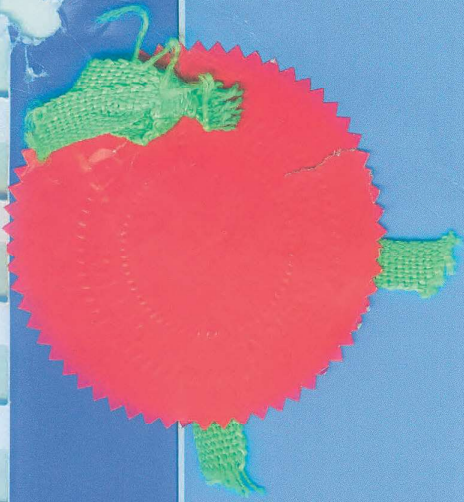
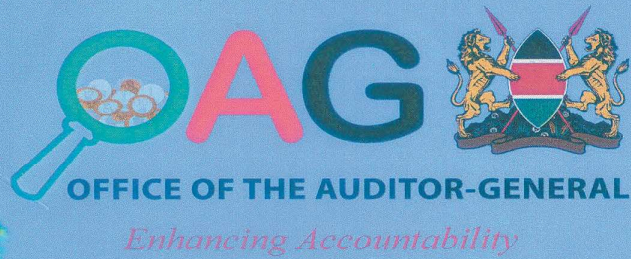
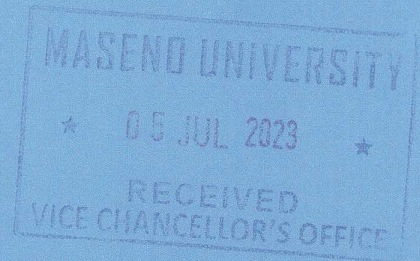


REPUBLIC OF KENYA



REPORT



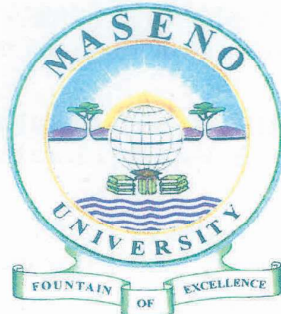
OF

THE AUDITOR-GENERAL

ON

MASENO UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2022**



MASENO UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2022

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

KEY ENTITY INFORMATION

VISION STATEMENT

The University of Excellence in discovery and dissemination of knowledge

MISSION STATEMENT

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

OBJECTIVES

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

CORE VALUES

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

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background of Maseno University

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

b) Principal Activities

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

c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2022 and who had direct fiduciary responsibility were:

Name	Designation
1. Prof. Julius O. Nyabundi	Vice-Chancellor
2. Prof. Catherine A. Muhoma	Deputy Vice-Chancellor(A,F&D)
3. Prof. Mary J. Kipsat	Deputy Vice-Chancellor(ASA)
4. Prof. Joseph S. Chacha	Deputy Vice-Chancellor(PRI) (Served until January 2022)
5. Prof. Erick O. Nyambedha	Ag. Deputy Vice-Chancellor(PRI)
6. CPA Joseph W. Omondi	Finance Officer

e) Fiduciary Oversight Arrangements

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

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

The University Council approved the Budget for FY2021/2022 and approved Quarterly Financial Statements before they were submitted to The National Treasury at the end of every quarter of FY2021/2022.

f) Maseno University Headquarters

Private Bag, MASENO

Maseno University Head Office - College Campus on Kisumu-Busia Road

MASENO, KENYA

g) Maseno University Contacts

Private Bag MASENO

Tel: 057-351622

FAX: 057-351221

email: vc@maseno.ac.ke

Website: www.maseno.ac.ke

h) Maseno University Bankers

Kenya Commercial Bank Ltd
Kisumu Branch

Standard Chartered Bank Ltd
Kisumu Branch

Equity Bank Ltd.
Luanda Branch

i) Independent Auditors

Auditor –General

Office of the Auditor - General

Anniversary Towers, University Way

P O Box 30084-00100

NAIROBI, KENYA

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

II. MEMBERS OF THE UNIVERSITY COUNCIL

**CHAIRMAN OF MASENO UNIVERSITY
COUNCIL**



Prof. Abdullah Naji Said
BSc(UoN), MSc(UoN), Ph.D.

Prof. Abdullah Naji Said is a Professor of Animal Nutrition. He formerly served as Chairman of Council, Laikipia University and has also served on the Egerton University Council. He is currently also the chairman of Malindi Museum Society.

MEMBER



Mr. Edwins Mukabanah
BA (UoN), MSc (Westminster)



Mr. Edwins Mukabanah is the Chief Executive Officer of Kenya Bus Service. He has wide experience in transport planning, operation and management.

MEMBER



Ms. Sophia Abdi Hassan,
BSc (Malardem), MSc (Malardem)

Ms. Sophia Abdi Hassan works in the banking industry. She is a specialist in investment, portfolio management and liquidity management.

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

<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Mr. Andrew Rukaria BA(UoN), MBA(Moi) Rep. Principal Secretary Ministry of Education</p>	<p>Mr. Andrew Rukaria is Director of Administration in the State Department for Early Learning and Basic Education. He is a career public administrator.</p>
<p style="text-align: center;">MEMBER</p>  <p style="text-align: center;">Ms. Alice Nyariki BA(POONA), MSc(Middlesex) Rep. Cabinet Secretary National Treasury</p>	<p>Ms. Alice Nyariki works in the National Treasury as a Senior Deputy Director Pensions. Ms. Nyariki is a pensions professional with over twenty (20) years' experience in the management and administration of public pension systems within the Government of Kenya.</p>
<p style="text-align: center;">VICE-CHANCELLOR AND SECRETARY TO THE UNIVERSITY COUNCIL</p>  <p style="text-align: center;">Prof. Julius O. Nyabundi, OGW BSc.(UoN), MSc.(UoN), Ph.D.(California, Davis),</p>	<p>Prof. Nyabundi is the Vice-Chancellor and Secretary to the Council. He formerly served as the Principal of Muranga University College and Acting Deputy Vice-Chancellor (AF&D) at Maseno University. He has also served as the Managing Director, Chemelil Sugar Company. He is a renowned scholar who has published widely in refereed journals and has presented papers in local and international conferences. He earned his Ph.D. from the University of California.</p>

III. MANAGEMENT TEAM OF THE UNIVERSITY



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

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



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

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



Prof. Mary Kipsat,
BSc (UoN), MSc.(UoN), Ph.D.(Moi)
Deputy Vice-Chancellor (ASA)

Prof. Mary Kipsat, PhD. is the Deputy Vice- Chancellor in charge of Academic and Student Affairs.



Prof. Joseph Chacha,
BSc (UoN)., MSc(UoN).,Ph.D(Ottawa).,
Deputy Vice-Chancellor (PRI)

Prof. Joseph Chacha, Ph.D. is the Deputy Vice- Chancellor in charge of Partnership, Research, and Innovations.
(Exited in January 2022)



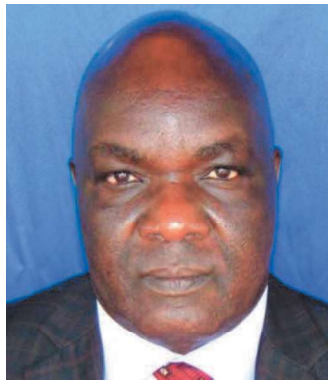
Prof. Erick O. Nyambedha
B.A(UoN), M.A.(UoN), Phd(Copenhagen), MKNAS
Ag. Deputy Vice-Chancellor (PRI)

Prof. Erick O. Nyambedha, Ph.D. is the Acting Deputy Vice- Chancellor in charge of Partnership, Research, and Innovations.
(Appointed in February 2022)



Mr. Joseph W. Omondi,
BBA.(KEMU), MBA (UoN), CPA(K)
FINANCE OFFICER

Mr. Joseph William. Omondi is the University Finance Officer.



Dr. Naphtali Onyuka Aroko,
MBChB (UoN), PgDIH(Berlin) CTM, MPH(Maseno)
CHAIRMAN, HEALTH SERVICES

Dr. Naphtali Onyuka Aroko, is the Acting Chairman, Health services in the University



Ms. Joy A. Akinyi
LLB (Moi), PGD (KSL), Dip (KIM), MBA(UoN) CS(K)
LEGAL OFFICER

Ms. Joy Akinyi is the head of legal services

IV. CHAIRMAN'S STATEMENT

I am pleased to present the annual report and financial statements of Maseno University for the year ended 30.06.2022. Maseno University has continually focused on quality teaching, research and outreach activities in fulfilment of its Vision and Mission. The University is on track in the implementation of the 2017-2022 Strategic Plan. The University reviewed the Strategic Plan to align it to the national development priorities provided in the Vision 2030, Medium-Term Plan III and also the “Big four” Agenda in view of the existing economic realities. This has enabled prioritisation of projects that are critical to the growth of the University. The University Council is intent in promoting Partnerships and Linkages with its peer institutions and industry; such relationships are central in transforming the University into a truly global institution.

The financial year 2021/22 marked the seventh year of the implementation of the *Mwongozo*- The Code of Governance for State Corporations. This framework focuses on addressing matters of effectiveness of the Council, transparency and disclosures, accountability, risk management, internal controls, ethical leadership and good corporate citizenship. The Maseno University Council and management is committed to the full implementation of the provisions of the *Mwongozo* code, which takes cognisance of the importance of good corporate governance and citizenship on the development of the Institution and the Community it seeks to serve.

While the University has made great strides in the pursuit of its priorities, it continues to face challenges in terms of constrained financial resources as a result of reduced Government funding and declining pool of Self-Sponsored students. In response, the University operates on a highly constrained budget with little capacity to respond to emerging budgetary dynamics which may challenge continued optimisation of University operations. The University has on-going development projects that require substantial financial input towards their completion. The University needs these facilities to accomplish its goals and mandate. Key among these facilities include the new tuition block complete with state of the art amphitheatre and Student Hostels.

Maseno University continues to build valued partnership in areas of research and collaboration with a number of institutions within the region and beyond. These institution included African Development Bank, BioInnovate African, International Crops Research Institute, The National Research Fund, UNESCO, Well Come Trust and Equity Bank to name just a few who we extend our sincere gratitude.

On behalf of the University Council, I take this opportunity to thank the Government for the continued support. I also wish to thank the Management and staff for their continued dedication and commitment. I wish to commend the student body for their cooperation and understanding, which has contributed greatly to the stability and growth of the University.

Maseno University

Annual Report and Financial Statements for the Year Ended 30th June, 2022

Finally, I would take the earliest opportunity to thank our stakeholders for their continued support. With the support of all stakeholders, we look forward to even greater achievements in the coming financial year.



