


REPUBLIC OF KENYA



Enhancing Accountability

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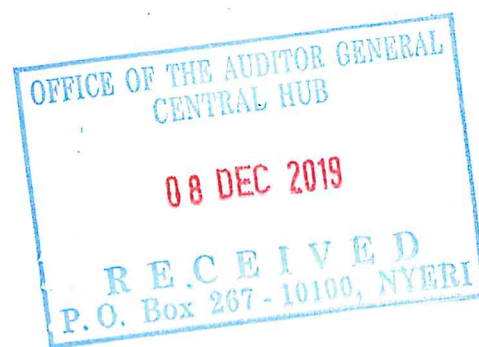
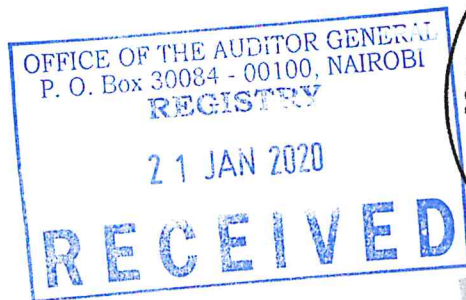
THE AUDITOR-GENERAL

ON

MURANG'A UNIVERSITY OF TECHNOLOGY

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

NATIONAL ASSEMBLY RECEIVED
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MURANG'A UNIVERSITY OF TECHNOLOGY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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



MUT IS ISO 9001:2015 CERTIFIED

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VISION

A Leading University in Technological Innovation, Research and Training

MISSION

To advance knowledge and technological transfer through teaching, training, learning, research and innovation for sustainable development

CORE VALUES

Innovation and Creativity
Professionalism
Teamwork
Freedom of inquiry
Integrity
Fairness and Non-discrimination

KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) Background information

Murang'a University of Technology (MUT) is a public university in Kenya, chartered on 7th October, 2016. The University operates under the provision of the Universities Act No. 48 of 2012 of the Laws of Kenya. It is a successor to Murang'a University College, a former constituent College of Jomo Kenyatta University of Agriculture and Technology (JKUAT), and Murang'a College of Technology based in Murang'a County. The University is strategically located 1.5 km from Murang'a Town, 85 km North East of Nairobi, 70 km South East of Nyeri and 50 km South West of Embu.

The University offers postgraduate studies at Masters and Doctorate level, undergraduate Degree programs, Diploma and Certificate courses in Engineering, Information Technology, Computer Science, Business, Commerce, Human Resource Management, Hospitality and Tourism Management, Education, and Pure and Applied Sciences. The programs are innovative in design and curricula implementation focuses on the development of graduates with sound knowledge, professional competencies and values that enable them to fit in the job market both locally and internationally. This is achieved through concerted and collaborative efforts in teaching, training, research and innovation, scholarship, entrepreneurship, and consultancy. The University is committed to continually develop and review courses in order to address changing market demand and thus increase student enrollment. The University has build technology and innovation into its programs and aligned them to the Medium Term Plan (MTP) III, the Big Four Agenda initiatives as well as the Kenya Vision 2030.

(b) Principal Activities

The principal activities of the University are derived from the core functions as set out in the Universities Act 2012, amended 2016, and the University Statutes. The mandate of MUT is to provide quality teaching, training, scholarship, entrepreneurship, innovation, and research and consultancy services.



KEY UNIVERSITY INFORMATION AND MANAGEMENT (Continued)

(c) Key Management

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

- University Council
- University Management Board
- Senate

(d) Fiduciary Management

The key Management personnel who held office during the financial year ended 30th June, 2019 and who had direct fiduciary responsibility were:

No.	Name	Designation
1	Prof. Dickson M. Nyariki	Vice Chancellor
2	Prof. Beatrice W. Mugendi	Deputy Vice Chancellor (Finance and Development)
3	Prof. Prisca J. Tuitoek	Deputy Vice Chancellor (Academic and Student Affairs)
4	Prof. Godrick Bulitia	Registrar (Administration and Planning)
5	Mr. Joseph Gachanja	Ag. Registrar (Administration and Planning)
6	Dr. Richard Juma	Registrar (Academic and Student Affairs)
7	CPA Richard Ng'ang'a	Finance Officer

(e) Fiduciary Oversight Arrangements

The fiduciary oversight arrangements of the University are carried out by the Council through the following committees:

- i. Finance, Physical Planning and Development Committee
- ii. Audit, Governance and Risk Management Committee
- iii. Human Resource and General Purposes Committee

The composition and roles of the above committees are explained under Corporate Governance Statement on pages xiv to xvii.

(f) Headquarters

Murang'a University of Technology
P.O. Box 75 – 10200
MURANG'A, KENYA

(g) Contacts

Telephone: (254) 0771463515, (254) 0771370824
E-mail: info@mut.ac.ke
Website: www.mut.ac.ke



KEY UNIVERSITY INFORMATION AND MANAGEMENT (Continued)

(h) Bankers

1. Kenya Commercial Bank Limited
Murang'a Branch
P.O. Box 112 – 10200
MURANG'A
2. Equity Bank Limited
Murang'a Branch
CDM Building
P.O. Box 1060 – 10200
Murang'a
3. Co-operative Bank of Kenya
Murang'a Branch
P.O. Box 954-10200
Murang'a

(i) Independent Auditors



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


UNIVERSITY CHANCELLOR AND COUNCIL MEMBERS

The University governing body comprises the Chancellor and the Council. The Chancellor is the titular Head of the University. The University Council was appointed by the Cabinet Secretary for Education vide gazette notice no.7598 and gazette notice no.7599 of 31st July, 2017 for a term of three years with effect from 1st August, 2017; and vide gazette notice no.4412 of 10th May, 2019 for a period of three years with effect from 26th April, 2019.





Name	Key Responsibility, Date of Birth, Key qualifications and Work experience	Period Served
 <p>Prof. Justin Irina, PhD, EBS</p>	<p>University Chancellor</p> <p>Date of birth: 1941 PhD (University of Nairobi - 1971) May 2017 to date: Chancellor, MUT 2013 – 2017: Chairman of Council, Meru University of Science and Technology Vice Chancellor, Moi University Council member, Maseno University Council member, Western University College of Science and Technology (WEUCO) Chairman, Board of Governors of the Coast Institute of Technology CEO, Commission for Higher Education (CHE) Principal, Chepkoilel College Secretary to the Public Universities Inspection Board Chairman, Kenya Plant Health Inspectorate Service (KEPHIS) Chairman, Kenya Chemical Society</p>	<p>Throughout the Year</p>
 <p>Prof. Joachim Osur, MBChB, PhD</p>	<p>Chairman of Council</p> <p>Date of Birth: 21st June, 1971 PhD in Reproductive Health, Kenyatta University, 2012 MSc Public Health, Kenyatta University, 2005 MBChB. Medicine and Surgery, University of Nairobi, 1998 Director of Regional Offices and field offices at AMREF Health Africa Fellow of the European Committee on Sexual Medicine (FECSM) Renowned public and reproductive health specialist with wide experience in health programming on the African continent.</p>	<p>Throughout the Year</p>

 <p>Mr. Alfred L. Ejem</p>	<p>Council Member</p> <p>Chairperson-Finance, Physical Planning and Development Council Committee from 10th May, 2019</p> <p>Date of Birth: 1976 MBA Strategic Management, Kenyatta University, 2013 BSc Agriculture, Education & Extension, Egerton University, 2007</p>	<p>Throughout the Year</p>
 <p>Mr. Peter M. Kibinda</p>	<p>Council Member</p> <p>Chairperson-Audit, Governance and Risk Management Council Committee</p> <p>Date of Birth: 2nd February, 1954 MA Urban Planning, University of Nairobi, 1981 BA Land Economics, University of Nairobi, 1978</p>	<p>Throughout the Year</p>
 <p>Ms. Lucy N. Kaburia</p>	<p>Council Member</p> <p>Chairperson-Human Resource and General Purposes from 10th May, 2019</p> <p>Date of Birth: 13th December, 1974 MBA Marketing, Strathmore University, 2011 B.Com Marketing, University of Nairobi, 1999</p>	<p>Throughout the Year</p>
 <p>CPA Eunice M. Juma</p>	<p>Council Member</p> <p>Chairperson-Finance, Physical Planning and Development Council Committee up to 10th May, 2019</p> <p>Date of Birth: 1983 MA Project Planning and Management, 2016 MBA Finance, University of Nairobi, 2013 B.Com Accounting, Catholic University, 2011</p>	<p>Up to 10th May, 2019</p>

 <p>Dr. Francis K. Sang, PhD</p>	<p>Council Member</p> <p>Chairperson-Human Resource and General Purposes up to 10th May, 2019</p> <p>Date of Birth: 1973 PhD Educational Management MA Education Administration BA Education, Mathematics and Economics</p>	<p>Up to 10th May, 2019</p>
 <p>Dr. Meshack Opwora, PhD</p>	<p>Rep. Permanent Secretary</p> <p>State Department of University Education and Research, Director of Technical Training</p> <p>Date of Birth: 1966 PhD in TVET from the University of Newcastle, Australia MBA, Kenyatta University (KU) MED (Administration and Planning), University of Nairobi (UON) B.Ed. in Technology – Moi University</p>	<p>Throughout the Year</p>
 <p>Prof. Chris Macoloo, PhD</p>	<p>Council Member</p> <p>Date of Birth: 3rd February, 1956 Cambridge University, UK (Ph.D. in Urban Geography and Planning), 1990 McGill University, Montreal Canada (Visiting Graduate Student), 1983 University of Nairobi (MA in Urban Geography), 1983 University of Nairobi (BA in Education), 1980</p>	<p>From 11th May, 2019</p>
 <p>Ms. Mary Kibuka</p>	<p>Council Member</p> <p>Date of Birth: 29th October, 1952 M.Sc. in Management and Implementation of Development Projects, (MIDP), University of Manchester, 1991 Bachelor of Education and Home Economics (B. Ed. Sc. Hons.), University of Nairobi, 1976</p>	<p>From 11th May, 2019</p>


 <p>Prof. Dickson M. Nyariki, PhD</p>	<p>Vice Chancellor/Secretary to Council</p> <p>PhD in Agricultural Economics University of Reading, United Kingdom, 1997; MSc Agricultural Economics University of Nairobi, 1990; BSc Range Management University of Nairobi, 1986; Vice Chancellor, Murang'a University of Technology, February 2018 to date; Ag. Vice Chancellor, Murang'a University of Technology, October 2016 to January 2018 Principal, Murang'a University College, March 2016 to September 2016; Deputy Vice Chancellor (Administration and Human Resource Management), South Eastern Kenya University, March 2013 to February 2016; Deputy Principal (Administration and Finance), South Eastern University (Constituent College of the University of Nairobi), January 2010 to March 2013; Sub-Regional Coordinator, FAO Initiative on Soaring Food Prices (ISFP), April 2009 to January 2010; Regional Coordinator, IGAD Water Harvesting Pilot Project for Crop and Livestock Production to Enhance Food Security, February 2005 to December 2008.</p>	<p>Throughout the year</p>
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MANAGEMENT TEAM

Name	Key profession, Academic qualifications and Work Experience	Area of Responsibility	Period Served
 Prof. Dickson M. Nyariki, PhD	PhD Agricultural Economics , University of Reading, United Kingdom January 2018 to date: Vice Chancellor, Murang'a University of Technology October 2016 to January 2018: Ag. Vice Chancellor, Murang'a University of Technology	Vice Chancellor	Throughout the year.
 Prof. Beatrice W. Mugendi	PhD in Food Biochemistry , Kenyatta University, 2008 MBA Strategic Management , Kenya Methodist University, 2015	Deputy Vice Chancellor (Finance and Development)	Throughout the year.
 Prof. Prisca J. Tuitoek, PhD	PhD in Human Nutrition University of Alberta, Canada, 1995	Deputy Vice Chancellor (Academic and Student Affairs)	Throughout the year.
 Prof. Godrick Bulitia, PhD	PhD in Business Administration , Maseno University, 2014	Registrar (Administration and Planning)	Up to 31 st Jan 2019



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 Dr. Richard Juma, PhD	PhD in Development Studies , Victoria University of Wellington, New Zealand, 2009	Registrar (Academic and Student Affairs)	Throughout the year.
 Mr. Joseph Gachanja	MBA Strategic Management , Kenyatta University, 2008	Ag. Registrar (Administration and Planning)	Throughout the year.
 CPA Richard K. Ng'ang'a	MBA Finance , Jomo Kenyatta University of Agriculture and Technology, CPA(K)	Finance Officer	Throughout the year.

CHAIRMAN'S STATEMENT

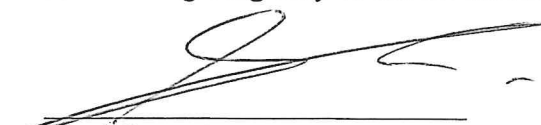
This is the third year since MUT was elevated to a full-fledged University. The University is committed to providing quality education to all its students that will equip them with knowledge and skills to succeed in future studies, employment and entrepreneurship. The University is also positioning itself to develop a distinctive profile as a premier University and to growing its enrolment strategically.

