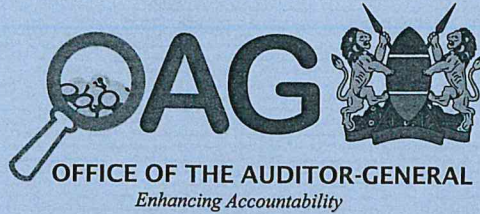


REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

Ref: AA/MKSU/2018/2019/VOL.1 (32)

23 November, 2020

Prof. Lucy W. Irungu,
The Vice Chancellaor,
Machakos University,
Konza Road,
P.O. Box 136-90100,
MACHAKOS.

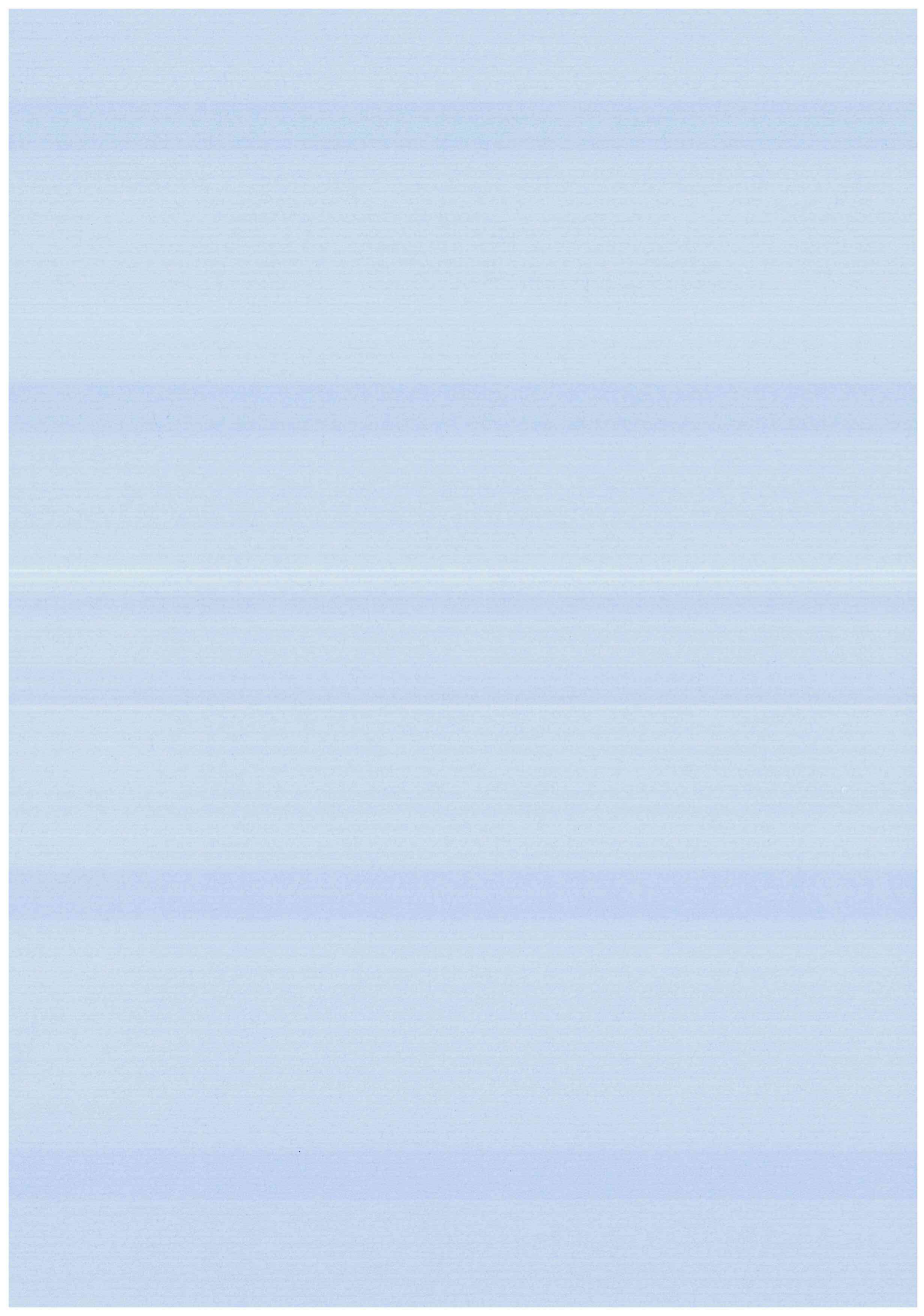
Dear M/s Irungu,

**REPORT OF THE AUDITOR-GENERAL ON MACHAKOS UNIVERSITY FOR THE
YEAR ENDED 30 JUNE, 2019**

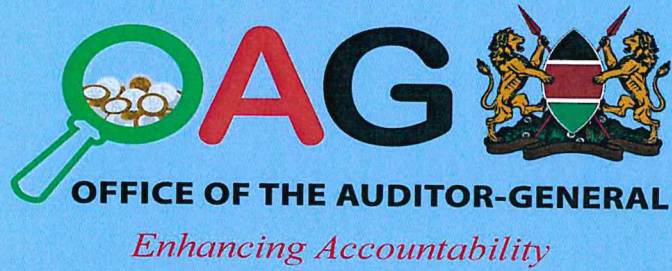
I transmit the report of the Auditor-General on Machakos University for the year ended 30 June, 2019. This is in accordance with the Constitution of Kenya Article 229 (7) for your necessary action as required under Article 229 (8).

Yours sincerely,

James Njuru
For: AUDITOR-GENERAL



REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

MACHAKOS UNIVERSITY

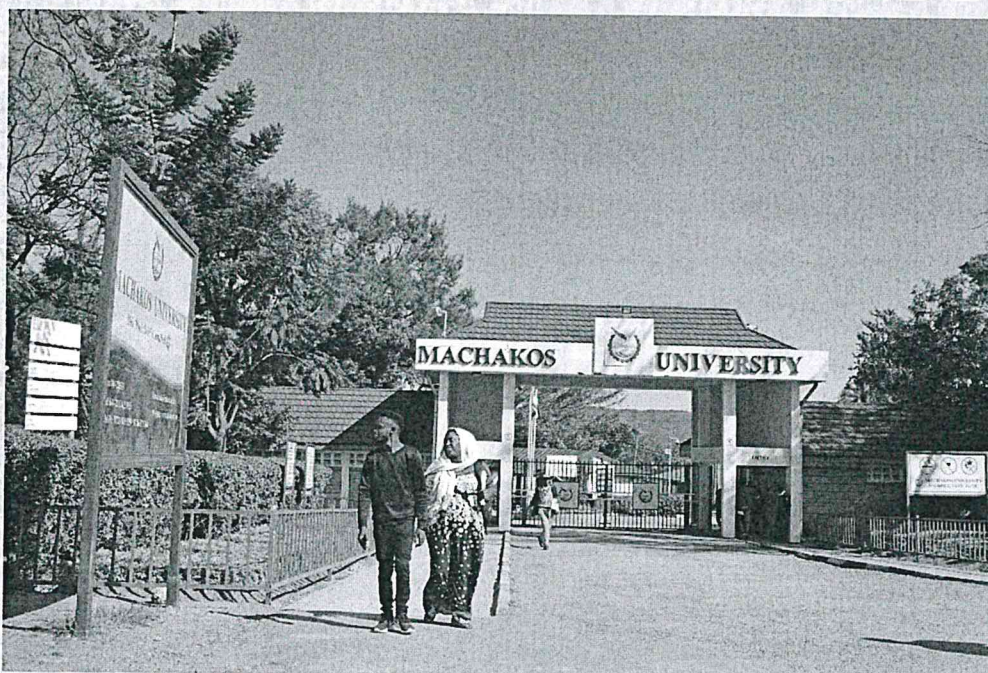
**FOR THE YEAR ENDED
30 JUNE, 2019**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
15 JAN 2020
RECEIVED



MACHAKOS UNIVERSITY



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING JUNE 30, 2019

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



ISO 9001:2015 CertifiedSoaring Heights in Transforming Industry and Economy



Machakos University

Financial year Reports and Financial statements for the year ended June 30, 2019

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Machakos University

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LIST OF ABBREVIATIONS AND ACRONYMS

- MksU - Machakos University
- VC - Vice Chancellor
- DVC - Deputy Vice Chancellor
- APF - Administration, Planning and Finance
- ASA - Academic and Student affairs
- RIL - Research, Innovation and Linkages
- TNT - The National Treasury
- MoEST - Ministry of Education, Science and Technology





I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Machakos University was established through Legal Notice No. 130, on 16th September, 2011 as Machakos University College. The journey towards achieving a full University status started in earnest right at the inception. The University College had six degree programmes across its five initially constituted Schools, namely the School of Engineering & Technology, School of Education, School of Humanities & Social Sciences, school of Hospitality & Tourism Management and the School of Business and Economics. The University College embarked on a focused and sustained growth agenda involving recruitment of highly trained thematic leaders in various disciplines and expansion of infrastructure.

On 7th October 2016, Machakos University became a fully-fledged University. The Commission approved programmes ranging from undergraduate, masters to PhD levels. Located at the heart of the Lower Eastern Region, and situated only a kilometre away from Machakos City along Machakos/Wote Road. It is about 66km from Nairobi city and 28km from Konza Technopolis. The University is destined to continue its growth trajectory to World Class status in the near future.

Machakos University has three divisions; Academic and Student affairs, Administration Planning and Finance and Research Innovation and Linkages. It has grown in terms of linkages and partnerships with public and private, national and global organizations. The University has held three (3) graduation ceremonies after being chartered graduating 2,904 graduands. The institution has also held two (2) international conferences bringing together researcher from all over the world which has enriched the research in the region. It has continued participating in extra-curriculum activities like games and music which has been instrumental in building talents. Lately, the University has had an innovation on e-voting which facilitated smooth running of student elections. The University was certified under the ISO 9001:2015 which has seen it maintain and continuously improve its quality services and customer satisfaction.

The University stakeholders include: Students, staff, MksU Alumni, Parents/guardians, Sponsors, Regulatory Bodies, Ministry of Education, Primary and Secondary Schools, Other Ministries, Departments and Government Agencies, County Governments, Local community, Other institutions of higher learning both local and international, Suppliers/contractors, Non-governmental Organizations and Community Based Organizations, International Organizations Industries, Religious Organizations, Trade Unions and other Citizens.





I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

b) Principal Activities

The principal activity of Machakos University is to provide scholarly education through Training, Research and Innovation for industrial and socio-economic transformation of our communities.

Vision

A preferred University of Excellence in scholarship and service delivery

Mision

To Provide scholarly education through Training, Research and Innovation for Industrial and socio-economic transformation of our communities

Mandate

The core mandate of Machakos University is to Teach, Train, Conduct Research, Innovate, and Collaborate, Generate New Knowledge and Provide Community Service

Philosophy

The Philosophy of Machakos University is to provide trans-formative leadership in Teaching, Training, Research, Innovation, Industrial and Technology transfer for wealth creation...

Core values

- + Integrity
- + Accountability
- + Professionalism
- + Inclusivity
- + Creativity
- + Teamwork
- + Equity

c) Key Management

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

- (a) University Council
- (b) The Vice Chancellor
- (c) University Management Board
- (d) University Senate





I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

d) Fiduciary Management

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

Designation	Name
(a) Vice Chancellor	Prof. Lucy W. Irungu
(b) DVC (Administration, Planning & Finance)	Prof. (Eng.) Douglas Shitanda
(c) DVC (Academic & Student Affairs)	Prof. Joyce Agalo
(d) DVC (Research, Innovation & Linkages)	Prof. Peter N. Mwita

e) Fiduciary Oversight Arrangements

The Council provides strategic direction, exercise control and remain accountable through effective leadership, entrepreneurship, integrity and good judgment. The University Council oversight arrangement is coordinated by the following Council Committees which have their fiduciary Responsibilities as outlined in the Corporate Governance Statement set out on pages xviii to xxiii.

- (a) Finance, Planning and Development Committee
- (b) Academic Affairs Committee
- (c) Human Resources Committee
- (d) Audit and Compliance Committee

f) Entity Headquarters

P.O Box 136-90100
Wote Road
Machakos, KENYA

g) Entity Contacts

Telephone: (254) 044-20353
Cell: 0735 247939 / 0723 805829
E-mail: info@mksu.ac.ke
Website: www.mksu.ac.ke





I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

h) Entity Bankers

1. National Bank of Kenya
P.O. Box 274-90100

Machakos

3. Standard Chartered Bank
P.O. Box 29-90100

Machakos

5. Co-operative Bank
P.O. Box 1250-90100

Machakos.

2. KCB Bank Kenya
P.O. Box 30-90100

Machakos.

4. Equity Bank
P.O Box 2453 - 90100

Machakos

i) Independent Auditors

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

j) Principal Legal Adviser

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





II. UNIVERSITY COUNCIL MEMBERS



Prof. Gideon Billy Hanjari

Chairman of Council

Date of Birth: 1945

Key Qualifications: Ph.D. Degree from the University of London and Bachelor of Architecture from the University of Nairobi.

Work Experience: An Architect with many years of service. He is currently a Consultant with Baseline Architect limited



Ms. Harriette Chiggai

Council Member and Chairman, Finance, Planning and Development Committee of Council

Date of Birth: 1981

Key Qualifications: MBA- Finance and Governance, CPM (Certified Mediator), certified governance trainer and Business development and company strategist

Work Experience: Vice President Law Society of Kenya, Deputy Secretary General East Africa Law Society. Legal consultant and trainer in corporate governance, Labour Laws and Intellectual Property Rights. Head of Legal Services ICPAK and Chairs the EALS Young Lawyers Committee Founder Face of Bar (now hosting straight talk series in partnership with Universities and Law Schools)-A mentorship platform for young professionals



Ms. Florence Muthoni Gichohi

Council Member and Chairman, Audit and Compliance Committee of Council

Date of Birth: 1957

Key Qualifications: On-going Ph.D. (Development Studies)

Work Experience: Over 10 years' experience as a senior public administrator. Served at different levels at both Kenyatta University and Jomo Kenyatta University of Agriculture and technology where she was in charge of all the administration functions of a Campus. She also served as a Council Member for the CUK and its precursor till the end of the term in June 2017. She is currently a director at the Centre for Advocacy Against Drugs and Alcohol Abuse (CAADA)





II. UNIVERSITY COUNCIL MEMBERS (CONTINUED)



Ms. Lorna Mbatia

Council Member and Chairman, Human Resources Committee of Council

Date of Birth: 1983

Key Qualifications: LLM (Intellectual property rights) and Post Graduate Diploma in Law from University of Nairobi

Work Experience: She has worked with several organizations serving in different capacities among them being. the founding Partner at CFL Advocates and the head of corporate Commercial law. She was an Associate Partner at MMC Africa Law in-charge of the Intellectual Property Department. She is a chair of the Machakos University staff pension board of trustees



Mr. Patrick Ranga Abelle

Council Member and Chairman, Academic Affairs Committee of Council

Date of Birth: 1968

Key Qualifications: MBA

Work Experience: An experienced and successful commercial manager and leader with extensive experience gained in sales and marketing of Pharmaceutical products and Vaccines in E. Africa. He is Currently a Pharmaceutical Consultant with Exeter Pharmaceuticals, UK and he formally worked as Commercial Director at GlaxoSmithKline, (GSK) E. Africa Pharm.



Mr. Richard Mativu Musau

Council Member

Date of Birth: 1985

Key Qualifications: MBA (Strategic Management)

Work Experience: Over 10 years' experience as a project management specialist and extensive experience in the social development sector as an advocate, facilitator, and research consultant, with a special focus on human rights, disability and inclusive development. Richard is currently a Senior Advisor for the East African Regional Program to a UK Based Charity. He is a member of the Machakos University staff pension board of trustees





II. UNIVERSITY COUNCIL MEMBERS (CONTINUED)



Mr. Peter Njoroge

Rep. Cabinet Secretary, The National Treasury and Ministry of Planning

Date of Birth: 1970

Key Qualifications: MSc (Regional Development Planning), MSc (Strategic Management)

Work Experience: 24 years in Development Planning



Mr. Paul Mwangi

Rep. Principal Secretary, State Department of University Education and Research

Date of Birth: 1970

Key Qualifications: MSC Pure mathematics

Work Experience: Over 20 years in Policy Formulation



Prof. Lucy W. Irungu

Council Secretary / Vice Chancellor

Date of Birth: 1957

Key Qualifications: Ph.D. – Medical Entomology and Applied Parasitology

Work Experience: Over 30 years in University Management and Research. Prof. Irungu is a vibrant researcher in vector biology and host-vector-parasite relationships with specific interest in malaria vectors and parasites of neglected diseases. She has published extensively in refereed journals and has mentored and supervised several postgraduate research students.