Prof. Naftali Omolo Ongati

Chairman of Maseno University Council

V. REPORT OF THE VICE-CHANCELLOR

It is my great pleasure to once again present the annual report and financial statements of Maseno University for the financial year 2021/2022. Maseno University is committed to its vision and mission as contained in the Strategic Plan 2017-2022.

University Financial Performance

Maseno University realised total revenue of **Kshs.3,235,571,709** in the FY 2021/2022 as compared to **Kshs.2,734,044,961** in FY 2020/2021 mainly due to the fact that the University operated three semester to be current in our academic programmes. This was meant to address the negative effects of Covid-19 pandemic. The Government recurrent capitation covered 70% of the payroll costs hence the University is compelled to bridge the gap in paying salaries by 30% over and above the 100% of operations and maintenance expenses.

Maseno University's financial performance during the year was stable despite the constraining financial environment in which the University operated. The Government capitation still remains the University's main source of income contributing 61% of the University revenue, followed by Appropriation in Aid at 33% and research grants at 6% in FY 2021/2022. The Government recurrent capitation in FY2021/2022 was **Kshs.1,735,923,835**; research grants was **Kshs.95,042,248**; while internally generated revenue was **Kshs.1,404,605,626**.

The University continues to operate in a constrained financial environment arising from underfunding on recurrent Government capitation, ever increasing wage bill arising from CBA negotiations and lately increasing costs of basic commodities. To manage these challenges, the University is pursuing a number of strategies of enhancing efficiency in its value chain. These measures include but not limited to enhancing automation of key processes through Management Information System, business process reengineering, and rationalization of expenditures. The University also continues to experience difficulties in financing development projects as a result of insufficient budgetary allocation from Government. This has the potential of delaying the completion of these projects in addition to the exposure to litigation.

Statutory compliance

Despite the financial constraints, Maseno University prioritised and complied with the statutory obligations, including timely remittance of PAYE, NHIF, HELB, SACCO dues, staff pension, and all other staff deductions for the financial year. Where there was delay, prior negotiation was done with the relevant Government Agency.

Development projects

During the year, the University opened a magnificent Tuition Block complete with state of the art amphitheatres. Additionally, the University is also in the process of completing the Student Hostel project

targeted to enhance capacity of safe and suitable residence to our students. These projects have been put up with funding from Government and loan from Equity Bank.

In the FY 2021/2022, the University received from Government **Kshs.100,000,000** against an approved allocation of **Kshs.100,000,000**. This amount was utilized to finance the construction of Tuition Block and Laboratory Complex development projects. Further, the University received loan disbursement of **Kshs.55,078,137** from Equity Bank that was utilized on the construction of student hostels project.

Core mandate

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

I. Academic programmes

Maseno University continuously reviews and develops new programmes in line with the strategic plan, relevance to the job market and towards achieving the vision 2030, and Sustainable Development Goals (SDGs). The University launched Bachelor of Pharmacy with IT programme Master of Medicine in Obstetrics and Gynaecology, Master of Science in Human Anatomy and Bachelor of Laws degree (LLB) programme were sent to CUE for accreditation.

II. Student Welfare

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


III. Research and Development

Research is a core mandate of the University and therefore, it is mandatory to ensure that the research done is of high quality and relevant. The University has made reasonable strides to put the basic research requirements in place and regularly build the capacity of the researchers on emerging research related issues and specific donor agency requirements for developing grant winning proposals in order to address local and national needs. Researchers have made efforts to develop multidisciplinary proposals in key thematic areas in line with the National Research Priority Strategy, the University Strategic Plan and the University Thematic Research Areas. In this regard, the University has partnered with the County Government in Cancer Research and exploring possibilities on extending this to Biotechnology to address emerging health and development agenda.

IV. ICT Infrastructure

The University has enhanced its ICT infrastructure by upgrading the network and the ERP system as a way of improving the quality of its services to key stakeholders especially students. The University plans put in place data back-up and system security.

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



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

Vice-Chancellor

VI. REVIEW OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22

Maseno University continuously reviews and develops new programmes in line with the strategic plan, relevance to the job market and towards achieving the vision 2030, and Sustainable Development Goals (SDGs). In compliance with Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012, Maseno University has 11 strategic pillars and objectives within its Strategic Plan 2017/2022.

These strategic pillars are as follows:

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

Maseno University achieved its performance targets set for the FY 2021/2022 period for its strategic pillars, as indicated in the table below:

TABLE 2 MASENO UNIVERSITY’S PERFORMANCE 2020/21

	Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
1.	Provision of quality and relevant academic programmes.	To invest in quality and relevant academic programmes	Number of new academic programmes accredited	Development and accreditation of academic programmes in the School of Medicine	Three academic programmes developed namely: 1. Bachelor of Science in Pharmacy 2. Master of Medicine in Obstetrics and Gynaecology 3. Master of Science in Human Anatomy 4. Bachelor of Law
2.	Enhance access to University education	To enhance by 10% annually access to academic programmes	Number of graduands	Expansion and diversification of programmes and space	Over 3,753 students graduated during the year in their areas of study.
3.	Enhance research output	Increased research output	Research facilities in	Allocating seed funds for research	The University realised Research Grants of

	Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
			place		Kshs.95Million in FY 2021/22.
4.	Strengthen and develop new linkages and outreach.	Increased linkages and outreaches	Policy in place	Developing and operationalizing partnership, linkages and outreach policies	Partnership policy in place, collaborations with neighbouring counties being done
5.	Enhance infrastructure development.	To develop/upgrade infrastructure in tandem with need	Tuition Block completed	Complete construction of tuition block complex	The University opened the Tuition block Complete with three amphitheatres. The construction of student Hostels is near completion.
6.	Attract, develop and retain qualified staff	Provide quality education	Review recruitment criteria	Provision of infrastructure to improve work environment	Adequate number of teaching and non- teaching staff deployed
7.	Strengthen student welfare.	Provision of robust student welfare system	Needs assessment of students psychological needs	Addressing security issues relating to students	Holistically healthy students. Vibrant student Directorate and student Governance Body
8.	Enhance University revenue streams	Improve revenue streams	Increased revenue from tuition fees payments	Enhance fee collection.	The gross revenue realized increased from Kshs.2,734,044,961 in FY 2020/2021 to Kshs. 3,235,571,709 in FY2021/2022.
9.	Enhance University visibility.	To develop and implement high-end quality academic and research programmes	Produce and disseminate annual reports	Identify potential reputable partner	University Visibility in the market has been enhanced as the number of Government sponsored students increased over the years to 5700 in FY 2021/22
10	Strengthen quality assurance and internal control systems.	To increase capacity for quality assurance and internal control system	Sensitization of staff and students	Reduced incidences of examination cheating	All staff and students sensitized
11.	Adapt to sustainable technological and environmental changes	Ensure University is in tandem with changing technological and environmental trends	Make Maseno University environmental friendly	Collecting data	Research study reports

VII. CORPORATE GOVERNANCE STATEMENT

Introduction

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

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

Corporate Governance Principles

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

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

Progress of *Mwongozo* Code implementation

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

Council Size, Composition and Appointment

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

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

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

Council Remuneration

The University Council members other than the Vice-Chancellor do not receive a salary. Instead they are paid a taxable sitting allowance whenever they attend meetings of Council. The Chairman of Council is paid a monthly honorarium as prescribed by the Government. In the year 2021/22, the University spent **Kshs.18,284,206** on sitting allowances and travelling expenses for Council members compared to the budget for the year of **Kshs.27,544,000** this was due to a reduction in the number of face to face meetings, in line with Covid-19 containment measures during the year.

Council Committees and responsibilities

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

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

The following are the Committees of Council;



1. Executive, Human Resource and Academic Committee

The Committee of Council has the following terms of reference;

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

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

2 Planning, Finance and Investment Committee

The committee of Council has the following terms of reference;

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

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

3 Audit and Risk Management Committee

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

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

Attendance of Meetings

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

*Maseno University
Annual Report and Financial Statements for the Year Ended 30th June, 2022*

Council Attendance of Meetings

a) Full Council Meetings

	Name	Designation	Date of Meeting										Attendance				
			13 Jul 21	13 Sep 21	12 Oct 21	27 Oct 21	28 Oct 21	29 Oct 21	14 Dec 21	14 Jan 22	23 Feb 22	13 Apr 22		13 May 22	20 Jun 22		
1	Prof. Abdullah Najj Said	Chair	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	11/12
2	Mr. Edwins M. Mukabanah	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	12/12
3	Ms. Sophia Abdi Hassan	Member	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	10/12
4	Mr. Gerald Kariithi Mira	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	12/12
5	Ms. Lucy Achieng Osmerah	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	12/12
6	Mrs. Caroline Nkirote Nyororo	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	12/12
7	Ms. Alice Nyariki	Rep CS NT	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	11/12
8	Mr. Andrew Rukaria	Rep PS MoE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	12/12
9	Mr. Gerald Mwangi ¹	Rep IG SC	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	7/12
10	Prof. Julius O. Nyabundi	Secretary	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	12/12

¹ Mr Gerald Mwangi is an inspector with the Inspectorate of State Corporations

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b) Executive, Human Resource and Academic Committee

	Name	Designation	Date of Meeting							Attendance Proportion	
			12 Jul 21	13 Jul 21	11 Oct 21	13 Jan 22	23 Feb 22	12 May 22	13 May 22		
1	Prof. Abdullah Najj Said	Chair	No	No	Yes	Yes	Yes	Yes	Yes	Yes	3/7
2	Mr. Edwins Mukabanah	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	6/7
3	Ms. Sophia Abdi Hassan	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7/7
4	Mr. Gerald Kariithi Mira	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7/7
5	Ms. Lucy Achieng Osmerah	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7/7
6	Mrs. Caroline Nkirote Nyororo	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7/7
7	Ms. Alice Nyariki	Rep CS NT	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7/7
8	Mr. Andrew Rukaria	Rep PS MoE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	6/7
9	Mr. Gerald Mwangi	Rep IG SC	No	No	No	Yes	Yes	Yes	No	Yes	3/7
10	Prof. Julius O. Nyabundi	Secretary	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7/7

c) Planning, Finance and Investment Committee

	Name	Designation	Date of Meeting						Attend-ance
			18 Jul 21	13 Sep 21	10 Nov 21	14 Dec 21	13 Jan 22	12 Apr 22	
1	Mr. Gerald Mira Kariithi	Member	Yes	Yes	Yes	Yes	Yes	Yes	6/6
2	Mrs. Caroline Nkirote Nyororo	Member	Yes	Yes	Yes	Yes	Yes	Yes	6/6
3	Ms. Alice Nyariki	Rep CS NT	Yes	No	Yes	Yes	Yes	Yes	5/6
4	Mr. Andrew Rukaria	Rep PS MoE	Yes	Yes	Yes	Yes	Yes	Yes	6/6
5	Mr. Gerald Mwangi	Rep IG SC	No	No	Yes	No	Yes	Yes	3/6
6	Prof. Julius O. Nyabundi	Secretary	Yes	Yes	Yes	Yes	Yes	Yes	6/6

d) Audit and Risk Management Committee

	Name	Designation	Date of Meeting				Attendance Proportion
			10 Jan 21	20 Dec 21	3 Jul 22	4 Jan 22	
1	Mr. Edwins M. Mukabanah	Committee Chair	Yes	Yes	Yes	Yes	4/4
2	Ms. Sophia Abdi Hassan	Member	Yes	Yes	Yes	No	3/4
3	Ms. Lucy Achieng Osmerah	Member	Yes	Yes	Yes	Yes	4/4
4	Ms. Alice Nyariki	Rep CS NT	Yes	Yes	Yes	Yes	4/4
5	Mr. Andrew Rukaria	Rep PS MoE	Yes	Yes	Yes	Yes	4/4
6	Ms. Elizabeth Gombe	Secretary	Yes	Yes	Yes	Yes	4/4