The country's economic growth rate had a positive trend and is projected to continue growing in the medium term as a result of expected stable macroeconomic environment, sustained investments in infrastructural projects by the Government and favourable regulatory policies. The University's performance is highly affected by the general performance of the economy and particularly the performance of the Education sector in Kenya. Being a growing public institution, the University is also highly dependent on Government funding. The financial year under review has been a difficult one, following changes facing the Education Sector that led to a reduction in student numbers qualifying for admission to the University amid tight competition for student enrolment from other Public and Private Universities and Technical Institutes. This in turn led to a reduction in tuition income.

Since its establishment, the University has increased the number of academic programmes. Currently, the University comprises the following Schools: Business and Economics, Pure and Applied Sciences, Computing and Information Technology, Hospitality and Tourism Management, and Engineering and Technology. Each School offers a variety of Postgraduate and Undergraduate Degree, Diploma and Certificate programmes. The University has continued to increase the facilities and infrastructure to support its core mandate. Some of the challenges faced by the University include stiff competition from other Universities for self-sponsored students as well as delayed and inadequate Government capitation. Looking forward, there is uncertainty in student enrolment, with continued mushrooming of Technical Training Institutes. Despite these challenges, the University will look at ways to develop more interdisciplinary courses, embedding opportunities for collaboration and enterprise in the curriculum development and assessment, and exploiting new technology in learning, teaching and research.

The going concern of the University was not at stake and the University will continue its operations in the future without liquidating or be forced to discontinue operations due to any reason. No evidence is available to believe that it will cease its activities in the foreseeable future. The liquidity position of the University was stable with minimal difficulties in meeting its maturing obligations attributable to financial liabilities. The University's approach to managing liquidity is to ensure, as far as possible, that it will always have liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation.

I thank the Government of Kenya for funding our projects during the financial year. My gratitude also goes to my fellow Council Members, the Management Team, Staff, Students and all other stakeholders for working diligently to ensure that the University achieves its Strategic Objectives and National Goals.



Prof. Joachim Osur, Ph.D.
Council Chairman



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REPORT OF THE CHIEF EXECUTIVE OFFICER

I am honoured to present the Annual Report and Financial Statements of MUT for the year ended 30th June, 2019. The University has progressed well with its core business of teaching, training and research amidst high competition, inadequate Government funding and rising cost of operations. During the year under review, total revenue rose by Kshs. 7.57M (4%) while total expenditure dropped by Kshs.67.56M (10%) resulting in an improvement from a deficit of Kshs.18.65M to a surplus of Kshs.10.04M.


Exchequer recurrent grants during the year were Kshs.451.83M. This was higher than the originally expected grants of 414.61M due to the accrued Kshs.45,516,352 from the supplementary budget meant to help reduce budget deficit. The recurrent budget was mainly utilized in funding recurrent expenditure to the extent of Kshs. 643.12M and purchase of plant and equipment amounting to Kshs.14.08M.

The approved budget for Development grants was Kshs.392.00M. Kshs.83.89M was utilized in funding development projects. The Government funded only the Science Complex by Kshs.220M, leading to a deficit of Kshs.172.00M. This slowed construction of projects during the year. Students' fees grew by Kshs. 10.44M (6%) attributable to increased enrolment of Government sponsored students as compared to the previous year. Other incomes declined by Kshs.3.33M due to reduction in revenue from cafeteria and workshops.

Personnel emoluments went up by 22M (5%) owing to increases in basic salaries and house allowances after the implementation of the 2013-17 National CBA. In addition, lecturers were competitively recruited to support the teaching of new academic programmes that were mounted to meet market needs. In order to enhance human resource capacity, the University has continued to identify skills gaps in the existing human resource which are bridged by skills enhancement through trainings and workshops. Also, to enhance skills for the existing staff, tuition fee was waived for staff members who were willing and qualified to undertake Masters or Doctorate degrees in the University. In addition, competitive recruitment and induction of new staff in various posts were carried out during the year. All other operating expenses dropped during the year. This is because the Management employed tight austerity measures with comprehensive cost management strategies to ensure that the University is able to finance all the budgeted activities without recourse to borrowing amid inadequate Government funding and declining self-sponsored student enrolment. The Management has continued to equip the University with library materials, computers and internet facilities to support learning, teaching and research.

The University transited from ISO 9001-2008 to ISO 9001-2015 certification. As part of our commitment, the University will continue to share knowledge and research outcomes as widely as possible to inform and inspire the society. The long-term outcome of our mission includes an increased quality of life for our staff and students and to support the aspirations of the youth by demonstrating the value of research, innovation and entrepreneurship.

I would like to express my sincere appreciation to the Government for financial support, the Council for providing strategic guidance, and the staff and students for working meticulously to ensure successful operations of the University during the year.



Prof. Dickson M. Nyariki, Ph.D.
Vice chancellor / Council Secretary



CORPORATE GOVERNANCE STATEMENT

Murang'a University of Technology is committed to exhibiting best practices in all aspects of corporate governance. Our structures, policies and procedures are anchored on transparency, accountability, responsibility and fairness, which are the tenets of good governance. The University operates directly under the Ministry of Education. The University gets financing mainly from the National Treasury through the Ministry of Education, which is the line Ministry.

The University Corporate Governance role is guided by The Universities Act No.42 of 2012, amended in 2016; Mwogozo Code, 2015; Commission for Universities Education Universities Standards and Guidelines, 2014; Murang'a University of Technology Charter, and Statutes, 2016. The University has three separate internal bodies (the Council, the Management Board and the Senate) as required by the Charter, each with clearly defined functions and responsibilities to oversee and manage its activities as follows:

a. The University Council

This is the governing body of the University. The Council is constituted taking into account requirements of the sector, diversity of skills, age, value addition, gender, academic qualifications and experience necessary to help achieve the University's goals and objectives. The Council was appointed by the Cabinet Secretary for Education.

b. Appointment of the Council

The University Council was appointed by the Cabinet Secretary for Education vide gazette notice no.7598 (Council Chairman) and gazette notice no.7599 (Council members) of 31st July, 2017 for a term of three years with effect from the 1st August, 2017. Dr. Chris Gervase Mac Oloo and Ms. Mary Ndiga Kibuka were appointed to be Council Members vide gazette notice no.4412 of 10th May, 2019 for a period of three (3) years with effect from the 26th April, 2019. The appointments of Ms. Eunice Muyoka Juma and Dr. Francis Kipkemboi Sang were revoked vide the same gazette notice. The Council members have a combination of skills and competencies necessary for effective University Governance. The Council, however, lacks at least one member who is a financial expert as required by the Mwogozo Code.

c. Size and Composition of Council

The Council consists of eight members with some degree of balance of skills, knowledge and experience in a variety of disciplines appropriate for oversight of the University. All the members participated in effective decision making throughout the year.

d. The Role of the Council

As guided by the State Corporations Act, Cap 446 and other relevant laws of Kenya, the Council's role is to provide effective leadership and control, in terms of approving the University policies and ensuring best practice of corporate governance. The Council retains full and effective control over the University by monitoring and evaluating performance, and reviewing management accounts and all expenditure. It reviews processes for the identification and management of risks as well as legal and statutory compliance. As the governing body of the University, the Council has a responsibility of maintaining a sound system of internal controls that support achievement of goals, aims and objectives, whilst safeguarding University resources.

e. The Power and Authority of the Council

The University Council is vested with powers and authority by the Charter and the Universities Act, 2012. In discharging its mandate, the Council is guided by the Charter, Mwogozo Code, 2015 and Commission for University Education Standards and guidelines to effectively fulfil its corporate



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governance responsibility towards its stakeholders.

The Council is also the executive governing body responsible for the academic and strategic direction of the University, including her external relations and administration of the University. In addition, the Council is responsible for the management of the University's resources in accordance with the Public Finance Management Act, 2012 and Public Finance Regulations, 2015.

f. Council effectiveness

The independence of the Council from the University's corporate management is ensured by the separation of the functions of the Chairman of Council and the Vice-Chancellor and a clear definition of their responsibilities. The Chairman is primarily responsible for providing leadership to the Council while the Vice-Chancellor is responsible for the day-to-day management of the University. This achieves an appropriate balance of power, increased accountability and improved capacity for decision making.

g. Council Committee and Meetings

The University Council meets at least once in every quarter unless urgent matters arise which call for a special meeting. The Council oversees the operations of the University using various committees. These committees meet quarterly or as per need. The Council receives reports from the committees of council that will have considered the matters in detail. The recommendations of these committees are formally reported to the Council meeting for approval. These Committees are as follows:

1. Finance, Physical Planning and Development Committee

The primary responsibility of the Finance, Physical Planning and Development Committee is to make recommendations to the Council on the University's budget, financial performance, financial position and financial implications. The Committee reviews quarterly and annual financial reports and recommends to the Council ways of raising and utilizing University funds, and the establishment of systems and procedures for efficient financial management.

2. Audit, Governance and Risk Management Committee

The scope of this Committee includes risk management, as well as compliance with the regulatory and legal requirements. The Audit Committee broadly oversees the University's standards of integrity and behaviour, reporting of financial information and internal control systems.

3. Human Resource and General Purposes Committee

The Mandate of the Committee is to propose and review the terms and conditions of staff, career progression structures, performance management scheme, retirement benefit and pension scheme, University statutes, master plan, policies and regulations governing staff and students and recommends approval to affiliations, linkages, partnership and associations of the University to the Council. The Committee reviews quarterly and annual reports on staff welfare and general University performance and recommends to Council for final direction.

The composition and number of meetings attended by the above committee members during the year were as follows:

CORPORATE GOVERNANCE STATEMENT (continued)

	Council Committee	Members	Area of responsibility	No. of meetings attended
1	Council			
	i.	Prof. Joachim Osur	Chairman	11
	ii.	Ms. Eunice M. Juma*	Member	11
	iii.	Dr. Francis K. Sang*	Member	8
	iv.	Mr. Peter Kibinda	Member	10
	v.	Mr. Alfred Ejem	Member	10
	vi.	Dr. Meshack Opwora	Rep. PS, State Department of University Education and Research	9
	vii.	Ms. Lucy Kaburia	Member	11
	viii.	Dr. Chris Gervase Mac Oloo**	Member	1
	ix.	Ms. Mary Kibuka**	Member	1
	x.	Prof. Dickson Nyariki	Secretary to the Council	11
2	Finance, Physical Planning and Development			
	i.	Ms. Eunice M. Juma*	Chairperson up to April 2018	5
	ii.	Mr. Alfred Ejem	Chairperson from June 2018	4
	iii.	Dr. Francis K. Sang*	Member	4
	iv.	Mr. Peter Kibinda	Member	5
	v.	Ms. Mary Kibuka**	Member	None
	vi.	Dr. Meshack Opwora	Rep. PS, State Department of University Education and Research	3
	vii.	Prof. Dickson M. Nyariki	Secretary to the Council	5
3	Audit, Governance and Risk Management			
	i.	Mr. Peter Kibinda	Chairperson	4
	ii.	Mr. Alfred Ejem	Member	3
	iii.	Ms. Lucy Kaburia	Member	4
	iv.	Dr. Meshack Opwora	Rep. PS, State Department of University Education and Research	3
	v.	Prof. Dickson M. Nyariki	Secretary to the Council	4
4	Human Resource and General Purposes			
	i.	Dr. Francis Sang	Chairperson up to April 2019	5
	ii.	Ms. Lucy Kaburia	Chairperson from June 2019	5
	iii.	Ms. Eunice M. Juma	Member	4
	iv.	Ms. Mary Kibuka**	Member	None
	v.	Prof. Chris Mac Oloo**	Member	None
	vi.	Dr. Meshack Opwora	Rep. PS, State Department of University Education and Research	5
	vii.	Prof. Dickson M. Nyariki	Secretary to the Council	5

Note that:

* The appointment of the Member was revoked vide Gazette Notice no.4412 on 10th May, 2019

**Member was appointed for a period of three years with effect from the 26th April, 2019 vide Gazette Notice no.4412 on 10th May, 2019



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CORPORATE GOVERNANCE STATEMENT (continued)



Council Members taking Secrecy and Oath of office at MUT Boardroom

h. Remuneration of the Council

In accordance with guidelines provided in the State Corporations Act, the Council members, other than the Vice Chancellor/Secretary do not receive a salary. They are however paid a sitting allowance for every meeting attended at the rate of Kshs.20,000 per meeting as well as transport, lunch and accommodation allowance while carrying out their mandate at the University. The Chairman receives a monthly honorarium of Kshs.80,000. The committee members do not receive any remuneration apart from the reimbursement of expenses incurred while on the University duties.

i. Induction and Training for Council Members

During the financial year under review, the Council Members attended Mwongozo training for Board Members of State corporations organised by State Corporate Advisory Committee (SCAC) and Institute of certified Public Secretaries of Kenya (ICPSK) in February, 2019. In response to Mwongozo; Code of Governance for State Corporations, 2015, the Council attended a continuous skills development workshop at Mombasa from 27th to 31th May, 2019.

j. Statement of Compliance

The Council Members confirm that Murang'a University of Technology has complied with the statutory and regulatory requirement and has been managed in accordance with the principles of Corporate Governance throughout the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

a. Financial Performance Highlights

The University shows steady financial growth in its third year after the award of the charter. The results of operations reflect the University's focus on achieving its mandate in the face of high competition for students, constrained Government funding and the increasing need for competitive staff, teaching and research facilities, and high operational costs. The University's financial performance recorded an improvement with deficit declining from a negative of Kshs.18.61M to a surplus of Kshs.10.00M. Total revenue and expenditure declined by Kshs.38.95M (6%) and Kshs.67.57M (10%) respectively in the year under review.

