |
| Charge for the year   | 4,495,417                                    |
| As at 30.06.2019      | 17,981,668                                   |
| Disposals             | -                                            |
| Charge for the year   | 4,495,417                                    |
| As at 30.06.2020      | 22,477,085                                   |
| <b>NET BOOK VALUE</b> |                                              |
| As at 30.06.2019      | 4,495,417                                    |
| As at 30.06.2020      | -                                            |

## Note 28. Biological assets

|                                            | 2019/20<br>KShs. | 2018/19<br>KShs. |
|--------------------------------------------|------------------|------------------|
| Biological Assets                          | 6,980,800        | 7,786,887        |
| <b>Reconciliation of Biological Assets</b> |                  |                  |
| Carrying amount at 1 July                  | 2019/20<br>KShs. | 2018/19<br>KShs. |
| Increases due to purchases                 | 7,786,887        | 8,610,400        |
| Gain/(Loss) on biological assets           | (806,087)        | (823,513)        |
| Decreases due to sales                     |                  |                  |
| Carrying amount at 30 June                 | 6,980,800        | 7,786,887        |

The University owns biological assets which are mainly livestock. The biological assets are measured at fair value less costs to sell; the fair value is established from quoted market prices less costs to sale. The loss on biological asset of **Kshs.806,087** arose from decreases in fair values as a result of physical changes.

| Note 29. Trade and other payables from exchange transactions | 2019/20            | 2018/19            |
|--------------------------------------------------------------|--------------------|--------------------|
|                                                              | KShs.              | KShs.              |
| PAYE                                                         | 28,833,789         | 63,636,971         |
| NHIF                                                         | 1,703,050          | 1,854,950          |
| NSSF                                                         | 297,450            | 231,550            |
| PENSION & GRATUITY                                           | 24,065,823         | 23,982,068         |
| BENEVOLENT FUND                                              | 6,699,556          | 5,181,268          |
| HELB Loan Repayments                                         | 142,972            | 159,133            |
| UNION DUES                                                   | 1,317,622          | 1,322,542          |
| OTHER LOANS                                                  | 36,062,387         | 37,110,963         |
| MASENO UNIV. SACCO                                           | 3,238,382          | 3,857,500          |
| Other SACCOS                                                 | 310,597            | 27,000             |
| BOOKSHOP RECOVERIES                                          | 41,190             | 183,789            |
| SOMU Activities                                              | 5,347,636          | 240,391            |
| University Fees Prepaid                                      | 20,362,087         | 86,339,617         |
| 6% Withholding Tax                                           | 3,076,229          | 3,413,664          |
| Retention on Construction contracts                          | 86,602,295         | 56,815,157         |
| Contractors Pending Certificates                             | -                  | 25,434,059         |
| Chancellor's Scholarship Fund                                | 3,430,000          | 3,430,000          |
| Trade Payables                                               | 77,474,850         | 51,575,049         |
| Employer Pension Contribution (2013/2017 CBA)                | -                  | 62,827,739         |
| Doctors Allowances CBA Arrears Payable                       | 90,379,200         | -                  |
| Payable from CBA 2017-21 Salary Arrears (Accrued)            | 256,363,067        | -                  |
| Accrued Gratuity Payable                                     | 80,214,566         | 80,992,880         |
| Siaya County Advances                                        | 5,000,000          | 5,000,000          |
| <b>Total trade and other payables</b>                        | <b>730,962,748</b> | <b>513,616,289</b> |

## Note 30. Refundable Deposits (Caution Money)

|                                                   | 2019/20           | 2018/19           |
|---------------------------------------------------|-------------------|-------------------|
|                                                   | KShs.             | KShs.             |
| Caution Money                                     | 28,464,800        | 25,947,200        |
| Less: Total current portion of caution money      | (11,562,400)      | (11,457,400)      |
| <b>Total non-current portion of caution money</b> | <b>16,902,400</b> | <b>14,489,800</b> |

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**Note 31. Current provisions- Audit Fees**

| <b>Audit Fees</b>                    | <b>2019/20<br/>KShs.</b> | <b>2018/19<br/>KShs.</b> |
|--------------------------------------|--------------------------|--------------------------|
| Balance at the beginning of the year | 1,902,000                | 2,854,000                |
| Additional provisions raised         | 755,000                  | 952,000                  |
| Provision utilized                   | -                        | (1,904,000)              |
| <b>Balance as at 30 June 2020</b>    | <b>2,657,000</b>         | <b>1,902,000</b>         |

**Note 32. Borrowings**

|                                           | <b>2019/20<br/>KShs.</b> | <b>2018/19<br/>KShs.</b> |
|-------------------------------------------|--------------------------|--------------------------|
| Opening Balance                           | 100,400,000              | 100,400,000              |
| Add: Disbursements                        | 149,084,089              |                          |
| Less: Repayments                          | -                        | -                        |
| Total Borrowing                           | <b>249,484,089</b>       | <b>100,400,000</b>       |
| Less: Total current portion of bank loans | -                        | -                        |
| <b>Total non-current borrowings</b>       | <b>249,484,089</b>       | <b>100,400,000</b>       |

During the year the University received **Kshs.149,084,089** from Equity Bank Kenya Ltd., being disbursements of a **Kshs.500,400,000** loan.

