



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
MAASAI MARA UNIVERSITY**

**FOR THE YEAR ENDED
30 JUNE 2015**



MAASAI MARA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015



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I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background information

Maasai Mara University is a public body corporate established by Charter as per the Universities Act 2012.

At Cabinet level the University is represented by the Cabinet Secretary for Education, Science and Technology who is responsible for the general policy and strategic direction of the University.

(b) Principal Activities

The Maasai Mara University objectives are defined in Part 1(3) of the Universities Act (2012). The Universities Act (2012) specifies that the objects and functions of the University shall be:-

- a) To provide directly, or in collaboration with other institutions of higher learning, facilities for university education (including technological, scientific and professional education), the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of the citizens of Kenya;
- b) to participate in the discovery, transmission and preservation and enhancement of knowledge and to stimulate the intellect participation of students in the economic, social, cultural, scientific and technological development of Kenya;
- c) to provide and advance university education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing, contribute to manpower needs;
- d) to conduct examinations for such academic awards as may be provided in the statutes pertaining to the University; and
- e) to examine and make proposal for new faculties, schools, institutes, departments, resource and research centres, degree courses and subjects to study.
- f) play a leading role in the development and expansion of the opportunities for higher education and research;
- g) develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, innovation, research and consultancy services;
- h) participate in commercial ventures and other activities to the benefit of the institution, the community and stakeholders;
- i) develop and provide educational, cultural, professional, technical and vocational services to the community and in particular foster corporate social responsibility and the practical arts;

- j) provide programmes, products and services in ways that reflect the principles of equality and social justice;
- k) facilitate student mobility between different programmes at different training institutions, universities and industry;
- l) Foster the general welfare of all staff and students.

(c) Key Management

The Vice Chancellor is the Chief Executive Officer of the University. The Vice Chancellor chairs both the Management Board and Senate and is also the Secretary to the Council. The Board is responsible for:

- a) the efficient management of the human, physical, and financial resources of the University;
- b) making proposals to the Council and Senate on policies that have a University wide application;
- c) the coordination of the University Strategic and Development plans; and
- d) any other matters related to the management of the University

Membership of the Management Board during the year were the following:

Prof. Mary K. Walingo	-	Vice Chancellor
Prof. Simon Ole Seno	-	Deputy Vice Chancellor (Admin., Finance & Planning)
Prof. Misia Kadenyi	-	Deputy Vice Chancellor (Academic, Research & Student Affairs)
Mr. Samson Kisirikoi	-	Acting Registrar, Administration
Mr. Jackson K. Berege	-	Registrar, Academic Affairs
Mr. Jonah Wala	-	Finance Officer
Dr. Cleophas Serem	-	Medical Officer
Mr. Alfred Nyabochwa	-	Legal Officer
Mr. Washington Ochieng	-	Acting University Librarian

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Vice Chancellor	Prof Mary Walingo
2.	Deputy Vice Chancellor(Administration ,Finance& Planning)	Prof. Simon Ole Seno
3.	Deputy Vice Chancellor (Academic, Research & Student Affairs)	Prof. M. Kadenyi
4.	Finance Officer	Jonah Wala

(e) Fiduciary Oversight Arrangements

- *Audit Committee of Council*

The Audit Committee of Council assists Council in fulfilling its fiduciary oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the University's adherence to laws, regulations, government policy and code of conduct.

The audit committee consists of four (4) non – executive members of Council. Members who served during the financial year were:

- Mr Parmain Ole Narikae	- Chairman
- Dr Tabby Mungai	- Member
- Mr Mohamed Mohamed	- Member
- Mrs Mary Wanyonyi	- Member

- *Finance and General Purpose Committee of Council*

The Committee is responsible for recommending financial policies, goals, and budgets that support the mission, values and strategic goals of the organization. The committee also reviews the University's financial performance against its goals and proposes major transactions and programs to the Council.

The Council appoints the Finance Committee of the University from among its members. The Committee consists of four (4) non- executive members and one (1) executive member. Persons who served during the year were:

- Mr Mohamed Mohamed	- Chairman
- Dr Tabby Mungai	- Member
- Dr Emmy Chesire	- Member

- | | |
|--------------------------|----------|
| - Mr Parmain Ole Narikae | - Member |
| - Mrs Mary Wanyonyi | - Member |
| - Prof. Mary Walingo | - Member |

• *Public Accounts Committee of Parliament (PAC)*

Is a select committee of Parliament. It is responsible for overseeing government expenditures to ensure that they are effective and honest. The PAC is a crucial mechanism to assure the Kenyan people that there is transparency and accountability in government financial operations and in particular public funding to Maasai Mara University.

(f) University Headquarters

Maasai Mara University
P. O. Box 861 – 20500
Narok, Kenya

(g) University Contacts

Tel: (254) 050-23213
Fax: 020-2066041
E-mail: vc@mmarau.ac.ke
Website: www.mmarau.ac.ke

(h) University Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA
2. National Bank of Kenya
Narok Branch
P. O. Box 238,
NAROK
3. Equity Bank Ltd.
Narok Branch
P. O. Box 1023-20500
NAROK
4. Kenya Commercial Bank
Narok Branch
P. O. Box 406-20500
NAROK
5. Barclays Bank of Kenya
Narok Branch
P. O. Box 1073-20500
NAROK

6. Co-operative Bank of Kenya
Narok Branch
P. O. Box 632-20500
NAROK

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE UNIVERSITY COUNCIL

The University is governed in accordance to its Charter granted under the Universities Act (2012) and Statutes made by its Council. The Council is the supreme governing organ of the University. Its role includes:

- administering the property and funds of the University in a manner and for the purposes which promote the interest of the University and only charge or dispose immovable property of the University in accordance with the procedures laid down by the Government of Kenya;
- shall receive, on behalf of the University, donations, endowments, gifts, grants or other moneys and make disbursements there from to the University or other bodies or persons;
- provide for the welfare of the staff and students of the University;
- enter into association with other universities, or other institutions of learning, whether within Kenya or otherwise, as the Council may deem necessary and appropriate;
- after consultation with the Senate, make regulations governing the conduct and discipline of the students of the University;
- after consultation with the University Management Board make regulations governing the conduct and discipline of the staff of the University.
- perform all the functions specified in the Universities Act (2012).