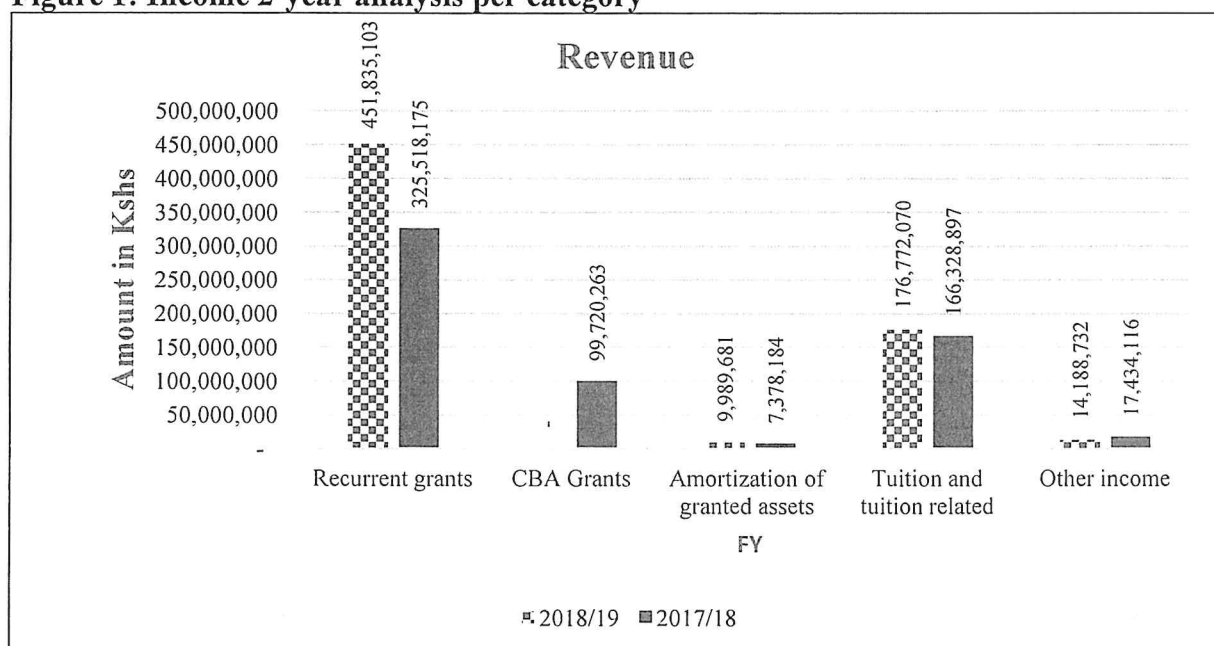
i. Income

Table 1 shows that exchequer recurrent grants rose by Kshs.126.32M (39%) due to an increase in exchequer recurrent grants allocation for 2018-2019 FY. Amortization of granted assets (based on straight line method of depreciation) grew by Kshs.2.60M (35%) due to capitalization of granted assets (Internal Roads) during the year under review. Total revenue from non-exchange transactions declined by Kshs.46.45M mainly due to Collective Bargaining Agreement (CBA) recurrent grants of Kshs.93.97M that was received in the previous financial year and CBA grants payable amounting to Kshs.75.65M that was written off and recognized as income during the comparative financial year 2017-2018.

Tuition and tuition related income grew by Kshs.10.44M (6%) attributable to an increase in student enrolment compared to the previous year. Other incomes slightly declined by Kshs.3.33M (19%) due to a reduction in income from student cafeteria and workshops. As a result, total revenue from exchange transactions rose by Kshs.7.57M (4%).

Figure 1 shows a graphic comparison of revenue in financial years 2018-2019 and 2017-2018.

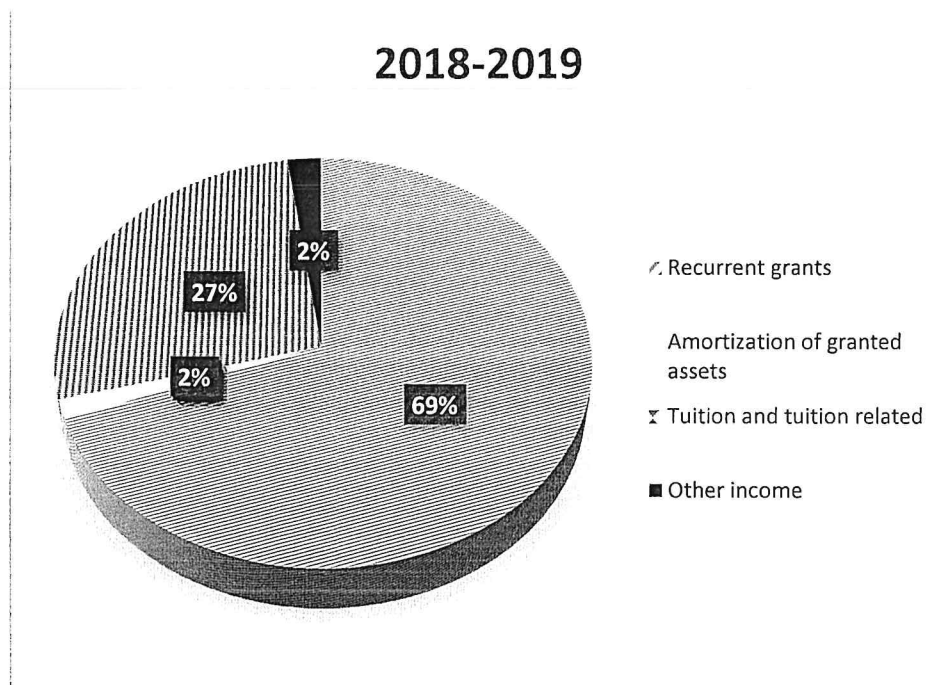
Figure 1: Income 2-year analysis per category



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

In Figure 2, the exchequer recurrent grants formed the largest proportion of total income during the year with 69%. Tuition and tuition related income contributed 27% while amortization of granted assets and other incomes contributed 2% of total revenue each. This is an indication that the University relies mainly on Government funding.

Figure 2: Composition of income during the financial year 2018-2019



ii. Expenditure

Table 1 indicates that total recurrent expenditure dropped by Kshs.67.57M (10%) which is mainly attributable to CBA expense which was paid in the previous year. The personnel emoluments rose by Kshs.22.05M (5%) attributable to an increase in basic salaries and house allowances after the implementation of 2013-2017 National CBA. Additionally, more academic staff were recruited to support teaching the new academic programmes that were mounted to meet the market needs. The Chancellor and Council expenses rose by Kshs.3.75M (36%), depreciation and amortization by Kshs.6.95M (18%) and teaching/academic expenses Kshs.3.42M (14%). Student welfare expenses declined by Kshs.0.72M (5%), repairs and maintenance expenses by Kshs.0.42M (15%), and general operating expenses by Kshs.8.33M (8%).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

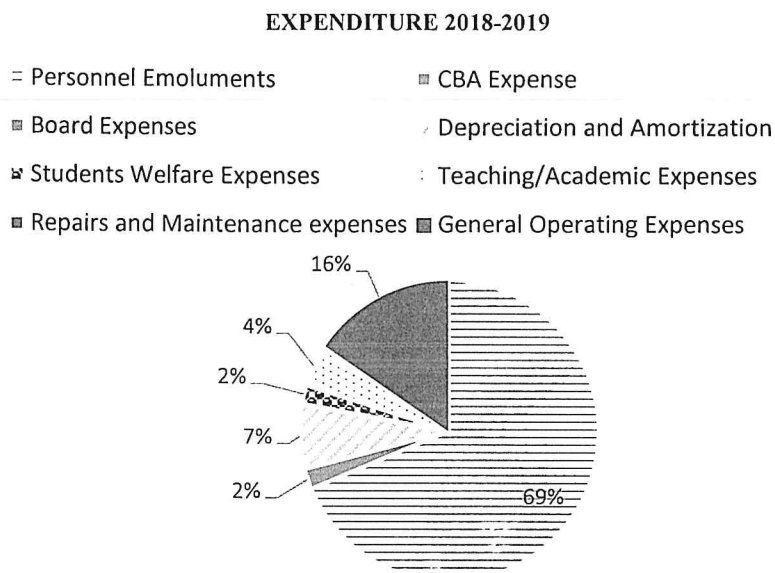
Table 1: Financial Performance Highlights

	2018-2019	2017-2018	Change	
Income	Kshs	Kshs	Kshs	%
Revenue from non-exchange transactions				
Exchequer Recurrent Grants	451,835,103	325,518,175	126,316,928	39%
Exchequer CBA Grants	-	99,720,263	(99,720,263)	-100%
Amortization of granted assets	9,989,681	7,378,184	2,611,497	35%
CBA Funds Payable written off	-	75,653,378	(75,653,378)	-100%
Total Revenue from non-exchange transactions	461,824,783	508,270,000	(46,445,216)	-9%
Revenue from Exchange Transactions				
Tuition Income	176,772,070	166,328,897	10,443,173	6%
Other Incomes	14,188,732	17,434,116	(3,245,384)	-19%
Decrease in Provision for Doubtful Debts	378,231.69	-	378,232	-
Total Revenue from exchange transactions	191,339,033	183,763,013	7,576,020	4%
Total Revenue	653,163,817	692,033,013	(38,869,196)	-6%
Expenditure	2018-2019	2017-2018	Change	
	Kshs	Kshs	Kshs	%
Personnel Emoluments	441,561,720	419,508,172	22,053,548	5%
CBA Expense	-	93,971,841	-	-
Chancellor and Council	14,247,009	10,501,251	3,745,758	36%
Depreciation and Amortization	45,122,887	38,177,408	6,945,480	18%
Students Welfare Expenses	12,802,413	13,525,303	(722,890)	-5%
Teaching/Academic Expenses	27,913,337	24,493,714	3,419,623	14%
Repairs and Maintenance expenses	2,318,853	2,741,237	(422,384)	-15%
General Operating Expenses	99,155,241	107,488,108	(8,332,867)	-8%
Increase in Provision for Doubtful Debts	-	280,410.1	-	-
Total Expenditure	643,121,460	710,687,443	(67,565,983)	-10%
Surplus / Deficit for the year (a-b)	10,042,356	(18,654,431)	28,696,787	



Composition of Expenditure during the financial year 2018-2019 is shown in Figure 3. Personnel emoluments had the largest proportion (69%) of expenditure, followed by general operating expense (16%), depreciation (7%), teaching/academic (4%), students' welfare expenses (2%) and Chancellor and Council expenses (2%).

Figure 3: Composition of Expenditure during the financial year 2018-2019



b. Financial Position Highlights

Table 2 shows that Cash and cash equivalents grew by Kshs.148.58M (312.7%), receivables from non-exchange transactions by Kshs.37.73M due to additional recurrent grants from supplementary budget accrued during the year and inventory by Kshs.0.47M (27.2%). Plant and equipment and work in progress also grew by Kshs.17.08M (1.2%) and Kshs.35.83M (18.8%) respectively due to undergoing construction of buildings and infrastructure. Receivables from exchange transactions dropped by Kshs.7.19M (22%). Consequently, total assets improved by Kshs.232.51M (13.3%). Payables from exchange and non-exchange transactions rose by Kshs.8.71M (4.8%) and Kshs.3.72M (17.9%) respectively. Net assets increase by Kshs.220.08M (14.3%).

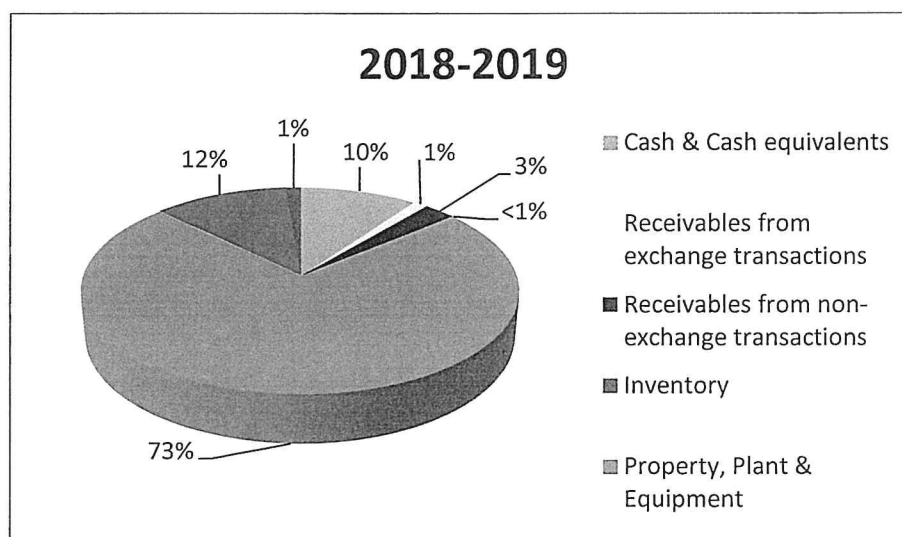
Table 2: Financial Position Highlights

	2018-2019	2017-2018	Change	
	Kshs	Kshs	Kshs	%
ASSETS				
Cash & Cash equivalents	196,096,789	47,518,678	148,578,111	312.7%
Receivables from exchange transactions	24,927,555	32,113,958	(7,186,402)	-22.4%
Receivables from non-exchange transactions	54,637,017	9,120,665	45,516,353	499.0%
Inventory	2,211,535	1,738,398	473,137	27.2%
Property, Plant & Equipment	1,450,028,624	1,433,015,379	17,013,245	1.2%
Work in Progress	226,091,282	190,256,482	35,834,800	18.8%
Long Term Investments	25,318,800	25,318,800	-	0.0%
Total Assets	1,979,311,602	1,739,082,359	240,229,244	13.8%
Liabilities				
Payables from exchange transactions	191,667,310	182,999,394	8,667,916	4.7%
Payables from Non-exchange transactions	24,459,411	12,950,759	11,508,652	88.9%
Total Liabilities	216,126,722	195,950,154	20,176,568	10.3%
Net Assets	1,763,184,881	1,543,132,205	220,052,676	14.3%

i. Assets Composition

Figure 4 shows that assets comprised of property, plant and equipment (73%), work in progress (12%), cash and cash equivalents (10%), receivables from exchange transactions (3%), long-term investments (1%), inventory (1%) and receivables from non-exchange transactions (<1%).