III. MANAGEMENT TEAM



Prof. Lucy W. Irungu
Vice Chancellor

Ph.D. – Medical Entomology and Applied Parasitology.
The Academic and Administrative Head of the University.



Prof. Joyce J. Agalo
Deputy Vice Chancellor (ASA)

Ph.D. (Education).
In-Charge of Academic
and Student Affairs



Prof. (ENG.) Douglas Shitanda
Deputy Vice Chancellor (APF)

Ph.D. (Processing Engineering).
In-Charge of Administration,
Planning and Finance



Prof. Peter N. Mwita
Deputy Vice Chancellor (RIL)

Ph.D. (Statistics).
In-Charge of Research,
Innovation & Linkages



Prof. Ezra O. Okemwa
Registrar (ASA)

Ph.D. (Knowledge
Management).

Supports the functions
of the Academic &
Student Affairs
Division.



CPA Aileen A. Nyatuga
Chief Finance Officer

MBA (Accounting),
CPA(K).

Supports the Financial
Management function



Dr. Susan Nzioki
Registrar (AP)

Ph.D. (Human Resource
Management).

Supports the functions
of Administration and
Planning



Dr. Wycliffe Amukowa
Registrar (RIL)

Ph.D. (Philosophy of
Education).

Supports the functions
of the Research,
Innovation & Linkages
Division





IV. CHAIRMAN’S STATEMENT



It is my pleasure to

present Machakos University Annual Financial Statements for the financial year ended 30th June, 2019. The University Council notes with appreciation the continued support of the Government and other stakeholders in running the institution. The University continues to offer quality programmes that are market-driven and meet the demands of the society. The Council endeavors to work with the industry and other strategic partners in order to provide facilities to meet the challenges the University is facing.

There has been a steady increase in student population which has exerted a lot of pressure on the existing facilities, thereby necessitating the need for putting up more facilities. The Council in collaboration with the relevant stakeholders is committed towards delivering the same.

During the financial year 2018/2019, the University embarked on various projects among them; Tuition and Office Block, Completion of the Building and Civil

Engineering block with Engineering workshops. In Addition, the University was able to acquire another saloon car to enhance the convenience of the top management team.

The University reintroduced the TVET programmes which was geared to support the government’s push for the competence based curriculum. This has seen the university supplement her internally generated incomes and would urge the Government to support the university to continue offering the vocational training.

We continued with the measures of setting up of management and governance structures that reflect university status. During the year the University Council in consultation with the University Management and Senate reviewed the University Strategic Plan and the Statutes to be consistent with the dynamic environment of the education sector in Kenya.

Machakos University celebrated the installation of its first Vice Chancellor, Professor Lucy W. Irungu who is a Professor of Entomology.

Finally, I thank the Government and the local donor agencies, suppliers and service providers for their trust, support and continued cooperation.

Prof. Gideon Billy Hanjari
Chairman of Council





V. REPORT OF THE VICE CHANCELLOR

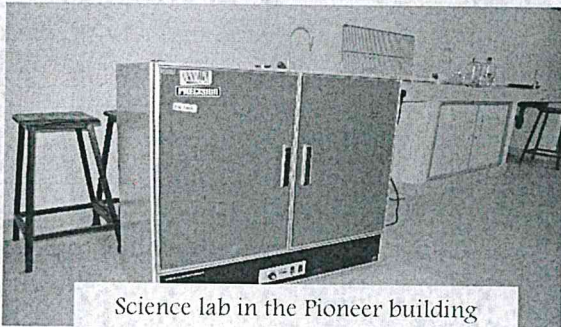


I am pleased to present the

Annual report and Financial Statements of Machakos University for the financial year ended 30th June, 2019. Machakos University is an academic institution committed in generating and transmitting knowledge, skills and right attitudes through Science, Technology and Innovation for the benefit of humanity.

Academic and Student affairs

Academics



Science lab in the Pioneer building

During the financial year under review, the University has remained on course. The main focus of which has been quality, relevance, access and sustainability intended to consolidate and reshape the University with a view to living up to the fully-fledged University status.

Machakos University held her third graduation recording the highest number of graduands since inception. The total number of graduands were 1465 which included 14 Masters, 1115 Bachelors, 288

Diplomas and 48 Certificates. The University also embarked on rationalization of structures and realigning Academic Programmes in order to focus on our niche.



3rd Graduation ceremony

At the start of 2018/2019 academic year which fell in 2018/2019 financial year the University reintroduced the TVET programmes. This was geared to support the government’s Big 4 agenda and the competence based curriculum. This has seen the university supplement her internally generated incomes and would urge the Government to support the university to continue offering the vocational training.

Special appreciation goes to all the students who have chosen Machakos University as their place of study and it will continue offering market-driven academic programmes for industrial and socio-economic growth.

Students Welfare

Machakos University continued to support the welfare of her main stakeholders (students) to enhance their academic environment in the spirit of producing holistic graduates.

One of the greatest challenges in the management of students’ welfare is the large number of brilliant students from





Machakos University

Financial year Reports and Financial statements for the year ended June 30, 2019

very humble backgrounds. In order to reduce incidences of dropping out due to lack of fees, the University facilitated the disbursement of bursaries to students. The Institution supported the University choir to participate in Kenya Music Festivals and the University football team to the national and East Africa competition in Tanzania emerging one of the best teams in the country.

**Research, Innovation and Linkages
Research and Innovation**

During the financial year the University held its second international conference which plays a key role in global recognition and enhance its status in the area of research.

The Introduction of the Centre for Renewable Energy has also seen the growth of research and innovation for the University.



MksU Innovations during the ASK show

Machakos University continued participating in the Lower Eastern ASK show presenting few exhibitions and innovations which stood out despite the national competition. The University encouraged creativity by funding new innovations during the financial period.

Collaborations and Partnerships

During the period the University entered into several memoranda of understanding (MoUs) with different organizations including Konza Technopolis Development

Authority, HUAWEI, Inades Foundation, Strathmore University among others.



DVC RIL and DVC APF while exchanging MoU

Machakos University also engaged in collaborations with several other public and private organization like NABO capital to enable linking industry with academics for the benefit of the stakeholders

**Administration, Planning and Finance
University Infrastructure**



Newly Completed ADB Building

Machakos University continued with the construction of various projects geared towards achieving its objectives. These include but not limited to; Tuition and Office Block and completion of Building and Civil Engineering Block with Engineering workshops. In order to revive some of the old buildings, the University embarked on renovating one of the neglected blocks; Nduilu block to afford more office space for the Institution.





In addition, the University managed to acquire a saloon to accommodate the convenience of the top management team.

Administration and Staffing

I am humbled to convey my appreciation and gratitude to the University Council, Management and all the members of staff for their support, commitment and dedication to their work and their efforts that have seen Machakos University move towards attaining its vision.

During the financial year, Machakos University celebrated the installation of its first Vice Chancellor. The institution also endeavored to strength the management team by recruiting two registrars.

In order to remain on course and continue executing the core mandate of the University, more thematic leaders were recruited during the financial year. The University also ensured continued implementation of the 2013-2017 implementation of the collective bargaining agreements mainly affecting both administrative and academic staff.

Financial Sustainability

During the financial year, the University put in place the necessary financial, procurement and internal control measures on resource utilization to ensure that it meets the targets of revenue collection and cost control measures.

I express my sincere gratitude to the Government of Kenya and in particularly

the state department of Education and Research for funding the University to the latter as per the FY 2018/2019 Budget. The University received Kshs. 257,500,000 for development projects and Kshs. 869,524,574 as recurrent grants. Despite the many challenges the University has faced, I am glad to report that the University has managed to stay afloat financially.

Service Delivery and Vision 2030

In order to continue providing quality education and services, the Directorate of Quality Assurance was introduced and has come up with various evaluation tools. Machakos University has reviewed her service charter and placed it in strategic places including the University website. This has enhanced quality and efficient service delivery.



A photo of Agricultural stand during ASK show the Governments Big 4 agenda which is key to bolster strong inclusive economic growth and contribution to the Vision 2030.

Finally, I thank the Government of Kenya, the local community, donor agencies, our bankers, suppliers and service providers for their support and cooperation

Prof. Lucy W. Irungu
Vice Chancellor & Professor of Entomology





VI. CORPORATE GOVERNANCE STATEMENT

Good corporate governance is key to the integrity of state corporations and is central to its sustainability. Corporate governance plays a leading role in how corporations and their boards and management are directed, controlled and held to account. Corporate governance, therefore, encompasses the systems, practices and procedures by which the individual corporation is regulated in order to remain competitive, ethical, sustainable and fair.

Machakos University Council adheres to principles of openness, integrity and accountability in its stewardship of the University's affairs. It recognizes the developing nature of corporate governance and assesses the University's compliance with generally accepted corporate governance practice on a regular basis, directly and through its Council committees and management. The role of the Council is to ensure conformance by focusing on and providing the University's overall strategic direction and policy-making as well as performance review through accountability and ensuring appropriate monitoring and supervision. The Council is also responsible for the overall system of internal control and for reviewing its effectiveness. The controls are designed to both safeguard the University's assets and ensure the reliability of financial information.

The University Management Board, comprising, the Vice Chancellor, Deputy Vice Chancellors, Registrars and Chief Finance Officer meets regularly to consider issues of operational and strategic importance to the University. Below are the key features of the existing corporate governance practices within Machakos University which are reviewed and improved on a regular basis: -

1. University Council

The University Council consists of the Chairman and eight members, who have been appointed in accordance with the Universities Act (2012). The full University Council meets at least four times a year.

The Council is responsible for setting the direction of the University through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of strategies and policies through a structured approach of reporting by management and consequent accountability.





VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Council is actively involved and brings strong independent judgment on its deliberations and discussions. The University Council members have diverse skill set, a wide range of knowledge and experience of University setting that is applied to the formulation of strategic objectives and decision making. The Council meets regularly and retains full and effective control over the University in all strategic, financial, operational and compliance areas. During the year the Cabinet Secretary for Education published a change of Machakos University Council members in the Kenya Gazette vide *Gazette notices no. 10734 to 10739* dated 19th October 2018. The University council held the following full council meetings during the 2018/2019 financial year:

Meetings held before change of council members

Name	Designation	No. of Meetings	Meetings attended
Dr. Mechah Charles Moturi	Chairman of Council	4	4
Ms. Florence Muthoni	Council Member	4	3
Mr. Richard Mativu	Council Member	4	1
Ms. Lorna Mabtia	Council Member	4	3
Ms. Karen Basiye	Council Member	4	3
Mr. Tom Wambua	Council Member	4	4
Mr. Kenneth Waithiru	Rep. CS, TNT	4	4
Mr. Paul Mwangi	Rep. PS, MoEST	1	1
Ms. Faith Chirchir	Rep. PS, MoEST	3	1
Prof. Lucy Irungu	Secretary of Council	4	4

Note: The meetings include two (2) Special meetings of council. The change for the representative from the State department of University Education and Research took effect before the 19th October 2018 where Mr. Paul Mwangi had attended one (1) meeting.





VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Meetings held after change of council members

Name	Designation	No. of Meetings	Meetings attended
Prof. Gideon Billy Hanjari	Chairman of Council	5	5
Ms. Florence Muthoni	Council Member	5	5
Mr. Richard Mativu	Council Member	5	3
Ms. Harriette Chiggai	Council Member	5	1
Ms. Lorna Mbatia	Council Member	5	1
Mr. Patrick Abelle	Council Member	5	5
Mr. Peter Njoroge	Rep. CS, TNT	4	3
Mr. Kenneth Waithiru	Rep. CS, TNT	1	1
Mr. Paul Mwangi	Rep. PS, MoEST	5	5
Prof. Lucy Irungu	Secretary of Council	5	5

Note: The meetings include three (3) Special Meetings of council. The change for the representative from The National Treasury took effect after the 19th October 2018 where Mr. Kenneth Waithiru attended one (1) meeting.

COUNCIL COMMITTEES

To assist the Council in the discharge of its responsibilities, Council committees have been established. All the Council committees meet at least two times a year. The committees are as follows: -

1. FINANCE, PLANNING AND DEVELOPMENT COMMITTEE

Membership

- (1) Ms. Harriette Chiggai - Chairman
- (2) Ms. Lorna Mbatia - Council Member
- (3) Mr. Paul Mwangi – Rep - PS, State Department of University Education and Research
- (4) Mr. Peter Njoroge - Representative - Cabinet Secretary, The National Treasury
- (5) Prof. Lucy Irungu (Vice-Chancellor) - Secretary

Responsibilities:

1. To receive, consider and submit the proposed budget estimates from the various sections for approval by the Council;
2. To control the banking and investment operations of the Council and to make provision for the examination of all the bills and accounts and for the discharge of liabilities incurred by the University;
3. To control all the expenditure of the University under approved annual estimates;





VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

4. To receive and consider all requests for authorization of expenditure more than the approved annual estimates and make recommendations to the Council;
5. To consider and propose fees and other rates to the Council;
6. To report to the Council all matters related to finance and development;
7. To ensure that accurate records are kept on the establishments in the University;
8. To consider and recommend to the Council the priority development projects and receive reports, and the recommendations of Management on the progress of the physical development of the University;
9. To report to the Council on the progress of physical infrastructure development of the University;
10. To prepare University Development plans for an approved period and submit to the Council; and
11. To exercise such other powers as the Council may from time to time delegate to the Committee.

Meetings held before change of council members

Name	Designation	No. of Meetings	Meetings attended
Mr. Tom Wambua	Chairman	3	3
Ms. Lorna Mbatia	Member	3	3
Mr. Kenneth Waithiru	Rep. CS, TNT	3	3
Ms. Faith Chirchir	Rep. PS, MoEST	3	1
Prof. Lucy Irungu	Secretary	3	3

Meetings held after change of council members

Name	Designation	No. of Meetings	Meetings attended
Ms. Harriette Chiggai	Chairman	3	3
Ms. Lorna Mbatia	Member	3	2
Mr. Peter Njoroge	Rep. CS, TNT	3	2
Mr. Paul Mwangi	Rep. PS, MoEST	3	3
Prof. Lucy Irungu	Secretary	3	3

2. ACADEMIC AFFAIRS COMMITTEE

Membership

- (1) Mr. Patrick Abelle – Chairman
- (2) Ms. Florence Muthoni - Council Member
- (3) Mr. Paul Mwangi – Rep, PS, State Department of University Education and Research
- (4) Mr. Peter Njoroge – Representative - Cabinet Secretary, The National Treasury
- (5) Prof. Lucy Irungu (Vice-Chancellor) - Secretary





VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Responsibilities:

- (1) To advise the Council on academic programmes where the University has competitive advantage;
- (2) To receive and recommend all policy documents dealing with academic and research.
- (3) To receive and recommend to the Council all Memorandum of Understanding/Agreement pertaining to collaboration and linkages;
- (4) To assist the University in establishing collaboration with industry and other stakeholders;
- (5) To lobby for bursaries, research grants, scholarships and funds for capacity building;
- (6) To exercise such other powers as the Council may from time to time delegate to the Committee.