VIII. MANAGEMENT DISCUSSION AND ANALYSIS**1.0 REVENUE**

In the FY 2021/2022, the total recurrent revenue was **Kshs.3,235,571,709** of which **Kshs.1,735,923,835** was from Government recurrent grants and **Kshs.1,404,605,626** from exchange transactions and **Kshs.95,042,248** was from research grants. There was an improvement in revenue from exchange transactions from **Kshs.896,965,272** in FY 2020/21 to **Kshs.1,404,605,626** in FY 2021/22 majorly attributed to resumption of normal operations post Covid-19 pandemic and a review of some charges such as accommodation fees.

Table 1: Revenue streams of the University

	2021/22	2020/21
	Kshs	Kshs
Government Capitation Grants - Recurrent	1,735,923,835	1,680,469,479
Public Contributions - Research Grants	95,042,248	156,610,209
Revenue from exchange transactions	1,404,605,626	896,965,272
TOTAL	3,235,571,709	2,734,044,961

1.1 Revenue from Non-Exchange Transactions

The Government recurrent capitation in FY2021/22 was **Kshs.1,735,923,835** while revenue from research grants was **Kshs.95,042,248**.

1.2 Revenue from Exchange Transactions

The University realized total revenue from exchange transactions of **Kshs.1,404,605,626** made up of **Kshs.1,188,156,641** tuition fees, **Kshs.104,582,951** operating income from Sale of goods by University enterprises, **Kshs.78,616,709** income from student hostels and **Kshs.33,249,325** from other incomes. The revenue from exchange transactions experienced growth over the previous year as the University resumed normal operations post Covid-19 pandemic.

2.0 EXPENDITURE

The total expenditure during the FY 2021/22 was **Kshs.3,334,343,840** as compared to **Kshs.2,912,396,426** that was incurred in the year 2020/21. Overall, the University managed to contain its expenses as per the available financial resources. This is attributable to the cost containment strategies put in place by the University as attention has been given to the key result

areas. Among the key measures put in place by the management includes; recruitment against needs only and scaling down on casual labour.

Table 5 Schedule of Total Expenditure

	2021/2022	2020/2021
	Kshs	Kshs
Use of Goods and Services	534,813,116	375,428,099
Employee Costs	2,391,029,181	2,172,394,925
Council Expenses	18,284,206	10,475,317
Depreciation and Amortization	162,424,602	168,330,505
Repairs and maintenance	66,817,150	38,294,107
Contracted Services	108,751,252	106,598,592
Finance Costs	52,224,332	40,874,882
Total expenses	3,334,343,840	2,912,396,426

Employee costs remain the biggest component of expenditure at 72% of total University expenditure during the year while operations and maintenance expenditure took 28%.

2.1 Employee Cost

The payroll cost for the year was **Kshs.2,391,029,181** while in the FY 2020/21, the payroll costs was **Kshs.2,172,394,925**. The employee costs went up due to implementation of the 2017/21 CBA and doctors allowances. The payroll costs were within the budget.

Statutory compliance

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

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Environment Sustainability strategy and profile

The University's sustainability is anchored on the following three pillars namely;

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

Social Sustainability

Staff Welfare and Development

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

Gender Mainstreaming

The University has embraced gender equity and has developed a gender mainstreaming policy over and above the appointed committee. The current staff distribution by gender are 484 (42.23%) females while 662 (57.77%) males. Of these, the gender distribution among the teaching staff is 356 male (31.06%) and 176 were female (15.36%), the non-teaching staff is 306 male (26.70 %) and 308 female (26.80%). With regards to the Government Policy on gender distribution, the University met the one third (1/3) gender rule on affirmative action.

Mainstreaming of People with Disabilities

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

ii) Environmental performance

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

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

iii) Employee welfare

The University has constantly complied with policies on recruitment which include the Constitution of Kenya, University Human Resource Policy & Procedures Manual, Employment Act, University Statute, Collective Bargaining Agreements (CBAs) and University Terms and Condition of Service. The said policies except the Constitution of Kenya and Employment Act are reviewed after every three (3) years with stakeholders' participation. The University has ensured critical staff training and development as per its critical needs, considers career progression based on the Scheme of service, declared vacancy and sustainable funds. Maseno University has Safety and Health Policy incorporated in the University Human Resource Policy & Procedures Manual applied alongside the Occupational Safety and Health Act (OSHA) of 2007.

iv) Market place practices-

a. Responsible competition practice.

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

The University supports its post graduate students in their final year of study to conduct research by providing them with funds from the Post-Graduate research fund annual allocation. The University is providing a variety of professional courses both at the Main Campus and in Kisumu Campus to further enhance the skills and employability of the youth in the country.

b. Responsible Supply chain and supplier relations

The University has identified a market niche with highly marketable courses that are offered with an IT component that is linked to industry. The University further has internet access points that encourage students to research and have their online class that have led to high completion rate. The University has ensured that suppliers are paid as per the approved credit period of 60 days and contractors are paid once the completion certificate is submitted.

c. Responsible marketing and advertisement

Maseno University maintains ethical marketing practises by providing quality learning, research and examination thus attracting students. The University has in the recent past been allocated more students by KUCCPS because of students demand. The University has utilised the website and print media to advertise for vacancies and pass information to students and stakeholders. Commissioning of hotspots to allow for full Internet access at the University has created an opportunity for staff and students as well as the surrounding community to network, learn, and research and outreach all of which advertise the institution and its programmes.

d. Product stewardship

The University has mainstreamed quality in all our academic programmes and have Directorate of Quality Assurance which monitors compliance of process within the University

e. Corporate Social Responsibility / Community Engagements

The University has been engaging the local communities in technology dissemination in public health, enhancing farm productivity and sustainable environment management. Maseno University School of Medicine and School of Nursing students undertake a community-based attachment each year in their third year of study. This exercise is important for a number of reasons; it not only helps them in honing their medical skills but also it provides medical services and care that are in short supply in the community and Country in general. The students in the School of Education offer teaching services to several secondary schools in the neighbouring counties whose staffing levels are low.

X. REPORT OF MASENO UNIVERSITY COUNCIL

The University Council hereby submits the FY2021/2022 report together with the financial statements for the year ended June 30, 2022 which shows the state of affairs of Maseno University.

Principal activities

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

Results

The results of Maseno University for the year ended June 30th, 2022 are set out on pages 1 to 34.

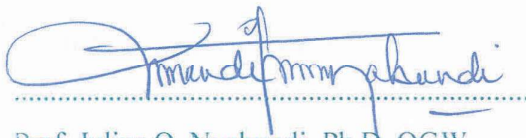
Maseno University Council

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

Auditors

The Auditor General is responsible for the statutory audit of Maseno University, in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2022.

By order of Maseno University Council



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

Vice-Chancellor and Secretary to Maseno University Council

Dated.....

XI. STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

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

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for the financial year, ended 30th June, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that the University's financial statements give a true and fair view of the financial state of affairs of the University for the year ended June 30, 2022, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

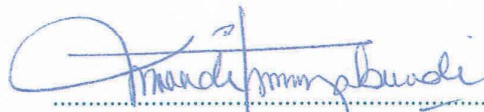
The University's financial statements were approved by the Board on _____ 20__

and signed on its behalf by:



.....
Prof. Naftali Omolo Ongati

Chairman of Maseno University Council



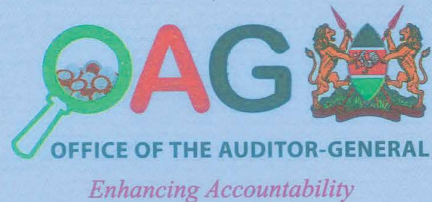
.....
Prof. Julius O. Nyabundi, Ph.D.,OGW

Vice-Chancellor

**XII. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS
OF MASENO UNIVERSITY**

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON MASENO UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Maseno University set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 the Maseno University as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the University Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects an expenditure budget of Kshs.3,170,420,669 against actual expenditure of Kshs.3,343,310,507 resulting to an over expenditure of Kshs.172,889,838. Further, depreciation and amortization amounting to Kshs.162,424,602 had not been budgeted for contrary to the requirements of the reporting template.

In addition, the statement reflects actual amounts on comparable basis of Kshs.8,966,667 in respect of other gains/(losses) which had not been budgeted for and which was not reflected in the statement financial performance as an expenditure.

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

2. Differences Between the Financial Statements and the General Ledger

The statement of financial performance reflects amounts that differ with the ledger amounts as detailed below:

Item	Amount as per the Financial Statements (Kshs.)	Amount as per the Ledger (Kshs.)	Variance (Kshs.)
Tuition fees	1,188,156,641	1,188,458,401	(301,760)
Other Income	33,249,325	32,544,687	704,638
Employee Costs	2,391,029,181	2,391,006,077	23,104
Insurance (Note 17 to the Financial Statements)	3,965,785	4,924,282	(958,497)

The resulting variances were not explained nor reconciled.

In the circumstances, the accuracy and completeness of the statement of financial performance could not be confirmed.

3. Unsupported Rendering of Service - Tuition Fees

The statement of financial performance reflects an amount of Kshs. 1,188,156,641 relating to rendering of service - tuition fees. Review of records revealed that the University had a total of 32,765 students out of whom 29,855 students were Government sponsored, while 2,910 students were self-sponsored. However, the University does not reconcile its enrolment data for the year with the billed data/income ledgers for the year. As a result, it is not possible to match the revenues with the number of students at any given time.

In the circumstances, the completeness and accuracy of the tuition fees amount of Kshs.1,188,156,641 could not be confirmed.