Figure 4: Composition of Assets during the financial year 2018-2019

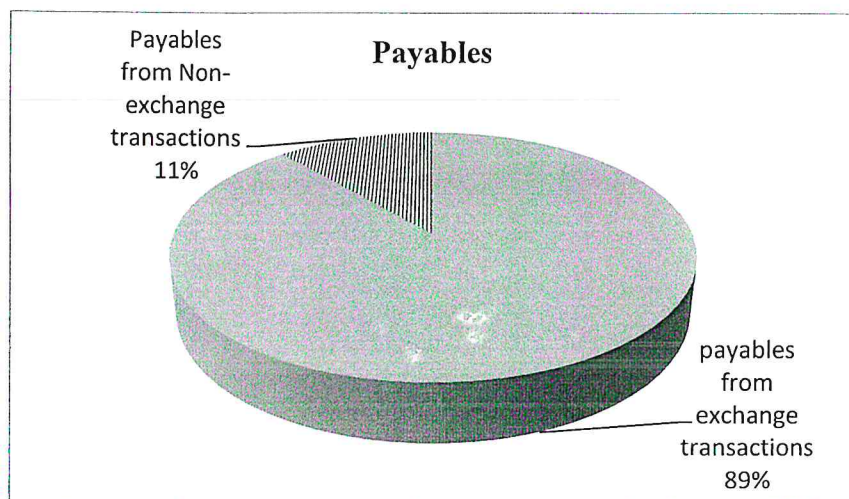


MANAGEMENT DISCUSSION AND ANALYSIS (continued)

ii. Liabilities Composition

In Figure 5, the liabilities comprised payables from exchange (89%) and payables from non-exchange transactions (11%).

Figure 5: Composition of Liabilities during the financial year 2018-2019



CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Murang'a University of Technology aims to be a leader in environmental and social responsibility issues. One of our Strategic Goals involves use of knowledge and resources to make a positive and decisive difference to people, organisations and the community. Universities Act No. 42 of 2012 (amended 2016) and Commission for University Education guidelines (CUE, 2014), state that a University shall engage in community service, which may include but not limited to extension, consultancies, public lectures, environmental conservation and promotion of cultural and social life of the society, and disseminate outcomes of research to the community. In order to achieve these objectives and functions, the University has established and developed linkages, extensions and community outreach framework to guide it in the establishment of linkages, extensions and community outreach programmes.

The University spearheaded Corporate Social Responsibility in the following areas:

a. Education and Research activities

i. Women and Youth in basic Entrepreneurship skills

During the FY 2018-2019 MUT committed to train youth and women on basic entrepreneurship skills and value addition. The training was held and funded by the National Research Fund project of the Vice Chancellor, Murang'a University of Technology.

Training was carried out on basic knowledge on entrepreneurship skills such as developing a business plan, value of choosing a business location, employee recruitment and motivation, product pricing, customer care, change & technology and marketing strategies. The training took place in the Conference Hall on 22nd March, 2019. The participants were given an opportunity to evaluate the status of their businesses at the end of the training and outcome recorded and action points discussed for improvement.

Fifty nine participants were trained on value addition on agricultural produce. This is as a way of increasing economic value of through particular production processes. The training focused on value addition through baking, fruit processing and dairy technology.



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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING (continued)**



Value addition practical



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ii. Training of Youth in Basic Entrepreneurship Training

The training of youth in basic entrepreneurship took place from Tuesday 2nd to Thursday 4th April, 2019 in Diploma room, 9, 11 and room 12. Fifty nine participants were taken through the following topics: - general overview of Youth entrepreneurship concept, entrepreneurship ideas, sources of funds, budgeting, sharing of experiences and challenges facing youth entrepreneurs, possible solutions to the challenges and mentorship in areas such as self- awareness.

b. Health and Life Style

i. 2019 International Condom Day

The 2019 International Condom Day celebrations for Murang'a County was held in Murang'a University of Technology on 13th February, 2019. The event was made successful through the partnership of various organizations which included; Murang'a County Government, AIDS Healthcare Foundation (AHF-Kenya), Hope Foundation, Kenya Medical Training College - Murang'a, Michuki Technical Training Institute and the host Murang'a University of Technology. The theme for the year was '*safer love is fun*'.

During the event there was entertainment/ "edutainment" from students from participating institution which included; songs, dances, spoken words among others. This was then followed by a beauty pageant for '*Mr and Mrs Prevention*'. The winners in the event got awards that included bracelets and Ksh5,000 each for '*Mr and Mrs Prevention*'.

In preparation for international condom day the University together with partner organization organized VCT/HIV testing and counselling and sensitization on HIV Self-testing kits from 12th to 13th February, 2019 in the University grounds and ladies Hostels. In addition, there was also sensitization on HIV/AIDS, stigma, discrimination and adherence to treatment and care literacy, condom use and disposal, screening and treatment of sexually transmitted disease, condom use demonstration, and health talk on post and pre-exposure prophylaxis and screening for sexually transmitted diseases.

During the event, a total number of 299 were tested who included staff and students. Out of this, 157 were male represented by 53% and 142 were females represented by 47%, no person tested positive. Majority of those tested were first time testers with 123 males and 54 females.

ii. HIV & AIDS Sensitization and Education Forum

World AIDS day is an activity that is usually held worldwide on 1st December every year. Murang'a University of Technology has been championing for Prevention of HIV /AIDS Infections among its students and staff members and an active partner in dealing with matters HIV/AIDS in the County. The event was organized in collaboration with National Aids Control Council (NACC) Murang'a County Coordinator with a theme of '*Mwanaume ni Kujijua*'. There was a procession from Murang'a District Hospital to Mukuyu market and then a presentation of a drama skit which was very informative and entertaining in matters of HIV/ AIDS so as to create awareness to the community surrounding the university. A total of 104 staff and 1,740 students were sensitized during the forum.

iii. Peer Counsellors/Educators Training for FY 2018-2019

The training was organized by the University guidance and counselling office on 24th -25th February, 2019. Call for applications was done and interviews were carried out where 32 out 38 applicants (both staff and students) qualified for training. The facilitators for the training were outsourced by the University.

c. Environmental Activities

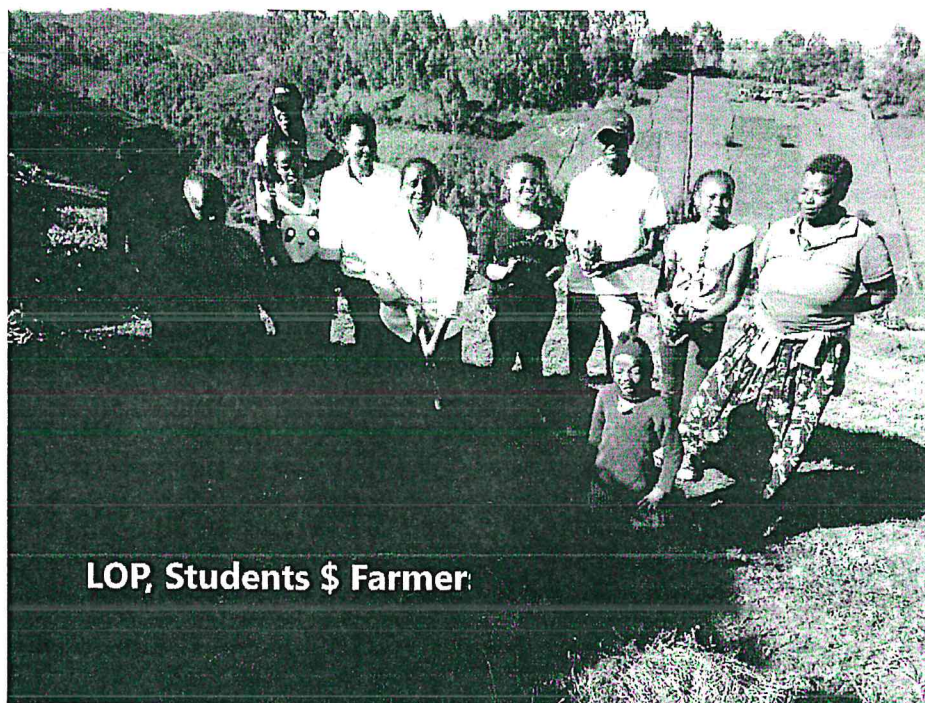
Tree Planting at Ndaka-ini Dam Water Catchment Area

During the year 2018-2019 financial year, one of the performance pargets was to plant trees to conserve the environment. The University collaborated with Upper Tana Nairobi Water Fund and the local



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community for the second time to plant trees. The Upper Tana Nairobi Water Fund identified the farmers' land on which the tree seedlings were planted while the University bought seedlings and provided labour through staff and students. The University provided a total of one thousand six hundred (1,600) tree seedlings of six species namely: *Prunus Africana* (*Muiri*), *Meru Oak* (*Vitex Keniensis*), *Syzygium Guineense* (*Mukoe*), *Tree Lucern* (*Fodder*), *Hass Avocado* and *Calliandra* (*Fodder*). The farmers and other participants were sensitized on the importance of trees and the need to have follow up on the seedlings to maturity. Further the importance of continually taking personal responsibility in conserving the environment was emphasized.



Ndaka-ini Dam water catchment area, tree planting exercise on 16th November, 2018

d. Mentorship

The University through its experienced and knowledgeable experts has continued advancing help to guide middle level colleges in certain areas of expertise. In particular MUT has supervised the tendering, awarding, implementation and payment processes of Kandara, Gatanga and Kamukunji Technical Training Institutes construction projects. This will go a long way in pushing Government's development agenda.

REPORT OF THE COUNCIL

The Council submits its report together with the financial statements for the year ended June 30, 2019 which show the state of the University's affairs.

a. Principal Activities

The principal activities of MUT are to provide quality teaching, training, scholarship, innovation and research and consultancy services in Entrepreneurship, Science and Technology for Socio-economic Development in a dynamic world.

b. Results

The results of MUT for the year ended June 30, 2019 are set out on pages 1 to 37.

c. Directors

The members of the Council who served during the year are shown on pages v to ix. Gazette notice no. 4412 of 10th May, 2019 revoked the appointment of two members of Council (Ms. Eunice Muyoka Juma and Dr. Francis Sang) and two new members (Dr. Chris Gervase Mac Oloo and Ms. Mary Ndiga Kibuka) were appointed to the Council for a period of three years effective from 26th April, 2019.

d. Auditors

The Auditor General is responsible for the statutory audit of Murang'a University of Technology in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Council.



Prof. Dickson M. Nyariki, Ph.D.
Vice-Chancellor / Council Secretary

Date 13/12/19



Prof. Joachim Osur, Ph.D.
Council Chairman

Date 13/12/2019



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STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and sections 14 and 15 (1) of the State Corporations Act, CAP 446 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 that year. The Council members are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council members are also responsible for safeguarding the assets of the University.

The Council members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council 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 the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 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 state of University's transactions during the financial year ended June 30, 2019, and of the University's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

The University's financial statements were approved by the Council on 26th September 2019 and signed on its behalf by:



Prof. Dickson M. Nyariki, Ph.D.
Vice-Chancellor / Council Secretary

Date 3/12/19



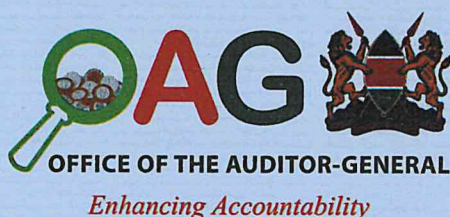
Prof. Joachim Osur, Ph.D.
Council Chairman

Date 3/12/2019



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REPORT OF THE AUDITOR-GENERAL ON MURANG'A UNIVERSITY OF TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Murang'a University of Technology set out on pages 1 to 33, which comprise the statement of financial position as at 30 June, 2019, 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 Murang'a University of Technology as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Term Investments

The statement of financial position reflects a balance of Kshs.25,318,800 under long term investments which, as disclosed in Note 27 to the financial statements, is in respect of 126,594 shares held in Bamburi Cement. As previously reported in 2017/2018, the shares were registered in the names of the trustees of the technical college at inception. Although the Management indicated that the process of registering the shares in the name of the University had commenced, the process had not been completed as at the time of the audit in November, 2019.

In the circumstances, the accuracy and existence of the shares investment balance of Kshs.25,318,800 as at 30 June, 2019 could not be confirmed.

