

REPORT OF THE AUDITOR-GENERAL ON MURANG'A UNIVERSITY OF TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Murang'a University of Technology set out on pages 24 to 51, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Accuracy and Completeness of the Financial Statements

As previously reported, the University College did not submit financial statements for 2011/2012 period for audit contrary to section 35 of the Public Audit Act, 2015. In absence of certified financial statements for the year ending 30 June 2012, the source and accuracy of opening balances for 2012/2013 financial statements as at 1 July 2013 and subsequent years could not be confirmed.

2. Payables and Accruals

Note 22 to the financial position for the year ended 30 June 2017 reflects Payables and Accruals from exchange transactions balance of Kshs.104,769,252. Included in the figure are payables totaling Kshs.8,858,091 comprising of wages payables of Kshs.418,465, former BOG employees gratuity of Kshs.6,916,100, JKUAT payables of Kshs.1,123,526 and External Research balance of Kshs.400,000 for which no supporting schedules were provided for audit review.

Consequently, the accuracy and validity of the Payables and Accruals balance in respect of Payables and Accruals as at 30 June 2017 could not be confirmed.

3. Long Term Investments

As previously reported, the statement of financial position reflects Kshs.25,318,800 long term investment being Bamburi cement shares. A review of documents held by the University indicated that the shares were registered in the names of trustees of the Murang'a Technical College since inception. No explanation was given why the shares investment has remained in the name of the trustees instead of in the name of the University College. In the circumstances, the accuracy and existence of investment balance of Kshs.25,318,800 as at 30 June 2017 could not be confirmed.

4. Sustainability of Service

The University during the financial year 2016/2017 recoded a deficit of Kshs.101,302,289 compared to a deficit of Kshs.35,687,945 reported in 2015/2016, which further decreased the accumulated fund from Kshs.1,044,749,026 to Kshs.951,410,432 as at 30 June 2017. In addition, the University received recurrent grants of Kshs.330,928,350 from the National Government compared to its own collection of Kshs.156,100,719. Further, current liabilities balance of Kshs.211,978,724 exceeded the total current assets balance of Kshs.159,937,487 as at 30 June 2017 resulting to a negative working capital of Kshs.52,041,237. However, the financial statements have been prepared on a going concern basis on the assumption that the university will continue to receive support from the Government and creditors.

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 either intends to liquidate the University or 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

My responsibility is to conduct an audit of the University's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of Murang'a University of Technology 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.



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

Nairobi

24 September 2018