**Note 33. Contingent Liabilities**

**Legal Cases**

The University has a number of cases in court that are at various stages of litigation. In one of these, a judgment of **Kshs.12,760,718** has been entered against the University. However, the University has sought an appeal on this ruling. In another case the University deposited **Kshs.11,643,986** with the High Court, pending appeal. The outcomes of the other cases are not known and the amount of the obligation cannot be measured with sufficient reliability.



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**Note 34. Cash Generated from Operations**

|                                                | 2019/20<br>KShs.  | 2018/19<br>KShs.     |
|------------------------------------------------|-------------------|----------------------|
| Surplus for the year before tax                | (49,087,933)      | (507,119,137)        |
| <b>Adjusted for:</b>                           |                   |                      |
| Depreciation                                   | 129,842,480       | 105,326,432          |
| Non-cash grants received                       | 806,087           | 823,513              |
| Contribution to provisions                     | 755,000           | (952,000)            |
| Finance income                                 | (4,329,719)       | (1,533,410)          |
| Finance cost                                   | 17,161,015        | 11,055,058           |
| <b>Working Capital adjustments</b>             |                   |                      |
| (Increase ) / Decrease in Inventory            | (4,295,951)       | (2,339,685)          |
| (Increase) / Decrease in Receivables           | (260,647,869)     | (34,950,119)         |
| Increase / (Decrease) in Payables              | 217,346,459       | 220,014,525          |
| <b>Net cash flow from operating activities</b> | <b>47,549,569</b> | <b>(209,674,823)</b> |

**Note 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.

The University Council sets the University's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the University Council, 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.

**(iii) Market risk**

The Council 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.

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 holdings of cash that are in currencies other than the local currency and transactions that are denominated in other 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) Interest rate risk**

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

***Management of interest rate risk***

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

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**iv) Capital Risk Management**

The objective of the University's capital risk management is to safeguard the Board's ability to continue as a going concern. The University capital structure comprises of the following funds:

|                                             | 2019-2020            | 2018-2019            |
|---------------------------------------------|----------------------|----------------------|
|                                             | Kshs                 | Kshs                 |
| Revaluation reserve                         | 3,468,462,363        | -                    |
| Retained earnings                           | (60,854,264)         | (11,766,331)         |
| Capital reserve                             | 2,873,657,257        | 2,662,733,770        |
| <b>Total funds</b>                          | <b>6,281,265,357</b> | <b>2,650,967,439</b> |
| Total borrowings                            | 249,484,089          | 100,400,000          |
| Less: cash and bank balances                | (301,712,753)        | (276,269,554)        |
| Net debt/(excess cash and cash equivalents) | (52,228,665)         | (175,869,554)        |
| <b>Gearing</b>                              | <b>-1%</b>           | <b>-7%</b>           |

**Note 36. Related Party Disclosures**

**a) Nature of relationships**

Related party is an entity that is related to the entity preparing its financial statement. An entity is related to the reporting entity if the other entity has control or significant influence or member of key management personnel of the reporting entity. The related parties of Maseno University include;

- i) National government
- ii) Key management
- iii) Members of the University Council
- iv) Tom Mboya University College (A constituent of Maseno University)
- v) Maseno University Retirement Benefit Scheme

**b) Related party transactions**

Refers to transfer of resources, services or obligations between a reporting entity and the related party regardless of whether a price is charged.

| <b>Related party transactions</b>     | <b>2019/20</b> | <b>2018/19</b> |
|---------------------------------------|----------------|----------------|
|                                       | KShs.          | KShs.          |
| Total grants received from government | 2,362,174,715  | 1,736,316,287  |



c) Due from related parties

|                                                   | 2019/20<br>KShs.   | 2018/19<br>KShs.  |
|---------------------------------------------------|--------------------|-------------------|
| Receivable from CBA 2010/13 (IPUCCF)              | 51,799,015         | 51,799,015        |
| Payable from CBA 2017-21 Salary Arrears (Accrued) | 256,363,067        | -                 |
| Advances to MURBS                                 | 4,611,334          | 6,471,630         |
| Advances to Tom Mboya University                  | 10,344,439         | 20,772,325        |
|                                                   | <b>323,117,855</b> | <b>79,042,970</b> |