Membership of the Council is determined by the Universities Act (2012) and consists of the following:

- a non – executive Chairperson
- the Principal Secretary, Ministry of Education, Science and Technology
- the Principal Secretary, National Treasury
- five independent non – executive members
- the Vice Chancellor

The University Council members who served during the financial year were:

Name	Council position
Prof. John Joseph Okumu	Chairman of Council
Mr. Mohammed Mohammed	Council Member
Mr. Parmain Ole Narikae	Council Member
Eng. Daniel Waithaka Njora	Council Member
Mrs. Rose Mghoi Macharia	Council Member
Dr. Emmy J. Chesire	Council Member
Dr. Tabby Mungai	Council Member and alternate to PS Education, Science and Technology
Mrs. Mary Wanyonyi	Council member and alternate to PS National Treasury
Prof. Mary Walingo	Vice Chancellor and Council Secretary

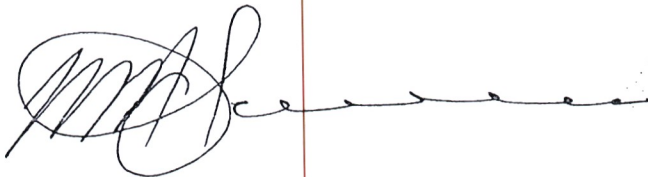
III. CHAIRMAN'S STATEMENT

The success of the financial year provides an excellent platform for our University to thrive and prosper in the changing environment that lies ahead.

In the financial year 2014/15, the University experienced outstanding financial and academic success. We continued to strive towards achievement of academic excellence and demonstrated that we remain as committed to the creation of an outstanding student experience. Therefore, it was particularly heartening to note the increased number of student enrolment, with the University experiencing its largest intake to date.

During the year, we continued to invest in our infrastructure. The University 750 student capacity hostel for female students which when completed will boost university enrolment for the girl child in particular those from our part of the country. The partitioning of Prof Jonathan Ole Karei Tuition Complex began in the fourth quarter which when complete will add a further 26 lecture rooms. The University also, with support from the government, plans to start construction of a Ksh 600 million tuition block boosting research capabilities.

The Council would like to convey its congratulations to the Vice Chancellor and management, staff and students for making 2014/15 a successful year for the University.



**PROF. JOHN JOSEPH OKUMU,
CHAIRMAN OF COUNCIL,
MAASAI MARA UNIVERSITY**

IV. REPORT OF THE VICE CHANCELLOR

I am pleased to present the Annual Report and Financial Statements of Maasai Mara University for the year ended 30th June 2015. Being the Sixth Annual report for the University, this demonstrates how committed the institution is in complying with statutory obligations.


One of my goals as CEO of Maasai Mara University is to encourage greater interaction among the talented staff in our institution, believing that we will benefit from various ideas from different intellects. One such benefit from use of integrated teams has been the tangible results achieved from resolving issues such as staff audit exercises, performance contracting responses and the development of various policy documents for this young institution. The Maasai Mara University team overall is in great shape, with a strong bench of talent and experience across all key areas, and we are close to where we need to be in the long term.

Collaboration agreements with Pau University (France) and The Academy of Science (China) were successfully negotiated and signed during the year. The collaborations will result in the establishment of a Botanical Garden in the University envisaged to be a source of revenue besides being a research facility. Academic staff will also benefit from exchange programmes and sabbaticals which will help benchmark the University to international standards.

During the year, the University registered 1605 Government sponsored students and 805 privately sponsored students. Students who successfully completed their studies during the 2014/2015 academic year are scheduled to graduate during the University's third graduation ceremony to be celebrated towards end 2015.

The University continues to deal with a number of challenges especially infrastructure and facilities support due to low funding. However, other mechanisms that include partnerships with local, national and international groups are being sought.

I take this opportunity to thank the Government of Kenya, University Council, Management, Staff, Students and all other stakeholders for their mutual cooperation, trust and continued support.


PROF. MURY WAINYANGO, PhD, MBA, MSC, MKNAS, EBS
VICE CHANCELLOR,

Mission and Strategy

Full details of the University's strategy are set out in the Strategic Plan 2014/19, which is available in our website (www.mmarau.ac.ke). In summary:

Organization

The University is organized into academic and administration wings. The administration wing provides the support function while the academic wing drives the core business of the University.

The academic wing has five schools, each led by a Dean:

- School of Arts and Social Sciences
- School of Business and Economics
- School of Science
- School of Education
- School of Tourism and Natural Resources Management

Programmes for these schools are run from eight campuses in the following locations:

- Main Campus
- Narok Town Campus
- Nairobi Campus
- Bomet Campus
- Kajiado Campus
- Nyandarua Campus
- Kilgoris Campus
- Kisii Campus

Responsibility for the overall day-to-day administrative management of the University is through the Vice Chancellor supported by a senior team of administrators.

Key Facts – Students, Research and Staff

	2014/15	2013/14	
Students			
Undergraduates			
- PSSP	3,499	1,960	
- KUCCPS	4,641	3,164	
Total student numbers	8,140	5,124	
Staff			
Management	32	32	
Academic	133	106	
Administration	379	379	
Total staff numbers	544	517	
Total staff costs	Ksh 608,595,539	Ksh 610,252,372	

Financial strategy and results

Strategy

Our financial strategy is based on the generation of operating surplus: being able to generate sufficient revenue to meet operating and development requirements. Operating cash flows and any available capital grants should be sufficient to finance capital projects that enable the long term sustenance of the University's estate and infrastructure.

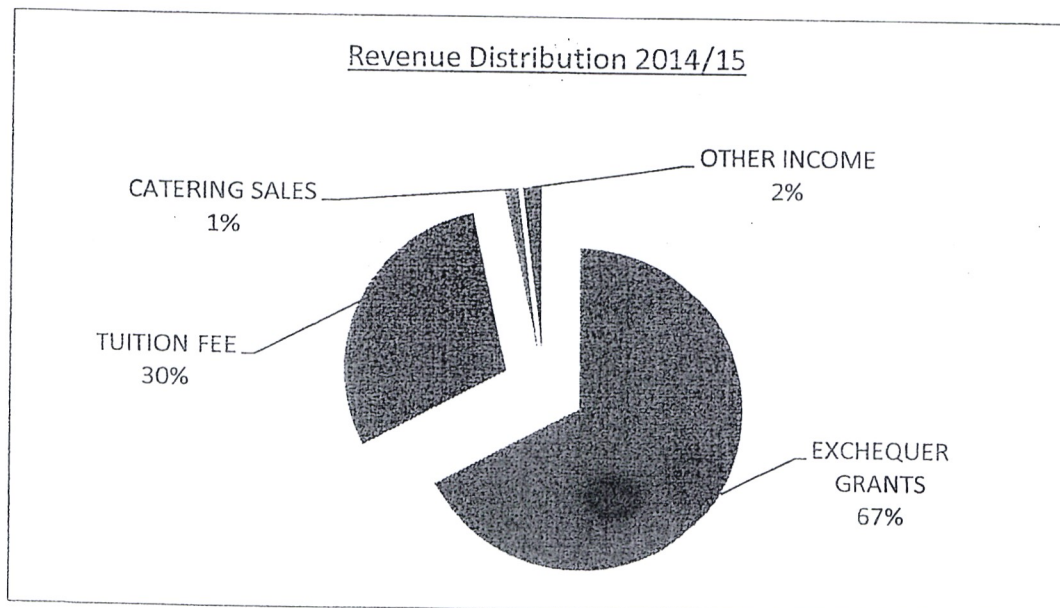
The University has identified a number of key financial ratios which it monitors as part of its financial strategy. Performance over the last two financial years shows great improvements as indicated below:

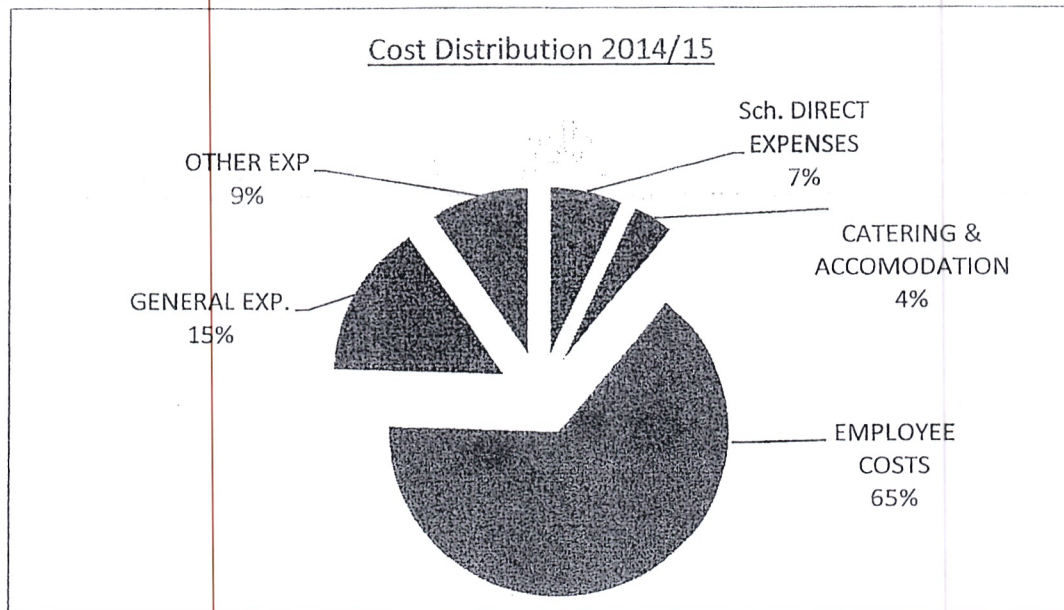
	2014/15	2013/14
Operating Surplus to Revenue	-0.12%	1.9%
Cash Ratio	1.24	1.11
Staff Costs to Revenue	64.6%	66%

Financial Results

For the period ending 30th June 2015, Gross revenue of Ksh 941.4 Million was realized. Revenue from tuition fee charged was Ksh 277.46 Million which was 10.9% higher than Ksh 250.19 Million realized in the previous financial year (Note 5).

The other revenue stream that showed marked growth is revenue from Exchequer grants which grew by 5.9% to 632.59 Million from 597.37 Million. Revenue from Finance also substantially increased by 140.4% as did the other incomes that registered positive returns.





Note 3 to 10 show the key revenue generation categories while Note 11 to 30 the cost categories.

Capital investment programs

The University continued making substantial capital investments in order to maintain and enhance the academic and student facilities across the University.

Key projects within the current program include:

- Partitioning of the Prof. Jonathan Karei Lecture complex to create additional lecture rooms and academic staff offices
- Completion of 750 bed ladies hostel at Ksh 336 million.
- Initiated the process of the construction of Tuition block

Financial Statements

The Financial Statements for the year are set out on pages 20 to 24 and the accompanying notes are set out on pages 25 to 39 form an integral part of the Financial Statements

**CPA JONAH WALA
FINANCE OFFICER**

VI. CORPORATE GOVERNANCE STATEMENT

The governance of Maasai Mara University takes place within a framework which exists to regulate and/or guide the conduct of Council members, staff, students and members of public assessing the University's amenities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the University. The key instruments within the governance framework are:

- The Kenya Constitution
- The Universities Act (2012)
- The Public Financial Management Act (2012)
- The Public Procurement and Disposal Act (2005)
- The Commission for University Education standards and guidelines
- The Maasai Mara University Charter
- Council approved policies
- Management/Senate approved policies

For the sake of coherence and legitimacy, it was in the best interest of the University that conduct be regulated by the most appropriate type of governance instrument. During the year under review, we report on key moments of governance where this framework was adhered to.

Role of the Council in Governance

During the financial year 2014/15, the same nine (9) members of Council appointed in April 2013 remained in office. All members are independent with the exception of the Vice Chancellor.

Council responsibilities, as spelt out in the Universities Act (2012), were discharged through committees with support from the management.

Maasai Mara is now a large and complex institution. To enable the Council focus on the broad governance of the University, while executive management focuses on the effective operation of the University, important distinctions between governance and management were observed. Where delegation of this responsibility was necessary, like in the appointment of junior staff to Grade 12, this was provided subject to ratification by Council.

The role of Senate in Governance

The Senate forms part of the overall governance framework of the University. Its mandate is derived from the Universities Act (2012) 35 (1) and the University Charter. The Senate is responsible to Council and the Management Board for all academic matters of the University.

The Senate exercised the following powers and duties during the year:-

- a) Satisfied itself regarding the content and academic standard of courses offered at the University;
- b) made regulations to Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;

- c) proposed regulations to Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;
- d) classify students for graduation by vetting their results and ensuring due process was followed.

The role of Management Board and the Vice Chancellor in Governance

As the Chief Executive Officer of the University, the Vice Chancellor is both the chief academic officer and the chief administrator of the University. Indeed The Vice Chancellor chairs both the Management Board and Senate for purposes of smooth governance of the University. The functions of Vice Chancellor are set out in the Universities Act (2012), the Public Procurement and Disposal Act (2005), the Public Financial Management Act (2012), and the Charter and Statutes of the University.

The Vice Chancellor provides progress reports to Council on policy implementations and is also the secretary to Council. Council has delegated widespread powers and responsibilities to the Vice Chancellor.

The Management Board assists the Vice Chancellor on both academic and administrative issues of the University. Policies related to employment and management of staff, financial management, student management, branding and communication were passed during the year.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Maasai Mara University was founded for public benefit, to promote education and knowledge, and to provide an institution open to all, irrespective of race, creed or political belief. It is a pioneering institution of higher learning in making university education available to the communities living in the South Rift Valley of Kenya.