2. Payables from Exchange Transactions

As disclosed in Note 28 to the financial statements, the statement of financial position reflects a balance of Kshs.191,667,310 under payables from exchange transactions. The balance includes long outstanding payables of Kshs.418,466 and Kshs.6,916,100 in

respect of wages payables and gratuity payables to former Board of Governors (BOG) employees, payables of Kshs.1,123,526 for JKUAT and student caution money of Kshs.271,622. No explanation was provided for the delay in paying these long outstanding amounts. Further no detailed analysis or breakdown of these balances was provided for audit review.

Consequently, the accuracy of payables from exchange transactions balance of Kshs.191,667,310 as at 30 June, 2019 could not be confirmed.

3. Property Plant and Equipment- Freehold Land

The statement of financial position reflects a balance of Kshs.1,450,028,624 under property, plant and equipment which, as disclosed in Note 25 to the financial statements, includes an amount of Kshs.650,000,000 relating to freehold land. However, records presented for audit revealed that the University's land, measuring approximately 30.95 hectares, has been encroached by a private developer who had laid claim against a portion of the land. Although the University Management indicated that it had initiated the repossession process, the matter had not been resolved as at the time of audit in November, 2019.

In the circumstances, the accuracy of the freehold land balance of Kshs.650,000,000 as at 30 June, 2019 could not be ascertained.

4. Receivables from Exchange Transactions

4.1 Students Debtors

The statement of financial position reflects a balance of Kshs.24,927,555 under receivables from exchange transactions which, as disclosed in Note 22 to the financial statements, is net of a provision for doubtful debts of Kshs.1,311,977 out of which an amount of Kshs.17,801,918 relates to gross students debtors. However, as previously reported, an amount of Kshs.9,854,342 included in the gross students' debtors balance has been outstanding for long. Further, no effort appears to have been made by the Management to recover these debts.

4.2 Long Outstanding Receivables

Included in the receivables balance of Kshs.24,927,555 are long outstanding receivables amounting to Kshs.4,504,322 in form of house rent debtors of Kshs.107,542, University pension scheme receivables of Kshs.2,138,981 and other debtors balance of Kshs.2,197,999. As previously reported, some of these debtors date back to 2003 including dues owed by various tea factories and Government Ministries. It was not clear why these debts have taken long to be collected and no documentary evidence was provided for audit review on measures being taken to recover the debts.

Under the circumstances, the accuracy and recoverability of the receivables from exchange transactions net balance of Kshs.24,927,555 as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Murang'a University of Technology Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Work in Progress - Delay in Implementation of Projects

The statement of financial position reflects a balance of Kshs.226,091,282 under work-in-progress which, as disclosed in Note 26 to the financial statements, related to construction of a hostel block Phase 1 Wing 2, a science complex, road works, perimeter wall and ERP software. A review of records revealed that although the projects were initiated in the financial year 2016/2017 with expected completion date of April, 2018, the projects had taken too long to complete and the contract period had lapsed, as analyzed below:

S.No	Project	Contract Amount (Kshs.)	Contract Date	Expected Completion Date
1.	ERP Software	25,520,000	1 September, 2016	30 March, 2018
2.	Hostel Block Phase 1, Wing 2	154,959,824	18 November, 2016	16 April, 2018
3.	Hostel block-Phase 3	199,103,623	19 December, 2016	19 June ,2017
4.	Perimeter Wall	60,600,232	23 November, 2016	15 October, 2017
	Total	440,183,679		

The University attributes the delay to slow disbursement of funding by The National Government, while the construction of perimeter fence had stalled due to a court case on encroachment of the University land by a private developer. The Management, however, has not given evidence of steps being taken to complete the projects.

2. Non-Compliance with Ethnic Diversity

During the year under review, the University had a total of 209 staff in its establishment, However, 159 or 76% of the employees were from one dominant ethnic community

contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 which states no public establishment shall have more than one third of its staff from the same ethnic community.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to 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 sustaining 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 Murang'a University of Technology 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

19 August, 2021

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018-2019 Kshs	2017-2018 Kshs
Revenue from Non-Exchange Transactions			
Exchequer Recurrent Grants	7	451,835,103	325,518,175
Exchequer CBA Grants	8	-	99,720,263
Amortization of granted assets during the year	9	9,989,681	7,378,184
CBA Funds Payable written off*		-	75,653,378
Total Revenue from non-exchange transactions		461,824,783	508,270,000
Revenue from Exchange Transactions			
Tuition Income	10	176,772,070	166,328,897
Other Incomes	11	14,188,732	17,434,116
Decrease in Provision for Doubtful Debts		378,232	-
Total Revenue from exchange transactions		191,339,033	183,763,013
Total Revenue (a)		653,163,817	692,033,013
Expenditure			
Personnel Emoluments	12	441,561,720	419,508,172
CBA Expense	13	-	93,971,841
Chancellor and Council Expenses	14	14,247,009	10,501,251
Depreciation and Amortization	15	45,122,887	38,177,408
Students Welfare Expenses	16	12,802,413	13,525,303
Teaching/Academic Expenses	17	27,913,337	24,493,714
Repairs and Maintenance Expenses	18	2,318,853	2,741,237
General Operating Expenses	19	99,155,241	107,488,108
Increase in Provision for Doubtful Debts	20	-	280,410
Total Expenditure (b)		643,121,460	710,687,443
Surplus (Deficit) for the Year (a-b)		10,042,356	(18,654,431)


The notes set out on pages 9 to 37 form an integral part of these Financial Statements



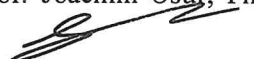
Vice Chancellor
Prof. Dickson M. Nyariki, Ph.D.

3/12/19
Date.....

Finance Officer
CPA Richard Ng'ang'a Karigi
ICPAK Member No: 6645


Date..... 3/12/19

Chairman of the Council
Prof. Joachim Osur, Ph.D.



Date..... 3/12/2019

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2018-2019 Kshs	2017-2018 Kshs
ASSETS			
Current Assets			
Cash & Cash equivalents	21	196,096,789	47,518,678
Receivables from exchange transactions	22	24,927,555	32,113,958
Receivables from non-exchange transactions	23	54,637,017	9,120,665
Inventory	24	2,211,535	1,738,398
Total Current Assets		277,872,897	90,491,698
Non- Current Assets			
Property, Plant & Equipment	25	1,450,028,624	1,433,015,379
Work in Progress	26	226,091,282	190,256,482
Long Term Investments	27	25,318,800	25,318,800
Total Non-Current Assets		1,701,438,706	1,648,590,661
Total Assets		1,979,311,602	1,739,082,359
Current Liabilities			
Payables from exchange transactions	28	191,667,310	182,999,394
Payables from non-exchange transactions	29	24,459,411	12,950,759
Total Current Liabilities		216,126,722	195,950,154
Total Liabilities		216,126,722	195,950,154
Net Assets		1,763,184,881	1,543,132,205
Equity Funds & Reserves			
Accumulated Fund	30	942,798,357	932,756,001
Accumulated Development Grants	31	820,386,524	610,376,204
Total Equity & Reserves		1,763,184,881	1,543,132,205
Total Equity, Reserves & Liability		1,979,311,602	1,739,082,359

The notes set out on pages 9 to 37 form an integral part of these Financial Statements

The Financial Statements set out on pages 1 to 37 were signed on behalf of the Council by:


Vice Chancellor
Prof. Dickson M. Nyariki, Ph.D.

Date 31/12/19

Finance Officer
CPA Richard Ng'ang'a Karigi
ICPAK Member No: 6645

Date 31/12/19

Chairman of the Council
Prof. Joachim Osur, Ph.D.

Date 31/12/2019



MUT IS ISO 9001:2015 CERTIFIED

Murang'a University of Technology
Annual Report and Financial Statements for the year ended June 30, 2019

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

	Accumulated Fund Kshs	Development Grants Kshs	Total Kshs
Balance at July 1, 2017	951,410,432	587,579,388	1,538,989,820
Surplus (deficit) for the year	(18,654,431)	-	(18,654,431)
Development Grants received	-	21,250,000	21,250,000
Development Grants receivable	-	8,925,000	8,925,000
Less: Amortization of granted assets during the year	-	(7,378,184)	(7,378,184)
Balance as at June 30, 2018	932,756,001	610,376,204	1,543,132,205
Balance at July 1, 2018	932,756,001	610,376,204	1,543,132,205
Surplus (deficit) for the year	10,042,356	-	10,042,356
Accumulated Development Grants for the year		220,000,000	220,000,000
Less: Amortization of granted assets during the year			
Amortization - Buildings	-	(7,378,184)	(7,378,184)
Amortization - Land Internal Roads)	-	(2,611,497)	(2,611,497)
Balance as at June 30, 2019	942,798,357	820,386,524	1,763,184,881



STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018-2019 Kshs	2017-2018 Ksh
Surplus (deficit) for the year		10,042,356	(18,654,431)
Adjustments for Non-cash items in the Income statement:			
Amortization of granted assets during the year	9	(9,989,681)	(7,378,184)
Depreciation and amortization charge for the year	15	45,122,887	38,177,408
		45,175,563	12,144,793
Working Capital Adjustments			
Decrease (Increase) in receivables from exchange transactions		7,186,402	(5,327,791)
(Increase) Decrease in receivables from non-exchange transactions		(45,516,353)	(7,880,887)
(Increase) Decrease in Inventory		(473,137)	1,060,754
Increase (Decrease) in Payables from exchange transactions		8,667,916	78,230,142
Increase (Decrease) in Payables from non-exchange transactions		11,508,652	(94,258,712)
Net cash flows used in Operating activities (a)		26,549,043	(16,031,701)
Cash flows from investing activities			
Increase in Property, Plant & Equipment		(9,906,194)	(18,463,242)
Increase in Work in Progress		(88,064,738)	(77,273,770)
Net cash flows used in Investing activities (b)		(97,970,932)	(95,737,012)
Cash flows from financing activities			
Development Grants received	31	220,000,000	30,175,000
Net cash flows used in Financing activities (C)		220,000,000	30,175,000
Net increase/(decrease) in cash and cash equivalents(a+b+c)		148,578,111	(81,593,713)
Cash and cash equivalents balance brought forward	21	47,518,678	129,112,391
Cash and cash equivalents as at 30 June 2019	21	196,096,789	47,518,678

Note:

- Statement of Cash flow has been prepared using the indirect method of presentation.
- Net cash flows from operating activities were positive 26.55M during the year. This was attributed to surplus recorded during the year, increase in depreciation (non-cash item) and decrease in receivables from exchange transactions (mainly due to decrease in students' debtors). In addition, payables from both exchange and non-exchange transactions increased positively.
- Net cash flows used in investing activities was negative 97.97M due to acquisition of property, plant and equipment (9.91M) and payment of construction work in progress (88.06M).
- Cash flow from financing activities had a positive growth caused by development grants of 220M received during the year.

The notes set out on pages 9 to 37 form an integral part of these Financial Statements



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Murang'a University of Technology
Annual Report and Financial Statements for the year ended June 30, 2019

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

1. RECURRENT BUDGET							Performance Difference	
	Original	Adjustment	Final	Actual on Comparable Basis	Final Budget vs Actual	%		
	Budget	Budget	Budget	Kshs	Kshs	Kshs		
A. INCOME	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		
Revenue from Non-exchange Transactions								
Exchequer Recurrent Grants	414,610,969	37,224,133	451,835,102	451,835,103	1	0%		
Exchequer CBA Grants	-	-	-	-	-	-		
Total Revenue from Non-exchange Transactions	414,610,969	37,224,133	451,835,102	451,835,103	1	0%		
Revenue from Exchange Transactions								
Tuition income and tuition related	142,000,000	-	142,000,000	176,772,070	34,772,070	24%		
Other Incomes	16,000,000	-	16,000,000	14,188,732	(1,811,268)	-11%		
Total Revenue from Exchange Transactions	158,000,000	-	158,000,000	190,960,802	32,960,802	21%		
Total Income	572,610,969	37,224,133	609,835,102	642,795,904	32,960,802	5%		
B. EXPENDITURE								
Recurrent Expenditure								
Personnel Emoluments	463,000,000	-	463,000,000	441,561,720	21,438,280	5%		
Board Expenses	15,000,000	1,500,000	16,500,000	14,247,009	2,252,992	14%		
Students Welfare expenses	25,000,000	-	25,000,000	12,802,413	12,197,587	49%		
Teaching/Academic Expenses	41,000,000	-	41,000,000	27,913,337	13,086,663	32%		
Repairs & Maintenance	4,000,000	-	4,000,000	2,318,853	1,681,147	42%		
General Operating Expenses	172,745,000	(1,500,000)	171,245,000	99,155,241	72,089,759	42%		
Total Recurrent Expenditure	720,745,000	-	720,745,000	597,998,573	122,746,427	17%		
Surplus/Deficit (A-B)	(148,134,031)	37,224,133	(110,909,898)	44,797,331	-	-		
	Budget	Budget	Budget	Actual on Comparable	Final Budget vs Actual			



Murang'a University of Technology
Annual Report and Financial Statements for the year ended June 30, 2019

