

REPORT OF THE AUDITOR-GENERAL ON MAASAI MARA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Maasai Mara University set out on pages 35 to 62, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Maasai Mara University as at June 30, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the University Act No. 42 of 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Unreconciled Tuition Fees

The University reported tuition fees of Kshs.457,432,576 compared to Kshs.413,663,925 in 2015/2016. However, re-computation and analysis of the nominal roll revealed that tuition fees due from 14,336 students who were in session in the four semesters of the financial year 2016/2017 was Kshs.350,433,462. Further, the audit could not establish the total actual number of active students especially from Kisii and Nairobi campuses due to lack of proper students' enrollment statics.

Therefore, the accuracy and completeness of the reported tuition fees could not be ascertained.

2. Receivables from Exchange Transactions

The net receivables from exchange transactions stood at Kshs.159,558,930 as at 30 June 2017 compared to Kshs.153,804,816 as at in 30 June 2016 representing an increase of Kshs.5,754,114. Included in receivables from exchange transactions is Kshs.155,039,026 in respect to student debtors. The management did not offer adequate explanations as to

why the University allow students to sit for examinations without clearing the respective semester's fees.

3. Sustainability of Services

The current assets stood at Kshs.288,899,299 while the current liabilities was Kshs.315,711,035 leading to a negative working capital of Kshs.26,811,736. This situation indicates that a material uncertainty exists that may cast significant doubt on the University's ability to continue as a going concern. The financial statements do not adequately disclose this matter.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Maasai Mara University in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matter

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For the matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report, including in relation to this matter. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matter below, provide the basis for my audit opinion on the accompanying financial statements.

Key Audit Matter	How the Audit Addressed the Key Audit Matter
Student Fee Debtors – Kshs. 155,039,026	
<p>Clause 5.1 of the fee payment policy states that fees shall be paid per semester. However, continuing students who pay full fees for one academic year upfront shall be eligible to a 2.5 % discount on tuition fee for the academic year. The fee is payable in full before or at the start of the semester into the University bank accounts. The University does not accept fees payment in cash. International students excluding those from EAC countries shall be charged 20% above fee charged to resident students. It shall be an offence for a</p>	<ul style="list-style-type: none"> • The audit procedures included the testing and evaluation of controls over the process, recording and ageing of outstanding student fees debtors, and monitoring of the debts by the Student Finance Department. • The adequacy of the provision for doubtful debts, including the appropriateness of the

Key Audit Matter	How the Audit Addressed the Key Audit Matter
<p>student to attend classes or sit for University examinations before clearance of semester fees.</p> <p>It is recognized that disqualification of a student may be influenced by factors such as government policy, which may be beyond the control of the University.</p> <p>As disclosed in note 3 (p) to these financial statements, judgement is applied in determining the appropriate parameters and assumptions used to calculate provision for doubtful debts. For example, the assumptions of students that will default, the expected future cash flows from the students and the timing of the cash flows.</p> <p>Due to the significance of the student fees debtors balances of Kshs.155,039,026, and the significant judgement involved in calculating impairment, particularly regarding the estimation of the expected future cash collections, this was considered a key audit matter.</p>	<p>methodology used and assumptions made to calculate the provision was evaluated.</p> <ul style="list-style-type: none"> • Testing was performed, on a sample basis, on whether the University's assumptions on the expected future cash flows and timing of the cash flows were supported. • The audit also assessed whether the financial statements disclosures made, appropriately reflect the University's credit risk and impairment provision on the Student Fees Debtors.

Other Matter

High Employee Costs

Employee costs was reported at Kshs.731,607,103 compared to Kshs.714,033,714 in 2015/2016, an increase by Kshs.17,573,389. However, the approved budgeted show that the institution was to spend Kshs.678,829,991 leading to an unexplained over expenditure of Kshs.52,777,112. Further, the total reported employee cost was 64% of the total expenditure and 60% of the total revenue. It is therefore apparent that the University's wage bill appears too high and unsustainable.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless the management intends to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Maasai Mara University ability to continue as a going concern or 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 as a going concern or 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 Maasai Mara 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.

From the matters communicated with management, I determine those matters that were of most significance in the audit of the financial statements and internal control of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

Nairobi

9 July 2018