Meetings held before change of council members

Name	Designation	No. of Meetings	Meetings attended
Ms. Karen Basiye	Chairman	1	1
Ms. Florence Muthoni	Member	1	1
Mr. Kenneth Waithiru	Rep. CS, TNT	1	1
Ms. Faith Chirchir	Rep. PS, MoEST	1	0
Prof. Lucy Irungu	Secretary	1	1

Meetings held after change of council members

Name	Designation	No. of Meetings	Meetings attended
Mr. Patrick Abelle	Chairman	3	3
Ms. Florence Muthoni	Member	3	3
Mr. Peter Njoroge	Rep. CS, TNT	3	3
Mr. Paul Mwangi	Rep. PS, MoEST	3	3
Prof. Lucy Irungu	Secretary	3	3

3. HUMAN RESOURCES COMMITTEE

Membership

- (1) Ms. Lorna Mbatia - Chairman
- (2) Mr. Richard Mativu - Council Member
- (3) Mr. Paul Mwangi – Rep - PS, State Department of University Education and Research
- (4) Mr. Peter Njoroge - Representative - Cabinet Secretary, The National Treasury
- (5) Prof. Lucy Irungu (Vice-Chancellor) - Secretary





VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Responsibilities:

- (1) To review and make recommendations to the Council on Staff Terms and Conditions of Service as and when necessary or when directed to do so by the Council from time to time;
- (2) To consider proposals of Terms and Conditions of Service made by staff unions through the University Management Board;
- (3) To receive and review, from time to time human resource policies and the code of conduct of the University employees;
- (4) To plan for human resource development in the University;
- (5) To receive, consider and recommend to the Council staff recruitment and promotion criteria;
- (6) To examine and recommend to the Council staff rationalization and career structures within the University; and
- (7) To exercise such other powers as the Council may from time to time delegate to the Committee.

Meetings held before change of council members

Name	Designation	No. of Meetings	Meetings attended
Ms. Lorna Mbatia	Chairman	1	1
Mr. Richard Mativu	Member	1	1
Mr. Kenneth Waithiru	Rep. CS, TNT	1	1
Ms. Faith Chirchir	Rep. PS, MoEST	1	0
Prof. Lucy Irungu	Secretary	1	1

Meetings held after change of council members

Name	Designation	No. of Meetings	Meetings attended
Ms. Lorna Mbatia	Chairman	3	3
Mr. Richard Mativu	Member	3	1
Mr. Peter Njoroge	Rep. CS, TNT	3	3
Mr. Paul Mwangi	Rep. PS, MoEST	3	3
Prof. Lucy Irungu	Secretary	3	3





VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

4. AUDIT AND COMPLIANCE COMMITTEE

Membership

- (1) Ms. Florence Muthoni - Chairman
- (2) Mr. Richard Mativu - Council Member
- (3) Mr. Paul Mwangi – Rep - PS, State Department of University Education and Research
- (4) Mr. Peter Njoroge - Representative - Cabinet Secretary, The National Treasury
- (5) CPA John Ngure (Chief Internal Auditor) - Secretary

Responsibilities:

- (1) To evaluate adequacy of management procedure with regard to issues relating to risk management, control and governance;
- (2) To reviewing and approve the audit charter where applicable and internal audit annual work plans;
- (3) To review internal and external audit findings and recommendations and propose corrective and preventive actions where necessary;
- (4) To review the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics;
- (5) To initiate special audits and or investigations on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Accounting Officer; and
- (6) To exercise such other powers as the Council may from time to time delegate to the Committee

Meetings held before change of council members

Name	Designation	No. of Meetings	Meetings attended
Ms. Florence Muthoni	Chairman	4	4
Mr. Richard Mativu	Member	4	3
Ms. Karen Basiye	Member	4	4
Mr. Kenneth Waithiru	Rep. CS, TNT	4	4
Ms. Faith Chirchir	Rep. PS, MoEST	4	1
CPA John Ngure	Secretary	4	4

Note: These meetings include three days training for the audit committee held from 15th August 2018 to 18th August 2018 at Kenya School of Government.





VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Meetings held after change of council members

Name	Designation	No. of Meetings	Meetings attended
Ms. Florence Muthoni	Chairman	3	3
Mr. Richard Mativu	Member	3	2
Mr. Peter Njoroge	Rep. CS, TNT	3	3
Mr. Paul Mwangi	Rep. PS, MoEST	3	3
CPA John Ngure	Secretary	3	3

Besides the four main Council committees, there also exist other ad-hoc committees namely:

- (a) Appeals committee.
- (b) Graduation and Sealing committee
- (c) Honorary degrees' committee
- (d) Appointments committee for grades 14 and 15
- (e) Senior management staff disciplinary committee for grade 14 and above

The following were ad-hoc meetings held before change of council members:

1. Appointments Committee meetings

Name	Designation	No. of Meetings	Meetings invited	Meetings attended
Dr. Mechah Charles Moturi	Chairman of Council	3	1	1
Ms. Florence Muthoni	Council Member	3	2	2
Mr. Kenneth Waithiru	Rep. CS, TNT	3	1	1
Prof. Lucy Irungu	Secretary of Council	3	3	3

2. Ad-hoc committee meeting to discuss the promotions criteria

Name	Designation	No. of Meetings	Meetings attended
Ms. Lorna Mabtia	Council Member	1	1
Mr. Tom Wambua	Council Member	1	1
Mr. Kenneth Waithiru	Rep. CS, TNT	1	1
Ms. Faith Chirchir	Rep. PS, MoEST	1	1
Prof. Lucy Irungu	Secretary of Council	1	1





VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The following were ad-hoc meetings held after change of council members:

1. Appointments committee meetings

Name	Designation	No. of Meetings	Meetings invited	Meetings attended
Prof. Gideon Billy Hanjari	Chairman of Council	3	2	2
Ms. Florence Muthoni	Council Member	3	2	2
Ms. Lorna Mbatia	Council Member	3	1	1
Mr. Patrick Abelle	Council Member	3	1	1
Mr. Peter Njoroge	Rep. CS, TNT	3	1	1
Prof. Lucy Irungu	Secretary of Council	3	3	3

2. Appeals committee meeting

Name	Designation	No. of Meetings	Meetings attended
Prof. Gideon Billy Hanjari	Chairman of Council	1	1
Mr. Patrick Abelle	Council Member	1	1
Mr. Peter Njoroge	Rep. CS, TNT	1	1
Prof. Lucy Irungu	Secretary of Council	1	1

3. Consultative meetings

Name	Designation	No. of Meetings	Meetings invited	Meetings attended
Prof. Gideon Billy Hanjari	Chairman of Council	4	4	4
Ms. Florence Muthoni	Council Member	4	4	4
Ms. Harriette Chiggai	Council Member	4	2	2
Ms. Lorna Mbatia	Council Member	4	1	1
Mr. Patrick Abelle	Council Member	4	3	3
Mr. Peter Njoroge	Rep. CS, TNT	4	3	3
Mr. Paul Mwangi	Rep. PS, MoEST	4	3	3
Prof. Lucy Irungu	Secretary of Council	4	4	4

4. Graduation and Sealing committee meeting

Name	Designation	No. of Meetings	Meetings attended
Prof. Gideon Billy Hanjari	Chairman of Council	1	1
Ms. Florence Muthoni	Council Member	1	1





VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

2. Council Members' Remuneration

Sitting allowance for council members, monthly honoraria and telephone services for the chairman are guided by circular No. OP/CAB.9/21/2A/LII/43 dated 23rd November, 2004. The daily subsistence allowance of Kshs. 18,200.00 is guided by circular No. OP/SCAC.9/21.2VOL1 (164) dated 28th April, 2015. The remuneration for Council members consists of Chairman's monthly honoraria in addition to the sitting and subsistence allowances, together with mileage reimbursement for the services of council members in connection with council & council committee meetings during the financial year ended 30th June, 2019 are outlined under **Note 18(b) on page 34** of these Financial Report and Financial Statements (Council expenses)

3. Succession Plan

The appointment of council members is the prerogative of the Cabinet Secretary, Ministry of Education. Members have no control of the appointment and duration of service.

4. Board Charter

Machakos University Council has a board charter. The Council is also guided by Mwongozo Code of Governance.

5. Appointment and removal of Council members

The appointment of Council members is the prerogative of the Cabinet Secretary, Ministry of Education

6. Induction and Training

The current Machakos University Council members were inducted from 25th–27th February, 2019. The Audit Committee of council attended a three days training held from 15th August 2018 to 18th August 2018 at Kenya School of Government.

7. Council and Council Members' Performance

Owing to changes in membership of Machakos University Council on 15th October, 2018, the Council performance evaluation exercise was postponed from December, 2018 to December, 2019.

8. Conflict of interest

In every Council meeting held by the Machakos University Council, Members declare conflict of interest on matters in the agenda and register the same in the conflict of interest register book.





VI. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

9. Ethics and Conduct

Machakos University Council Members uphold the highest standard of Ethics and conduct while executing their mandate.

10. Governance Audit

The Council has put in place a combination of processes and structures to inform, direct, manage and monitor the activities of the University towards the achievement of its objectives. There is an independent audit and compliance committee that reports to the Council on a regular basis. The audit committee plays a key role in assisting the Council to fulfill its oversight responsibilities in areas such as financial reporting, internal control systems, risk management systems and the internal and external audit functions.

11. Internal Controls

The University has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the University's assets.

Such controls are based on Law, Government & University regulations, Policies and circulars and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through internal audit functions, operational meetings and the annual external audit.

12. Going Concern

The University Council confirms that Machakos University has adequate resources to continue in operation for the foreseeable future and therefore, the continued use of going concern as a basis of preparing the financial statements.



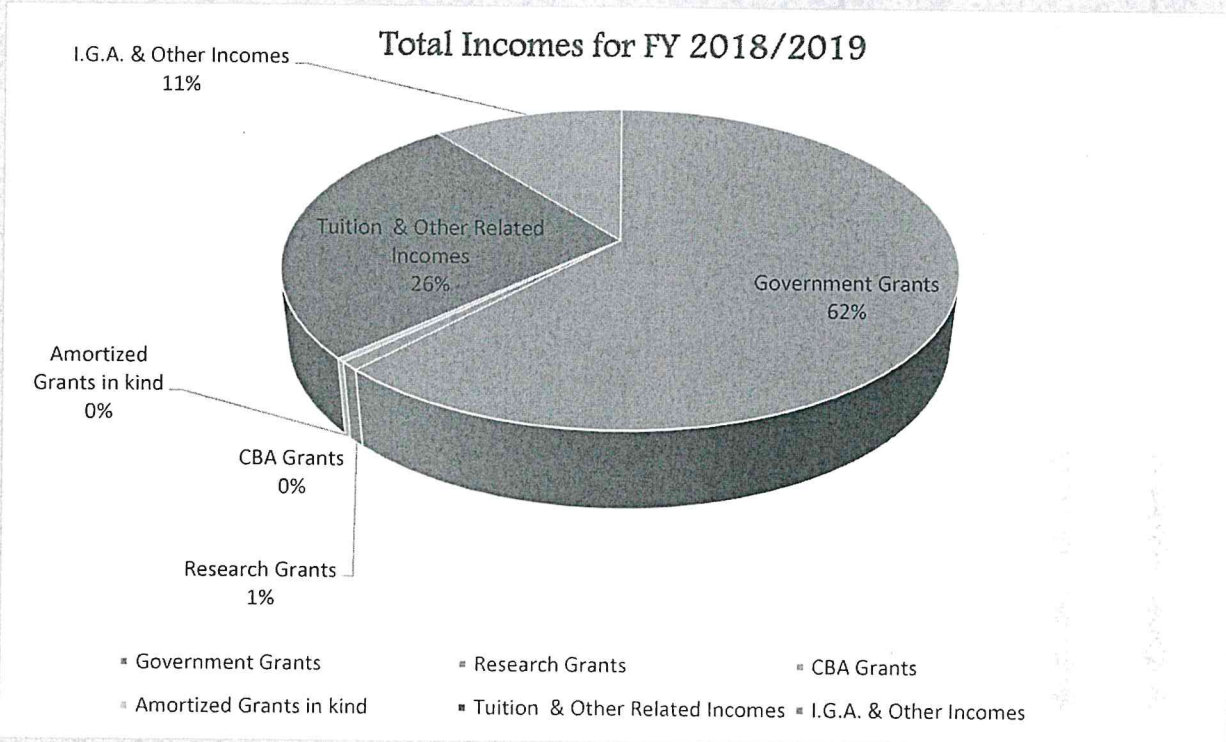


VII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

OPERATIONAL AND FINANCIAL PERFORMANCE

A) INCOME ANALYSIS:

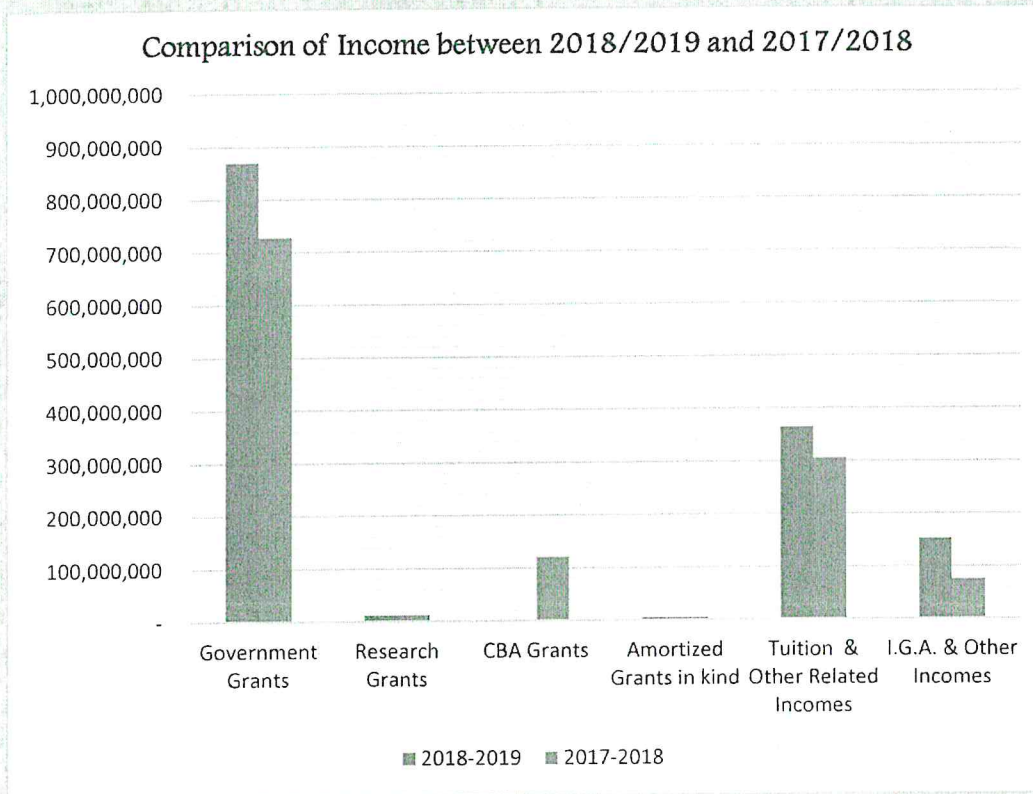


During the 2018/2019 financial year, Government grants contributed to 62% of the total recurrent incomes while tuition and its related incomes contributed to 26%. Income generating activities and research contributed to 11% and 1% respectively. The University mostly depended on grants from the government to execute its operations.