	Kshs	Kshs	Kshs	Basis	Kshs	%
Capital Expenditure (C)						
Purchase of Plant and Equipment	3,500,000	-	3,500,000	310,222	3,189,778	91%
Purchase of Teaching Equipment	5,000,000	-	5,000,000	619,933	4,380,067	88%
Purchase of Furniture and Fittings	5,000,000	-	5,000,000	1,277,581	3,722,419	74%
Purchase of Computers and networking	7,500,000	-	7,500,000	1,340,596	6,159,404	82%
Telephone infrastructure	7,000,000	-	7,000,000	6,357,862	642,138	9%
Motor Vehicles	9,000,000	-	9,000,000	-	9,000,000	100%
ERP and teaching Software	12,000,000	-	12,000,000	4,170,475	7,829,525	65%
Total Capital Expenditures	49,000,000	-	49,000,000	14,076,669	34,923,331	71%
Total Expenditure	769,745,000	-	769,745,000	612,075,242	157,669,758	20%
Surplus/Deficit (A-B-C)	(197,134,031)	37,224,133	(159,909,898)	30,720,662	-	-
2. DEVELOPMENT BUDGET						
	Budget	Budget	Budget	Actual on Comparable Basis	Final Budget vs Actual	Performance Difference
	Original	Adjustment	Final	KShs	KShs	%
D. Source of Funds						
Exchequer Development Grants	220,000,000	-	220,000,000	220,000,000	-	0%
E. Development Expenditure						
Hostel Phase 1 Wing 2	55,000,000	-	55,000,000	11,433,644	43,566,356	79%
Hostel Block Phase 3	67,000,000	-	67,000,000	-	67,000,000	100%
Road works and sports field	10,000,000	-	10,000,000	6,759,043	3,240,957	32%
Perimeter wall	30,000,000	-	30,000,000	6,843,636	23,156,365	77%
Science Complex Phase 1	220,000,000	-	220,000,000	58,857,941	161,142,059	73%
Asbestos Removal	10,000,000	-	10,000,000	-	10,000,000	100%
Total Development Expenditure	392,000,000	-	392,000,000	83,894,263	308,105,737	79%
Surplus/Deficit(D-E)	(172,000,000)	-	(172,000,000)	136,105,737	-	-



Budget Notes

1. Reconciliation of difference between Statement of Comparison of Budget and Actual Amounts and Finance Performance

Actual on Comparable Basis as per Recurrent Budget in the statement of Budget Comparison	Kshs.	Kshs.
Surplus (Deficit) during the year		(325,557)
Add:		
Non-cash income in the Financial Performance not in Statement of Budget Comparison		
Amortization of granted assets during the year	9,989,681	
Decrease in Provision for Doubtful Debts	378,232	10,367,913
Surplus for the year as per the Statement of Financial Performance		10,042,356

2. Budget Adjustment

i. Exchequer Recurrent Grants

The University was expecting recurrent grants amounting to Kshs.45,516,352 from the Exchequer through the supplementary budget of FY2018-2019. This increased revenue from non-exchange transactions (recurrent grants) to Kshs.451,835,102 hence reducing the budget deficit. Adjustment to the Original Budget was therefore done to cater for the expected additional exchequer grants following approval by the Council.

ii. Chancellor and Council Expenses

The University carried out various Council activities than expected to enhance Corporate Governance during the FY2018-2019. This resulted in exhaustion of the respective vote head. Therefore, reallocation was done of Kshs.1,500,000 from Ex-gratia vote head under General operating expenses to cater for the additional Council expenditure.

iii. General operating expenses

Workshops unit expenses exceeded the original budget due to an unexpected increase in workshop activities during the year. Therefore, an amount Kshs.2,000,000 was borrowed from Ex-gratia vote head to Workshops unit expenses under General operating expenses to cater for the additional workshop's activities.

The adjustments were therefore as a result of vote head budget re-allocations as shown below:

	Description	Original Budget 2018-2019	Transfer		Final Budget 2018-2019
			From	To	
		Kshs.	Kshs.	Kshs.	Kshs.
1	Council Expenses	12,000,000	-	1,500,000	13,500,000
2	Workshops Unit expenses	4,200,000	-	2,000,000	6,200,000
3	Ex-Gratia	5,000,000	(3,500,000)	-	1,500,000
	Total	21,200,000	(3,500,000)	3,500,000	21,200,000

3. Explanation of Variances

a. Revenue from Exchange Transactions

Tuition and Tuition related Income had a favourable variance of 24%. Students' fees earned exceeded the budget due to increase in student enrolment than expected during year.

Other income recorded unfavourable variance of 12% due to decline in revenue from cafeteria and workshops sales during the year.

b. Expenditure

The University resources have become more constrained and the Management has been making inevitable cost-cutting efforts to manage the limited resources and budget deficit without affecting the quality of its core services. As a result, the actual expenses for students' welfare expenses, teaching/academic expenses, repairs and maintenance, and general operating expenses were lower than expected during the year.

For the similar reason stated above, all **capital expenditure** items fell far below the expectations except for telephone infrastructure. The delivery and installation of office telephones (IP-PBX) for office communication was commissioned during the financial year.

c. Development Budget

Approved budget for Development grants was Kshs.392M. However, the Government funded only the Science Complex leading to a deficit of Kshs.172M. This slowed construction of projects during the year.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Murang'a University of Technology is established by and derives its authority and accountability from Universities Act. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is to provide quality teaching, training, scholarship, entrepreneurship, innovation and research, and consultancy services.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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 judgment or complexity, or where assumptions and estimates are significant to the financial statements.

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

The financial statements have been prepared in accordance with the PFM Act, 2012 and Regulations, 2015, the State Corporations Act and International Public Sector Accounting Standards (IPSAS).

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

The University did not have any new standards or amendments to published standards during the year.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

The University has not applied any new or amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019.

iii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted have been consistently applied to all the years presented.

a. Revenue recognition

Generally, revenue is recognized when it can be reliably measured; when the inflow of future economic benefits is probable and when specific criteria have been met. There are two categories of revenue namely revenue from exchange non-transactions and revenue from exchange transactions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i. Revenue from non-exchange transactions

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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

Transfers from other government entities

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

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

Fees, Fines and Penalties

The University recognizes revenues from fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

Revenue from exchange transactions

Exchange transactions are those in which university sells goods or provides services in exchange of a consideration.

Rendering of services

The University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Dividends

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rental income

Rent income arising from students' accommodation in the hostels and staff members who occupy University's houses, is recognized when the event occurs and the revenue recognition criterion is met.

b. Budget information

The original budget for the financial year 2018-2019 was approved by the Council on 7th September, 2018. Subsequent revisions or vote head re-allocations or virement were made to the original budget by the University upon receiving the Council approvals in order to conclude the final budget. The University received a supplementary recurrent appropriation of Kshs.45,516,352.50 from the Government of Kenya through the Ministry of Education.

The University's budget is prepared on the same basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance and the budget is prepared on the same accrual basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 8 of these financial statements.

c. Taxes

The Income Tax Act, Cap 470 provides a provision for the exemption of the income of certain entities upon satisfying the criterion that; it is established solely for purposes of the relief of poverty or distress of the public; or it is established for the advancement of religion or education. This is upon satisfying the commissioner that the income is to be expended either in Kenya or in circumstances in which the expenditure of that income is for purposes which result in the benefit of the residents of Kenya.

Murang'a University is a public institution of higher learning, established under the Universities Act No. 42 of 2012. By the nature of its establishment and operations, the University is a public entity that is not subject to income tax. The University does not engage in any unrelated trade or business, hence exempted from taxation under the first schedule section 10 of the Income Tax Act, Cap 470. Therefore, no income taxes have been reported in the University's financial statements. Consequently, no provision for income taxes is required.

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. The fair value at the date of acquisition is deemed to be its cost.

Assets are depreciated using straight line method and the applicable rates by asset class are as follows:

Asset Class	Percentage Depreciation Rate
Buildings	2%
Land Improvements (Internal Roads)	5%
Plant and Equipment	10%
Office Equipment	10%
Teaching Equipment	30%
Furniture and Fittings	10%
Motor vehicles	20%
Computer hardware and Computer peripherals	30%

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

e. Intangible assets – IPSAS 31

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

Computer software is amortized on straight line basis at the rate of 30%.

f. Research and development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Impairment of financial assets

The University assesses at each reporting date whether there is objective evidence that a financial asset or an entity off financial assets is impaired. A financial asset or an entity 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 entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The University determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

h. 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and 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. 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

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

Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j. Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements.

	Nature of Reserves	Purpose of the Reserves
1	Accumulated Fund	This was the initial capital for the University and the aggregate of the accumulated surpluses or deficits and reserves that reflect the net assets/equity attributable to the University's operations.
2	Accumulated Development Grants	This is accumulated development grants from the Government of Kenya to fund development projects undertaken by the University. The development projects once completed, the grants are amortized for the useful life of the asset.

k. 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.

l. Employee benefits

The University provides a defined contribution retirement benefits for its employees. Defined contribution plans are post-employment 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 contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The University maintains a defined contribution plan whereby the employee contributes 10% of basic pay and University contributes 20% of employee's basic pay. The pension scheme is registered with independent trustees.

m. Foreign currency transaction

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

n. 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. Government of Kenya, Members of Key Management are regarded as related parties and comprise the Council, the Vice Chancellor and University Management Board members.

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 in Kenya at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

p. Comparative figures

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

q. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

5. 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.

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 20.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date. It is a University policy to make a provision for doubtful debts at 5% of the total receivables except receivables from Government grants.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFERS FROM MINISTRY OF EDUCATION, STATE DEPARTMENTS OF UNIVERSITY EDUCATION AND RESEARCH

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognized in capital fund. Kshs	Total grant income during the year 2017-18 Kshs
State Department of University Education and Research	451,835,103	-	220,000,000	671,835,103
Total	451,835,103	-	220,000,000	671,835,103

7. EXCHEQUER RECURRENT GRANTS

Exchequer recurrent grants for the year	2018-2019	2017-2018
Month in which Grants relates to	Kshs.	Kshs.
July	34,550,914	24,876,394
August	34,550,914	24,876,394
September	34,550,914	24,876,394
October	34,550,914	24,876,394
November	32,477,860	24,876,394
December	30,404,804	28,733,743
January	34,550,914	28,733,743
February	34,550,914	28,733,743
March	32,477,859	28,733,743
April	34,550,914	28,733,743
May	34,550,914	28,733,743
June	34,550,915	28,733,747
Supplementary budget grants receivable	45,516,353	-
Total exchequer recurrent grants for the year	451,835,103	325,518,175

Note: Supplementary budget grants receivable is the additional amount that was expected to be received for financial year 2018-2019 supplementary budget. This amount was received after closure of the financial period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. EXCHEQUER CBA GRANTS

	2018-2019	2017-2018
	Kshs	Kshs
July 2013-June 2017 CBA Arrears	-	80,433,516
July 2017 to Nov 2017 CBA Arrears	-	19,286,746
Total CBA Grants	-	99,720,263

9. AMORTIZATION OF GRANTED ASSETS

	2018-2019	2017-2018
	Kshs.	Kshs
Deferred Development Grants:		
Accumulated Development Grants: Buildings	368,909,192	368,909,192
Accumulated Development Grants: Internal Roads	52,229,938	-
Amortization:		
2% of Capitalized Buildings funded from Development Grants	7,378,184	7,378,184
Add: 5% of Capitalized Internal Roads funded from Development Grants	2,611,497	-
Total Amortization during the year	9,989,681	7,378,184

10. TUITION AND TUITION RELATED INCOME

Description	2018-2019	2017-2018
	Kshs	Kshs
Tuition Fees	90,172,023	88,727,147
Registration fees	3,065,200	2,718,020
Medical fees	13,626,211	11,965,156
Internal Examination	23,799,199	20,810,163
University ID card	575,500	733,100
Activity fees	5,335,652	4,674,530
Internet fees	6,708,258	5,738,400
Computer fees	8,467,132	7,423,743
CUE Quality Assurance	1,106,000	1,421,000
KUCCPS Placement Fee	1,588,500	1,930,100
Industrial Attachment Fees	7,628,964	6,809,960
Examinations Materials Fee	700	2,800
Application fees	304,500	456,500
Fines & penalties	57,794	21,269
Students Damages/Surcharges	44,094	63,570
Graduation fee	1,927,057	2,674,403
Library fees	10,747,785	9,399,036
Thesis Supervision fee	1,447,500	760,000
Thesis Examination	170,000	-
Total Tuition and tuition related Income	176,772,070	166,328,897

NOTES TO THE FINANCIAL STATEMENTS (Continued)**11. OTHER INCOMES**

Description	2018-2019	2017-2018
	Kshs	Kshs
Accommodation/Hostel Fees	4,675,200	4,758,760
Rent Income	338,000	323,000
Sale of Tender Documents	-	4,800
Students Administration Fees	19,708	48,006
Sale of Food & Beverages - Students' Cafeteria	3,537,265	4,088,249
Sale of Food & Beverages - Staff Cafeteria	1,957,500	1,753,045
Sale of Food & Beverages - Hospitality & Tourism Department	14,060	16,350
Hire of Facilities - MUT Services	-	267,240
Miscellaneous Incomes	-	713,259
Administration Fees	190,854	173,114
Sales - MUT Workshops services	2,784,352	4,643,008
Income from disposal of assets	290,300	645,285
Staff damages surcharges	65,229	-
Hire of Facilities -General	316,265	-
Total Other Incomes	14,188,732	17,434,116

