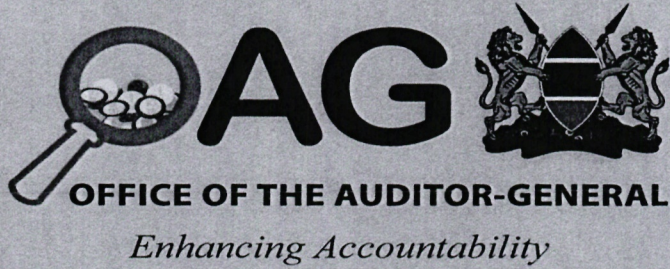


REPUBLIC OF KENYA



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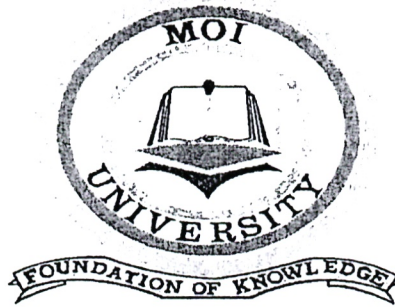
THE AUDITOR-GENERAL

ON

MOI UNIVERSITY

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

Revised Template 30th June 2019



07 DEC 2019

REGULATORY AND OTHER NON-COMMERCIAL ENTITIES

MOI 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)

MOI UNIVERSITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The University was established under the Moi University Act in 1984 as the second Public University in Kenya. The University is a body corporate established under the Moi University Charter 2013 and is domiciled in Kenya. It has campuses and constituent colleges as listed below:

Rivatex East Africa Limited Factory
Kipkaren Road, off Eldoret- Kisumu Road
P.O.Box 4744- 30100
Eldoret

Alupe University College
P.O.Box 845-50400
Busia

Eldoret West Campus
P. O Box 8210-30100
Eldoret

Nairobi Satellite Campus
P.O Box 63056-00200
Nairobi

Coast Satellite Campus
P.O Box 3735-80100
Mombasa

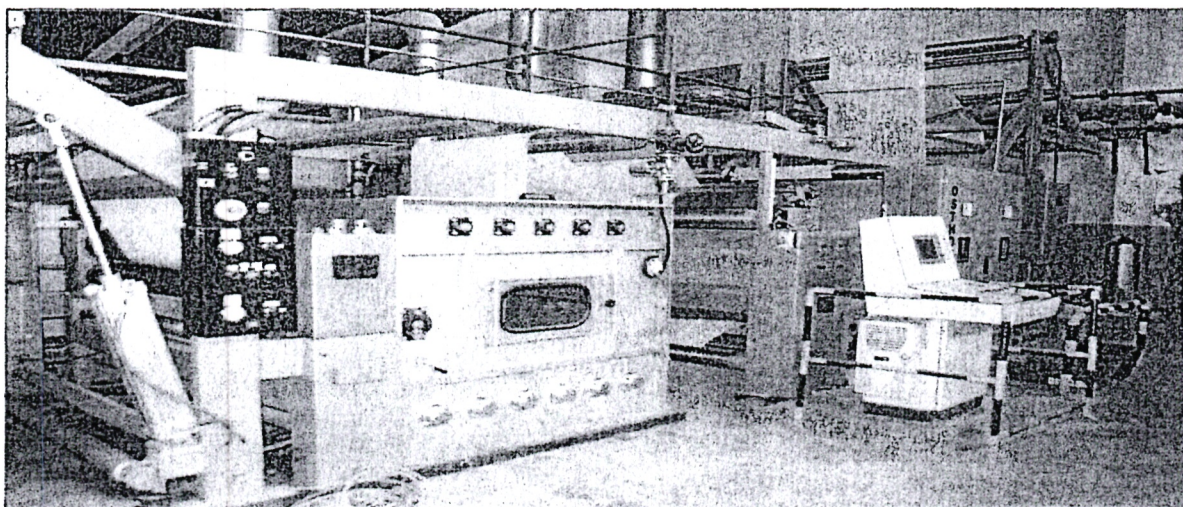
College of Health Sciences
P.O Box 4606-30100
Eldoret

Kitale Satellite Campus
P.O Box 1424-20200
Kitale

Odera Akang'o Campus
P.O. Box 436 - 40610
Yala

Bomet University College
P.O Box 701-201400
Bomet

Rivatex East Africa Limited (REAL) is a limited liability company, wholly owned by the University that was incorporated under the Companies Act. The University acquired the company in 2007 for training, research, extension and commercial purposes.