VII. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



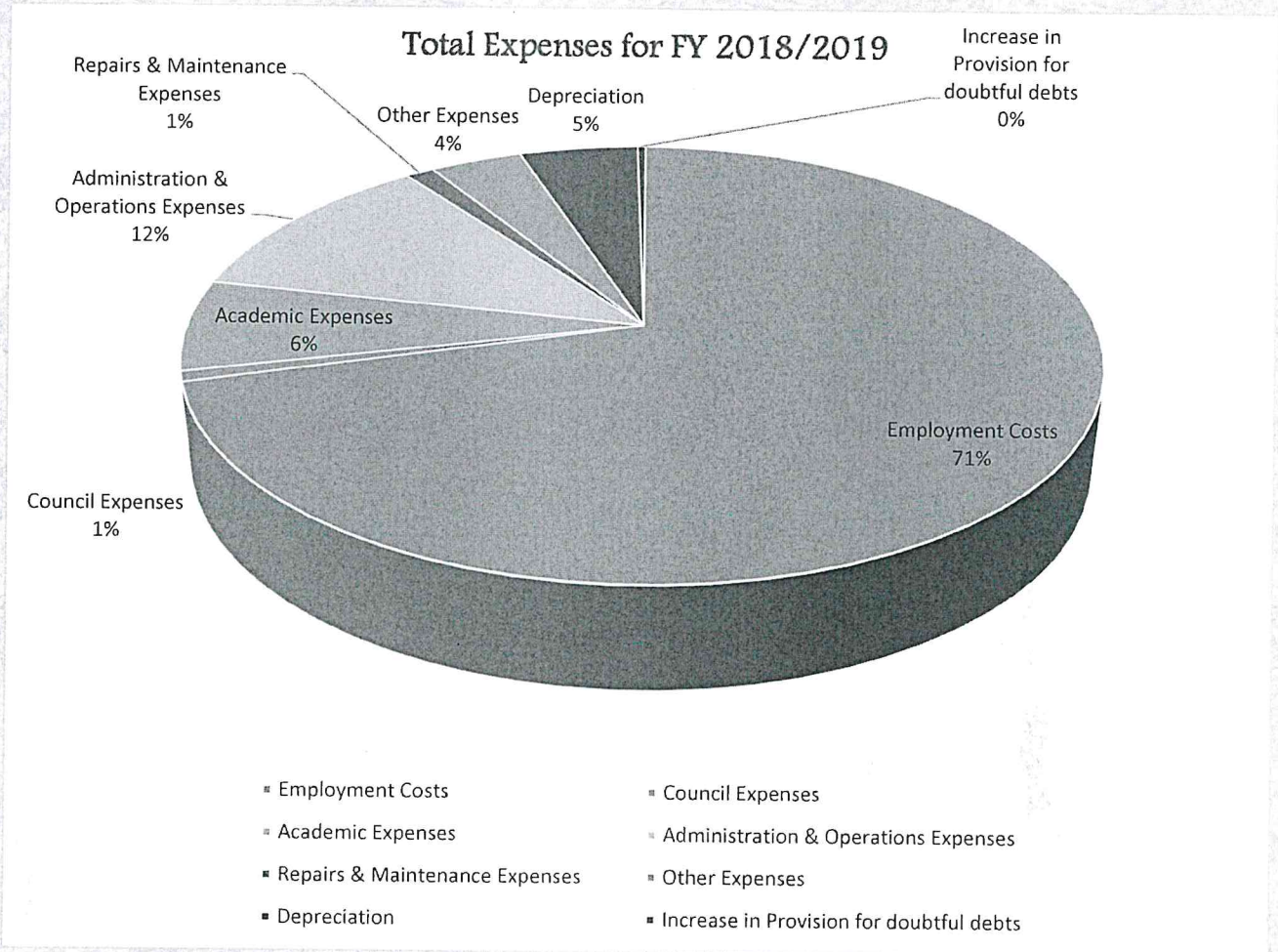
There was a substantial improvement of all incomes in 2018/2019 financial year compared to 2017/2018 financial year. For instance, the government recurrent grants increased by 150 million as the tuition and related incomes increased by approximately 60 million. The revenue from income generating activities rose from 74 million in 2017/2018 financial year to 152 million in 2018/2019 financial year. However, during the financial year there were no CBA grants received





VII. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

B) EXPENDITURE ANALYSIS

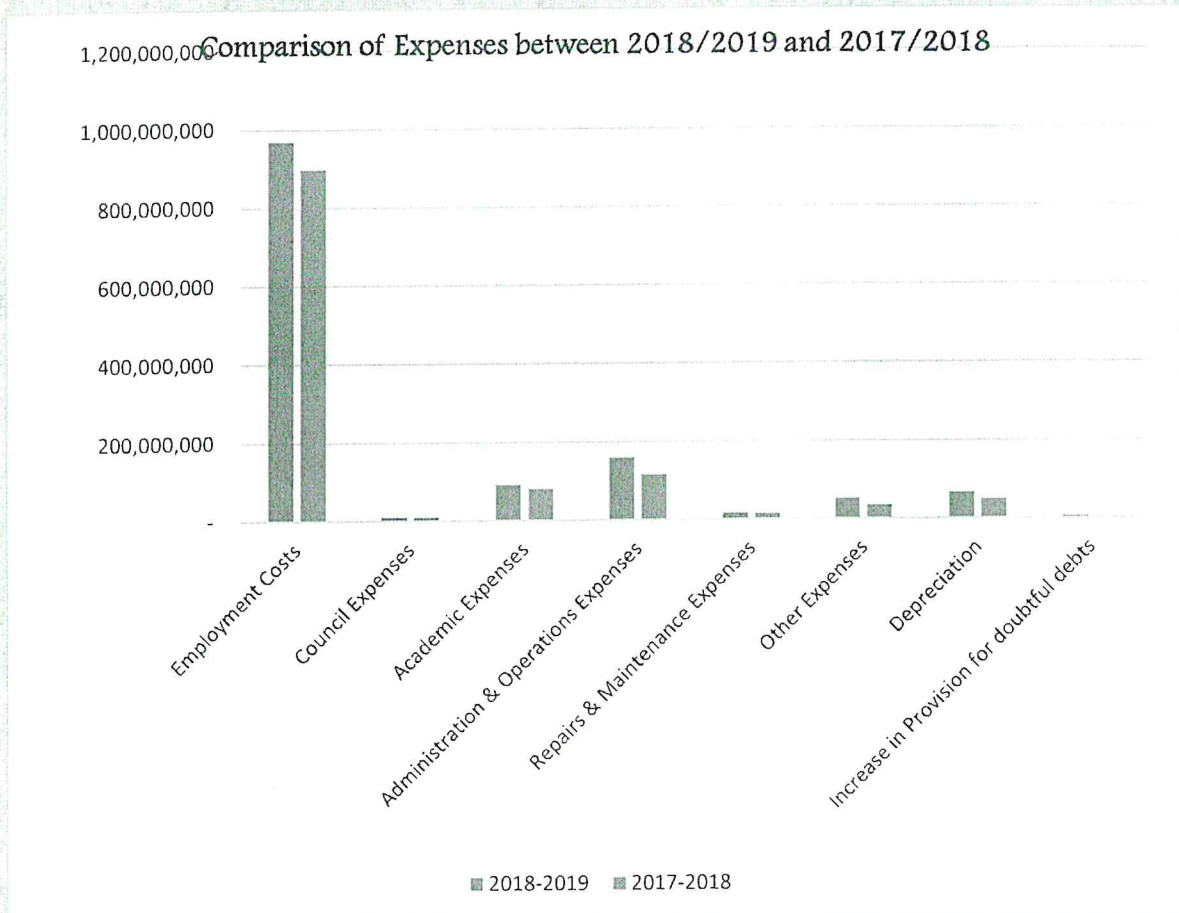


During the 2018/2019 financial year, employment costs took the highest amount of recurrent expenditure with 71%. Administrative and operations expenses formed 12% with the academic expenses taking 6% of the total recurrent expenses. The council expenses were 1% of the total recurrent expenditure.





VII. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



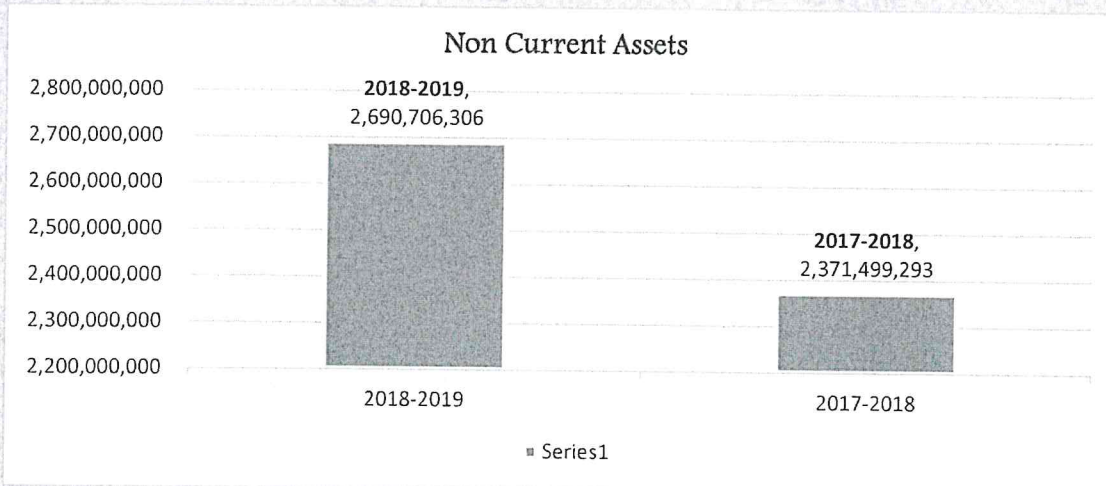
The financial year had a substantial increase in all the expenses with employment costs increasing by 70 million. Administrative and operation expenses increased by 43 million while academic expenses increased by 11 million. Council expenses increased by 1 million while other expenses increased by 17 million due to the increased operations in the Le Technisch hotel.



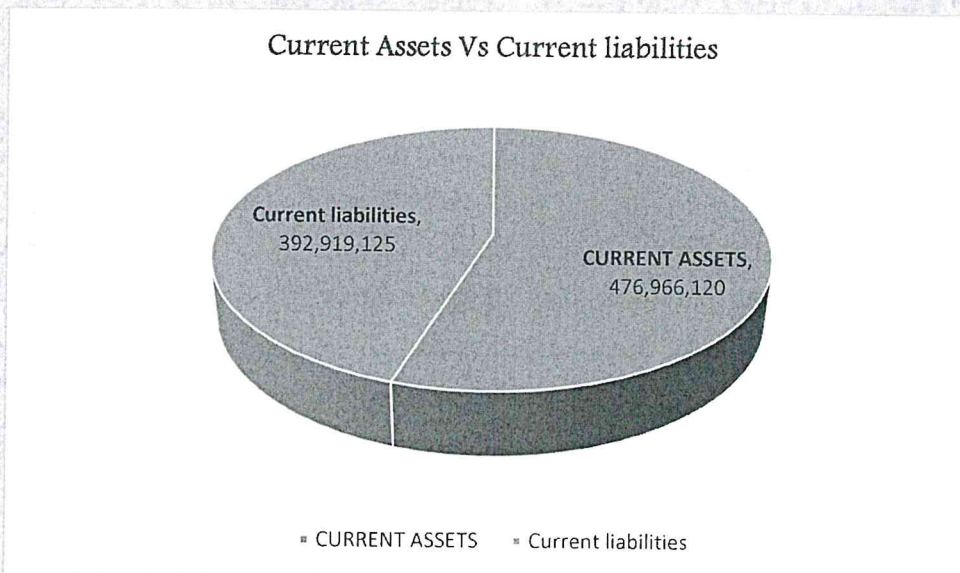


VII. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

C) STATEMENT OF THE FINANCIAL POSITION



The fixed assets of the University increased from 2.3 billion in 2017/2018 financial year to 2.6 billion in the 2018/2019 financial year. The increase in the asset base of the university is attributed to the continued implementation of the ongoing capital project i.e. tuition and office block and the completed ADB building.



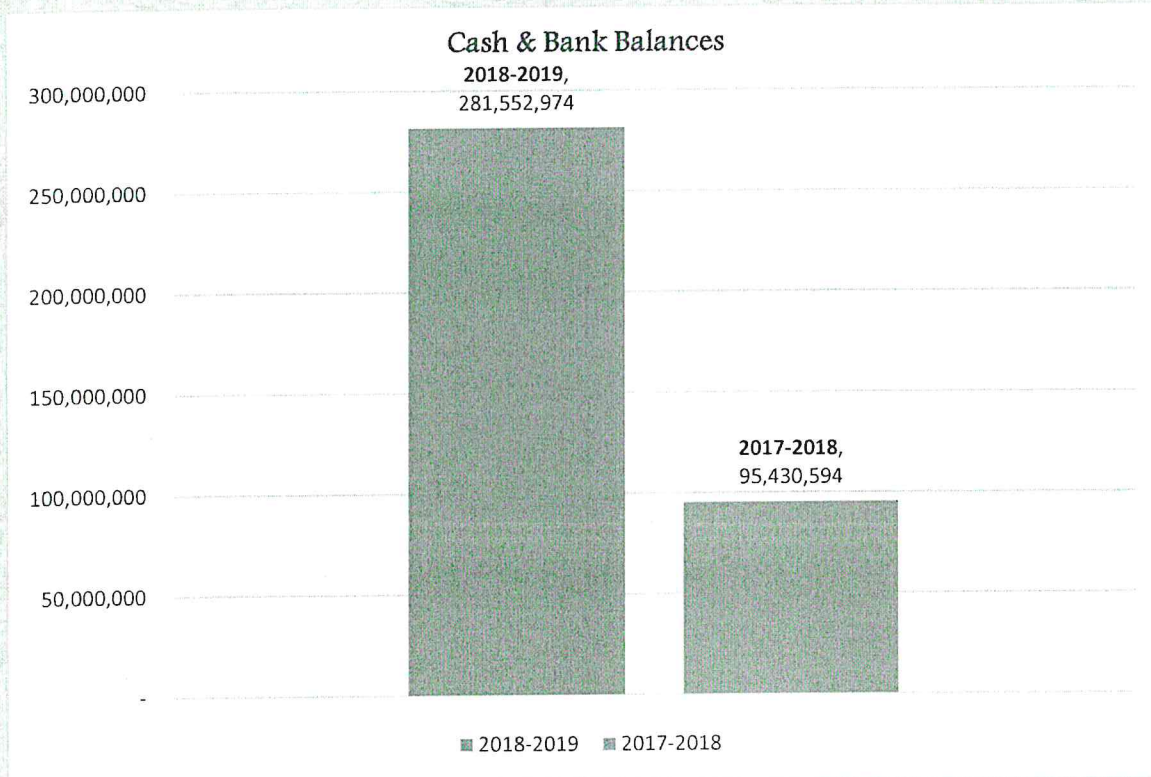
The University closed the financial year with current assets of Kshs. 476 million which are able to cater for the current liabilities of Kshs. 392 million. This implies that the liquidity of the University is favourable as at the end of the 2018/2019 financial year.





VII. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

D) STATEMENT OF CASHFLOWS AS AT 30TH JUNE 2019



The University closed the financial year with cash and cash equivalent of Kshs. 281 million compared to the Kshs. 95 million in the 2017/2018 financial year. This increase in cash and bank balance can be attributed to the funds i.e.238 million (Kshs. 164 million development grants and 73.9 million recurrent grants) that were received just before the closure of the financial year. The funds were intended to clear most of the liabilities.





VII. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SECTION B

KEY PROJECTS AND INVESTMENT DECISIONS PLANNED AND IMPLEMENTED

Within the financial year ended 30th June 2019, the University has been implementing the following projects in order of priority;

S/No	Project	% of Completion	Financing of the project	Remarks
1	Extension of ADB Building	100	G.O.K	Complete
2	Lift installation in the institutional management Training Facility	100	A.I.A	Complete
3	Development of Sports and Games facility (phase I)	2	A.I.A	On-going and on schedule
4	Tuition and Office Block	25	G.O.K	On-going and but behind schedule

Funding for the projects was based on expected development grants. However, the Government funding policy was reviewed and release of funds is only based on the projects listed in the printed estimates. The Government Priority is also to fund ongoing projects before embarking on new ones.

The University received Kshs. 257,500,000 as development grants during the year which has speeded up the implementation of the on-going development projects.

SECTION C

COMPLIANCE WITH STATUTORY REQUIREMENTS

During the financial year the University complied with all statutory requirements. The Institution does not have any non-compliance that may result to any potential litigation issues or exposure to contingent liabilities.