The University's Corporate Social Responsibility (CSR) policy sets out guiding principles through which the Institution is run in fulfilling its core mission. The policy brings out ways in which the University ensures, at corporate level, that its activities are carried out ethically, sustainably and for the public benefit.

The CSR Policy is made up of three central pillars:

- Staff and Community
- Finance and Economic Activity
- Environmental Sustainability

1. Staff and Community

The University as an employer

Maasai Mara University is committed to being a good employer, and to contribute positively to the local community, the education sector in Kenya, and indeed the global community. The University continues to offer competitive terms and conditions to staff in addition to operating subsidized model nursery and primary school and school bus system for the benefit of our staff and the Narok Town community.

Local Community

Being a major economic stimulus for the local economy; Maasai Mara University is alive to the opportunities and accompanying challenges faced by the local community in their economic endeavours. To this end the University participated in the World day of Remembrance for Road Traffic Victims on 25th November 2014. The activity was to pay tribute to dedicated emergency crews, police and medical professionals who deal on a daily basis with traumatic aftermaths of road accidents.

The University also availed the ambulance to the Narok referral hospital for use by the populace at cost.

2. Finance and Economic Activity

The University recognizes the way in which it conducts its activity financially has a bearing on those with an interest in its work. The University's Financial Regulations reinforce our core values in informing policy, practice and guidance to members of the university to ensure fair and ethical financial practice.

The University's financial activity is undertaken with reference to the following guidance and policies:

- conflict of interest guidance as approved by the Council
- a gift register and guidance on expenses
- a clear whistle-blowing procedure

As part of their conditions of employment all staff are required to follow such policies to ensure the University conducts its activity in appropriate fashion.

The University also commits to the following as a good organizational citizen:

- providing clear information where required to organizations with whom we engage financially
- incorporating CSR considerations in tender submission reviews from potential suppliers in line with Government policy on women and youth
- furthering the use electronic data to reduce paper use and environmental degradation

3. Environmental Sustainability

Maasai Mara University is located within the wider Mara eco-system that includes the Mau Water Towers and Maasai Mara Game Reserve. During the financial year 2014/15, the University as part of its CSR engaged in the 3rd Mara Day celebrations on 15th September 2014 whose theme was “Mara Forever-Mara Milele.” The University’ staff and students participated in tree planting, clean-up of Narok town, bicycle racing and a marathon event.

VIII. REPORT OF THE COUNCIL

The Council submits their report together with financial statements for the year ended June 30, 2015 which show the state of the University's affairs.

VISION, MISSION AND CORE VALUES

Vision Statement

To be 'A World Class University Committed to Academic Excellence for Development'

Mission Statement

To provide, Quality University education through innovative teaching, research and consultancy services for development.

Results

The results of the University for the Year ended June 30, 2015 are set out on page 22-25

Council

The members of the Council who served during the year are shown on page 6-7. In accordance with Universities Act Section 36, members serve for a term not exceeding four (4) years renewable once.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 68 (2) of the Public Finance Management (PFM) Act, 2012, which also empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Council


PROF. MARY WAINONI, Ph.D, MBA, MSC, MKNAS, EBS
COUNCIL SECRETARY,

Section 68 (2) of the Public Finance Management Act, 2012 and Section 14(1) 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 and the operating results of the University for the year. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Directors are 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 at the end of the financial year. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, the State Corporations Act and the Universities Act. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2015, and of the University's financial position as at that date. Council members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

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


CHAIRMAN


VICE CHANCELLOR

29/9/15
DATE

29.09.15
DATE



STATEMENT OF FINANCIAL PERFORMANCEFor the year ended 30th June 2015

	Note	2014-2015 Ksh	2013-2014 Ksh
Revenue from non-exchange transactions			
Exchequer Grants	3	632,593,500	597,373,500
Research Grants	4	100,000	4,716,775
		632,693,500	602,090,275
Revenue from exchange transactions			
Tuition Fee	5	277,459,820	250,198,300
Catering Sales	6	13,291,967	10,497,317
Rental revenue from facilities and equipment	7	4,072,300	632,405
Fee revenue – Collaborations	8	9,334,668	44,360,878
Farm Revenue		17,465	4,520
Finance Revenue – Fixed deposit	9	1,034,309	430,193
Other revenue	10	3,494,135	2,866,074
		308,709,664	308,989,687
Total revenue		941,398,164	911,079,962
Expenses			
Schools direct expenses	11	64,972,850	55,040,520
Research	12	2,355,150	2,106,580
Farm Inputs	13	337,850	421,160
Catering & Accommodation	14	37,016,019	24,923,338
University Clinic	15	22,013,019	19,589,643
Bulk purchases of water and electricity	16	16,069,287	21,118,580
Employee costs	17	608,595,539	610,252,372
Council Expenses	18	12,131,667	12,736,161
Depreciation and amortization expense	19	28,511,859	25,352,623
Repairs and maintenance	20	10,813,247	9,046,289
Contracted services	21	2,326,508	4,280,541
General expenses	22	140,541,322	107,051,137
Finance costs	23	1,892,494	2,088,685
Total expenses		947,577,101	894,007,629
Surplus/(deficit) for the period		(6,178,937)	17,072,333





OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MAASAI MARA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Maasai Mara University set out on pages 20 to 39, which comprise the statement of financial position as at 30 June 2015 and the statement of financial performance, statement of cash flows, statement of changes in equity 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating

Report of The Auditor-General on Maasai Mara University for the year ended 30 June 2015

the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Unaccounted for Tuition Fee Collections

Reconciliation of student debtor opening balances and closing balances revealed unaccounted for tuition fee of Kshs.144,815,348 as detailed below :-

Details	Amount (Kshs)
Opening balance as at 1/7/2014 (Note 28)	29,560,033
Add billed tuition fees revenue during the year (Excluding June 2015)	<u>307,219,030</u>
	336,779,063
Less closing balance as at 30/6/2015 (Note 25)	<u>39,786,475</u>
Expected tuition fee during the year	296,992,588
Less Receipts during the year (as shown in the schedules)	<u>152,177,240</u>
Unaccounted for revenue receipt	<u>144,815,348</u>

Although it has been indicated that the total tuition fees collected was Kshs.274,658,709 only Kshs.152,177,240 was supported with schedules. Consequently, tuition fees totaling Kshs.144,815,348 remained unaccounted for.