4. Unsupported Public Contributions and Donations for Research

The statement of financial performance reflects an amount of Kshs.95,042,248 relating to public contributions and donations for research as disclosed in Note 7 to the financial statements. The University's policy is to record research grants as income in the year that it is received. However, the details of the conditions attached and the period of utilization of these grants were not provided for audit.

In the circumstances, the accuracy and completeness of the public contributions and donations for research amount of Kshs.95,042,248 could not be confirmed.

5. Long Outstanding Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 22 to the financial statements reflects receivables from exchange transactions balance of Kshs.211,694,531. However, the imprest sub-ledgers and ageing analysis for the receivables provided for audit review revealed long outstanding debts amounting to Kshs.123,527,549 which the University is yet to recover.

Further, the ageing analysis indicates that debts were issued in respect of Kisumu Hotel and student debtors against a draft credit policy which had not been approved by the University Council.

In the circumstances, the recoverability of receivables from exchange transactions amounting to Kshs.211,694,531 could not be confirmed.

6. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 28 to the financial statements reflects trade and other payables balance of Kshs.445,227,084. However, the supporting ledgers for trade payables amounting to Kshs.58,464,540 were not provided for audit.

In the circumstances, the accuracy, completeness and existence of trade and other payables amounting to Kshs.58,464,540 could not be confirmed.

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

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

Key Audit Matters

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

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. Non-Compliance with Public Finance Management Fiscal Responsibility Principles

The statement of financial performance reflects employee costs of Kshs.2,391,029,181 against the total revenue of Kshs.3,235,571,709 which resulted to 74% of the total revenue contrary to Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015, which requires that expenditure on compensation of employees shall not exceed 35% of revenue.

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

2. Failure to Observe One -Third Rule on Staff Composition

Review of the University's payroll for the month of June, 2022 revealed that out of the one thousand one hundred and thirty-one (1,131) employees, seven hundred and twenty-one (721) or approximately 64% were from the dominant community in the region. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

3. Dormant Bank Accounts

The statement of financial position and as disclosed in Note 21 to the financial statements reflects a cash and cash equivalents balance of Kshs.152,515,384. However, the University held a total of Kshs.7,068,334 in five (5) dormant bank accounts. Although the

Management explained that letters had been written to the bank to close the dormant bank accounts, the financing agreements for the projects indicating the administration of the bank accounts and the University Council minutes approving the closure of the bank accounts were not provided for audit.

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

4. Failure to Operate Special Purposes Accounts

The statement of financial position and as disclosed in Note 28 to the financial statements reflects Kshs.445,227,084 in respect of trade and other payables from exchange transactions. The balance includes retention fees on construction contracts balance of Kshs.124,533,679, Chancellor's Scholarship Fund of Kshs.3,430,000, and Siaya County advances of Kshs.5,000,000. However, the deposits were held in the University's operations accounts and not in a special purpose account meant for the specific intended purposes. Further, the Siaya County advances and Chancellor's Scholarship Fund are based on undisclosed arrangements between the University and fund initiators.

In addition, Note 29 to the financial statements reflects refundable deposits from customers in respect to current and non-current portions of students caution money amounting to Kshs.42,318,000. However, the monies are held in the operations account and not a designated deposit account.

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

5. Unlawful Extension of Construction Contract

The statement of financial position reflects property, plant and equipment balance of Kshs.6,594,778,223 which, as disclosed in Note 25 to the financial statements includes construction of tuition block complex awarded to a contractor on 13 March, 2017 at a contract sum of Kshs.478,704,822 for a period of 104 weeks. On 5 February, 2019, the contractor requested for a 48 weeks contract extension which was granted on 18 February, 2019. Further, on 20 January, 2020, the contractor applied for a second extension for a period of 29 weeks, but 20 weeks extension was granted on 17 March, 2020 contrary to Section 88(3) of the Public Procurement and Asset Disposal Act, 2015 which provides that an extension of a tender shall be restricted to not more than thirty days and may only be done once.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Delay in Appointment of a Substantive Chancellor

The Gazette Notice dated 24 January, 2014 appointed Michael Joseph as the Chancellor of Maseno University, with effect from 6 January, 2014, for a period of five years ending 6 January, 2019. Therefore, the University did not have a substantive Chancellor following the expiry of the term of the former Chancellor. A special Senate meeting was held on 23 March, 2022 and proposed five (5) nominees for the Chancellor's position to the Principal Secretary, State Department for University Education and Research. However, as at the time of audit in February, 2023, no appointment had been made.

In the circumstances, the effectiveness of the University's overall governance and its core mandate of conferring degrees and granting diplomas could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the University Council

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls 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 controls, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions, and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective way.

The Management is responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how Management 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the University policies and procedures may deteriorate.

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 June, 2023

STATEMENT OF FINANCIAL PERFORMANCE**For the year ended 30th June, 2022**

		2021/22	2020/21
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from Other Government Entities	6	1,735,923,835	1,680,469,479
Public Contributions and Donations - Research	7	95,042,248	156,610,209
		1,830,966,083	1,837,079,688
Revenue from exchange transactions			
Rendering of Services - Tuition Fees	8	1,188,156,641	769,127,685
Sale of Goods	9	104,582,951	62,044,364
Rental Income	10	78,616,709	39,534,534
Other income	11	33,249,325	26,258,689
		1,404,605,626	896,965,272
Total revenue		3,235,571,709	2,734,044,961
Expenses			
Use of Goods and Services	12	534,813,116	375,428,099
Employee Costs	13	2,391,029,181	2,172,394,925
Council Expenses	14	18,284,206	10,475,317
Depreciation and Ammortization	15	162,424,602	168,330,505
Repairs and maintenance	16	66,817,150	38,294,107
Contracted Services	17	108,751,252	106,598,592
Finance Costs	18	52,224,332	40,874,882
Total expenses		3,334,343,840	2,912,396,427
Other gains/(losses)			
Gain on sale of assets	19	299,000	273,750
Impairment loss	20	(9,265,667)	(8,695,252)
Deficit before tax		(107,738,798)	(186,772,967)
Taxation		-	-
Surplus/(deficit)for the period/year		(107,738,798)	(186,772,967)

Maseno University

Annual Report and Financial Statements for the Year Ended 30th June, 2022

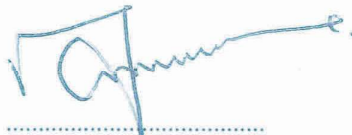
Remission to National Treasury	-	-
Net deficit for the year	(107,738,798)	(186,772,967)
Attributable to:		
Surplus/(deficit) attributable to minority interest	-	-
Surplus attributable to owners of the controlling entity	(107,738,798)	(186,772,967)
	(107,738,798)	(186,772,967)

The notes set out on pages 9 to 49 form an integral part of the Financial Statements. The Financial Statements set out on pages 1 to 49 were signed on behalf of the Council by:



Prof. Julius O. Nyabundi, Ph.D., OGW.
Vice-Chancellor

Date:



CPA. Joseph W. Omondi
Finance Officer
ICPAK No.: 10898

Date:



Prof. Naftali Omolo Ongati
Chairman of University Council

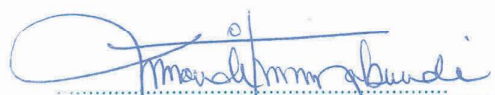
Date:

STATEMENT OF FINANCIAL POSITION

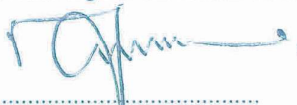
As at 30th June, 2022

	Note	2021/22 Kshs	2020/21 Kshs
Assets			
Current assets			
Cash and cash equivalents	21	152,515,384	272,066,588
Receivables from exchange transactions	22	211,694,531	189,507,882
Receivables from non-exchange transactions	23	51,799,015	51,799,015
Inventories	24	66,515,201	60,159,168
		482,524,131	573,532,653
Non-current assets			
Property, plant and equipment	25	6,594,778,223	6,560,083,515
Intangible Assets	26	22,280,496	28,499,609
Biological Assets	27	8,499,450	7,424,130
		6,625,558,169	6,596,007,254
Total assets		7,108,082,300	7,169,539,907
Liabilities			
Current liabilities			
Trade and Other Payables	28	445,227,084	504,491,854
Refundable Deposits from Customers	29	32,025,441	64,968,735
Current Provision - Audit Fees	30	3,633,000	3,609,000
		480,885,526	573,069,588
Non-current liabilities			
Refundable Deposits from Customers	29	28,073,200	22,212,800
Borrowings	31	452,962,138	420,357,284
Total Non-Current Liabilities		481,035,338	442,570,084
Total liabilities		961,920,864	1,015,639,672
Capital Fund		3,033,065,101	2,933,065,101
Revaluation Reserve		3,468,462,363	3,468,462,363
Accumulated Surplus		(355,366,028)	(247,627,230)
Total Net assets		6,146,161,436	6,153,900,235
Total Net assets and liabilities		7,108,082,300	7,169,539,907

The Financial Statements set out on pages 1 to 52 were signed on behalf of the Council by:



Prof. Julius O. Nyabundi, Ph.D., OGW.
Vice-Chancellor



CPA. Joseph W. Omondi
Finance Officer
ICPAK No.: 10898



Prof. Naftali Omolo Ongati
Chairman of University Council

Date:

Date:

Date:

STATEMENT OF CHANGES IN NET ASSETS

As at 30th June, 2022

	Notes	Capital Fund Kshs	Revaluation Reserve Kshs	Accumulated surplus Kshs	Total Kshs
As at July 1, 2020		2,873,657,257	3,468,462,363	(60,854,264)	6,281,265,357
Capital grant		59,407,844	-	-	59,407,844
Surplus/(deficit) for the period		-	-	(186,772,967)	(186,772,967)
Transfers to/from accumulated surplus		-	-	-	-
As at June, 30 2021		2,933,065,101	3,468,462,363	(247,627,230)	6,153,900,234
As at July 1, 2021		2,933,065,101	3,468,462,363	(247,627,230)	6,153,900,234
Capital grant	6	100,000,000	-	-	100,000,000
Surplus/(deficit) for the period		-	-	(107,738,798)	(107,738,798)
Transfers to/from accumulated surplus		-	-	-	-
As at June, 30 2022		3,033,065,101	3,468,462,363	(355,366,028)	6,146,161,436

Nature and Purpose of Reserves

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

In addition the University has a revaluation reserve that holds revaluation surpluses.