VII. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SECTION D: MAJOR RISKS

OPERATIONAL RISKS

This is loss resulting from inadequate or failed procedures, systems or policies including:

- 1) Failure to collect the full income owing
- 2) Some students fail to pay their full fees
- 3) Some debtors from non-tuition activities delay paying for services rendered.
- 4) The University is facing the risk of insecurity which is prevalent in the country

Risk Mitigation Strategies

- 1) Strict enforcement of the fees payment policy
- 2) Enhancing debt collection measures
- 3) Enforcement of the 100% payment for the Hotel
- 4) Negotiation and mediation on legal matters
- 5) Installation of biometric systems, engaging armed police officers and outsourcing the security services

MARKET RISKS

These are losses due to factors that affect the overall performance of market including:

- 1) Risk of not attracting enough module two students due to the competition from other universities.
- 2) Risk of failing to attract enough specialist lecturers to act as thematic leaders due to competition.

Risk Mitigation strategies:

- 1) Aggressive marketing of programmes
- 2) Enhance the diversity and quality of the University programmes
- 3) Enhancing the staff working environment and improving staff welfare

CAPITAL RISKS

The University is not exposed to any capital risks.

LIQUIDITY RISK

This is termed to be the inability to meet short term financial demands. This usually occurs due to the inability to convert assets like debts to cash.

Risk Mitigation strategies:

- 1) Step up efforts to collect the outstanding fees and aggressive debt collection at the hotel





VII. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SECTION E

MATERIAL ARREARS IN STATUTORY AND OTHER FINANCIAL OBLIGATIONS

The University has no material arrears in statutory and financial obligations to the national exchequer or any other Government agency.

SECTION F

FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

The University does not have any cases of financial improbity as reported by internal audit/ Audit committee, external auditors, or other National Government Agencies providing oversight.

There are no governance issues among the members of the Council and between the Council and management team, including conflict of interest. This has been due to the cordial working relationship between the council and management of the University as well as adherence to constitutional requirements and guidelines.





VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Machakos University being a public entity embraces the policy of Corporate Social Responsibility (CSR) through engaging herself with the following amongst many social responsibilities:

(a) Charitable Activities

The University has been offering financial support to the needy students through coordinating bursary support opportunities and sponsorship to such cadre of students where possible as well as work-study programme

(b) Communities outreach activities

Machakos University held its first ever medical camp in the Lower Easter Region. This was a sign that the University is moving towards fulfilling its core mandate of community service. A university worth its name must benefit the community and not only improve its economic activities but also uplift the health and the well-being of people around it to attain the country's Universal Health. Universal Health Coverage (UHC) concept is firmly based on WHO constitution of 1948 declaring health a fundamental Human right. This is equally in line with the Constitution of Kenya 2010 that confers on every Citizen Highest attainable standards of Health Including Reproductive Health. H.E President Uhuru Kenyatta reaffirmed the objective of Kenyan constitution through the Big Four Agenda

where Affordable Health Care is a pillar. UHC should be every body's business and a multi-sectoral approach is the way to go in the realization of this concept of Health care delivery.



People from the community during the medical camp

The University has also been offering both social and economic support to the external community through provision of casual labor opportunities and supplies wherever such opportunities arise.

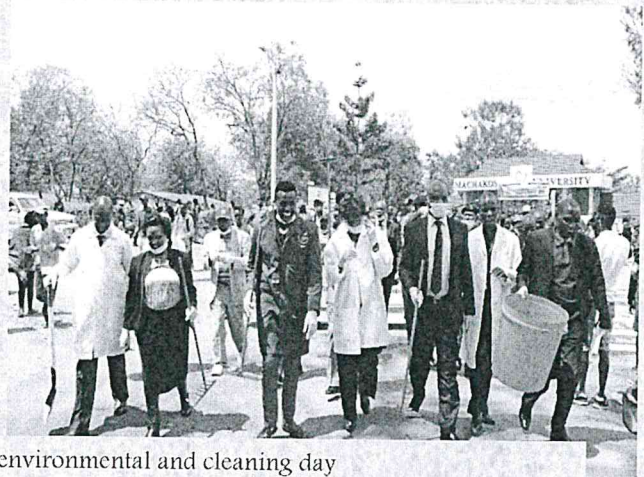
(c) Environmental Improvement activities

Participating in environmental awareness through presidential award scheme and introduction of communal monthly cleaning day (Ngwatanio) has been one of the environmental activities of the Institution.





**VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING
(CONTINUED)**



Cleaning during the MksU environmental and cleaning day

The University actively participated in tree planting in collaboration with Machakos County, Kitui County and Kenya forest service. Machakos University participated in tree planting in various primary schools, churches and Machakos University environment.



The Vice Chancellor during Tree planting day

(d) Academic Mentorship

Machakos University was involved in offering career advice to students within and around Machakos County during the financial year. The University also offered internship and industrial attachment to youth from the surrounding community and Institutions.





Machakos University
Financial year Reports and Financial statements for the year ended June 30, 2019

IX. REPORT OF THE UNIVERSITY COUNCIL

Machakos University Council submit their report together with the audited financial statements for the year ended June 30, 2019 which shows the state of Machakos University affairs.

Principal activities

The principal activity of Machakos University is to provide scholarly education through Training, Research and Innovation for industrial and socio-economic transformation of our communities.

Results

The results of Machakos University for the year ended June 30, 2019 are set out on **page 1 to 11**

University Council Members

The members of the University Council who served during the year are shown on **page vii to x**. During the year the Cabinet Secretary for Education published a change of Machakos University Council members in the Kenya Gazette vide *Gazette notices no. 10734 to 10739* dated 19th October 2018. The following members ceased from being members of Machakos University Council:

- 1) Dr. Mechah Charles Moturi - Chairman of Council
- 2) Ms. Karen Basiye - Council Member
- 3) Mr. Tom Wambua - Council Member
- 4) Mr. Kenneth Waithiru - Rep. CS, TNT
- 5) Ms. Faith Chirchir - Rep. PS, MoEST

The following Council members were appointed to Machakos University Council:

- 1) Prof. Gideon Billy Hanjari - Chairman of Council
- 2) Ms. Harriette Chiggai - Council Member
- 3) Mr. Patrick Abelle - Council Member
- 4) Mr. Peter Njoroge - Rep. CS, TNT
- 5) Mr. Paul Mwangi - Rep. PS, MoEST

Auditors

The Auditor General is responsible for the statutory audit of Machakos University in accordance with the provisions of Article 229 of the Constitution of Kenya, 2010 and section 7 of the the Public Audit Act, no. 34 of 2015.

By Order of the University Council


Prof. Lucy W. Irungu

VICE CHANCELLOR/COUNCIL SECRETARY

Date: **13.1.2020**





X. STATEMENT OF UNIVERSITY COUNCIL'S RESPONSIBILITIES

Pursuant to Section 81 (1) of the Public Finance Management Act, 2012 and Sections 14 & 15 of the State Corporations Act, Machakos University Council is required to prepare 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 period, and the operating results of the University for that period. The University Council is required to ensure that the University maintains 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 Machakos University financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial period ended on June 30, 2019. This responsibility includes: (i) maintaining adequate 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 accounting policies; and (vi) making accounting estimates that are reasonable in circumstances.

The Council accepts responsibility for Machakos University financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, and in conformity with International Public-Sector Accounting Standards (IPSAS) and in the manner required by the PFM Act, 2012 and State Corporations Act Cap 446. The Council is of the opinion that Machakos University financial statements give a true and fair view of the state of the University transactions during the year ended June 30, 2019, and of its financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Machakos University financial statements were approved by the University Council on August 23, 2019 and is signed on its behalf by:

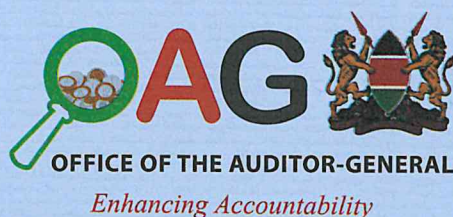

Prof. Lucy W. Irungu
Vice Chancellor/Council Secretary


Prof. Gideon Billy Hanjari
Chairman of Council



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 MACHAKOS UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Machakos 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 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 matter raised 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

Non-Compliance with Public Procurement and Asset Disposal Act, 2015

As was reported during the previous year and as disclosed in Note 15 to the financial statements, the statement of financial position reflects an amount of Kshs.2,690,706,306 under Property, Plant and Equipment which includes a balance of Kshs.962,077,090 in respect of buildings and site works.

Examination of schedules in support of the balance of Kshs.962,077,090 revealed that the University made payments amounting to Kshs.217,285,467 to a Construction company for a contract signed between the University and M/s Sinoe Construction Company Limited on 9 January, 2014 at a contract sum of Kshs.179,441,790. The payment constituted bills relating to completion of construction of the lecture theatre and classroom complex under Phase I that had initially been awarded to another contractor on 17 June, 2013 at a contract sum of Kshs.40,330,307 which had not been completed.

No evidence was provided of the tender committee authorizing the termination of the original contract under Phase I and release of the first contractor from the site contrary to Section 153(1) and (2) of the Public Procurement and Asset Disposal Act, 2015 and Section 32 of the Public Procurement and Asset Disposal Regulations, 2006.

In the circumstances, Management is 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 audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Delays in Completion of Tuition and Office Block

As disclosed under Note 15 to the financial statements, the statement of financial position reflects Property, Plant and Equipment balance of Kshs.2,690,706,306 (2018 - Kshs.2,371,499,293) which constitutes a balance of Kshs.258,087,815 in respect of work-in-progress. Included under work-in-progress is an amount of Kshs.252,061,193 which relates to the value of works for a tuition and office block under construction vide a contract agreement signed on 6 July, 2017 at a contract sum of Kshs.986,761,116 and for a contract period of 3 years. However, a comparison between the proportion of work done and the time lapsed indicated that the project was at 25% completion level while 75% of the contract period had lapsed.

Further, the approved budget for the 2019/2020 financial year of Kshs.190,000,000 does not commensurate with the remaining time and outstanding value of works based on the contract sum of Kshs.734,699,922.80.

In the circumstances, the project implementation is behind schedule and the likelihood of costs escalating is high.

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 University Council

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, 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 the sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to liquidate the University or to cease operations.

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

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

The University Council is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the University 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University'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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

20 November, 2020

**XII. STATEMENT OF FINANCIAL PERFORMANCE**

INCOME	Notes	2018-2019 Ksh	2017-2018 Ksh
Revenue from non-exchange transactions			
Government Grants	5(a)	869,524,574	727,975,082
Research Grants	5(b)	11,804,185	12,625,275
CBA Grants	5(c)	-	120,851,721
Amortized Grants in kind	6	5,291,077	5,291,077
		886,619,836	866,743,155
Revenue from exchange transactions			
Tuition & Other Related Incomes	7	364,937,509	305,045,098
I.G.A. & Other Incomes	8	152,709,209	74,762,561
		517,646,718	379,807,660
Total Income		1,404,266,553	1,246,550,815
EXPENDITURE			
Employment Costs	9	968,447,713	897,312,119
Council Expenses	10	10,254,154	9,111,481
Academic Expenses	11	90,909,070	81,023,724
Administration & Operations Expenses	12	159,693,743	116,026,526
Repairs & Maintenance Expenses	13	16,055,504	15,697,841
Other Expenses	14	52,436,277	35,369,230
Depreciation	15	68,005,574	50,169,547
Increase in Provision for doubtful debts	16(a)	4,604,560	3,111,337
Total Expenditure		1,370,406,594	1,207,821,806
Surplus / Deficit		33,859,960	38,729,009

The notes set out on pages 12 to 32 form an integral part of the Financial Statements.





XII. STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>	<u>Notes</u>	<u>2018-2019</u> Ksh	<u>2017-2018</u> Ksh
NON-CURRENT ASSETS			
Property, Plant & Equipment	15	2,690,706,306	2,371,499,293
		2,690,706,306	2,371,499,293
CURRENT ASSETS			
Inventories			
Stocks-Inventories	17	16,271,882	12,051,918
		16,271,882	12,051,918
Trade and other Receivables			
Exchange transactions	16(a)	174,033,382	140,207,228
Non-Exchange transactions	16(b)	5,107,881	1,995,816
		179,141,263	142,203,044
Cash & Bank balances	18	281,552,974	95,430,594
		476,966,120	249,685,556
Total Assets		<u>3,167,672,426</u>	<u>2,621,184,849</u>
CAPITAL FUNDS & LIABILITIES			
Net Assets			
Capital Reserve	19	2,927,203,259	2,606,063,018
Revenue Reserve	20(a)	(166,432,329)	(196,575,320)
Deferred Income	20(b)	13,982,371	19,273,448
Sub-total		2,774,753,301	2,428,761,146
Current liabilities			
Trade and other Payables	21	392,919,125	192,423,703
Total Net Assets and Liabilities		<u>3,167,672,426</u>	<u>2,621,184,849</u>

The Financial Statements set out on pages 1 to 11 were signed on behalf of the University Council by:

CPA Aileen Nyatuga
Chief Finance Officer
ICPAK No. 4943

Date 9/01/2020

Prof. Lucy W. Irungu
Vice Chancellor

Date 13.1.2020

Prof. Gideon Billy Hanjari
Chairman of Council

Date 13.01.2020





XIII. STATEMENT OF CHANGES IN NET ASSETS

Description	Capital Reserve Ksh	Revenue Reserve Ksh	Deferred Income Ksh	Total Ksh
Balance as at 1st July 2017	2,576,063,018	(235,304,329)	24,564,525	2,365,323,214
Additional Capital (Note 19)	30,000,000	-	-	30,000,000
Surplus for the year 2017/2018	-	38,729,009	-	38,729,009
Amortized for the year 2017/2018	-	-	(5,291,077)	(5,291,077)
Balance as at 30th June 2018	2,606,063,018	(196,575,320)	19,273,448	2,428,761,146
Balance as at 1st July 2018	2,606,063,018	(196,575,320)	19,273,448	2,428,761,146
Additional Capital (Note 19)	257,500,000	-	-	257,500,000
Revaluation Reserve (Note 19)	63,640,241	-	-	63,640,241
Prior year Adjustments (Note 20)	-	(3,716,969)	-	(3,716,969)
Surplus for the year 2018/2019	-	33,859,960	-	33,859,960
Amortized for the year 2018/2019	-	-	(5,291,077)	(5,291,077)
Balance as at 30th June 2019	2,927,203,259	(166,432,329)	13,982,371	2,774,753,301



**XIV. STATEMENT OF CASH FLOWS**

<u>Cash flows from Operating activities</u>	<u>Notes</u>	<u>2018-2019</u>	<u>2017-2018</u>
RECEIPTS		Ksh	Ksh
Revenue from non-exchange transactions	5	881,328,759	861,452,078
Revenue from exchange transactions	7/8	517,646,718	379,807,660
		1,398,975,476	1,241,259,737
PAYMENTS			
Employment Costs	9	968,447,713	897,312,119
Council Expenses	10	10,254,154	9,111,481
Academic Expenses	11	90,909,070	81,023,724
Administration & Operations Expenses	12	159,693,743	116,026,526
Repairs & Maintenance Expenses	13	16,055,504	15,697,841
Other Expenses	14	52,436,277	35,369,230
		1,297,796,460	1,154,540,921
Cash flows from operating activities		101,179,016	86,718,816
Working Capital Adjustments			
Increase in Inventories	17	(4,219,964)	(7,241,126)
Decrease in Debtors & Receivables	16	(41,542,780)	46,554,922
Prior year Adjustments	20	(3,716,969)	
Increase in Trade & Other payables	21	200,495,422	20,680,942
		151,015,709	59,994,739
Net cash flows from operating activities		252,194,726	146,713,555
Cash flows from Investing activities			
Purchase of Property, Plant & Equipment	15	(323,572,346)	(141,600,338)
Development grants for the year	19	257,500,000	30,000,000
Net cash flows used in investing activities		(66,072,346)	(111,600,338)
Cash flows from Financing activities			
Net increase in cash & cash equivalents		186,122,379	35,113,216
Net cash & cash equivalents b/f		95,430,594	60,317,378
Cash & Bank balances as at 30.06.2017	18	281,552,974	95,430,594