2. Cash and Cash Equivalents

Overdrawn Cash Books

Examination of the cash books disclosed significant variances between the cash books balance and the balances reflected in the statement of financial position as detailed hereunder:

Bank	Account .No	Balance as per statement of financial position Kshs	Balance as per the cash books Kshs	Variance Kshs
Cooperative Bank	1129337192601	294,174	(213,549.65)	(80,624.35)
Cooperative Bank	1129337192600	1,370,451	(1,611,746.93)	(2,982,197.93)

Cooperative bank	1129337192602	821,598	(1,851,355.00)	(2,672,953.00)
Barclays Bank	411011267	367,731	367,988.25	257.25
Equity Bank	360292999764	-	(23,624,713.67)	(23,624,713.67)
National Bank	1021042224300	-	(46,938,282.20)	(46,938,282.20)
Total		2,853,954	(73,444,559.90)	(76,298,513.90)

The cash books were therefore overdrawn by a total of Kshs.76, 298,513.90. Although, it has been explained that the differences in the cash books and bank balances were included in the creditors' balances no evidence has been produced to support that proposition.

In the circumstances, the accuracy of the cash and cash equivalents balance reported in the statement of financial position could not be confirmed.

3. Trade and Other Payables from Exchange Transactions

The statement of financial position reported a balance of Kshs.24,335,395 on trade and other payables from exchange transactions. However, the figure differed with the balance of Kshs.11,684,020 shown under note 30 to the financial statements by Kshs.12,651,375.

Consequently, the accuracy of the trade and other payables from exchange transactions balance could not be confirmed.

4. Non-current Assets

As previously reported, the non-current assets balance of Kshs.1,087,766,270 excluded undetermined value of land measuring 129 acres inherited from the former Narok Teachers Training College. In addition, no explanation has been given for failure to value the land measuring 10.65 Ha prior to its purchase at a price of Kshs.5,264,000 in the year 2013/2014.

Consequently, the completeness, accuracy and ownership of non-current assets balance could not be confirmed.

5. Unremitted Pension Scheme Deductions and Contributions

The University had pension arrears amounting to Kshs.17,457,712 as at 30 June 2015, made up of the employee deductions and employer contributions. The arrears, some dating as back as June 2011 had accrued interest of Kshs.23,648,491.50 which was also outstanding as at the year end. In total Kshs.41,106,203.50 in form of unremitted pension arrears and interest accrued were outstanding as at 30 June 2015 and no efforts appear to have been made by the management to settle the outstanding amount.

6. Asset Register

The University maintained an asset register. However, the register was incomplete and not up to date. The following omissions were noted:-

- i) Land and Buildings were not recorded and it was therefore not possible to ascertain how the value of the two assets totalling Kshs.289,817,075 reflected in the statement of financial position was determined.
- ii) Acquisitions of furniture, equipment and computers made during the year were not recorded.

Although it has been explained that all the other acquisitions made during the year were recorded in the assets register, no copy of the updated register has been provided for audit verification.

In the circumstances, it was not possible to confirm the existence of the property, plant and equipment worth Kshs.322,172,512 reflected in the statement of financial position.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



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

Nairobi

25 October 2016

STATEMENT OF FINANCIAL PERFORMANCEFor the year ended 30th June 2015

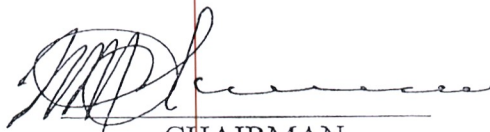
	Note	2014-2015 Ksh	2013-2014 Ksh
Revenue from non-exchange transactions			
Exchequer Grants	3	632,593,500	597,373,500
Research Grants	4	100,000	4,716,775
		632,693,500	602,090,275
Revenue from exchange transactions			
Tuition Fee	5	277,459,820	250,198,300
Catering Sales	6	13,291,967	10,497,317
Rental revenue from facilities and equipment	7	4,072,300	632,405
Fee revenue – Collaborations	8	9,334,668	44,360,878
Farm Revenue		17,465	4,520
Finance Revenue – Fixed deposit	9	1,034,309	430,193
Other revenue	10	3,494,135	2,866,074
		308,709,664	308,989,687
Total revenue		941,398,164	911,079,962
Expenses			
Schools direct expenses	11	64,972,850	55,040,520
Research	12	2,355,150	2,106,580
Farm Inputs	13	337,850	421,160
Catering & Accommodation	14	37,016,019	24,923,338
University Clinic	15	22,013,019	19,589,643
Bulk purchases of water and electricity	16	16,069,287	21,118,580
Employee costs	17	608,595,539	610,252,372
Council Expenses	18	12,131,667	12,736,161
Depreciation and amortization expense	19	28,511,859	25,352,623
Repairs and maintenance	20	10,813,247	9,046,289
Contracted services	21	2,326,508	4,280,541
General expenses	22	140,541,322	107,051,137
Finance costs	23	1,892,494	2,088,685
Total expenses		947,577,101	894,007,629
Surplus/(deficit) for the period		(6,178,937)	17,072,333



STATEMENT OF FINANCIAL POSITION

As at 30th June 2015

	Note	2015-2014 Ksh	2013-2014 Ksh
Assets			
Current assets			
Cash and cash equivalents	24	46,149,207	20,730,344
Receivables from exchange transactions	25	46,726,973	41,123,896
Receivables from non-exchange transactions	26	52,716,126	42,928,383
Inventories	27	9,256,377	6,717,508
Non-current assets		154,569,560	111,500,131
Property, plant and equipment	28	322,172,512	319,964,045
Work in Progress	29	765,593,758	631,299,172
Non-Current Assets		1,087,766,270	951,263,217
Total Assets		<u>1,242,614,950</u>	<u>1,062,763,348</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	30	24,335,395	17,728,889
Caution money deposits from students	30	5,743,000	4,990,000
Provisions – Leave Days	30	-	-
Finance lease obligation	30	4,362,837	6,331,074
Employee benefit obligation	30	48,929,987	66,767,963
Student fees received in advance	30	7,571,598	10,722,000
Withheld VAT		-	-
Total Current Liabilities		90,942,817	106,539,926
Non-current liabilities			
Contractors Retention	29	35,084,218	41,723,237
		35,084,218	41,723,237
Total liabilities		126,027,035	148,263,163
Capital Funds			
Reserves		1,137,249,695	928,983,028
Accumulated surplus		(23,763,319)	(17,584,383)
Revaluation Reserve		3,101,540	3,101,540
		1,116,587,916	914,500,185
Total Funds and liabilities		<u>1,242,614,950</u>	<u>1,062,763,348</u>