STATEMENT OF CASHFLOWS
For the year ended 30th June, 2022

	Note	2021/22 KShs	2020/21 KShs
<u>Cash flow from operating activities</u>			
Receipts			
Transfers from Other Government Entities	6	1,735,923,835	1,680,469,479
Public Contributions and Donations - Research	7	95,042,248	156,610,209
Rendering of Services - Tuition Fees	8	1,188,156,641	769,127,685
Sale of Goods	9	104,582,951	62,044,364
Rental Income	10	78,616,709	39,534,534
Other income	11	33,249,325	26,258,689
Total Receipts		3,235,571,709	2,734,044,961
Payments			
Use of Goods and Services	12	534,813,116	375,428,099
Employee Costs	13	2,391,029,181	2,172,394,925
Council Expenses	14	18,284,206	10,475,317
Repairs and maintenance	16	66,817,150	38,294,107
Contracted Services	17	108,751,252	106,598,592
Total Payments		3,119,694,906	2,703,191,039
Net cash flows from/(used in) operating activities		115,876,804	30,853,921
<u>Cash flow from Investing Activities</u>			
Proceeds from disposal of assets	19	530,000	1,681,750
Acquisition of Fixed Assets	25	(191,131,198)	(433,320,078)
		(190,601,198)	(431,638,328)
<u>Cash flow from Financing Activities</u>			
Development grants from GOK	6	100,000,000	59,407,844
Loan Disbursements	31	55,078,137	192,154,492
Loan Repayments	31	(22,473,283)	(21,281,297)
Interest Paid	18	(52,224,332)	(40,874,882)
Inventory	24&27	(7,431,353)	2,731,854
Accounts Receivables (Current)	22&23	(31,452,316)	345,802,390
Account Payables	28,29&30	(86,323,663)	(166,802,159)
		(44,826,809)	371,138,242
Increase/(Decrease) in Cash & Cash Equivalents		(119,551,203)	(29,646,165)

Maseno University

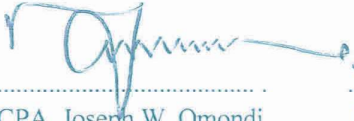
Annual Report and Financial Statements for the Year Ended 30th June, 2022

		2021/22	2020/21
	Note	KShs	KShs
Cash & Cash Equivalent at 1 st July		272,066,588	301,712,753
Cash & Cash Equivalent at 30 th June	21	152,515,385	272,066,589
Represented by:			
Cash and Bank balances	21	152,471,414	272,062,378
Cash in Hand		43,970	4,210
Cash and cash balances		152,515,384	272,066,588

The Financial Statements set out on pages 1 to 52 were signed on behalf of the Council by:

.....
Prof. Julius O. Nyabundi, Ph.D.,OGW.
Vice-Chancellor

Date:


.....
CPA. Joseph W. Omondi
Finance Officer
ICPAK No.: 10898

Date:


.....
Prof. Naftali Omolo Ongati
Chairman of University Council

Date:

*Maseno University
Annual Report and Financial Statements for the Year Ended 30th June, 2022*

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended 30th June, 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of Utilization
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Transfers from Other Government Entities	1,728,155,257	7,768,578	1,735,923,835	1,735,923,835	-	100%
Public Contributions and Donations - Research	207,701,751	-	207,701,751	95,042,248	(112,659,503)	46%
Rendering of Services - Tuition Fees	1,062,952,923	-	1,062,952,923	1,188,156,641	125,203,718	112%
Sale of Goods	96,385,000	-	96,385,000	104,582,951	8,197,951	109%
Rental Income	55,500,000	-	55,500,000	78,616,709	23,116,709	142%
Other income	39,725,738	-	39,725,738	33,249,325	(6,476,413)	84%
Total income	3,190,420,669	7,768,578	3,198,189,247	3,235,571,709	37,382,462	101%
Expenses						
Use of Goods and Services	500,544,258	-	500,544,258	534,813,116	(34,268,858)	107%
Employee Costs	2,431,230,669	-	2,431,230,669	2,391,029,181	40,201,488	98%
Council Expenses	24,000,000	-	24,000,000	18,284,206	5,715,794	76%
Depreciation and Ammortization	-	-	-	162,424,602	(162,424,602)	0%
Repairs and maintenance	61,220,000	-	61,220,000	66,817,150	(5,597,150)	109%
Contracted Services	93,425,742	-	93,425,742	108,751,252	(15,325,510)	116%
Finance Costs	60,000,000	-	60,000,000	52,224,332	7,775,668	87%
Other gains/(losses)	-	-	-	8,966,667	-	0%
Total Expenditure	3,170,420,669	-	3,170,420,669	3,343,310,507	(163,923,171)	105%
Deficit for the period	20,000,000	7,768,578	27,768,578	(107,738,798)	201,305,633	-388%
Capital Expenditure	356,961,419	-	356,961,419	191,131,198	165,830,221	54%

Budget Notes

At the beginning of the financial year the University submitted a revenue budget of **Kshs.3,190,420,669** and expenditure budget of **Kshs.3,170,420,669** to the Council that was approved.

The budget performance for the period is outlined below;

1. Income

- a) In the second supplementary budget, the University received an additional allocation of Kshs.7,768,578 from the government, for recurrent grants arising from the request from the Ministry of Education.
- b) A number of research grants proposals were not funded as anticipated. The University is expecting to receive these grants in the coming year.
- c) Tuition Income - This revenue line performed well since there were no interruptions to the academic calendar. The University operated three semesters to make up for lost time arising from Covid-19 interruptions in 2020/21
- d) Income from renting of space/hostel grew due to a review of the Hostel accommodation charges. This review took effect during the year.

2. Expenditure

- a) Council Expenses - The number of Council meetings have been rationalized hence realizing savings in this expenditure item.
- b) The University does not budget for depreciation since it is a non-cash item.
- c) Finance Costs - The University has started on the repayment of the Equity bank loan. The reduction in the principal outstanding realized savings in interest charged during the year.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. General Information

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

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the University's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

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

Note 3. Adoption of New and Revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30th June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

The University did not early adopt any new or amended standards in year 2021/2022.

Note 4. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions- IPSAS 23

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

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

ii) Revenue from exchange transactions- IPSAS 9

Rendering of services- Tuition Fees

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

Other Revenues from Exchange Transactions

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

b) Budgetary information (IPSAS 24)

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

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax

returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property- IPSAS 16

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

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

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

e) Property, plant and equipment- IPSAS 17

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 fairvalue.

Depreciation is calculated on the straight-line basis to write the cost of its residual values over its estimated useful life, except for Motor Vehicles as below:

Computers	-	33.3% per annum on Cost
Motor Vehicles	-	20% per annum on Cost
Plant & Equipment	-	20% per annum on residual value

Furniture & Fittings	-	20% per annum on residual value
Buildings	-	2% per annum on Cost
Land	-	not depreciated as it is deemed to have an indefinite life

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

f) Leases - IPSAS 13

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

g) Intangible assets - IPSAS 31

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

h) Biological Assets - IPSAS 27

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

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

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

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

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

i) Financial instruments - IPSAS 29

Financial assets

Initial recognition and measurement

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

Receivables

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

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

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories - IPSAS 12

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

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

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

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

k) Provisions - IPSAS 19

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

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

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

l) Contingent Liabilities

The University has a number of cases in court that are at various stages of litigation. The outcomes of the cases are not known and the amount of the obligation cannot be measured with sufficient reliability.

m) Nature and Purpose of Reserves

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

In addition the University has a revaluation reserve that holds revaluation surpluses

n) Changes in accounting policies and estimates - IPSAS 3

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

o) Employee benefits - IPSAS 25

Retirement benefit plans

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

p) Foreign currency transactions- IPSAS 4

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

q) Borrowing costs- IPSAS 5

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

r) Related parties- IPSAS 20

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

s) Cash and cash equivalents

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

t) Comparative figures

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

u) Subsequent events - IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

Note 5: Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity'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 Entity 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 Entity. 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:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.

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 30**.

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.

Note 6. Transfers from other Government entities

	2021/22 KShs.	2020/21 KShs.
Unconditional grants		
Operational grant- Capitation	1,735,923,835	1,680,469,479
	1,735,923,835	1,680,469,479
Conditional grants		
Development grant	100,000,000	59,407,844
	100,000,000	59,407,844
Total government grants and subsidies	1,835,923,835	1,739,877,323
Government grants and subsidies - Capital	100,000,000	59,407,844
Government grants and subsidies - Operating	1,735,923,835	1,680,469,479
Total government grants and subsidies	1,835,923,835	1,739,877,323

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

Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total transfers 2020/21 KShs	Prior year 2019/20 KShs
State Department for University Education and Research	1,735,923,835	-	100,000,000	1,835,923,835	1,739,877,323
Total	1,735,923,835	-	100,000,000	1,835,923,835	1,739,877,323

Note 7. Public Contributions and Donations - Research Grants

	2021/22	2020/21
	KShs.	KShs.
Research grants	95,042,248	156,610,209
	95,042,248	156,610,209
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	-	-
Current year receipts	95,042,248	156,610,209
Conditions met - transferred to revenue	95,042,248	156,610,209
Conditions to be met - remain liabilities	-	-

The research grants were received by various researchers on their successful project proposals to various donors. The policy of the University is to record the research grant as income in the year that it is received.

Note 8. Rendering of Services - Tuition Fees

	2021/22	2020/21
	KShs.	KShs.
Main Campus Tuition Fees	965,922,251	570,309,405
Kisumu Campus & eCampus Tuition fees	222,234,390	198,818,280
Total Revenue from Tuition Fees	1,188,156,641	769,127,685

Note 9. Sale of Goods and Services

	2021/22	2020/21
	KShs.	KShs.
Farm Sales	10,209,146	9,444,490
Kisumu Hotel Restaurant sales	48,064,424	26,472,020
Kisumu hotel bar sales	5,951,600	5,359,630
Hotel and Stationery sales	3,413,950	1,592,400
Kisumu Hotel equipment Hire	2,271,600	1,194,400
Kisumu Hotel Laundry Charges	1,999,255	-
Kisumu Hotel - Hall Hire	2,291,700	1,937,300
Kisumu Hotel swimming pool charges	1,119,600	472,570
Kisumu hotel Tel, fax, internet & Airtime Sales	26,605	147,430
Kisumu Hotel - Room Income	12,254,230	9,860,200
Varsity Plaza Restaurant	1,608,555	1,808,644
City Campus cafeteria	1,290,633	737,680
Catering Food Sales	13,810,753	2,177,663
I.G.A. - Tent Food Sales	270,900	839,937
Total of Sale of Goods	104,582,951	62,044,364

Note 10. Rental Revenue from Facilities

	2021/22	2020/21
	KShs.	KShs.
Student Accommodation Fees	62,455,400	20,504,300
Operating lease revenues - Varsity Plaza	12,272,309	14,200,234
Staff Houses	3,889,000	4,830,000
	78,616,709	39,534,534