XV. STATEMENT OF COMPARISON OF BUDGET VERSUS ACTUAL AMOUNTS

Details	Original Budget		Adjustments		Final Budget		Actual on comparable basis		Performance difference		Variance notes
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	%	
A INCOME											
1 Recurrent Grant	887,269,973	(17,745,399)	869,524,574	869,524,574	869,524,574	869,524,574	-	-	-	-	
2 Development grant	257,500,000	-	257,500,000	257,500,000	257,500,000	257,500,000	-	-	-	-	
3 Donor	10,000,000	-	10,000,000	10,000,000	10,000,000	10,000,000	-	-	10,000,000	100	1
4 Research Grants	30,000,000	-	30,000,000	30,000,000	30,000,000	11,804,185	11,804,185	18,195,815	61	61	1
5 Tuition Fees	436,745,933	(37,000,000)	399,745,933	(37,000,000)	399,745,933	353,650,797	353,650,797	46,095,136	12	12	2
6 Alumni Income	500,000	1,000,000	1,500,000	1,000,000	1,500,000	1,562,160	1,562,160	(62,160)	(4)	(4)	
7 Accommodation income	2,664,000	1,000,000	3,664,000	1,000,000	3,664,000	3,691,570	3,691,570	(27,570)	(1)	(1)	
8 Catering income	10,336,000	-	10,336,000	-	10,336,000	6,032,982	6,032,982	4,303,018	42	42	3
9 University Hotel	88,150,995	35,000,000	123,150,995	35,000,000	123,150,995	148,771,090	148,771,090	(25,620,095)	(21)	(21)	4
10 Other Income	5,000,000	-	5,000,000	-	5,000,000	3,938,119	3,938,119	1,061,881	21	21	5
Total Income	1,728,166,901	(17,745,399)	1,710,421,502	(17,745,399)	1,710,421,502	1,656,475,476	1,656,475,476	53,946,026			
B RECURRENT EXPENDITURE											
DETAILS											
Employment Costs											
1 Basic salaries	408,712,473	(11,425,399)	397,287,074	(11,425,399)	397,287,074	402,428,518	402,428,518	(5,141,444)			
2 House allowance	182,645,027	3,000,000	185,645,027	3,000,000	185,645,027	199,976,951	199,976,951	(14,331,924)			
3 Pension & Gratuity	98,090,993	(28,200,000)	69,890,993	(28,200,000)	69,890,993	65,452,612	65,452,612	4,438,381			
4 NSSF	2,217,600	(800,000)	1,417,600	(800,000)	1,417,600	1,213,400	1,213,400	204,200			
5 Leave Allowances	5,000,000	-	5,000,000	-	5,000,000	4,675,093	4,675,093	324,907			
6 Commuter Allowances	81,360,000	(9,000,000)	72,360,000	(9,000,000)	72,360,000	79,064,365	79,064,365	(6,704,365)			
7 Part-time lecturers	40,000,000	20,000,000	60,000,000	20,000,000	60,000,000	57,370,520	57,370,520	2,629,480			
8 Adjunct Lecturers	5,000,000	5,500,000	10,500,000	5,500,000	10,500,000	10,667,668	10,667,668	(167,668)			
9 Locum Staff	500,000	180,000	680,000	180,000	680,000	698,980	698,980	(18,980)			
10 Casuals	12,243,000	20,000,000	32,243,000	20,000,000	32,243,000	30,641,221	30,641,221	1,601,779			





Muchakos University

Financial year Reports and Financial statements for the year ended June 30, 2019

Details	Original Budget		Adjustments		Final Budget		Actual on comparable basis		Performance difference	Variance notes
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019		
11 Book & Research Allowances	4,340,000	3,340,000	(1,000,000)	3,092,000	248,000					
12 Other allowances	108,968,180	78,968,180	(30,000,000)	84,548,807	(5,580,627)					
13 Gratuity & Terminal Benefits	6,000,000	10,000,000	4,000,000	28,617,578	(18,617,578)					
Total Employment Costs	955,077,273	927,331,874	(27,745,399)	968,447,713	(41,115,839)	(4)				
Council Expenses										
14 Council Expenses	12,000,000	12,000,000	-	10,254,154	1,745,846	15	6			
Academic Expenses										
15 Academic Dress	4,500,000	7,200,000	2,700,000	4,341,216	2,858,784	40	7			
16 Agricultural Training Farm	500,000	300,000	(200,000)	141,802	158,199	53	7			
17 Alumni expenses	250,000	250,000	-	151,300	98,700	39	8			
18 Boarding/Accommodation Expenses	1,280,000	780,000	(500,000)	417,000	363,000	47	7			
19 Catering Expenses	12,000,000	14,500,000	2,500,000	9,629,216	4,870,784	34	7			
20 CUE Expenses	10,000,000	9,700,000	(300,000)	8,660,000	1,040,000	11	9			
21 Curriculum Development	1,500,000	1,500,000	-	973,079	526,921	35	8			
22 Examinations expenses	9,000,000	8,400,000	(600,000)	6,872,054	1,527,946	18	7			
23 Exhibitions & Shows	2,500,000	2,250,000	(250,000)	1,367,250	882,750	39	7			
24 External Examination Expenses	2,500,000	2,000,000	(500,000)	487,501	1,512,499	76	8			
25 External Research Grants Expense	30,000,000	30,000,000	-	12,933,475	17,066,525	57	7			
26 Field Courses	3,500,000	1,700,000	(1,800,000)	965,090	734,910	43	10			
27 Graduation Expense	9,000,000	9,000,000	-	7,766,572	1,233,428	14	8			
28 Industrial linkages	500,000	300,000	(200,000)	-	300,000	100	11			
29 Innovation Fund	2,000,000	2,000,000	-	118,800	1,881,200	94	12			
30 Internal Research Fund	6,000,000	6,000,000	-	4,249,180	1,750,820	29	13			
31 KUCCPS Expenses	7,000,000	3,000,000	(4,000,000)	4,474,000	(1,474,000)	(49)	7			
32 Laboratory Apparatus and Consumables	5,000,000	1,500,000	(3,500,000)	-	1,500,000	100	7			





*Machakos University
Financial year Reports and Financial statements for the year ended June 30, 2019*

Details	Original Budget		Adjustments		Final Budget		Actual on comparable basis		Performance difference		Variance notes
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	
33 Regulatory Bodies Expense	1,500,000	(300,000)			1,200,000	803,500	396,500	33	9		
34 Senate and Senate committees	1,000,000	-			1,000,000	305,590	694,410	69	6		
35 Sports & Games	4,500,000	1,000,000			5,500,000	5,429,655	70,345	1			
36 Student Insurance Premium	5,550,000	-			5,550,000	3,432,113	2,117,887	38	7		
37 Student Medical Expenses	3,000,000	1,000,000			4,000,000	1,929,199	2,070,801	52	7		
38 Student Work Study	1,000,000	-			1,000,000	213,500	786,500	79	8		
39 Students' Activities	3,000,000	1,000,000			4,000,000	2,940,975	1,059,025	26	14		
40 Students Bursary Fund	1,000,000	-			1,000,000	1,000,000	-	-			
41 Students Industrial Attachment	3,000,000	-			3,000,000	625,312	2,374,688	79	7		
42 Students Scholarship	500,000	-			500,000	-	500,000	100	15		
43 Teaching Materials	10,000,000	(2,000,000)			8,000,000	5,642,874	2,357,126	29	7		
44 Teaching Practice	6,000,000	-			6,000,000	5,038,817	961,183	16	7		
Sub-Total	147,080,000	(5,950,000)			141,130,000	90,909,070	50,220,930				
Administration and Operations Expenses											
45 Advertising	5,000,000	(800,000)			4,200,000	4,838,484	(638,484)	(15)	16		
46 Association of Governing Councils	500,000	(300,000)			200,000	20,000	180,000	90	6		
47 Audit Fees	1,000,000	-			1,000,000	960,000	40,000	4			
48 Automation Services	10,000,000	(2,500,000)			7,500,000	4,302,040	3,197,960	43	7		
49 Bank Charges	250,000	900,000			1,150,000	1,088,238	61,762	5			
50 Chancellors Expenses	1,500,000	(100,000)			1,400,000	1,200,000	200,000	14	6		
51 Cleaning Materials & Sanitary Services	5,000,000	(1,000,000)			4,000,000	3,356,152	643,848	16	7		
52 Conferences, Workshops & Seminars	7,000,000	550,000			7,550,000	7,001,193	548,807	7			
53 Electricity Expenses	10,000,000	-			10,000,000	7,872,201	2,127,799	21	7		
54 Entertainment expenses	500,000	(350,000)			150,000	-	150,000	100	8		
55 External Travel & Accommodation	5,000,000	(2,700,000)			2,300,000	1,500,598	799,402	35	8		
56 Funeral Expenses	1,000,000	(500,000)			500,000	170,140	329,860	66	17		





Details	Original Budget		Adjustments		Final Budget		Actual on comparable basis		Performance difference		Variance notes
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	
57 Healthcare services	48,600,000	10,400,000	10,400,000	59,000,000	58,960,753	39,248	0				
58 Hire of Facilities	200,000	100,000	100,000	300,000	172,780	127,220	42	8			
59 ICT Services & Internet	8,000,000	1,000,000	1,000,000	9,000,000	8,848,190	151,810	2				
60 Legal Fees	2,000,000	2,000,000	2,000,000	4,000,000	4,194,210	(194,210)	(5)				
61 Management Capacity Building	2,500,000	(1,500,000)	(1,500,000)	1,000,000	701,324	298,676	30	6			
62 Management Meetings	1,500,000	460,000	460,000	1,960,000	2,195,745	(235,745)	(12)	6			
63 Marketing & Publicity	2,000,000	(200,000)	(200,000)	1,800,000	1,180,978	619,022	34	7			
64 Master Plan/Toposurvey	1,500,000	(1,000,000)	(1,000,000)	500,000	-	500,000	100	18			
65 Newspapers & Magazines	1,414,000	-	-	1,414,000	1,262,120	151,880	11	8			
66 Office Consumables	1,000,000	500,000	500,000	1,500,000	1,182,060	317,940	21	8			
67 PC & ISO Expense	1,500,000	2,200,000	2,200,000	3,700,000	2,435,115	1,264,885	34	8			
68 Photocopy Services	100,000	-	-	100,000	6,001	93,999	94	19			
69 Professional Fees	2,000,000	1,650,000	1,650,000	3,650,000	1,385,477	2,264,523	62	7			
70 Property Insurance	6,000,000	2,000,000	2,000,000	8,000,000	4,138,000	3,862,000	48	7			
71 Rent and Rates	300,000	(250,000)	(250,000)	50,000	10,118	39,882	80	20			
72 Security expenses	9,000,000	200,000	200,000	9,200,000	10,066,377	(866,377)	(9)				
73 Staff Development	5,000,000	(2,200,000)	(2,200,000)	2,800,000	2,572,862	227,138	8				
74 Staff Uniforms	1,000,000	(250,000)	(250,000)	750,000	589,980	160,020	21	7			
75 Staff Welfare	2,500,000	(1,000,000)	(1,000,000)	1,500,000	614,627	885,373	59	8			
76 Stationery Expenses	9,000,000	2,500,000	2,500,000	11,500,000	7,772,028	3,727,972	32	7			
77 Strategic Plan Activities	1,000,000	(900,000)	(900,000)	100,000	60,000	40,000	40	8			
78 Subscriptions & Registration Fees	3,500,000	(1,000,000)	(1,000,000)	2,500,000	1,866,274	633,726	25	20			
79 Telephone Expenses and Postage	1,500,000	-	-	1,500,000	1,109,398	390,602	26	8			
80 Travelling and Accommodation	8,000,000	(800,000)	(800,000)	7,200,000	7,315,964	(115,964)	(2)				
81 University Committee Expenses	1,500,000	-	-	1,500,000	2,172,310	(672,310)	(45)	21			
82 Vice Chancellors Committee	700,000	(500,000)	(500,000)	200,000	12,250	187,750	94	6			
83 Water & Conservancy	8,500,000	3,000,000	3,000,000	11,500,000	10,779,720	720,280	6				



*Machakos University
Financial year Reports and Financial statements for the year ended June 30, 2019*

Details	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	Variance notes
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	
Sub-Total	176,564,000	9,610,000	186,174,000	163,913,707	22,260,293	
Repairs and Maintenance Expenses						
84 Generator fuel & Maintenance	2,000,000	(1,000,000)	1,000,000	672,336	327,664	33 7
85 Grounds Maintenance	500,000	-	500,000	451,139	48,861	10 7
86 Motor Vehicles fuel & maintenance	5,000,000	1,000,000	6,000,000	4,570,895	1,429,105	24 7
87 Plant & Equipment Maintenance	1,500,000	-	1,500,000	319,984	1,180,016	79 7
88 Repairs and Maintenance	8,500,000	5,500,000	14,000,000	10,041,149	3,958,851	28 7
Sub-Total	17,500,000	5,500,000	23,000,000	16,055,504	6,944,496	
Other Expenses						
89 Le Technisch expenses	45,995,628	25,500,000	71,495,628	51,669,797	19,825,831	28 7
90 Corporate social responsibility	500,000	-	500,000	154,770	345,230	69 8
91 Endowment Fund	250,000	-	250,000	250,000	-	-
92 Production Unit Expense	5,000,000	(4,450,000)	550,000	361,710	188,290	34 8
Sub-Total	51,745,628	21,050,000	72,795,628	52,436,277	20,359,351	
Total Recurrent Expenditure	1,359,966,901	2,464,601	1,362,431,502	1,302,016,424	60,415,078	
CAPITAL EXPENDITURE						
93 Extension of ADB Building	27,500,000	10,000,000	37,500,000	34,658,822	2,841,178	8
94 Tuition & Office Block	220,000,000	-	220,000,000	214,155,852	5,844,148	3
95 Furniture & Fittings	25,000,000	(8,500,000)	16,500,000	9,634,405	6,865,595	42 7
96 Library Books, Journals & Materials	9,000,000	1,043,500	10,043,500	1,234,944	8,808,557	88 7
97 ICT Equipment and Software	10,000,000	4,000,000	14,000,000	12,759,221	1,240,779	9 7
98 Renovations of Buildings	10,000,000	14,000,000	24,000,000	26,789,638	(2,789,638)	(12) 22





Details	Original Budget		Adjustments		Final Budget		Actual on comparable basis		Performance difference	Variance notes
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019		
99		10,000,000	(1,000,000)	9,000,000	3,185,234	5,814,766	65	7		
100	Laboratory equipment and machines	5,000,000	(2,000,000)	3,000,000	2,439,384	560,616	19	7		
101	Plant and Equipment	5,000,000	(1,043,500)	3,956,500	3,956,000	500	0			
102	Motor Vehicles	4,000,000	(2,310,000)	1,690,000	55,100	1,634,900	97	7		
103	Security Infrastructure & Street Lighting facilities	10,000,000	(8,900,000)	1,100,000	285,600	814,400	74	8		
104	Development of Sports & Games	7,200,000	-	7,200,000	4,303,023	2,896,977	40	7		
105	Hotel lift	6,000,000	(6,000,000)	-	-	-	-			
106	WIP-Lecture Theatre and Classroom Phase III	19,500,000	(19,500,000)	-	-	-	-			
	Completion of MU Hotel	368,200,000	(20,210,000)	347,990,000	313,457,222	34,532,778				
	Total Development Expenditure	1,728,166,901	(17,745,399)	1,710,421,502	1,615,473,646	94,947,856				
	Grand Total									

Note: Only variances of 10% and above have been explained

Explanation notes for material variance

1. No donations were received during the period and only few of the ongoing research projects had been finalized by the end of the period
2. The abolishment of May-August semester notwithstanding the reduced placement of students by KUCCPS led to reduced incomes.
3. Most of the continuing students resided outside the university hence prefer preparing their own meals
4. The university hotel hosted more conferences and public events in the period
5. There were few generating income events by the end of the financial year.
6. There were minimal council and management meetings during the period
7. There are pending commitments which have not been expensed
8. There was controlled expenditure in the period
9. The university incurred expenditure as per the invoices presented



10. The students had participated in few field activities by the end of the period
11. The university had not yet incurred the expense by the end of the period
12. Some innovation projects had been initiated and expenditure will be incurred once they are concluded
13. The expenditure for research projects that had been initiated by the end of the period will be expensed once concluded
14. The students had participated in few activities by the end of the period
15. The university had not yet funded the scholarship kitty by the end of the period
16. Change in government policy on advertising resulted in increased cost
17. Few cases of bereavement were reported by the end of the period
18. There was no expenditure that had been incurred since the university had not yet initiated the process.
19. Most of the photocopying services is done internally leading to reduced expenditure
20. The expenditure has been reported as per the bills presented
21. The expenditure has been reported as per the meetings held in the period
22. The expenses were reported as per the contract sum.