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The Main Campus of the University is located in Kesses, 35 kilometers from Eldoret Town, and 310 kilometers Northwest of Nairobi, the capital city of Kenya. Moi University has expanded tremendously over the past decade largely based on the commitment of the entire Moi University fraternity, government investments, strategic partnerships, and the visionary leadership of the University Council and Management. These achievements are a testament to the resilience and fortitude of every faculty and staff member.

Since 1984, the University has experienced phenomenal growth leading to the establishment of several constituent colleges across the country, many of which have since grown to fully fledged Universities namely Maseno University, Masinde Muliro University of Science and Technology, Maasai Mara University, University of Kabianga, University of Eldoret, Karatina University and Rongo University.

The University currently has the following Schools:-

- School of Education
- School of Arts and Social Sciences
- School of Business and Economics
- School of Agriculture and Natural Resources
- School of Information Sciences
- School of Engineering
- School of Medicine
- School of Public Health
- School of Nursing
- School of Dentistry
- School of Law
- School of Tourism, Hospitality and Events Management
- School of Aerospace Sciences
- School of Biological and Physical Sciences
- School of Graduate Studies

(b) Principal Activities

The principal activity/mission of the University is to provide university education through teaching, research and outreach.

The University's vision, mission, core values and philosophy underpin every facet of the University's operations.

Vision

To be the University of choice in nurturing innovation and talent in science, technology and development.

Mission

To preserve, create, and disseminate knowledge, conserve and develop scientific, technological,

and cultural heritage through quality teaching and research; to create conducive work and learning environment, and to work with stakeholders for the betterment of society.

Core Values

1. Intellectual freedom, excellence and the truth.
2. Teamwork, networking and culture of peace.
3. Transparency and accountability.
4. Professionalism and social justice.
5. Self-respect, institutional loyalty and patriotism.
6. Continual improvement of services, competitiveness and relevance.

Philosophy

Putting knowledge to work is the University's guiding philosophy. At Moi University, the discovery, dissemination, and application of knowledge are synergistically balanced. The University is driven by the process of involvement - involvement in world affairs; in the needs of individuals and their communities, businesses, industries, and governments; in the nurturing of inquisitive minds; in the transfer of ideas from the campus to the market- place; and involvement in societal problems in our country and beyond. The creation of new knowledge that will benefit society is at the heart of the University's mission. The distinction between basic and applied research has become more blurred as the processes of discovery, scientific inquiry and scholarship inform all aspects of the educational enterprise at Moi University.

(c) Key Management

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

- University Council
- The Vice Chancellor
- Moi University Management Board
- University Senate
- Committee of Deans

(d) Fiduciary Management

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

No.	Designation	Name
1.	Vice Chancellor	Prof. Isaac S. Kosgey
2.	Ag. Deputy Chancellor -Finance	Prof. Daniel K. Tarus
3.	Deputy Vice Chancellor - A,R&E	Prof. Isaac N. Kimengi
4.	Deputy Vice Chancellor -Students' Affairs	Prof. Nathan O. Ogechi

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No.	Designation	Name
5.	Head of Procurement	Wilson Bett
6.	Ag. Finance Officer	George K. Aduda
7.	Principal - CHS	Prof. Paul Ayuo
8.	Principal – Odera Akan’go	Prof. Philip Nyangweso
9.	Senior Legal Office	Petrolina C. Chepkwony

(e) Fiduciary Oversight Arrangements

The University Council provides fiduciary oversight on the financial operations of the University through the Finance, Administration and Strategy Committee and the Audit, Risk and Compliance Committee.

The Finance, Administration and Strategy Committee reviews the University Quarterly Financial Statements before they are submitted to the Ministry of Education and National Treasury by the 15th day after the end of every quarter.

The Audit, Risk and Compliance Committee provides oversight on the University’s financial statements and through the Internal Audit Unit of the University provides oversight on the internal controls and the maintenance of proper accounting records.

The Office of the Auditor General conducts annual audit of the operations of the University. The reports of the Auditor General are submitted to the National Assembly through the Public Investments Committee (P.I.C), which provides the overall fiduciary oversight on the operations of the University.

Regular audit and financial and progress reports are provided to development partners who have provided funds to the University. This is to ensure financial probity on the utilization of funds in the University.