Note 11. Other Incomes

	2021/22	2020/21
	KShs.	KShs.
Student fines and damages	-	-
Convocation Fees	21,686,400	16,369,688
Imprest Under Exp.	-	23,380
Salary Pay In lieu of notice	206,405	240,047
Staff Surcharge/Fines	2,426,095	1,404,520

Library Fines & Books Disposal	210,225	22,145
Misc Income	2,593,577	4,781,041
Water Sales	141,194	158,000
Misc.Income-Health	45,970	45,370
Sale Of Postgrad.Forms	1,424,400	588,050
T.P. Lesson Plan	1,023,505	884,375
Library Binding Services	208,240	386,050
Cyber Cafe Income	83,208	35,540
Disposal Catalogue	202,000	63,100
Ethical Review Charges	2,998,106	1,257,383
Total revenue from Other incomes	33,249,325	26,258,689

Note 12. Use of Goods and Services

	2021/22	2020/21
	KShs.	KShs.
Stationery & Stores	35,681,678	13,240,780
Travelling & Accommodation	8,203,485	6,993,256
Teaching materials	870,796	476,989
Computer Materials	829,000	-
Committee Expenses	5,000	30,500
Office Entertainment	1,422,494	1,173,335
Field Trips/Industrial Attach.	13,397,269	14,820,533
Supply of Electricity	30,469,819	24,402,396
Students Welfare & Games	470,200	204,445
Students Activity	35,607,486	7,139,340
Purchase of Cleaning Materials	5,554,455	1,747,648
Telephone Expenses	2,796,621	2,663,933
Legal Expenses & Fees	1,675,418	9,548,854
Advertising & Publicity	680,218	3,296,215
Contingency Fund	96,000	245,124
Senate Expenses	224,700	1,871,700
Postal & Telegram Expenses	70,143	55,800
Transport Operating- Fuel & Generator fuel	16,143,767	9,829,529
Transp. Oper. Exp-Tyres	3,290,007	2,609,157
External Travel	795,970	-
Rent & Rates	900,000	3,341,588

	2021/22	2020/21
	KShs.	KShs.
Water Bill Charges	12,823,865	5,918,181
Laboratory Reagents	352,878	80,000
Fuel for Boilers & Generators	-	492,905
Cooking Fuel/Gas	541,465	204,774
Bank Charges	1,855,685	1,219,707
Examination Material	12,398	259,553
Teaching Practice Expenses	10,197,090	5,571,530
Purch. of Library Books	2,826,792	11,360,412
Library Management System license renewal	1,020,000	-
Post Graduate Expenses	130,000	841,632
Research Operation & Outreach	378,610	82,000
Research Programme	122,916,542	73,696,919
Research Consultancy	-	5,000
Admission Related Expenses	305,950	161,500
Alumni Expenses	73,000	-
Bindery Material	-	89,960
External Examiners	10,160,931	4,964,550
Uniforms & Clothing	54,740	21,000
Licenses & Fees	-	100,000
Cutlery and Kitchenware	162,534	-
IGA - Purch of Food	38,833,675	25,911,501
Renewal of Driving License	10,500	3,650
e- Campus Expenses	1,017,473	481,424
Broadcasting Frequency - License	91,000	-
Community Health Attachment	5,032,700	6,017,005
Audit Fees Expenses	952,000	952,000
Animal Feeds	5,040,003	4,509,079
Livestock Drugs	159,520	159,000
Crop Inputs and Land preparation	10,000	84,200
Farm Maintanance	75,300	243,200
Vertinery Services	92,000	-
Kisumu Hotel Purch. of Food	12,827,960	8,087,787
Ksm Hotel Bar Purchases	3,907,798	2,417,438
Kisumu Hotel Card Costs	-	4,000

	2021/22	2020/21
	KShs.	KShs.
Kisumu Hotel Accommodation Transfers	-	6,500
Catering Levy - Kisumu Hotel	11,805,706	7,174,333
Kisumu Hotel - Expenses	18,475,204	6,650,379
Purchase of Drugs	23,823,206	16,100,600
Payment of Medical Bills.	43,808,944	37,542,149
Dental Optical Services	5,459,006	6,256,145
Staff Developments	1,201,065	1,330,000
Seminars & Conferences	626,620	135,000
Shows & Exhibitions	11,500	1,232,000
Staff Welfare - Misc	1,735,832	1,836,481
Student Work Study Programme	-	1,000,300
Environmental Awareness	-	37,000
Fee waiver benefit	2,669,540	1,095,700
Graduation Expenses	4,890,924	2,147,905
Kenya Music Festival	4,900	-
Glassware and Consumables	-	12,550
Capacity Building Trainers	-	279,960
PGDE- Teaching Expenses	723,200	231,600
Planning Studio	520,560	420,000
KUCCPS Expenses	13,998,000	-
CUE Expenses - Quality Assurance	4,958,000	9,916,000
Accreditation of New Programs - CUE	954,381	2,796,206
Subscriptions & Journal	1,381,894	285,120
Disposal Expenses	120,489	3,330
Honorarium	-	926,550
ICT Development	9,000	70,000
ISO Certification Expenses	-	480,455
Strategic Plan Expenses	2,388,600	-
Corporate Subscriptions	3,478,788	2,835,436
Professional Membership Fees	174,012	202,980
Gender Mainstreaming	195,000	10,000
HIV Mainstreaming	87,000	461,615
COVID 19 Mitigation	3,000	383,854
Registration and Licenses	20,584	501,127

	2021/22	2020/21
	KShs.	KShs.
Network Access & Expansion	144,000	238,000
Performance Contract Expenses	6,400	2,562,093
Laundry and Housekeeping	90,825	79,296
Prior Year Period expenses in current year	-	12,556,403
Total on Use of Goods and Services	534,813,116	375,428,099

The University has provided for **Kshs.952,000** as audit fees expense in the current year. This is as per the approved budget as there was no invoice received from the Office of the Auditor General.

Note 13. Employee costs

	2021/22	2020/21
	KShs.	KShs.
Basic Emoluments	1,221,274,353	1,055,548,373
House Allowance	436,779,793	442,489,554
Car Allowance + non use of official car	24,253,872	24,410,686
Entertainment allowance	22,936,918	22,070,084
Responsibility Allowance	30,673,432	31,431,938
Telephone Allowance	8,921,870	8,880,042
Water and Electricity Allowance	6,154,913	6,109,438
Acting allowance	3,810,189	2,318,453
Special Duty Allowance	948,598	556,622
Non-practicing allowance	22,888,989	23,002,731
Book Allowance	6,703,918	6,539,580
Leave Allowance	8,427,242	16,097,751
Commuting allowance	185,082,662	186,397,925
Risk Allowance	16,746,500	9,928,331
Passage and Baggage allowance	777,888	954,130
Gratuity & Retirement Benefits	246,645,634	212,327,210
Part-time Teaching Payments	37,872,552	40,880,252
Examination coordination	4,892,292	4,683,188
Thesis Examination	4,995,000	2,588,400
Domestic workers Allowance	3,103,880	2,798,534
Casual Wages	17,276,620	13,833,046
Other Allowances- Extraneous allowance	43,408,782	42,280,709
Call Allowance	32,018,000	12,692,048

	2021/22	2020/21
	KShs.	KShs.
MUERC Allowances	2,214,800	995,900
Management Support Allowance	2,220,484	2,580,000
Total Employee Costs	2,391,029,181	2,172,394,925

Note 14. Council Expenses

	2021/22	2020/21
	KShs.	KShs.
Council Expenses	17,240,206	9,431,317
Council Chairman Honoraria	1,044,000	1,044,000
	18,284,206	10,475,317

Note 15. Depreciation and Amortization

	2021/22	2020/21
	KShs.	KShs.
Buildings	64,074,946	63,789,332
Motor Vehicles	23,853,648	20,390,820
Plant and Equipment	44,393,903	52,103,434
Furniture and Fittings	18,215,561	20,713,574
Computers	4,535,195	4,208,442
Management Information System	7,351,350	7,124,902
Total depreciation	162,424,602	168,330,505

Note 16. Repairs and maintenance

	2021/22	2020/21
	KShs.	KShs.
Maint. of Office Equipment	1,305,760	21,100
Maint-Water Supply/Sewerage	-	660,460
Maintenance of Grounds	183,225	163,456
Repair & Maintenance of boilers	740,084	-
Repair & Maintenance of Generator	1,853,000	6,800
Minor Works & Construction	57,492,345	36,089,928
Maintenance of Fire Equipment	-	168,820
Main. Of Plant & Equip.	218,852	1,152,343

	2021/22	2020/21
	KShs.	KShs.
Transport Oper. Exp. Repairs	5,023,884	38,000
Total repairs and maintenance	66,817,150	38,294,107

Note 17. Contracted Services

	2021/22	2020/21
	KShs.	KShs.
Hired Security Services	66,155,090	64,114,800
Lift Maintenance	2,758,860	3,343,630
Offshore Moodle Hosting	4,405,541	5,080,608
Sanitary Expenses	1,498,280	2,181,388
Internet Services	29,967,696	28,174,301
Insurance Related Expenses	3,965,785	3,703,865
	108,751,252	106,598,592

Note 18. Finance Costs

	2021/22	2020/21
	KShs.	KShs.
Interest on Loan from Commercial Bank	52,224,332	40,874,882
	52,224,332	40,874,882

The University has an approved loan facility from Equity bank. During the year the University paid **Kshs.40,874,882** as interest. Further disclosures on the loan facility are contained in Note 32.

Note 19. Gain on Sale of Assets

	2021/22	2020/21
	KShs.	KShs.
Proceeds from disposal	530,000	1,681,750
Net Book Value of assets at disposal	(231,000)	(1,408,000)
Gain on disposal	299,000	273,750

Note 20. Impairment Loss

	2021/22	2020/21
	KShs.	KShs.
Allowance for Impairment loss on receivables	9,265,667	8,695,252
	9,265,667	8,695,252

Further disclosures on this item are in **Note 23**.