RECONCILIATION OF ACTUALS IN THE STATEMENT OF FINANCIAL PERFORMANCE AND THE BUDGET

<u>INCOME</u>	<u>KShs</u>	<u>EXPENDITURE</u>	<u>KShs</u>
Total Income as per the Statement of Financial Performance	1,404,266,553	Total Expenditure as per the Statement of Financial Performance	1,370,406,594
<u>Add Back:</u>		<u>Add Back:</u>	
Development Grants	257,500,000	Capital items	313,457,222
<u>Less:</u>		<u>Less:</u>	
Amortized grant in kind	(5,291,077)	Changes in Inventory	4,219,964
Total Income As per the Budget	1,656,475,476	Depreciation	(68,005,474)
		Increase in Provision for doubtful debt	(4,604,560)
		Total Expenditure as per the Budget	1,615,473,646





XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Machakos University is established by and derives its authority and accountability from The Universities Act. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's

principal activity is to provide scholarly education through Training, Research and Innovation for industrial and socio-economic transformation of our communities.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The University adopted IPSAS in the year 2014 following the gazettelement of the Public-Sector Accounting Standard Board (PSASB), which was established by the Public Financial Management Act (PFM) No 18 of 24th July 2012. PSASB issues financial reporting standards and guidelines to be adopted by the state organs and public entities. The

financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. -Machakos University adopted IPSAS in the year ended 30 June 2015 and therefore provisions of first time adoption of accrual basis does not apply to the entity.
IPSAS 34: Separate Financial Statements	In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled





Standard	Impact
	<p>entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>-Machakos University does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply/ the entity is a parent company and has prepared consolidated financial statements and therefore the standard does not apply/ the entity is a parent company and has prepared separate financial statements and the following is the impact of application of the new standard:</p>
<p>IPSAS 35: Consolidated Financial Statements</p>	<p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities.</p> <p>-Machakos University does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
<p>IPSAS 36: Investments in Associates and Joint Ventures</p>	<p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. Machakos University does not have investments in associates or joint ventures and therefore the standard does not apply.</p>
<p>IPSAS 37: Joint Arrangements</p>	<p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p>Machakos University does not have an interest in a joint arrangement and therefore the standard does not apply.</p>
<p>IPSAS 38: Disclosure of Interests in Other Entities</p>	<p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p>-Machakos University does not have any interests in other entities and therefore the standard does not apply.</p>
<p>IPSAS 39: Employee Benefits</p>	<p>Applicable: 1st January 2018</p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p>





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019:</p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.</p>

III. Early adoption of standards

Machakos University did not early – adopt any new or amended standards in the financial year 2018/2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

(i) Revenue from non -exchange transactions-IPSAS 23

Donations are recognized when received and the asset recognition criteria are met. Values for grants and donations related to property, equipment and other assets are estimated by the University or as advised by donors. Donations in kind of current nature are recognized in the year received and categorized as inventories while those of capital nature are prorated in their useful life in a systematic manner and categorized as deferred income in the financial statements in accordance with IPSAS 23.

Transfer from government entities are measured at fair value and recognized on obtaining the asset if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

(ii) Revenue from exchange transactions-IPSAS 9

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





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Budget Information-IPSAS 24

The Annual Budget is prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) 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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for

nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on straight line basis over the estimated useful lives of the assets.

The annual rates in use are:

- Land - 0%
- Buildings - 2.5%
- Motor vehicles - 25%
- Furniture & Equipment - 12.5%
- Computers & Computer Software - 33.33%
- Library books - 5%
- Loose Tools - 12.5%

Library books and Loose tools are accounted for under Property, Plant and Equipment as per the IPSAS 17.

d) Inventories-IPSAS 12

Inventory is measured at cost upon initial recognition. 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 entity.





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Nature and purpose of reserves

The entity creates and maintains reserves in terms of specific requirements. The reserves are maintained to cater for assets replacement, settlement of bad and doubtful debts, and any other contingency.

f) Changes in accounting policies and estimates – IPSAS 3

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

g) Employee benefits-IPSAS 39

Retirement benefit plans

The University established a defined contributions benefits scheme by the name Machakos University Retirement Pension Scheme under the custodian of Machakos university pension scheme, where employees' contributions are channeled to. The fund is managed by Liberty Pension Scheme.

h) Related parties – IPSAS 20

The entity 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. These parties offer managerial, advisory and regulatory services. The National Government, Members of Council and the management team are regarded as related parties in preparation of these financial statements. National Government transactions have been disclosed under revenue from non- exchange transactions (Recurrent grants) and under capital reserves (Development grants), Members of Council allowances and management team remuneration have been disclosed under Administrative and Academic expenses in the statement of financial performance. The related parties' transactions are summarized in tables (a), (b) and (c) below:

a) COUNCIL MEMBERS

	2018/2019	2017/2018
Sitting Allowances	4,628,350	3,585,500
Mileage Allowances	1,057,604	932,036
Subsistence Allowances	2,170,900	2,852,500
Honoraria and Telephone	1,087,500	957,000
Lunch Allowances	34,000	30,000
Others	1,275,800	754,445
Totals	10,254,154	9,111,481





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) NATIONAL GOVERNMENT

Grants	2018/2019	2017/2018
Recurrent Grants	869,524,574	727,975,082
CBA Grants	-	120,851,721
Development Grants	257,500,000	30,000,000
	1,127,024,574	878,826,803

c) MANAGEMENT TEAM

	2018/2019	2017/2018
Total remuneration	75,505,737	69,364,032

i) Cash and cash equivalents – IPSAS 2

Cash and cash equivalents comprise cash on hand, M-Pesa, 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.

j) Comparative figures

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

k) Significant judgments and sources of estimation uncertainty – IPSAS 1

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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation of 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 period, are described. The entity based its assumptions and estimates on parameters available when the financial statements were





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

The condition of the asset based on the assessment of experts employed by the entity

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset.

Provisions:

- Provision for Doubtful debts policy
- A provision of 50% of any uncollected debt that is outstanding for 5 years and above as a doubtful debt is provided.

l) The Accounts Receivables

- The Accounts receivables are stated at their nominal value.

m) Accounts Payables

- The Accounts payables are stated at their nominal value.

n) Deferred Income

Deferred income arises as a result of donation in kind of fixed assets from Netherlands and seeding Labs that are amortized annually at a rate of 12.5%. All other relevant costs being freight, custom and clearing charges are capitalized under Furniture & Equipment. Refer to note 10(B).

o) Capital Reserves

Capital reserves recognized in the financial statements comprises of development grants from the ministry and revaluations of property, plant and equipment

p) 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 financial year ended 30th June, 2019.





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

q) Corporate Tax

Machakos University is exempted from paying corporate tax by the Income Tax Act Cap 470 of the laws of Kenya.

r) Financial Risk Management

Machakos University's activities expose the institution to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and changes in market prices. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The university's financial risk management encompasses the scrutiny and proactive oversight of a number of key elements of the University's operations including Credit risk, Liquidity risk and market risk.

(i) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the University. The University's credit risk is primarily attributable to its receivables. The amounts presented in the statement of financial position are net of provision for doubtful debts, estimated by the University's management based on prior experience and their assessment of the current economic environment. The management provides 50% for doubtful debts for Non-performing debts in every year to mitigate the financial risks.

	Performing (Below 5 years)	Non-Performing (5 years and above)	Total
As at 30th June 2019	Kshs	Kshs	Kshs
Student Fee arrears	63,797,422	44,356,168	108,153,590
Trade & Other debtors	87,455,757	1,204,238	88,659,995
Total	151,253,179	45,560,406	196,813,585
As at 30th June 2018	Kshs	Kshs	Kshs
Student Fee arrears	70,509,160	35,648,049	106,157,209
Trade & Other debtors	51,522,424	703,238	52,225,662
Total	122,031,584	36,351,287	158,382,871

(ii) Liquidity risk management

The University's liabilities subject to financial risk are categorized as Sundry Trade Payables, Prepaid fees and Staff Gratuity Payable as shown in the table below:





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Performing (within a year)	Non-Performing (Over one year)	Total
	Kshs	Kshs	Kshs
As at 30th June 2019			
Sundry Trade Payables	9,807,130	-	9,807,130
Staff Gratuity Payable	93,085,016	-	93,085,016
Prepaid fees	44,330,043	-	44,330,043
Total	147,222,189	-	147,222,189
As at 30th June 2018			
Sundry Trade Payables	25,964,475	-	24,235,677
Staff Gratuity Payable	77,826,479	-	77,826,479
Prepaid fees	34,512,248	6,881,827	41,394,075
Total	138,303,202	6,881,227	143,456,231

The University has disclosed KShs 147.2 M being amounts owed to Trade and other payables as indicated above. However, the University has trade and other receivables amounting to KShs 196.8 M which can offset the liabilities hence mitigate the liquidity risks.

(iii) Market risk

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

(iv) Capital Risk Management

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

	2018/2019	2017/2018
	KShs	KShs
Retained earnings	(167,569,829)	(196,575,320)
Capital reserve	2,927,203,259	2,606,063,018
Deferred Income	13,982,371	19,273,448
Total funds	2,773,615,801	2,428,761,146
Total borrowings		-
Less: cash and bank balances	281,552,974	(95,430,594)
Net debt/ (excess cash and cash equivalents)	-	-
Gearing ratio	-	-

The University does not have any long-term obligations hence the gearing ratio does not apply.





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. (a) RECURRENT GRANTS (CAPTATION)	2018-2019	2017-2018
	Kshs.	Kshs.
State Department for University Education	73,939,164	55,081,575
State Department for University Education	73,939,164	55,081,575
State Department for University Education	73,939,164	55,081,575
State Department for University Education	73,939,164	55,081,575
State Department for University Education	69,502,816	82,996,652
State Department for University Education	69,502,815	60,664,590
State Department for University Education	72,460,381	60,664,590
State Department for University Education	72,460,381	60,664,590
State Department for University Education	68,024,031	60,664,590
State Department for University Education	73,939,165	60,664,590
State Department for University Education	73,939,165	60,664,590
State Department for University Education	73,939,164	60,664,590
	869,524,574	727,975,082
5. (b) RESEARCH GRANTS	2018-2019	2017-2018
	Kshs.	Kshs.
Research Grants	11,804,185	12,625,275
	11,804,185	12,625,275
5. (c) CBA GRANTS	2018-2019	2017-2018
	Kshs.	Kshs.
State Department for University Education	-	57,706,697
State Department for University Education	-	63,145,024
	-	120,851,721
TOTAL RECURRENT GRANTS	881,328,759	861,452,078





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. (d) DEVELOPMENT GRANTS	2018-2019	2017-2018
	Kshs.	Kshs.
State Department for University Education	46,942,027	-
State Department for University Education	21,481,263	-
State Department for University Education	2,880,583	-
State Department for University Education	21,630,583	-
State Department for University Education	164,565,544	30,000,000
TOTAL DEVELOPMENT GRANTS	257,500,000	30,000,000

6. GRANTS IN KIND	2018-2019	2017-2018
	Kshs.	Kshs.
Furniture & Equipment (24, 542, 200 x 12.5%)	3,067,775	3,067,775
Donated Loose Tools (403,832 x12.5%)	50,479	50,479
Equipment from Seeding Labs (17,382,586*12.5%)	2,172,823	2,172,823
	5,291,077	5,291,077

NOTE: (a) Donated Assets in the year 2012/2013 comprised of;

1. Equipment from Netherlands KShs 24,542,200.00
2. Loose Tools from Netherlands KShs 403,832.00

(b) Donated Assets in the year 2016/2017 comprised of;

1. Equipment from Seeding Labs Ksh 17,382,586



**XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)****7. TUITION & OTHER RELATED INCOMES**

<u>VOTEHEAD</u>	2018-2019	2017-2018
	Kshs.	Kshs.
Activity fee	8,649,750	7,134,613
Admission fee	3,781,500	4,758,000
Alumni Income	1,562,160	-
Application fee	717,285	527,610
Attachment Fee	18,189,218	21,078,365
Boarding	3,691,570	3,589,876
Catering	6,032,982	5,799,493
Centre fees	52,000	40,000
Certification income	500	-
Computer Project fee	8,498,313	7,785,724
Examinations fee	26,397,000	22,352,027
General damages	132,393	2,552
Graduation Fees	5,414,900	2,376,400
Industrial Attachment & Insurance	400	41,375
Integrated Computer Technology	23,025,500	17,686,375
KNEC Exams Fee	4,459,920	41,850
Laboratory/Workshop fee	14,101,852	11,476,451
Library fee	5,083,671	4,249,138
Machakos University Students Association	-	4,356,862
Material development	3,315,593	3,126,636
Medical fee	15,994,672	12,512,380
Penalty fee	68,500	-
Personal Emoluments	-	458,083
Quality Assurance fee	6,401,250	4,254,818
R.D Cheques Charges Income	12,270	10,549
Referral/ Supplementary	5,122,500	4,000
Registration fee	9,320,000	7,680,075
Re-Take Fee	79,511	1,773,337
Statutory charges	10,600	22,800
Students Identity Cards	1,136,200	1,083,750
Students Insurance fee	7,900,816	6,074,403
Students projects	877,000	36,000
Supervision fees	66,000	18,000
Teaching Practice fee	1,644,047	2,840,776
Thesis Examination	140,000	40,000
Tuition fee	183,057,636	151,812,781
TOTAL	364,937,509	305,045,098





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. I.G.A AND OTHER INCOMES

VOTEHEAD

	2018-2019	2017-2018
	Kshs	Kshs
Le Technisch Restaurant	148,771,090	72,294,387
Production Unit -Food & Beverage	96,685	72,215
Production Unit - Agriculture	13,590	33,940
Production Unit - Physical Sciences	500	-
Production Unit - Corporate Affairs	93,410	-
Production Unit - Renewable Energy	763,750	-
Auction	166,400	13,670
Seminar	1,550,000	700,000
Hire of facilities	472,250	499,000
Rent	455,000	540,100
Tender Fee	14,500	33,000
Management fee	26,759	-
Misceleneous Income	285,275	576,249
TOTAL	152,709,209	74,762,561

9. EMPLOYMENT COSTS

	2018-2019	2017-2018
	Kshs	Kshs
Gross pay (Staff Payroll)	793,751,437	671,074,972
CBA Arrears	-	119,020,171
Provision for Leave Allowance	2,482,306	2,217,772
Provision for Staff Gratuity	28,617,578	15,134,359
Provision for Commuter allowance	43,431,000	-
Part-Time lecturers	57,370,520	44,903,557
Casual wages	30,641,221	10,424,323
Other staff allowances (staff Costs)	787,003	29,716,231
Adjunct Lecturers Pay	10,667,668	4,548,571
Locum Staff pay	698,980	272,164
TOTAL	968,447,713	897,312,119



**XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)****10. COUNCIL EXPENSES**

Sitting Allowances	4,628,350	3,585,500
Mileage Allowances	1,057,604	932,036
Subsistence Allowances	2,170,900	2,852,500
Honoraria and Telephone	1,087,500	957,000
Lunch Allowances	34,000	30,000
Others	1,275,800	754,445
	10,254,154	9,111,481