CHAIRMAN

29/9/15
DATE


VICE CHANCELLOR

29.09.15
DATE

XII. STATEMENT CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30th June 2015

	Accumulated Fund reserve	Revaluation reserve	Accumulated surplus	Total
	Ksh	Ksh	Ksh	Ksh
Balance as at 1st JULY 2013	812,695,302	3,101,540	(34,656,715)	790,299,013
Surplus/(deficit) for the period	-	-	17,072,333	17,072,333
Transfers to/from accumulated surplus	-	-	-	-
Government Capital Grants	116,287,726	-	-	116,287,726
Balance as at 30 JUNE 2014	928,983,028	3,101,540	(17,584,382)	923,659,072
Surplus for the period	-	-	(6,178,937)	(6,178,937)
Transfers to/from accumulated surplus	-	-	-	-
Government Capital Grants	208,266,667	-	-	208,266,667
Balance as at 30 JUNE 2015	1,137,249,695	3,101,540	(23,763,319)	1,116,587,916

XIII. STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS
For the year ended 30th June 2015

	2014-2015 Ksh	2013-2014 Ksh
Cash flows from operating activities		
Surplus/(Deficit)	(6,178,937)	17,072,333
Adjustments for:		
Depreciation	28,511,859	25,352,623
Provision for bad and doubtful debts	430,024	1,347,722
Provision for audit fees	600,000	600,000
Cash flows from operating activities	23,362,945	44,372,678
Change in inventories	(2,538,869)	(1,421,117)
Change in receivables from exchange transactions	(9,787,742)	(1,581,842)
Change in receivables from non-exchange transactions	(5,603,077)	
Change in payables from non-exchange transaction trade & other payables	(15,597,109)	2,520,187
Change in contractors retention	(6,639,019)	(10,017,442)
	(40,165,816)	(10,500,213)
Net cash flows from operating activities	(16,802,870)	33,872,464
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	(31,750,347)	(15,655,691)
Increase in Work in Progress	(134,294,586)	(116,871,142)
Net cash flows used in investing activities	(166,044,933)	(132,526,833)
Cash flows from financing activities		
Government grants – Capital	208,266,667	116,287,726
Net cash flows used in financing activities	208,266,667	116,287,726
Net increase/(decrease) in cash and cash equivalents	25,418,864	17,633,357
Net cash & Cash Equivalent-Opening	20,730,343	3,096,986
Net cash & Equivalent-End	46,149,207	20,730,343
Cash and Bank Balances	46,149,207	20,730,343

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

STATEMENT OF COMPARISON OF BUDGET AND ACTUALS

	Original Budget	Adjustments	Final Budget	Actual	Variance %
	2014/2015 Ksh	2014/2015 Ksh	2014/2015 Ksh	2014/2015 Ksh	2014/2015 Ksh
Revenue					
Exchequer grants	628,673,500	(31,300,000)	632,593,500	632,593,500	0%
Research grants	4,000,000	-	4,000,000	100,000	
Tuition fee	324,991,280	-	324,991,280	277,459,820	-15%
Catering fee	16,286,400	-	16,286,400	13,291,967	-18%
Rental revenue	14,788,000	-	14,788,000	4,072,300	0%
Fee revenue from collaborations	17,075,343	-	17,075,343	9,334,668	-45%
Farm revenue	450,000	-	450,000	17,465	-96%
Finance revenue interest	0	-	0	1,034,309	
Other revenue	29,719,888	-	29,719,888	3,494,135	-88%
Total	946,243,620	(31,300,000)	1,035,904,411	941,398,164	
Expenses					
Schools direct expenses	44,667,350	-	44,667,350	64,972,850	45%
Research	6,000,000	-	6,000,000	2,355,150	-61%
Farm Inputs	200,000	-	200,000	337,850	69%
Catering & Accommodation	19,152,000	-	19,152,000	37,016,309	93%
University Clinic	17,850,000	-	17,850,000	22,013,019	23%
Bulk purchases of water and electricity	23,205,000	-	23,205,000	16,069,287	-31%
Employee costs	670,242,632	-	670,242,632	608,595,539	-9%
Council Expenses	14,000,000	-	14,000,000	12,131,667	-13%
Depreciation and amortization expense	22,656,251	-	22,656,251	28,511,859	26%
Repairs and maintenance	17,414,119	-	17,414,119	10,813,247	-38%
Contracted services	1,000,000	-	1,000,000	2,326,508	133%
General expenses	184,234,121	-	184,234,121	140,541,322	-24%
Finance costs	3,348,000	-	3,348,000	1,892,494	-43%
Total expenses	1,023,969,473		1,023,969,473	947,577,101	
Surplus/(losses)	11,934,938		11,934,938	(6,178,937)	

NOTE 1: Statement of compliance and basis of preparation

The University's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the University. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

NOTE 2: Summary of significant accounting policies**a) Revenue recognition****i) Revenue from non-exchange transactions****Transfers from other government entities**

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

Exchequer grants from the government are recognised as revenue in the period in which they relate as per IPSAS 23.

ii) Revenue from exchange transactions***Rendering of services***

The University recognizes revenue from rendering of services (tuition fee) by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to academic semester period incurred to date as a percentage of total academic semesters. Tuition fee revenue from students is recognised as it accrues unless collectability is in doubt.

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

The University also maintains a provision of 10% of all outstanding fee balances due from students.

Sale of goods

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

Interest revenue

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

Rental revenue

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

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and revenue are presented in a single statement to determine the needs of the University. As a result of the adoption of the accrual

basis for budgeting purposes, there is no basis, timing or differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Investment property

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

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

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

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

d) Property, plant and equipment

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

Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying value of the assets over their expected useful lives (IAS 4). Assets acquired during the year are depreciated from the date of acquisition (IAS 4).

The annual depreciation rates (straight line basis) in use are:-

Buildings	-	2.5%
Machinery and Equipment	-	20.0%
Furniture and Fittings	-	12.5%
Motor Vehicles	-	25.0%
Computers	-	33 1/3 %

Freehold land is not depreciated as it is deemed to have an infinite life.

Work in Progress (WIP) is not depreciable until capitalized to respective asset class.

e) Leases

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

inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

An asset held under a finance lease is depreciated over the useful life of the asset.

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

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

i) Research and development costs

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

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

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

j) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the University has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

ii) 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.

k) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method

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

After initial recognition, inventory is measured at the lower of cost and net realizable value at the end of the financial period. 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.

I) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

m) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. Currently the University maintains the following reserves;

- Capital Reserves: All exchequer grants (Capital Development) from the Government are recognized as owners' funds in the period in which they relate and credited to this reserve.
- Revaluation Reserve: The University assets are re-valued from time to time. Property acquired from the former Narok Teachers Training College and valued at handover is credited to this account.

n) Changes in accounting policies and estimates

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

o) Employee benefits

Retirement benefit plans

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

p) Foreign currency transactions

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

q) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

r) Related parties

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

s) Service concession arrangements

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

t) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

u) Comparative figures

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

v) Significant judgments and sources of estimation uncertainty

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

Fee revenue is billed at the beginning of each academic semester. The academic and financial year of the University are different and so revenue is allocated on a monthly basis. Estimates are also provided on leave days accruals for staff. Accumulated leave days expense is computed on the basis of monthly working days divided by the basic salary.