Note 21. Cash and cash equivalents

	2021/22	2020/21
	KShs.	KShs.
Current Account	6,154,046	4,839,039
Savings Account	143,245,780	263,758,971
Others (Student Savings)	10,263	3,241
Others (Student Current)	61,324	282,068
Others (Bank Guarantee)	3,000,000	3,000,000
On-Call Deposits	-	179,058
Others (Cash in Hand)	43,970	4,210
Total Cash and Cash Equivalents	152,515,384	272,066,588

Cash balances held in foreign currency have been reported using the closing exchange rate by Central Bank and respective banks. The detailed analysis of cash in the bank is provided below;

Note 21 (a) . Detailed Analysis of Cash and cash equivalents

Account Type	Account Number	2021/22	2020/21
		KShs.	KShs.
a) Current Account			
KCB - Main Current Account	1103898094	6,154,046	4,839,039
		6,154,046	4,839,039
b) Savings Account			
Equity - Main Campus Fee Collection Account	1120297065141	72,650,916	159,175,842
KCB - Development Account	1108378056	1,567,713	1,304,111
KCB - Research Account	1107735971	7,873,786	15,022,297
KCB - Kisumu Hotel Account	1101560894	1,963,093	4,163,064
KCB - Fee Collection Account	1101561076	16,848,657	6,356,657
KCB - IGA Account	1108378226	3,181,147	5,937,873
KCB - Bookshop Account	1101560703	1,088,680	986,155

Account Type	Account Number	2021/22 KShs.	2020/21 KShs.
KCB - K-LIP Account	1160049351	6,062,215	6,068,320
KCB Flood Disaster Management AC - (Kshs)	1176816284	18,225	23,266
KCB Flood Disaster Management AC - (Euro)	1176816365	16,281	16,281
Standard Chartered (RES. USD)	8752524018401	12,406,053	26,381,562
Standard Chartered (RES. EURO)	9352524018401	18,174,946	34,589,422
Standard Chartered (RES. KSH)	0102024018401	445,775	2,773,653
Standard Chartered (BSU USD)	8752524018400	774	709
Standard Chartered (BSU KSH)	0102024018400	947,520	959,760
		143,245,780	263,758,971
c) Others			
KCB - Student Activity S/A	1102264946	10,263	1,620
KCB - Student Welfare S/A	1102265055	-	1,621
KCB - Student Activity KCB Current	1108266207	61,324	282,068
KCB Bank Guarantee	N/A	3,000,000	3,000,000
Term Deposit	N/A	-	179,058
		3,071,588	3,464,368
Total Cash in Bank		152,471,414	272,062,378

Note 22. Receivables from Exchange Transactions

	2021/22 KShs.	2020/21 KShs.
Current Non-Trade receivables		
Sundry Debtors	4,058,928	3,372,114
Prepaid insurance	11,711,088	10,042,439
Imprest Outstanding	15,275,930	9,627,568
Advances to MURBS	4,600,907	1,255,982
Total non-trade receivables	35,646,853	24,298,102
Current trade receivables		
Kisumu Hotel Debtors	35,287,232	19,245,373
Varsity Plaza Rent Debtors	9,660,599	8,809,190
Student Debtors	140,365,514	145,850,469
	185,313,345	173,905,032
Less: Impairment Allowance	(9,265,667)	(8,695,252)
	176,047,678	165,209,781

Total Receivables From exchange transactions	211,694,531	189,507,882
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Impairment assessment has been done on trade debtors and an allowance of 5% of total receivables outstanding provided in report for FY 2021/22.

Reconciliation of allowance for impairment of receivables

	Current Receivable KShs.	Non-Current Receivable KShs.	Total KShs.
At 30 June 2020	378,946,822	-	378,946,822
Charge for the Year	8,695,252	-	8,695,252
Utilized	-	-	-
At 30 June 2021	387,642,074	-	387,642,074
Charge for the Year	9,265,667	-	9,265,667
Utilized	-	-	-
At 30 June 2022	396,907,741	-	396,907,741

Note 23. Receivables from non-exchange contracts

	2021/22 KShs.	2020/21 KShs.
Current receivables		
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	51,799,015
Receivable from CBA 2017-21 (Accrued)	-	-
	51,799,015	51,799,015
Other Assets		
Deposit with High Court from Court Judgement	-	-
Total from Non-Exchange Transactions	51,799,015	51,799,015
Total Receivables	263,493,546	241,306,897

Note 24. Inventories

	2021/22	2020/21
	KShs.	KShs.
Farm Stocks	1,025,760	1,110,840
Stationery Stocks	11,043,728	14,738,507
Catering Stores	3,144,017	3,452,594
Medical Stores	8,771,155	8,016,409
Maintenance Stores	19,782,478	13,727,970
Hostel Stores	13,454,097	6,790,855
Kisumu Hotel Store	7,729,262	10,007,366
Varsity Plaza Store	1,564,704	2,314,626
TOTAL	66,515,201	60,159,168

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Note 25. Property, Plant and Equipment

	LAND		BUILDINGS		MOTOR VEHICLE		PLANT & EQUIPMENT		FURNITURE & FITTINGS		COMPUTER		W.I.P		TOTAL		
	KSHS		KSHS		KSHS		KSHS		KSHS		KSHS		KSHS		KSHS		
COST/VALUATION																	
As at 30.06.2020	2,602,300,000		2,757,686,759		100,451,500		162,254,626		111,683,552		12,244,055		703,728,122		6,450,348,614		
Additions	-		-		3,702,600		79,176,984		5,844,762		508,800		344,086,932		433,320,078		
Transfers/adjustments	-		431,779,866		-		39,367,386		-		-		(506,771,763)		(35,624,512)		
Disposals	-		-		(2,200,000)		-		-		-		-		(2,200,000)		
As at 30.06.2021	2,602,300,000		3,189,466,625		101,954,100		280,798,996		117,528,314		12,752,855		541,043,290		6,845,844,180		
Additions	-		-		17,864,138		13,555,780		8,223,510		990,160		150,497,609		191,131,198		
Transfers/adjustments	-		14,280,676		-		-		-		-		(15,412,913)		(1,132,237)		
Disposals	-		-		(550,000)		-		-		-		-		(550,000)		
As at 30.06.2022	2,602,300,000		3,203,747,301		119,268,238		294,354,777		125,751,824		13,743,015		676,127,986		7,035,293,141		
DEPRECIATION																	
As at 30.06.2020	-		68,942,169		18,081,270		20,281,828		13,960,444		4,081,352		-		125,347,063		
Disposals (Revaluation)	-		-		(792,000)		-		-		-		-		(792,000)		
Charge for the year	-		63,789,332		20,390,820		52,103,434		20,713,574		4,208,442		-		161,205,602		
As at 30.06.2021	-		132,731,501		37,680,090		72,385,262		34,674,018		8,289,794		-		285,760,665		
Disposals (Revaluation)	-		-		(319,000)		-		-		-		-		(319,000)		
Charge for the year	-		64,074,946		23,853,648		44,393,903		18,215,561		4,535,195		-		155,073,253		
As at 30.06.2022	-		196,806,447		61,214,738		116,779,165		52,889,579		12,824,989		-		440,514,918		
NET BOOK VALUE																	
As at 30.06.2021	2,602,300,000		3,056,735,123		64,274,010		208,413,734		82,854,296		4,463,061		541,043,290		6,560,083,515		
As at 30.06.2022	2,602,300,000		3,006,940,853		58,053,500		177,575,612		72,862,245		918,026		676,127,986		6,594,778,223		

Note 25.(i) Property, Plant and Equipment at Cost

The University is carrying its assets at cost or revaluation amount. The revaluation was adopted in October 2019. No asset has been fully depreciated.

Note 25. (ii) Analysis of WIP

	As at 01/07/21	Additions	Transfers	As at 30/06/22
<u>Analysis of WIP</u>	Kshs.	Kshs.	Kshs.	Kshs.
Sewerage Project	39,919,253	-	-	39,919,253
Sewerage Project - II	5,755,400	-	-	5,755,400
Access Roads Maintenance	12,381,068	-	-	12,381,068
Tuition Block and Laboratory	-	14,280,676	(14,280,676)	-
Perimeter Wall & CCTV	24,442,917	-	-	24,442,917
Construction of Hostel - I	370,212,645	49,578,137	-	419,790,782
Construction of Hostel - II	88,332,007	85,506,559	-	173,838,566
MIS Upgrade	-	1,132,237	(1,132,237)	-
	541,043,289	150,497,609	(15,412,913)	676,127,986

The Work-In-Progress is composed of various development and other long term capital projects that are being undertaken by the University. These projects are at various stages of completion. These projects are not subject to depreciation or amortization for the duration of development. Upon completion, the project is transferred from this class of assets to the respective asset class and depreciated or amortized as appropriate.

Note 26. Intangible Assets

	MANAGEMENT INFORMATION SYSTEM KSHS.
COST/VALUATION	
As at 30.06.2020	-
Additions	35,624,512
Transfers/adjustments	-
Disposals	-
As at 30.06.2021	35,624,512
Additions	1,132,237
Transfers/adjustments	-
Disposals	-
As at 30.06.2022	36,756,748
AMMORTIZATION	
As at 30.06.2020	-
Disposals	-
Charge for the year	7,124,902
As at 30.06.2021	7,124,902
Disposals	-
Charge for the year	7,351,350
As at 30.06.2022	14,476,252
NET BOOK VALUE	
As at 30.06.2021	28,499,609
As at 30.06.2022	22,280,496

Note 27. Biological assets

	2021/22 KShs.	2020/21 KShs.
Biological Assets	8,499,450	7,424,130
Reconciliation of Biological Assets		
	2021/22 KShs.	2020/21 KShs.
Carrying amount at 1 July	7,424,130	6,980,800
Gain/(Loss) on biological assets	1,075,320	443,330
Carrying amount at 30 June	8,499,450	7,424,130

The University owns biological assets which are mainly livestock. The biological assets are measured at fair value less costs to sell; the fair value is established from quoted market prices less costs to sale. The gain on biological asset of **Kshs.1,075,320** arose from increases in fair values as a result of physical changes.

Note 28. Trade and other payables from exchange transactions

	2021/22	2020/21
	KShs.	KShs.
PAYE	40,287,360	44,555,815
NHIF	1,796,650	1,722,550
NSSF	2,199,600	602,500
PENSION & GRATUITY	29,096,060	29,345,990
BENEVOLENT FUND	9,790,956	8,244,156
HELB Loan Repayments	142,633	142,701
UNION DUES	1,461,958	1,452,607
OTHER LOANS	37,264,367	37,231,754
MASENO UNIV. SACCO	4,220,628	3,742,522
Other SACCOS	21,000	21,000
BOOKSHOP RECOVERIES	4,500	-
NET Pay	-	53,798
6% Withholding Tax	5,297,021	5,186,399
Chancellor's Scholarship Fund	3,430,000	3,430,000
Trade Payables	58,464,540	50,324,317
Payable from CBA 2017-21 Salary Arrears (Accrued)	57,513,674	133,569,687
Retention on Construction contracts	124,533,679	107,027,249
Accrued Gratuity Payable	64,702,458	72,838,807
Siaya County Advances	5,000,000	5,000,000
Total trade and other payables	445,227,084	504,491,854

Note 29. Refundable Deposits and Prepayments from Customers

	2021/22	2020/21
	KShs.	KShs.
Current Refundable Deposits		
SOMU Activities	71,588	285,309
University Fees Prepaid	17,709,053	49,525,425
Current portion of caution money	14,244,800	15,158,000
Total Current Refundable deposits	32,025,441	64,968,735
Non-Current Caution Money		
Total Caution Money	42,318,000	37,370,800
Less: Current portion of caution money	(14,244,800)	(15,158,000)
Total non-current portion of caution money	28,073,200	22,212,800

Note 30. Current provisions- Audit Fees

	2021/22	2020/21
	KShs.	KShs.
Audit Fees		
Balance at the beginning of the year	3,609,000	2,657,000
Additional provisions raised	952,000	952,000
Provision utilized	(928,000)	-
Balance as at 30 June 2022	3,633,000	3,609,000

Note 31. Borrowings

	2021/22	2020/21
	KShs.	KShs.
Opening Balance	420,357,284	249,484,089
Add: Disbursements	55,078,137	192,154,492
Less: Repayments	(22,473,283)	(21,281,297)
Total Borrowing	452,962,138	420,357,284
Less: Total current portion of bank loans	-	-
Total non-current borrowings	452,962,138	420,357,284

	2021/22 KShs.	2020/21 KShs.
Domestic Borrowings		
Kenya Shilling loan from Equity Bank	452,962,138	420,357,284
Total balance at end of the year	452,962,138	420,357,284

During the year the University received **Kshs.55,078,137** from Equity Bank Kenya Ltd., being disbursements of a **Kshs.500,400,000** loan. The University also repaid **Kshs.22,473,283** of the loan principal.