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) University Headquarters

Moi University Main Campus
P.O. Box 3900-30100
Cheptiret – Kesses Road, Off Eldoret-Nairobi Road
Eldoret, KENYA

(g) University Contacts

Telephone :(254) 736 138770/771 336911
E-mail: info@mu.ac.ke
Website: www.mu.ac.ke

Rivatex East Africa Limited Contacts

Telephone:(254) 53 2030901
E-mail: info@rivatex.co.ke
Website:www.rivatex.co.ke

(h) University Bankers

- | | |
|--|---|
| <p>1. National Bank of Kenya
Moi University Branch
P.O. Box 22 - 30107
Moi University, Kenya</p> <p>3. Kenya Commercial Bank
Eldoret Branch
P.O Box 560 - 30100
Eldoret, Kenya</p> <p>5. Standard Chartered Bank
Eldoret Branch
P.O Box 7 - 30100
Eldoret, Kenya</p> <p>6. Transnational Bank
Eldoret Branch
P.O Box 4308 - 30100
Eldoret, Kenya</p> | <p>2. Co-operative Bank of Kenya
Eldoret Branch
P.O Box 2948 - 30100
Eldoret, Kenya</p> <p>4. Equity Bank
Eldoret Branch
P.O Box 2210 - 30100
Eldoret, Kenya</p> <p>6. Barclays Bank of Kenya
Eldoret Branch
P.O Box 22 - 30100
Eldoret, Kenya</p> |
|--|---|

(i) Independent Auditors

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

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(j) Principal Legal Adviser

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

THE UNIVERSITY COUNCIL



D.O.B 14th December 1970
Dr. Jeremiah N. Ole Koshal,
CHAIRMAN

B.Com. Business Administration (Daystar),
MBA. (Regent, USA), Ph.D.(Regent, USA)

Dr.Koshal has over ten years local and international experience in the area of University education, research, executive training and business development. He is currently an Assistant Professor of Leadership at the Chandaria School of Business, United States International University (USIU).

Provide a concise description of each Director’s date of birth, key qualifications and work experience. Indicate whether the director is independent or an executive director and which committee of the Board the director chairs where applicable.






D.O.B 5th April 1961
Prof. Isaac S. Kosgey
Vice - Chancellor, Secretary to Council

Ph.D. (Animal Sciences) , M.Sc. Animal Science with Distinction (Wageningen), B.Sc Animal Production with First Class Honours (Egerton), Diploma in Animal Husbandry with Distinction (Egerton), MBA (Kenyatta), Diploma in Law with Distinction-(MKU).
Bachelor of Laws (OUT)

Professor Kosgey is a Professor of Animal Sciences (Animal Breeding and Genetics). He has extensive experience in public and university administration and management, having served in various capacities in Laikipia and Egerton University. Prior to being appointed the Vice - Chancellor of Moi University, he was the DVC – Administration, Finance and Development at Laikipia University. He has published widely and won several research grants. He is a peer reviewer in various refereed journals and has supervised several M.Sc. and Ph.D. students He is also a trained ISO 9001 auditor. He participates in several Government and community activities.

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 <p>D.O.B 30th December 1954 Ms Elizabeth Obel Lawson Independent Member</p> <p>B.Sc. Hons (Nairobi), MSc. Botany (Nairobi), M.A. Communication Studies (Nairobi)</p>	<p>Ms Elizabeth Obel is skilled in strategic communication, advocacy, information research and analysis, she has over 20 years' experience in strategic communications on rural community development, environmental conservation, science and technology and agricultural research. She is currently working as a Communications Consultant in Strategic Communications, advocacy, science and journalistic writing, information research and materials production.</p>
 <p>D.O.B 31st October 1976 CPA Ms Anne Hilda Muchunku Independent Member</p> <p>BSc. Business Administration. (USIU), M.B.A Finance (USIU), C.P.A (K)</p>	<p>A qualified Certified Public Accountant, she has vast experience in finance and accounting in both for profit and non-profit organizations. She has worked in senior roles in finance and administration and contributed to organizational resource planning, financial reporting and management at strategic level.</p>
 <p>D.O.B 2nd February 1968 Mr. Vincent Chokaa Independent Member</p> <p>B.A (Economics), L.L.B, L.L.M (Public Finance) (Nairobi), Dip Law (Kenya School of Law)</p>	<p>Advocate of the High Court of Kenya and Commissioner for Oath and a Notary Public. He is member of the Kenya Law Society, East African Law Society and the International Bar Association; he has wide practical knowledge and experience in the legal field and management of public universities.</p>