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the University

NOTE 8: Revenue from Collaboration Centres & Nairobi Campus

Tertiary Institution	2014-15 Ksh	2013-14 Ksh
Highlands State College – Nairobi	3,720,918	5,256,267
AICO College – Eldoret	1,610,000	4,523,260
Esmart College – Kisii	1,500,000	2,278,861
Esmart College – Mumias	1,600,000	1,842,000
Kericho College Of Professional Studies	903,750	1,974,000
Nairobi Campus		28,486,490
Total	9,334,668	44,360,878

The University has collaborations with five tertiary institutions where fee is apportioned on the basis of 30:70% in favour of the tertiary institution. The University admits and set common examinations for students in these centres. The centres meet all other costs of running the programs. In line with Commission for University Education standards, the University continuously reviews these centres. During the year, all Nairobi campus students were absorbed by the University thereby becoming bonafide students of the institution thus their fees were directly banked in the University bank accounts.

NOTE 9: Finance Revenue

	2014-15 Ksh	2013-14 Ksh
Fixed Deposit interest	1,034,309	430,193
Total	1,034,309	430,193

These figures were obtained directly from University's bank statements which were interest revenues earned in the fixed deposit accounts.

NOTE 10: Other Revenue

	2014-15 Ksh	2013-14 Ksh
Nursery School Revenue	1,550,876	1,993,000
Medical Test Fees	59,450	7,500
NHIF Scheme revenue	660,268	712,285
Tender revenue		18,000
Miscellaneous revenue	1,223,541	135,289
Total	3,494,135	2,866,074

NOTE 11 School Direct Expenses

	2014-15 Ksh	2013-14 Ksh
PSSP Disbursement –School of Business	14,360,100	11,372,879
PSSP Disbursement –School of Education	15,790,285	24,265,571
PSSP Disbursement –School of Science	7,180,127	7,436,066
PSSP Disbursement –School of Tourism	9,639,055	5,637,325
PSSP Disbursement –School of Arts and Social Science	9,092,250	
Teaching Materials	3,836,585	2,032,363
Teaching Practise	2,463,694	1,703,910
External Examiners	2,610,750	2,592,406
Curriculum Development	209,550	
Total	64,972,850	55,040,580

NOTE 12 Research Expenses

	2014-15 Ksh	2013-14 Ksh
Research Expenses	2,355,150	2,106,580
Total	2,355,150	2,106,580

NOTE 13 Farm Expenses

	2014-15 Ksh	2013-14 Ksh
Farm Inputs	177,120	296,520
Farm Casual Labour	160,730	124,640
Total	337,850	421,160

NOTE 14 Catering and Accommodation Expenses

	2014-15 Ksh	2013-14 Ksh
Food Purchases	36,570,993	21,607,784
Hostel Cleaning	445,316	3,315,554
Total	37,016,309	24,923,338

NOTE 15 University Clinic Expenses

	2014-15 Ksh	2013-14 Ksh
Purchase of Drugs	7,142,011	8,124,938
Medical Bills	14,283,325	9,732,445
Locum	587,683	1,732,260
Total	22,013,019	19,589,643

NOTE16. Bulk Purchase of Water and Electricity

	2014-15 Ksh	2013-14 Ksh
Electricity & Water	16,069,287	21,118,580
Total	16,069,287	21,118,580

During the year the University instituted measures to curb power wastage in student hostels while water purchase from water bowzers was put to a stop due to the high cost. The Narok Water Company increased its water output to the University resulting in huge saving that saw the bill go down.

NOTE: 17 Employees Costs

	2014-15 Ksh	2013-14 Ksh
Employees Basic Salaries	277,521,608	258,910,698
Employer Pension Contribution	40,664,321	37,429,482
House Allowance Benefits	172,417,363	156,899,451
CBA Arrears		62,701,408
Gratuity	2,016,163	4,806,159
Other Allowances	107,065,426	89,505,173
Contract Salary	8,910,658	
Total	608,595,539	610,252,372

The CBA arrears and Gratuity payments in the last financial year resulted in a huge staff wage bill compared to the current financial year's staff costs. The total staff costs went up by 12 % as a result of engagement of new staff during the year i.e. from Ksh 542.7Million to Ksh 608.6Million.

NOTE. 18 Council Expenses

	2014-15 Ksh	2013-14 Ksh
Sitting /Subsistence & Mileage Allowance	12,131,667	12,736,161
Total	12,131,667	12,736,161

NOTE. 19 Depreciation & Amortization Expenses

	2014-15 Ksh	2013-14 Ksh
Property, Plant & Equipment	7,317,798	6,760,998
Buildings	7,761,816	7,761,816
Furniture & Fittings	2,847,889	2,428,348
Motor Vehicles	8,246,327	6,520,250
Computers	2,338,030	1,881,212
Total	28,511,859	25,352,623

Depreciation is calculated on straight line basis, at annual rates estimated to write off carrying value of the assets over their expected useful lives (IAS 4). Assets acquired during the year are depreciated from the date of acquisition (IAS 4). Motor vehicles acquired in the last quarter of the financial year under review were depreciated for the three months.

NOTE. 20 Repairs & Maintenance

	2014-15 Ksh	2013-14 Ksh
Maintenance of Catering Facilities	717,159	207,582
Maintenance of Buildings	6,067,165	6,187,394
Maintenance of Water & Sewerage	3,325,944	538,453
Maintenance of Equipments		
Maintenance of Playground	230,171	601,005
Maintenance of Computers		41,580
Maintenance of Fence	472,808	1,470,275
Total	10,813,247	9,046,289

NOTE. 21 Contracted Services

	2014-15 Ksh	2013-14 Ksh
Legal Expenses	2,326,508	4,280,541
Total	2,326,508	4,280,541