12. PERSONNEL EMOLUMENTS

Description	2018-2019	2017-2018
	Kshs	Kshs
Basic Salaries	210,948,497	193,378,059
House Allowance	102,183,772	100,348,375
MUT Pension Scheme Employer Contribution	31,475,054	28,761,929
Responsibility Allowance	4,769,965	4,703,113
Telephone Allowance	3,503,442	3,365,399
Acting Allowance	578,547	998,182
Special Duty Allowance	210,389	188,418
Management Allowance	21,785,696	22,475,318
BOG and Other Gratuities	1,906,922	7,924,580
Leave Travel Allowance	2,898,920	2,137,036
Commuter Allowance	19,223,858	18,918,109
Car Allowance	11,225,098	12,146,691
Non-use of Official Car	665,000	840,000
Entertainment Allowance	5,482,931	5,253,301
Electricity and Water Benefit Allowance	3,327,525	3,130,184
Passage and Baggage Allowance	84,395	414,928
Domestic Workers Allowance	1,320,000	827,231
Risk Allowance	126,000	126,000
Extraneous Allowance	3,196,974	3,151,821
Co-ordinating Allowance	839,138	787,434
Research Allowance	460,000	460,000

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Book Allowance	240,000	300,000
Non-Practice Allowance	180,000	180,000
Council Secretariat Allowance	242,000	264,000
Professorial Allowance	1,425,000	1,493,000
NSSF Employers Contribution-expense	655,000	324,500
Academic Allowance	870,000	1,131,177
Security Allowances	1,320,000	439,677
Gratuity & Other Pensions Employer Contribution	3,669,847	3,186,753
National Industrial Training Authority charges	187,870	282,641
Health Service Allowance	1,440,000	720,000
Emergency Call Allowance	120,000	60,000
Adjunct Lecturers Salary	4,640,596	767,816
Stipend for Interns	359,286	22,500
Total Personnel Emoluments	441,561,720	419,508,172

13. CBA EXPENSES

Description	2018-2019 Kshs	2017-2018 Kshs
CBA arrears paid	-	93,971,841
Total CBA expense	-	93,971,841

14. CHANCELLOR AND COUNCIL EXPENSES

	2018-2019 Kshs	2017-2018 Kshs
Council Expenses	12,640,346	8,429,754
Chancellor Expenses	1,606,663	2,071,498
Total Chancellor and Council Expenses	14,247,009	10,501,251

15. DEPRECIATION AND AMORTIZATION

Description	2018-2019 Kshs	2017-2018 Kshs
Buildings	15,831,782	15,831,782
Internal Roads	2,611,497	-
Plant & Equipment	3,536,392	3,515,690
Office Equipment	814,559	804,240
Teaching Equipment	2,250,863	2,064,883
Furniture & Fittings	3,020,470	2,892,712
Motor Vehicles	9,358,866	9,394,866
Computer hardware, networking & telephone infrastructure	7,603,698	3,673,235
Total Depreciation	45,122,887	38,177,408
Add: Amortization of Computer Software	-	-
Total Depreciation & Amortization	45,122,887	38,177,408

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. STUDENT WELFARE EXPENSES

Description	2018-2019	2017-2018
	Kshs	Kshs
Purchase of Gas, Charcoal and firewood	748,555	191,900
Purchase of Foodstuff	6,023,275	6,758,882
Purchase of Utensils and cutlery	47,921	22,000
Sports Activities	2,402,555	2,066,462
Students Work study Programme	704,340	492,696
Students Placement Charges	2,660,000	3,547,000
Purchase of Drugs & other Health unit expenses	215,768	446,363
Total Students Welfare expenses	12,802,413	13,525,303

17. TEACHING /ACADEMIC EXPENSES

Description	2018-2019	2017-2018
	Kshs	Kshs
Purchase of Teaching Materials	313,940	813,225
Curriculum and Development	667,600	385,132
Academic Trips	79,850	61,030
Part-Time Teaching Costs	24,781,250	20,038,500
Examination Materials	-	1,295,436
External Examiners	1,088,547	1,074,100
Industrial Attachment Expenses	982,150	826,290
Total Teaching/Academic Expenses	27,913,337	24,493,714

18. Repairs and Maintenance

Description	2018-2019	2017-2018
	Kshs	Kshs
Repairs and Maintenance Expenses	2,318,853	2,741,237
Total Repairs and Maintenance Expenses	2,318,853	2,741,237

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. GENERAL OPERATING EXPENSES

Description	2018-2019 Kshs	2017-2018 Kshs
Travel & Subsistence	6,075,131	7,311,093
Fuel & Oils for Motor Vehicles	2,955,441	2,145,937
Maintenance of Vehicles	1,066,367	1,149,918
Vehicle Insurance	699,213	994,093
Office Stationery	1,824,879	2,016,725
Printing & Publishing	1,010,701	317,425
Advertising and Publicity	687,618	1,822,220
Research & Development	30,030	192,900
Marketing Activities	204,137	360,071
Expenses of Board and Committees	905,473	852,920
Governance Expenses	4,335,193	4,476,683
Conferences	496,143	507,337
Staff Development, Seminars & Workshop	1,222,682	1,091,823
Staff Welfare Expenses	114,256	117,389
Staff Medical Expenses	25,895,173	24,000,000
Benevolent Expense	575,151	193,865
Professional Subscription	56,260	4,500
Purchase of Uniforms	23,353	123,110
Consultancy and Professional Services	94,885	61,850
Telephone & Postage Expenses	327,003	165,854
Internet Charges	5,325,971	6,595,290
Books, Journals and Magazines	1,166,950	970,013
ISO & SP Expenses	2,084,144	1,180,585
Bank Charges	324,417	85,744
Electricity Expenses	5,752,188	4,521,441
Water and Conservancy	6,522,619	6,727,528
Cleaning and Fumigation	5,875,663	11,152,512
Hire of Security Services	8,199,508	11,988,300
Casual Wages	644,402	2,588,690
Branding	-	15,150
Linkages Expenses	68,780	122,034
Workshops unit expenses	5,742,294	1,228,860
Legal Fees	442,003	128,600
General Insurance	-	490,797
Corporate Social Responsibility Donations	377,382	267,076
Inauguration and Graduation Expenses	3,950,499	8,143,951
Shows & Exhibitions	1,268,819	497,230
WIBA	1,130,125	1,491,396
Staff and Dependents' Tuition Fees waiver	984,390	691,200
Audit Fees	696,000	696,000
Total General Operating Expenses	99,155,241	107,488,108

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. PROVISIONS FOR DOUBTFUL DEBTS

Description	2018-2019	2017-2018
	Kshs	Kshs
Balance brought forward 1 st July	1,690,209	1,409,799
Increase / (Decrease) in provision during the period	(378,232)	280,410
Balance as at 30th June	1,311,977	1,690,209

Note that: Doubtful debts were provided at 5% of total receivables from exchange transactions (Note 22) at the end of year.

21. CASH & CASH EQUIVALENTS

Description	2018-2019	2017-2018
	Kshs	Kshs
KCB Collection Account -1107198356	4,744,746	13,763,552
KCB Paying Account -1142192814	6,455,920	2,542,113
Equity Enterprise Account -0290131328	2,535,909	5,538,970
Equity Collection Account-0220273636188	1,380,965	8,796,831
Equity Development Paying account No.0220273636180	52,899,303	-
KCB Kamukunji TTI Project-1178472396	7,892,215	2,211,127
KCB Kandara TTI Project-1178627896	10,360,086	283,375
KCB Gatanga TTI Project- 1167683390	388	955,453
Co-operative Bank Research Fund Account No.01141573999200	9,827,257	13,427,257
Call Deposit Account - Equity Development	100,000,000	-
Total Cash & Cash Equivalents	196,096,789	47,518,678

22. RECEIVABLE FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	Kshs	Kshs
Students Debtors	17,801,918	26,123,401
House Rent Debtors	107,542	107,542
Imprest Debtors	3,933,292	3,176,443
MRUC Pension Scheme Receivable	2,198,781	2,198,781
Other Debtors	2,197,999	2,197,999
Total Receivables from Exchange Transactions	26,239,532	33,804,166
Less: Provision for Doubtful Debts (5%)	(1,311,977)	(1,690,208)
Net Receivables from Exchange Transactions	24,927,555	32,113,958

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RECEIVABLE FROM NON -EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	Kshs	Kshs
Recurrent Grant Receivable	45,712,017	195,665
Development Grants Receivable	8,925,000	8,925,000
Total Receivable from Non-exchange transactions	54,637,017	9,120,665

24. INVENTORY

Description	2018-2019	2017-2018
	Kshs	Kshs
Central Stores- Stationery	636,418	741,876
Maintenance department	35,490	124,830
Catering /hospitality department	199,427	45,057
Electrical department	97,163	153,718
House Keeping /Accommodation department	329,757	32,035
Health Unit department	913,279	640,882
Total Inventory	2,211,535	1,738,398

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. PROPERTY, PLANT & EQUIPMENT

Particulars	Free-Hold Land	Buildings	Land Improvement (Internal Roads)	Plant & Equipment	Office Equipment	Teaching Equipment	Furniture & Fittings	Motor Vehicle	Computers, Networking & Telephone Infrastructure	Totals
RATES	-	0.02	0.05	0.10	0.10	0.30	0.10	0.20	0.30	
FY 2017-2018										
COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost/Value at Bal b/f July 1, 2017	650,000,000	791,589,104	-	34,539,510	8,042,395	6,230,403	27,843,012	32,032,330	23,959,827	1,574,236,581
Additions during the year	-	-	-	617,386	-	652,540	-	14,942,000	1,167,207	18,463,242
Cost/Value Bal c/d at June 30, 2018	650,000,000	791,589,104	-	35,156,896	8,042,395	6,882,943	28,927,121	46,974,330	25,127,034	1,592,699,823
ACCUMULATED DEPRECIATION										
Acc. Dep Bal b/f July 1, 2017	-	49,156,270	-	11,930,740	3,216,959	2,658,884	8,251,986	24,838,398	21,453,798	121,507,036
Depreciation Charge for the year	-	15,831,782	-	3,515,690	804,240	2,064,883	2,892,712	9,394,866	3,673,235	38,177,408
Acc. Dep Bal c/d June 30, 2018	-	64,988,052	-	15,446,430	4,021,199	4,723,767	11,144,698	34,233,264	25,127,034	159,684,444
Net Book value at June 30, 2018	650,000,000	726,601,052	-	19,710,466	4,021,197	2,159,176	17,782,423	12,741,066	-	1,433,015,379
FY 2018-2019										
COST										
Cost/Value at Bal b/f July 1, 2018	650,000,000	791,589,104	-	35,156,896	8,042,395	6,882,943	28,927,121	46,974,330	25,127,034	1,592,699,823
Additions during the year	-	-	52,229,938	207,023	103,199	619,933	1,277,581	-	7,698,458	62,136,132
Disposal of Motor Vehicle	-	-	-	-	-	-	-	(180,000)	-	(180,000)
W.I.P Capitalized	-	-	-	-	-	-	-	-	-	-
Cost/Value Bal c/d at June 30, 2019	650,000,000	791,589,104	52,229,938	35,363,919	8,145,594	7,502,876	30,204,702	46,794,330	32,825,492	1,654,655,955
ACCUMULATED DEPRECIATION										
Acc. Dep Bal b/f July 1, 2018	-	64,988,052	-	15,446,430	4,021,199	4,723,767	11,144,698	34,233,264	25,127,034	159,684,444
Acc. Dep for Motor Vehicle disposed	-	-	-	-	-	-	-	(180,000)	-	(180,000)
Depreciation Charge for the year	-	15,831,782	2,611,497	3,536,392	814,559	2,250,863	3,020,470	9,358,866	7,698,458	45,122,887
Acc. Dep Bal c/d June 30, 2019	-	80,819,834	2,611,497	18,982,822	4,835,758	6,974,630	14,165,168	43,412,130	32,825,492	204,627,331
Net Book value at June 30, 2019	650,000,000	710,769,270	49,618,441	16,381,097	3,309,836	528,246	16,039,534	3,382,200	-	1,450,028,624



NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. WORK IN PROGRESS

Description	2018-2019 Kshs	2017-2018 Kshs
Balance brought forward	190,256,482	112,982,712
Additions:		
Hostel Block Phase 1, Wing 2	11,433,644	24,700,449
Hostel block-Phase 3		33,019,529
Science Complex	58,857,941	
Tuition Block-Phase 2		2,544,225
Road works and sports field	6,759,043	2,431,868
Perimeter wall	6,843,636	12,368,175
ERP Software (intangible work in progress)	4,170,475	2,209,525
Total additions	88,064,738	77,273,770
Balance brought forward plus additions	278,321,220	190,256,482
Less: Work in Progress Capitalized		
Land Improvement (Internal Roads)	(52,229,938)	-
Total Work in Progress capitalized (Internal roads)	(52,229,938)	-
Total Work in Progress Balance at the end of the year	226,091,282	190,256,482

27. LONG TERM INVESTMENT

Description	2018-2019 Kshs	2017-2018 Kshs
Bamburi Shares	25,318,800	25,318,800
Total Long Term Investments	25,318,800	25,318,800

The University has invested in Bamburi Cement shares worth Kshs.25,318,800. The total number of shares is 126,594 with an average market price of Kshs.200.00 per share.