Note 32. Cash Generated from Operations

	2021/22 KShs.	2020/21 KShs.
Surplus for the year before tax	(107,738,798)	(186,772,967)
Adjusted for:		
Depreciation	162,424,602	168,330,505
Gains and losses on disposal of assets	(299,000)	(273,750)
Contribution to impairment allowance	9,265,667	8,695,252
Finance cost	52,224,332	40,874,882
Net cash flow from operating activities	115,876,804	30,853,921

Note 33. Financial Risk Management

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The University's financial risk management objectives and policies are detailed below:

(i) Credit risk

The University has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
As at 30 June 2022				
Receivables from exchange transactions	220,960,199	197,095,501	14,599,030	9,265,667
Receivables from non exchange transactions	51,799,015	-	51,799,015	-
Bank balances	152,471,414	152,471,414	-	-
Total	425,230,627	349,566,915	66,398,045	9,265,667
As at 30 June 2021				
Receivables from exchange transactions	198,203,134	189,507,882	8,695,252	-
Receivables from non exchange transactions	51,799,015	-	51,799,015	-
Bank balances	272,066,588	272,066,588	-	-
Total	522,068,737	461,574,470	60,494,267	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has

recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from Student Debtors.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the University Council, who have built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The University manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
As at 30 June 2022				
Trade payables	256,116,412	58,464,540	65,943,674	380,524,627
Current portion of borrowings	22,473,283	-	-	22,473,283
Provisions	952,000	-	2,681,000	3,633,000
Deferred income	14,244,800	-	-	14,244,800
Employee benefit obligation	64,702,458	-	-	64,702,458
Total	358,488,953	58,464,540	68,624,674	485,578,167
As at 30 June 2021				
Trade payables	239,329,043	50,324,317	141,999,687	431,653,047
Current portion of borrowings	4,100,000	-	-	4,100,000
Provisions	952,000	-	2,657,000	3,609,000
Deferred income	15,158,000	-	-	15,158,000
Employee benefit obligation	72,838,807	-	-	72,838,807
Total	332,377,850	50,324,317	144,656,687	527,358,854

(iii) Market risk

The Council has put in place an internal audit function to assist it in assessing the risk faced by the University on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the University's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The University has transactional currency exposures. Such exposure arises through holdings of cash that are in currencies other than the local currency and transactions that are denominated in other currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

b) Interest rate risk

Interest rate risk is the risk that the University's financial condition may be adversely affected as a result of changes in interest rate levels. The University's interest rate risk arises from the bank loan with Equity Bank. 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 loan payable.

Management of interest rate risk

To manage the interest rate risk, in the loan agreement, the management negotiated for an interested rate marked to the Treasury bills rate which is stable.

Sensitivity analysis

The University analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates on the loan increase/decrease by one percentage point a decrease/increase of KShs.4,017,256 (2021: KShs.3,269,991). A rate

increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs.20,086,282 (2021 - KShs.16,349,953).

iv) Capital Risk Management

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

	2021/22	2020/21
	Kshs	Kshs
Revaluation reserve	3,468,462,363	3,468,462,363
Retained earnings	(355,366,028)	(247,627,230)
Capital reserve	3,033,065,101	2,933,065,101
Total funds	6,146,161,436	6,153,900,234
Total borrowings	452,962,138	420,357,284
Less: Cash and bank balances	(152,515,384)	(272,066,588)
Net debt/(excess cash and cash equivalents)	300,446,754	148,290,696
Gearing	7%	7%

Note 34. Related Party Disclosures

a) Nature of relationships

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

- i) National government
- ii) Key management
- iii) Members of the University Council
- iv) Tom Mboya University College (A constituent of Maseno University)
- v) Maseno University Retirement Benefit Scheme
- vi) Kisumu Hotel (Fully Owned and operated by the University)

b) Related party transactions

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

Related party transactions	2021/22	2020/21
	KShs.	KShs.
Total grants received from government	1,835,923,835	1,739,877,323

c) Due from related parties

	2021/22	2020/21
	KShs.	KShs.
Receivable from CBA 2010/13 (IPUCCF)	51,799,015	51,799,015
Advances to MURBS	4,600,907	1,255,982
	56,399,922	53,054,997

Note 35. Capital Commitments

The University did not have any Capital Commitments at the end of the Financial Year. All Capital Projects undertaken by the University are financed from government grants that are appropriated using the budget of the particular year.

Note 36. Taxation

The University has been reporting deficits over the years and hence not declared any tax liabilities.

Note 37. Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

Note 38. Ultimate and Holding Entity

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

Note 39. Currency

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

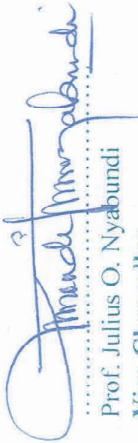
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Unsupported Cash and Cash Equivalents The cash and cash equivalents was not supported by a board of survey	The audit issue has been resolved. In 2020/2021 a board of survey summary was provided.	Resolved	
2.	Unconfirmed Student Debtors Some students with duplicated admission numbers appeared on the ledger	The university is resolving the issue through the New MIS where students changing courses are allocated new admission numbers after the old admissions are changed to a transfer status.	Ongoing	By end of 2022/2023
3.	Unsupported Research Expenses It is not clear on how the consultancy with Kisumu County was procured	Maseno University has a memorandum of Understanding with the County Government of Kisumu. Arising from the MOU, Kisumu County awarded the contract to the School of Planning and the Dean School of planning and Architecture was allocated the work since the school has the expertise.	Resolved	
4	Presentation of the Financial Statements Failure to disclose reasons for material performance differences from budget	This was as a result of University closure and suspension of academic Programs due to the Covid-19 Pandemic.	Resolved	
	Other Matter Budgetary Control and Performance Under spending on the budget equivalent to services budgeted for but not delivered	This was as a result of University closure and suspension of academic Programs due to the Covid-19 Pandemic.	Resolved	
1.	Non-adherence to Procurement Regulations			
2.	Delay in project completion Upgrading of Microsoft NAVISION ERP Project	The project is now completed with and the University has a completion certificate.	Resolved	

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Ref No.	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.	Staff ethnic composition Staff representation 64% of staff from one ethnic community in the area.	The University has made deliberate efforts to comply with National Cohesion and Integration Act in all of its recent appointments where qualified candidates from minority communities are given priority.	Ongoing	
4.	Staffs on Contract Employment	Kisumu Hotel staffs are now serving on Term Contacts.	Resolved	
5.	Non-conformity to a third of basic pay rule policy	All staff are now on a third of their basic pay	Resolved	
6.	Non-compliance with Government circulars Investment in call deposits in Commercial Bank	The University is now complying with Treasury Circular on Investment	Resolved	
	Effectiveness of internal control, risk management and government 1. No ICT data recovery plan	The procurement process to install a cloud back up has been initiated.	Ongoing	6 months
	2. Lack of annual environment audit report	The University has initiated the process of environmental audit and the report will be ready in the course of the financial year 2022/2023	Ongoing	6 months


 Prof. Julius O. Nyabundi
 Vice-Chancellor

APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Projects implemented by Maseno University

The University does not have Projects that are being implemented and funded, by development partners and/or the Government.

Status of Projects Completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction of Hostels - I	450,172,217	419,790,782	93%	52,082,000	49,578,137	Loan GoK & AIA
2	Construction of Hostels - II	407,177,540	173,838,566	43%	100,000,000	85,506,559	GoK & AIA
3	Tuition Block and Laboratory Complex	478,704,822	431,779,864	99%	70,000,000	14,280,676	GoK & A-I-A
					222,082,000	149,365,373	

APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount – KES	Statement of Financial Performance	Where Recorded/recognized			Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables Others	
Ministry of Education	03-08-21	Recurrent	144,012,938	144,012,938	0	0	0	144,012,938
Ministry of Education	01-09-21	Recurrent	144,012,938	144,012,938	0	0	0	144,012,938
Ministry of Education	29-09-21	Recurrent	144,012,938	144,012,938	0	0	0	144,012,938
Ministry of Education	02-11-21	Recurrent	144,012,938	144,012,938	0	0	0	144,012,938
Ministry of Education	02-11-21	Development	25,000,000	0	25,000,000	0	0	25,000,000
Ministry of Education	26-11-21	Recurrent	144,012,938	144,012,938	0	0	0	144,012,938
Ministry of Education	28-12-21	Recurrent	144,012,938	144,012,938	0	0	0	144,012,938
Ministry of Education	02-01-22	Recurrent	144,012,938	144,012,938	0	0	0	144,012,938
Ministry of Education	02-03-22	Recurrent	144,012,938	144,012,938	0	0	0	144,012,938
Ministry of Education	16-03-22	Development	50,000,000	0	50,000,000	0	0	50,000,000
Ministry of Education	01-04-22	Recurrent	144,012,938	144,012,938	0	0	0	144,012,938
Ministry of Education	28-04-22	Recurrent	144,012,938	144,012,938	0	0	0	144,012,938
Ministry of Education	06-06-22	Recurrent	147,897,227	147,897,227	0	0	0	147,897,227
Ministry of Education	20-06-22	Development	25,000,000	0	25,000,000	0	0	25,000,000
Ministry of Education	28-06-22	Recurrent	147,897,228	147,897,228	0	0	0	147,897,228
Total			1,835,923,835	1,735,923,835	100,000,000	0	0	1,835,923,835