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**Note 37. Detailed Bank Balances**

| Amounts held in Respective Commercial Banks          | 2019/20            | 2018/19            |
|------------------------------------------------------|--------------------|--------------------|
|                                                      | Kshs.              | Kshs.              |
| Main Campus Fee Collection Account - 1120297065141   | 134,867,534        | 132,559,128        |
| <b>Equity Bank Kenya</b>                             | <b>134,867,534</b> | <b>132,559,128</b> |
| Main Current Account - 1103898094                    | 45,024,299         | (17,713,677)       |
| Development Account - 1108378056                     | 1,231,458          | 2,925,968          |
| Research Account - 1107735971                        | 7,203,691          | 32,986,175         |
| Kisumu Hotel Account - 1101560894                    | 9,703,764          | 8,280,338          |
| Fee Collection Account - 1101561076                  | 879,428            | 6,315,334          |
| IGA Account - 1108378226                             | 4,138,326          | 4,568,889          |
| Bookshop Account - 1101560703                        | 775,685            | 4,869,463          |
| K-LIP Account - 1160049351                           | 6,387,616          | 4,793,721          |
| KCB Flood Disaster Management AC - 1176816284 (Kshs) | 30,436             | 36,541             |
| KCB Flood Disaster Management AC - 1176816365 (Euro) | 13,133             | 15,902             |
| Student Activity KCB S/A - 1102264946                | 265,776            | 99,946             |
| Student Welfare KCB S/A - 1102265055                 | 4,862,680          | 111,256            |
| Student Activity KCB Current - 1108266207            | 219,180            | 29,189             |
| Bank Guarantee                                       | 3,100,000          | 3,100,000          |
| Short Term Deposit in KCB                            | 179,058            | 50,000,000         |
| <b>Kenya Commercial Bank</b>                         | <b>84,014,528</b>  | <b>100,419,045</b> |
| Standard Chartered 8752524018401 (RES. USD)          | 21,771,658         | 15,240,297         |
| Standard Chartered 9352524018401 (RES. EURO)         | 15,311,423         | 23,775,121         |
| Standard Chartered 0102024018401 (RES. KSH)          | 44,773,410         | 3,249,710          |
| Standard Chartered 8752524018400 (BSU USD)           | 700                | 672                |
| Standard Chartered 0102024018400 (BSU KSH)           | 973,500            | 993,600            |
| <b>Standard Chartered Bank</b>                       | <b>82,830,692</b>  | <b>43,259,401</b>  |
| <b>Total Cash in Bank</b>                            | <b>301,712,753</b> | <b>276,237,573</b> |

## APPENDIX I: INTER-ENTITY TRANSFERS

Confirmation of amounts received by Maseno University as at 30<sup>th</sup> June, 2020

## a) RECURRENT GRANTS

| Date Received | Amount               | Period | F/Y Disbursement |
|---------------|----------------------|--------|------------------|
| 08-08-19      | 133,359,413          | Jul-19 | 2019/20          |
| 29-08-19      | 133,359,413          | Aug-19 | 2019/20          |
| 27-09-19      | 133,359,414          | Sep-19 | 2019/20          |
| 01-11-19      | 133,359,414          | Oct-19 | 2019/20          |
| 29-11-19      | 133,359,414          | Nov-19 | 2019/20          |
| 27-12-19      | 133,359,413          | Dec-19 | 2019/20          |
| 04-02-20      | 133,359,413          | Jan-20 | 2019/20          |
| 02-03-20      | 133,359,414          | Feb-20 | 2019/20          |
| 03-04-20      | 133,359,413          | Mar-20 | 2019/20          |
| 08-05-20      | 133,359,414          | Apr-20 | 2019/20          |
| 05-06-20      | 133,359,414          | May-20 | 2019/20          |
| 26-06-20      | 133,359,413          | Jun-20 | 2019/20          |
| <b>TOTAL</b>  | <b>1,600,312,962</b> |        |                  |

## b)

## DEVELOPMENT GRANTS

| Date Received | Amount             | Period | F/Y Disbursement |
|---------------|--------------------|--------|------------------|
| 21.11.2019    | 78,179,570         | N/A    | 2019/20          |
| 13.03.2020    | 132,843,917        | N/A    | 2019/20          |
| <b>TOTAL</b>  | <b>211,023,487</b> |        |                  |

## c)

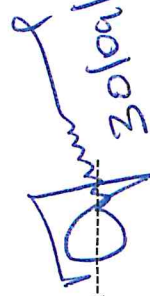
## OTHER GRANTS (SUPPLEMENTARY ALLOCATION &amp; CBA ARREARS)

| Date Received | Amount             | F/Y Disbursement | F/Y Disbursement |
|---------------|--------------------|------------------|------------------|
| 09.07.2019    | 204,196,521        | N/A              | 2019/20          |
| 25.06.2020    | 90,379,200         | N/A              | 2019/20          |
| <b>TOTAL</b>  | <b>294,575,200</b> |                  |                  |

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

Finance Officer  
Maseno UniversityHead of Accounting Unit  
State Department of Education

Sign-----


  
30/09/2020

Sign-----