28. PAYABLES AND ACCRUALS FROM EXCHANGE TRANSACTIONS

Description	2018-2019 Kshs	2017-2018 Kshs
Students related payables		
Student Fees Prepayments	29,526,173	20,175,906
HELB Loan & Bursaries	1,074,179	1,406,519
CDF/Sponsorships	2,053,930	1,681,513
Students Caution Money	271,622	271,622
External Examinations - KNEC	-	2,631,104
Student Union Payable	36,322	292,162

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Unallocated Receipts	993,756	1,136,132
NSSF	4,000	1,000
NHIF	35,700	21,600
UASU	22,572	22,108
KUSU	8,087	6,318
KUDHEIHA	11,100	2,400
HELB Staff deductions	5,726	5,726
Net Pay	48,755,009	37,839,119
Wages Payables	418,466	418,466
Sacco Deductions	197,167	209,474
Insurance and Investments	35,889	-
Bank Loan Deductions	153,854	47,303
MRUC Staff Welfare Deductions	1,800	3,700
MRUC Benevolent Fund Payable	3,700	1,200
MRUC Workshops deductions payable	111,411	128,794
MRUC Pension Scheme payable	21,992,599	23,123,755
Other Pension Schemes Payable	601	600
Former BOG employees gratuity Payable	6,916,100	6,916,100
Imprest recoveries	226,555	252,522
Recurrent Creditors	18,344,463	15,609,507
Sundry Creditors	-	2,361,657
JKUAT Payables	1,123,526	1,123,526
External Research fund	13,413,357	16,578,270
Chinese Project	-	4,345,640
Provision for Audit fees	3,480,000	2,784,000
Provision for General expenses	2,735,000	8,825,838
Contract retentions (10%)	39,714,647	34,775,813
Total Payables / Accruals from exchange transactions	191,667,310	182,999,394

29. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	Kshs	Kshs
PAYE Deductions	9,091,794	11,486,722
VAT Withholding (6%)	1,504,837	1,400,521
Income Tax Withholding (5%)	115,380	459,600
Income Tax Withholding (3%)	810,768	1,010,541
VAT Withholding clearing	445,664	-
Gatanga Technical Institute Fund	6,375,693	6,381,022
Kamukunji Technical Institute Fund	2,308,094	(2,070,662)
Kandara Technical Institute Fund	3,807,182	(5,716,985)
Total Payables from Non-Exchange Transactions	24,459,411	12,950,759

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. ACCUMULATED SURPLUS

	2018-2019	2017-2018
	Kshs	Kshs
Balance brought forward	932,756,001	951,410,432
Add: Surplus during the year	10,042,356	(18,654,431)
Total Accumulated Surplus	942,798,357	932,756,001

31. DEVELOPMENT GRANTS

Description	2018-2019	2017-2018
	Kshs	Kshs
Balance brought forward	610,376,204	587,579,388
Development grants received during the year	220,000,000	21,250,000
Development grants receivable	-	8,925,000
Total	830,376,204	617,754,388
Less: Amortization of granted assets		
Amortization - Buildings	(7,378,184)	(7,378,184)
Amortization - Land Improvement (Internal Roads)	(2,611,497)	-
Prior years' adjustment	-	-
Balance as at 30th June	820,386,524	610,376,204

32. 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 minimize 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 an integrated risk management framework which is based on risk governance structures, risk management policies, risk identification, measurement and reporting. The risk management framework focuses on the unpredictability of environmental factors, to set appropriate risk limits and controls, and to monitor risks and seeks to minimize potential adverse effects on the financial performance and position of the University.

The University is exposed to financial risks classified as Credit risk, Liquidity risk and Market risk. 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 which include short-term deposits held with banks, as well as trade and other receivables and available-for-sale financial investments. The University receives fees from students, rent from staff and advances imprest to the staff which further exposes it to credit risk. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk is made up as follows:

Analysis of Credit risk exposure					
At 30 June 2019					
	Total amount	0-60 days Fully Performing	60-90 days Past due	Over 90 days Impaired	Risk rating
	Kshs	Kshs	Kshs	Kshs	
Bank balances	196,096,789	196,096,789	-	-	low
Receivables from exchange transactions:					
Imprest receivables	3,933,292	3,933,292	-	-	low
Students Debtors	17,801,918	17,801,918	-	-	medium
House Rent Debtors	107,542	-	-	107,542	high
MRUC Pension Scheme Receivable	2,198,781	-	-	2,198,781	high
Other Debtors	2,197,999	-	-	2,197,999	high
Total Receivables from exchange transactions	26,239,532	21,735,210	-	4,504,322	
Receivables from non-exchange transactions:					
Recurrent Grants receivable	45,712,017	45,516,353	-	195,665	low
Development Grants receivable	8,925,000	-	-	8,925,000	high
Total Receivables from non-exchange transactions	54,637,017	45,516,353	-	9,120,665	
At 30 June 2018					
Bank balances	47,518,678	47,518,678	-	-	
Receivables from exchange transactions:					
Imprest receivables	3,176,443	2,776,443	-	400,000	low
Students Debtors	26,123,401	12,000,000	14,123,401	-	medium
House Rent receivables	107,542	-	-	107,542	high
MRUC Pension Scheme	2,198,781	-	-	2,198,781	high
Other receivables	2,197,999	-	-	2,197,999	high
Total Receivables from exchange transactions	33,804,166	14,776,443	14,123,401	4,904,322	
Receivables from non-exchange transactions:					
Recurrent Grants receivable	195,665	-	-	195,665	high
Development Grants receivable	8,925,000	8,925,000	-	-	low
Total Receivables from non-exchange transactions	9,120,665	8,925,000	-	195,665	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The customers under the fully performing category are paying their debts as they continue getting services from the University. Impairment arises when there is some doubts that the University will collect the full amount due. As at the year end, the university had no impaired receivables. However, it is a University tradition to make a provision for doubtful debts at 5% of the total receivables.

The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The University has significant concentration of credit risk on past due and impaired.

ii. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the University's Council, who has 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 entity 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 possibility that the institution might incur financial losses arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity'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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

a. 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. The University was not exposed to the risk of falling interest rates during the year. As a result, changes in interest rates do not have an impact on the carrying amounts of the financial assets of the University.

Management of interest rate risk

The University Management has endeavoured to bank with institutions that offer favourable interest rates. The University would manage risk associated with the fixed deposits and other investments by ensuring that the interest rate is negotiated prior to investing and is constant throughout the investment period. In case of investments, the University places its investments with the qualifying commercial banks that quote the highest interest rate over a given period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b. Foreign currency risk

The University has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. The currency exposure to the University transactions is mitigated as receipts and payments are made in local currency with very few cases where suppliers quote in foreign currency mostly in US dollars. 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.

The University receives revenue from fees, grants and other sources in functional currency and no other currencies. All the assets of the University were denominated in Kenya shillings which is the functional currency used in these financial statements. Therefore, for the year ended June 30, 2019, currency exposure has minimal impact on financial status of the university. There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

iv. Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Accumulated Surplus	942,798,357	932,756,001
Development Grants	820,386,524	610,376,204
Total funds	1,763,184,881	1,543,132,205
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-%	-%

33. RELATED PARTY BALANCES

Entities and other parties related to the University include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include the National Government of Kenya, the Council Members, Key Management Members, their associates and close family members.

i. The National Government of Kenya

Murang'a University is a Public University hence the National Government of Kenya through the Ministry of Education, is the principal owner of the University. The Government of Kenya has appointed the University Chancellor, the Council Members, Vice Chancellor and Deputy Vice Chancellors. Related parties include:

ii. The Ministry of Education

The Ministry of Education is the University's parent ministry. The University's operations and development projects are partially and fully funded respectively by the Government of Kenya through the Ministry of Education.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. The University Chancellor

The Chancellor is the titular head of the University.

iii. The Council

The Council provides effective leadership and control in terms of approving the University's strategies and policies and best practice of corporate governance.

iv. The University Management Board

The Vice Chancellor is the head of the University Management Board (UBM). The UBM is the in charge of day to day operations of the University.

Summary of transactions with related parties	2018-2019 Kshs	2017-2018 Kshs
1) Grants from the Government		
i. Recurrent Grants		
a. Received	406,318,750	325,518,175
b. Receivable	45,516,353	-
ii. CBA Grants	-	99,720,263
iii. Development Grants Received	220,000,000	21,250,000
iv. Development Grants Receivable		8,925,000
Grants from County Government	-	-
Donations in kind	-	-
Total grants from the Government	671,835,103	455,413,438
2) Chancellor and Council expenses:		
i. Chancellor expenses	1,606,663	2,071,498
ii. Council expenses	12,640,346	8,429,754
Total Chancellor and Council expenses	14,247,009	10,501,251
3) Key management compensation		
Compensation to Key Management Members	19,478,498	17,004,390
Total Key management compensation	19,478,498	17,004,390

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2018-2019 Kshs	2017-2018 Kshs
Court cases against the University:	-	-
a. Manyota ltd vs Murang'a University of Technology	-	-
b. Woodcrest and three others vs Murang'a University of Technology	-	-

Manyota ltd vs Murang'a University of Technology

This plaintiff's claim is for interest on delayed contractual payments.

35. CAPITAL COMMITMENTS

Capital commitments	2018-2019 Kshs	2017-2018 Kshs
Authorised for		
1 Science Complex Phase 1	58,857,941	80,000,000
2 Asbestos Removal	-	10,000,000
Authorised and contracted for and on-going		
1 Hostel Block Phase 1, Wing 2	11,433,644	24,700,449
2 Hostel block-Phase 3	-	33,019,529
3 Tuition Block-Phase 2	-	2,544,225
4 Road works and sports field	6,759,043	2,431,868
5 Perimeter wall	6,843,636	12,368,175
6 ERP Software	4,170,475	2,209,525
Total	88,064,738	77,273,770

36. EVENTS AFTER THE REPORTING PERIOD

There were no events after reporting period.

37. ULTIMATE AND HOLDING ENTITY

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

38. CURRENCY

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

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APPENDICIES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. Focal persons have been nominated to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Long Term Investments (Ownership of Bamburi Shares). Transfer process of shares to the University not been completed	Follow up being made by Management through the legal office	Trustees	Not Resolved	2019/2020
2	Long Outstanding Payables	The Management has written to the council to advice on further course of action. The Council will discuss and deliberate before the end of Quarter one of FY 2019/2020	The Management and the Council	Not Resolved	2019/2020
3	Long Outstanding Receivables	A committee was appointed by the Vice Chancellor to investigate the validity of debts and write a report on the findings which will be tabled to the Council to discuss and deliberate on further course of action in the next FY 2019/2020	The Management and the Council	Not Resolved	2019/2020

[Signature]

Vice-Chancellor

Prof. Dickson M. Nyariki, Ph.D.

Date 3/12/19

[Signature]

Finance Officer

CPA Richard Ng'ang'a Karigi

ICPAK Member Number. 6645

Date 3/12/19

[Signature]

Council Chairman

Dr. Joachim Osur, Ph.D.

Date 3/12/2019



MUT IS ISO 9001:2015 CERTIFIED

Murang'a University of Technology

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APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Projects implemented by the University funded by development partners

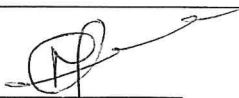
	Project Title	Project Number	Donor	Period/ Duration	Donor Commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	N/A	N/A					

Status of Projects Completion

	Project title	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	N/A	N/A					

APPENDIX III: INTER-ENTITY TRANSFERS

Murang'a University of Technology				
Break down of Transfers from the State Department of State Department of Education and Research				
2018-2019				
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
a.	Recurrent Grants			
		30-Aug-18	34,550,914.00	2018-2019
		01-Oct-18	34,550,914.00	2018-2019
		07-Nov-18	34,550,914.00	2018-2019
		03-Dec-18	32,477,860.00	2018-2019
		18-Dec-18	30,404,804.00	2018-2019
		01-Feb-19	34,550,914.00	2018-2019
		07-Mar-19	34,550,914.00	2018-2019
		28-Mar-19	32,477,859.00	2018-2019
		02-May-19	34,550,914.00	2018-2019
		06-Jun-19	34,550,914.00	2018-2019
		28-Jun-19	34,550,915.00	2018-2019
		Accrued Grants (received on 9 th July 2019)	45,516,352.50	2018-2019
		Total	451,835,102.50	
b.	Development Grants			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		31-Oct-18	86,016,290	2018-2019
		28-Nov-18	23,983,710	2018-2019
		20-Mar-19	110,000,000	2018-2019
		Total	220,000,000	


Finance Officer
 CPA Richard Ng'ang'a Karigi
 ICPAK Member Number. 6645

Date.....31/12/19.....

APPENDIX IV: RECORDING OF TRANSFERS FROM MINISTRY OF EDUCATION

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES Kshs	Where Recorded/recognized					Total Transfers during the Year Kshs
				Statement of Financial Performance Kshs	Statement of Financial Position Kshs	Deferred Income Kshs	Receivables Kshs	Others - must be specific Kshs	
State Department of University Education and Research	Refer to Appendix III	Recurrent Grants	671,835,103	451,835,103	220,000,000	-	45,516,353	-	671,835,103
State Department of University Education and Research	30 June 2017	Recurrent Grant Receivable	195,665	-	-	-	195,665	-	-
State Department of University Education and Research	30 June 2018	Development Grants Receivable	8,925,000	-	8,925,000	-	8,925,000	-	-
Total			680,955,768	451,835,103	228,925,000	-	54,637,018	-	671,835,103