NOTE. 22 General Expenses

	2014-15 Ksh	2013-14 Ksh
Advertising	14,404,989	7,601,994
Administration/ Office	2,792,101	2,932,194
Audit Fee	600,000	600,000
Casual Wages	5,771,489	4,123,087
Caution/Fee Refunds	2,227,242	2,600,375
Cleaning Materials & Detergents	3,387,775	1,826,727
Seminars & Conference	2,558,831	3,317,539
Computer Expenses	4,548,349	4,601,483
Cultural Activities	1,101,945	887,787
Fuel, Oil & Transport	8,832,313	8,671,843
Graduation Expenses	6,994,935	3,333,578
Insurance	5,845,200	8,962,552
Library Books	2,966,026	1,104,200
Internet Expenses	3,053,682	1,680,616
Performance Contracting		175,350
Public Celebrations & Funerals	1,494,025	881,981
Purchase of Uniform & Clothing	939,800	805,830
Postage & Telephone	1,494,025	2,542,568
Printing & Stationery	1,295,075	3,588,368
Students Activities	15,064,492	16,180,077
Rent & Rates	9,919,993	5,007,433
Students Field Trips	299,775	1,532,060
Skills Development/Training	2,245,477	797,860
Relocation Allowance	605,506	42,990
Provision for bad debts	430,024	1,347,722

Subsistence- Internal	22,869,400	15,757,141
Subsistence-External	7,082,650	370,230
Bursaries	743,748	15,151
Corporate Social Responsibility	267,080	329,000
Stationery	6,858,795	5,433,401
Subscriptions	1,698,666	
Security Surveillance	943,636	-
Total	140,541,322	107,051,137

NOTE. 23 FINANCE COSTS

	2014-15 Ksh	2013-14 Ksh
Bank Charges & Interest-Coop	615,875	886,279
Bank Charges & Interest-Equity	185,394	225,394
Bank Charges & Interest-KCB	21,185	28,181
Bank Charges & Interest-NBK	1,055,450	930,889
Bank Charges & Interest-BBK	14,590	17,942
Total	1,892,494	2,088,685

NOTE: 24 CASH & CASH EQUIVALENTS

	2014-15 Ksh	2013-14 Ksh
Coop. KUCCPS.	294,174	509,888
Coop. Pssp.	1,370,451	313,166
Coop. Catering	821,598	349,546
Equity KUCCPS.	950,907	117,297
Equity Catering	1,023,441	1,358,746
Kcb. Development	4,224,981	101,442
Kcb.Pssp	2,095,924	32,379
Bbk	367,731	947,880
Short Term Deposits	35,000,000	17,000,000
Total	46,149,207	20,730,344

NOTE: 25 Receivables-Exchange transactions

	2014-15 Ksh	2013-14 Ksh
Students Debtors	39,786,475	29,560,033
Staff Imprest	1,396,521	3,234,157
Salary Advance		575,520
Other Debtors	5,974,000	11,900,210
Less Bad Debtors	430,024	(4,146,024)
Total	46,726,973	41,123,896

NOTE: 26 Receivables- Non Exchange Transactions

	2014-15 Ksh	2013-14 Ksh
MOHE-NON-Exchange	52,716,125	42,928,383
Total	52,716,125	42,928,383

NOTE: 27 Inventories

	2014-15 Ksh	2013-14 Ksh
Consumables	2,623,921	1,278,862
Medical Supplies	4,510,679	4,125,779
Building Materials	457,551	705,857
Catering	1,664,226	607,010
Total	9,256,377	6,717,508

NOTE: 28 Property, Plant & Equipment

	Land	Plant & Equipm ent	Building	Furniture	Motor Vehicle	Computers	Total
Dep. Rate		20%	2.5%	12.5%	25%	33 1/3 %	
Cost/Valuation	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
1.7.2014	5,264,000	33,804,988	310,472,635	19,426,781	27,124,348	14,381,930	410,474,682
Additions		2,784,000		3,356,331	23,443,835	1,371,827	30,955,993
Total	5,264,000	36,588,988	310,472,635	22,783,112	50,568,183	15,753,757	441,430,675
Acc. Dep. b/f	-	24,384,062	18,157,744	8,470,224	27,124,348	12,609,926	90,746,304
Dep. for the year	-	7,317,798	7,761,816	2,847,889	8,246,327	2,338,030	28,511,859
Acc. Dep. c/d	-	31,701,860	25,919,560	11,318,113	35,370,675	14,947,956	119,258,163
NBV.30.6.2015	5,264,000	4,887,128	284,553,075	11,464,999	15,197,508	805,801	322,172,512
NBV. 30.6.2014	5,264,000	9,420,926	292,314,891	11,192,223	6,520,250	1,772,004	314,700,045

NOTE: 29 Work In Progress

	Gross	VAT(16%)	Withholding 3%	Retention 5%	Net Paid
Balance b/f	631,299,172	57,060,315	18,620,165	41,723,237.10	757,686,750
Additions					
Hostel	29,857,552		785,089.77	3,687,893	25,384,569.23
Hostel	41,033,257.89		1,230,997.74	4,103,325.79	35,698,934.36
Hostel	46,280,405		1,388,412.16	4,902,557.01	44,891,992.84
Hostel	17,123,371			(7,400,559)	
Hostel				(6,345,610)	
Hostel				(2,793,313)	
Hostel				(2,793,313)	
Sub-Total	134,294,585.89		3,404,499.67	(6,639,019.20)	105,975,496.43
30.06.2015	Gross Total 765,593,757.89	57,060,315	22,024,664.67	35,084,217.90	863,662,246.43

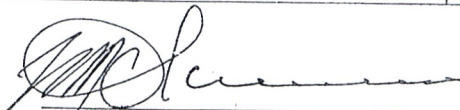
NOTE 30: Trade and Other Payables

	2014-15 Ksh	2013-14 Ksh
Finance lease obligation	4,362,837	6,331,074
Employee benefit obligations	48,929,987	66,767,963
Students Caution Money	5,743,000	4,990,000
Audit Fees	600,000	1,200,000
VAT W.I.P	-	-
Fee Prepayments	7,141,574	10,722,000
Trade and other payables	11,684,020	16,528,889
Total	90,512,793	106,539,926

PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS FOR FY 2013/14

The following is the summary of issues raised by the external auditor and management comments that were provided to the auditor.

Ref No on the external audit report	Issue/Observations from Auditor	Management comments	Status	Officer Resolving the issue
1 (i)	That as previously reported non-current assets balance excluded value of land measuring 129 acres inherited from Narok Teachers Training College	The management is actively pursuing Title Deed for the land and its valuation will be provided in due course.	Waiting for National Land Commission to process Title Deed.	Legal Officer
(ii)	That land acquired for Ksh 5,264,000 at Sekenani gate was not valued prior to purchase.	Valuation for the said piece of land was done prior to purchase.	The prior Valuation report copy is attached herewith	Done
2	That current liabilities include employees benefit obligation in respect of pension scheme deductions.	The University pension deductions for the year were paid on time save for the previous dues owing.	Management has re-confirmed balances owing and an agreed payment plan put in place.	Finance Officer


CHAIRMAN


VICE CHANCELLOR

29/9/15
DATE

29.09.15
DATE