11. ACADEMIC EXPENSES

VOTEHEAD	2018-2019	2017-2018
	Kshs	Kshs
Academic dress	4,341,216	5,397,200
Academic Research Expenses	12,933,475	5,140,249
Agricultural Farm Expenses	141,802	194,010
Alumni expense	151,300	-
Attachment expenses	625,312	1,849,035
Boarding/Accommodation expenses	417,000	23,803
Catering expenses	9,629,216	8,767,115
Commission for University Education expenses	8,660,000	4,737,000
Curriculum development expenses	973,079	172,974
Examinations expenses	6,872,054	6,151,662
Exhibitions & Shows	1,367,250	1,015,898
External examinations expenses	487,501	707,964
Field courses expenses	965,090	962,290
Graduation Expenses	7,766,572	10,235,945
Industrial linkages	-	42,250
Innovation fund expenses	118,800	-
Insurance (Students) expenses	3,432,113	3,090,891
Internal Research expenses	4,249,180	1,174,000
KUCCPS expenses	4,474,000	7,947,000
Library expenses	-	174,000
Machakos University Students Association expenses	-	4,356,862
Medical (Students) expenses	1,929,199	1,726,840
Regulatory bodies Expense	803,500	-
Senate & Senate Committees expenses	305,590	-
Sports & Games	5,429,655	3,319,070
Students Activities expenses	2,940,975	2,043,194
Students Bursary fund expense	1,000,000	500,000
Students Work Study expenses	213,500	-
Teaching Materials and Expenses	5,642,874	5,454,944
Teaching practice expenses	5,038,817	5,839,529
TOTAL	90,909,070	81,023,724



**XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)****12. ADMINISTRATIVE AND OPERATIONS EXPENSES**

	2018-2019	2017-2018
<u>VOTEHEAD</u>	Ksh	Ksh
Advertisement expenses	4,838,484	3,509,741
Association of Government Council expenses	20,000	-
Audit fees	960,000	960,000
Automation expenses	4,302,040	-
Bank Charges	1,088,238	271,323
Chancellors Expenses	1,200,000	900,000
Change in Inventories	(4,219,964)	(7,241,126)
Cleaning & Sanitation	3,356,152	1,591,223
Conferences, Workshops and Seminars Expenses	7,001,193	3,328,845
Electricity Expense	7,872,201	8,043,781
Entertainment expenses	-	14,000
External Travelling expenses	1,500,598	-
Health care services	58,960,753	46,163,389
Hire of Facilities expenses	172,780	800
ICT Services & Internet	8,848,190	8,276,956
Legal expenses	4,194,210	-
Management Capacity Building	701,324	1,345,886
Management meetings expenses	2,195,745	-
Marketing & Publicity Expense	1,180,978	700,146
Master plan	-	-
Newspapers & Magazines	1,262,120	1,073,320
Office Consumables	1,182,060	492,565
PC & ISO	2,435,115	755,989
Photocopying services	6,001	-
Professional fees	1,385,477	716,896
Property Insurance	4,138,000	2,671,185
Rent & Rates	10,118	-
Security Expenses	10,066,377	8,568,492
Staff Development	2,572,862	182,000
Staff Uniforms	589,980	407,070
Staff welfare expenses	784,767	80,000
Stationery Expenses	7,772,028	7,996,319
Strategic Planning expenses	60,000	288,750
Subscriptions & Registration Fees	1,866,274	1,236,911
Telephone & Postage	1,109,398	787,250
Travelling & Accommodation expenses	7,315,964	4,746,851
University Charter Award expenses	-	-
University Committees Expenses	2,172,310	7,664,330
Valuation of Assets	-	2,745,050
Vice chancellor Committees expenses	12,250	292,200
Water & Conservancy	10,779,720	7,456,385
TOTAL	159,693,743	116,026,526





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. REPAIRS AND MAINTENANCE EXPENSES

	2018-2019	2017-2018
<u>VOTEHEAD</u>	Ksh	Ksh
Furnishing Computer Lab & ADB Offices	-	130,409
Generator Fuel & maintenance	672,336	2,074,936
Grounds Maintenance	451,139	174,714
Motor vehicles fuel & Maintenance	4,570,895	3,287,229
Plant & Equipment Maintenance	319,984	335,240
Renovation of buildings	-	4,595,360
Repairs and Maintenance	10,041,149	5,099,953
TOTAL	16,055,504	15,697,841

14. OTHER EXPENSES

	2018-2019	2017-2018
<u>VOTEHEAD</u>	Kshs	Kshs
Le Technisch Restaurant Expenses	51,669,797	35,366,430
Corporate social responsibility	154,770	-
Endowment fund	250,000	-
Production unit expenses	361,710	2,800
TOTAL	52,436,277	35,369,230





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. NON-CURRENT ASSETS

Property Plant & Equipment Schedule

	LAND		BUILDINGS & SITE WORKS		WORK IN PROGRESS		MOTOR VEHICLES		COMPUTERS & SOFTWARE		FURNITURE & EQUIPMENT		LOOSE TOOLS		LIBRARY BOOKS		TOTALS	
	KSH	0.0%	KSH	2.5%	KSH	0.0%	KSH	25.0%	KSH	33.3%	KSH	12.5%	KSH	12.5%	KSH	5.0%	KSH	
DEPRECIATION RATES																		
COST/ VALUATION																		
As at 30th June 2017	1,285,000,000		654,300,000		260,700,000		18,280,000		7,976,500		54,541,392		29,786,500		16,152,052		2,326,736,444	
ADDITIONS	-		-		88,107,053		18,463,195		17,470,268		15,180,274		-		2,379,549		141,600,338	
As at 30th June 2018	1,285,000,000		654,300,000		348,807,053		36,743,195		25,446,768		69,721,666		29,786,500		18,531,601		2,468,336,782	
ADDITIONS	-		26,789,638		248,490,704		3,956,000		12,759,221		30,341,840		-		1,234,944		323,572,346	
REVALUATION	-		-		-		-		-		-		-		47,393,033		47,393,033	
TRANSFERS	-		339,209,942		(339,209,942)		-		-		-		-		-		-	
As at 30th June 2019	1,285,000,000		1,020,299,579		258,087,815		40,699,195		38,205,989		100,063,506		29,786,500		67,159,577		2,839,302,161	
DEPRECIATION																		
As at 30th June 2017	-		16,357,500		-		4,570,000		2,658,567		6,817,674		3,723,313		12,540,388		46,667,942	
CHARGE FOR 2017/2018	-		16,357,500		-		9,185,799		8,481,408		8,715,208		3,723,313		3,706,320		50,169,547	
Accumulated Depreciation	-		32,715,000		-		13,755,799		11,139,975		15,532,882		7,446,625		16,247,208		96,837,490	
Depreciation Written-off	-		-		-		-		-		-		-		(16,247,208)		(16,247,208)	
CHARGE FOR 2018/2019	-		25,507,489		-		10,174,799		12,734,056		12,507,938		3,723,313		3,357,979		68,005,574	
Accumulated Depreciation	-		58,222,489		-		23,930,597		23,874,031		28,040,821		11,169,938		3,357,979		148,595,855	
NET BOOK VALUES																		
AS AT 30TH JUNE 2019	1,285,000,000		962,077,090		258,087,815		16,768,597		14,331,958		72,022,685		18,616,563		63,801,598		2,690,706,306	
AS AT 30TH JUNE 2018	1,285,000,000		621,585,000		348,807,053		22,987,396		14,306,793		54,188,784		22,339,875		2,284,393		2,371,499,293	

Note: The Value of land does not include the 18.14 Hectares (two parcels) donated during the year by the County Government of Machakos which is under survey.

Note: Library books were revalued during the year to Kshs. 67,159,577

**XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)****16. TRADE AND OTHER RECEIVABLES**

(a)	2018-2019	2017-2018
<u>Exchange Transactions</u>	Kshs.	Kshs.
Student fee arrears	108,153,590	106,157,209
Trade Debtors	88,196,329	51,935,829
Other Debtors	463,666	289,833
	196,813,585	158,382,871
Provision for Doubtful debts (50% 44,356,167.50) & (50%*1,204,238)	(22,780,203)	(18,175,643)
	174,033,382	140,207,228
(b)	2018-2019	2017-2018
<u>Non-Exchange Transactions</u>	Kshs.	Kshs.
Outstanding Imprests	4,948,317	1,995,816
Staff welfare Advance	159,564	-
	5,107,881	1,995,816
Total	179,141,263	142,203,044

17. INVENTORIES**STOCKS -INVENTORIES**

	2018-2019	2017-2018
	Ksh	Ksh
Kitchen Consumables	230,011	315,835
Central Stores	5,264,254	10,727,897
Academic gowns	8,910,066	-
Closing Stocks- Le Technisch	1,867,551	1,008,186
Total	16,271,882	12,051,918





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. CASH & BANK BALANCES

	2018-2019	2017-2018
	Kshs.	Kshs.
Cash in hand	320,579	94,100
Mpesa	2,862,881	5,334,839
Cash and M-Pesa	<u>3,183,460</u>	<u>5,428,939</u>

Bank	Account No.		
Standard Chartered:			
Standard Chartered Bank	0102016845602	172,512,613	3,807,018
Standard Chartered Bank	0152016845602	<u>24,165,385</u>	<u>957,261</u>
		196,677,998	4,764,279
National Bank:			
National Bank of Kenya	01020078499400	20,769,989	5,834,489
National Bank of Kenya	01020078499401	21,317,982	18,346,126
National Bank of Kenya	01020078499402	<u>18,307,201</u>	<u>31,930,785</u>
		60,395,171	56,111,400
Kenya Commercial Bank:			
Kenya Commercial Bank	1137145064	8,234,099	14,055,032
Kenya Commercial Bank	1180326849	8,064,989	14,261,305
Kenya Commercial Bank	1211488594	863,843	400,000
Kenya Commercial Bank	1211489167	298,935	50,000
		17,461,866	28,766,336
Cooperative Bank of Kenya:			
Co-operative Bank of Kenya	01129277651100	<u>3,628,479</u>	<u>359,641</u>
Equity Bank:			
Equity Bank:	0600278674858	<u>206,000</u>	-
		<u>281,552,974</u>	<u>95,430,594</u>

19. CAPITAL RESERVE

	2018-2019	2017-2018
	Kshs.	Kshs.
Balance as at 30th June 2018	2,606,063,018	2,576,063,018
Development Grants for the year: (Note 5 (d))	257,500,000	30,000,000
Revaluation of Non-Current Assets (Note 15)	63,640,241	-
Balance as at 30th June 2019	<u>2,927,203,259</u>	<u>2,606,063,018</u>

Note: The University has an account with Barclays Bank of Kenya which runs the affairs of student union. During the financial year the University transferred Kshs. 7,906,710 that was collected on behalf of the student union.





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. (a) REVENUE RESERVE

	2018-2019 Kshs.	2017-2018 Kshs.
Balance B/f	(196,575,320)	(235,304,329)
Prior year Adjustments	(3,716,969)	-
Surplus/Deficit for the year	33,859,960	38,729,009
Balance as at 30th June 2019	(166,432,329)	(196,575,320)

Note: Prior year Adjustments relates to fees adjustments and supplier invoices adjustments

20. (b) DEFERRED INCOME

	2018-2019 Kshs.	2017-2018 Kshs.
Equipment from Netherlands Bal. as at 30th June 2017	6,236,508	9,354,762
Equipment from Seeding Labs as at 30th June 2017	13,036,940	15,209,763
	19,273,448	24,564,525
Amortization for 2018/2019 (24,946,032 @12.5%)	(3,118,254)	(3,118,254)
Amortization for 2018/2019 (17,382,586 @12.5%)	(2,172,823)	(2,172,823)
Balance as at 30th June 2019	13,982,371	19,273,448

NOTE: (a) Donated Assets in the year 2012/2013 comprised of;

1. Equipment from Netherlands KShs 24,542,200.00
2. Loose Tools from Netherlands KShs 403,832.00

(b) Donated Assets in the year 2016/2017 comprised of;

1. Equipment from Seeding Labs Ksh 17,382,586





XVI. NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. <u>TRADE & OTHER PAYABLES</u>	2018-2019	2017-2018
	Kshs.	Kshs.
Sundry Trade Payables	9,807,130	25,964,475
Prepaid fees	44,330,043	41,394,075
Refundable Caution fees	35,518,600	29,653,400
Audit fees	960,000	960,000
Leave Allowance Payable	2,482,306	2,217,772
Commuter Allowance payable	43,431,000	-
Unclaimed Deposits	4,096,502	-
MksU Benevolent fund	625,940	-
Other Prepayments	100,000	-
Students Unallocated Sponsorship Fund	6,117,135	3,469,542
Capital Creditors	141,045,646	-
Chancellors Scholarship fund	863,843	400,000
Chancellors Endowment fund	298,935	50,000
Part Time Claims	10,157,030	10,487,960
Staff Gratuity Payable (77,826,479+28,617,578- 13,359,041.50)	93,085,016	77,826,479
	392,919,125	192,423,703





XVII. APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference no. on the external audit report	Issue/Observations from auditor	Management comments	Focal point person to resolve the issue (Name and Designation)	Status: (Resolved /Not Resolved)	Time frame: (put a date when you expect the issue to be resolved)
N/A (2016/2017)	Other Matter- Increased deficit hence reduced Revenue reserves.	Management to explore more opportunities to increase revenue and control expenditure.	Prof. Lucy W. Irungu (Vice Chancellor)	In Progress	In the next 6 to 7 years.
1. (2017/2018)	Tuition and other related incomes. Kshs. 3,998,230 that had been banked directly but not receipted.	Management resolved to receipt the students deposits	CPA Aileen Nyatuga (Chief Finance Officer)	Resolved	FY 2018/2019
2. (2017/2018)	Cash and Bank Balances. Kshs. 1,1163,038 relating to Unpresented cheques that had not been reversed in the cashbook	Management agreed to replace the cheques that were stale	CPA Aileen Nyatuga (Chief Finance Officer)	Resolved	FY 2018/2019
3. (2017/2018)	Other Income. Kshs. 1,596,896 relating to direct bank transfers for the restaurant that had not been receipted in the cash book	Management agreed to follow up with the bank to determine the customers that had paid and receipted the amounts.	CPA Aileen Nyatuga (Chief Finance Officer)	Resolved	FY 2018/2019


Prof. Lucy W. Irungu
Vice Chancellor


Prof. Gideon Billy Hanjari
Chairman of Council



**XVIII. APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY****Projects**

Projects implemented by the University funded by Development partners.

S/n o	Project Number	Donor	Period/ duration	Donor commitm ent	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.	None	N/A	N/A	-	-	-

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget (2018/2019)	Actual 2018/2019	Sources of funds
1.	Tuition and Office Block	986,761,116	252,061,193	25	220,000,000	214,155,852	G. O. K
2.	Extension of ADB Building	58,217,640	58,216,276	100	37,500,000	19,631,105	G. O. K
3.	Development of Sports and Games facility (phase I)	N/A	1,723,600.00	Documentation complete	4,000,000	285,600	A.I. A



XIX. APPENDIX III: INTER- ENTITY TRANSFERS

ENTITY NAME:		MACHAKOS UNIVERSITY		
Break down of Transfers from the State Department for University Education				
FY 2018/2019				
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	The FY to which the amounts relate
		2nd August 2018	73,939,164	2018-2019
		30th August 2018	73,939,164	2018-2019
		1st October 2018	73,939,164	2018-2019
		7th November 2018	73,939,164	2018-2019
		3rd December 2018	69,502,816	2018-2019
		27th December 2018	69,502,815	2018-2019
		1st February 2019	72,460,381	2018-2019
		7th March 2019	72,460,381	2018-2019
		28th March 2019	68,024,031	2018-2019
		2nd May 2019	73,939,165	2018-2019
		6th June 2019	73,939,165	2018-2019
		28th June 2019	73,939,164	2018-2019
		TOTAL	869,524,574	
b.	Development Grants	Bank Statement Date	Amount (KShs)	The FY to which the amounts relate
		30th October 2018	46,942,027	2018-2019
		19th December 2018	21,481,263	2018-2019
		13th February 2019	2,880,583	2018-2019
		11th June 2019	21,630,583	2018-2019
		26th June 2019	164,565,544	2018-2019
		TOTAL	257,500,000	

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



CPA Aileen Nyatuga
Chief Finance Officer
Machakos University
ICPAK No. **4943**

Mr. Robert Asumani
Assistant Accountant General
State Department of University Education & Research



XX. APPENDIX IV: 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	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others	
NONE			-	-	-	-	-	-	-
Total			-	-	-	-	-	-	-