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D.O.B 31st December 1959
Mr. David Kipruto Ronoh
Independent Member

B.Ed Science (Kenyatta), Msc (Nairobi), Post Graduate Diploma in Actuarial Science (Nairobi), Graduate Advanced Management Programme (Strathmore)

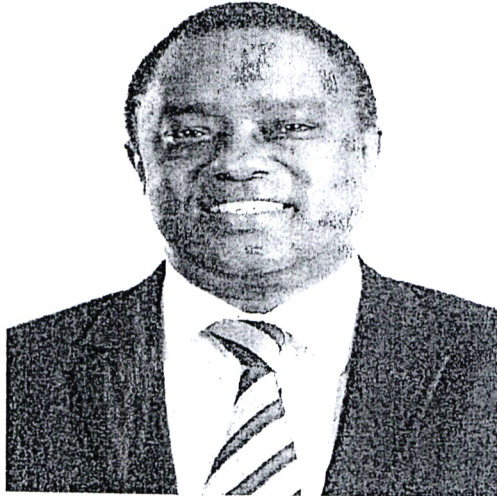
Mr.Rono vast experience in financial management, leadership and change management. He is currently the Chief Executive Officer, Pioneer Assurance Limited.



D.O.B 18th December 1973
Commissioner Joseph Hamisi Dena (EBS)
Independent Member

B.Sc. Tourism Management (USIU-A), LLB (Nairobi), MBA Strategic Management (USIU-A)

He is an Advocate of the High Court of Kenya, a Commissioner of Oaths and a Notary Public. He is a member of the Law Society of Kenya and also a member of the National Chamber of Commerce. He served as a commissioner of the Electoral Commission of Kenya and a member of the Disaster Management Commission. He has vast exposure from being a board member of Kenya Airports Authority, Kenya Accreditation Board, Coast Development Authority and the Kenya Ports Authority.



Dr. Julius Muia – PS National Treasury

BCom(Hons) (Accounting) UoN, Masters in Finance (UoN), PhD Finance (UoN), CPA(K), CPS(K), Associate Kenya Institute of Bankers, Associate Chartered Institute of Arbitrators, Certified Coach

Dr. Julius Muia is the Principal Secretary at The National Treasury. Prior to this, he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030. This is Kenya's long-term policy framework that is premised on making Kenya a globally competitive, rapidly industrializing and upper middle income economy by 2030.

Between April 2008 and October 2016, Dr. Muia served as the Secretary, National Economic and Social Council, Office of the President. This is a top advisory government think tank whose flagship project was formulating Vision 2030.






**Prof. Collete A. Suda, PhD, FKNAS, CBS
Chief Administrative Secretary and PS State
Department for University Education and
Research**

B.A (Hons) (UoN); M.Sc. (Rural Soc.)
(Missouri) M.Sc. (Comm. Dev.)
(Missouri); Ph.D (Missouri)





She is the former Secretary for Gender and Social Development, Ministry of Gender, Children and Social Development. Previously, she was the Director, Institute of African Studies and Director, Board of Common Undergraduate Courses, University of Nairobi. She also served as a member of the National Commission on Gender and Development and a member of the Advisory Board of the Women Enterprise Fund, among others. Prof. Suda is a full Professor of Sociology at the Institute of African Studies. She is a fellow of the National Academy of Sciences (FKNAS). She has also served as an external examiner at Moi University, Maseno University and the University of Dar-es-Salaam.

Prof. Suda has published widely in national and international scholarly and peer refereed journals and also contributed several book chapters. She has extensive research experience as principal investigator in the areas of gender, family studies, social change and sustainable rural development.

MANAGEMENT TEAM

NAME AND KEY QUALIFICATIONS	AREA OF RESPONSIBILITY
 <p>Prof. Isaac S. Kosgey Ph.D. (Animal Sciences), M.Sc. Animal Science with Distinction (Wageningen), B.Sc Animal Production with First Class Honours (Egerton), Diploma in Animal Husbandry with Distinction (Egerton), MBA (Kenyatta), Diploma in Law with Distinction (MKU), Bachelor of Laws (OUT)</p>	<p>Vice Chancellor</p>
 <p>Prof. Nathan O. Ogechi B.Ed., M.Phil. (Moi), Ph.D (Hamburg)</p>	<p>Deputy Vice Chancellor, Students' Affairs & Ag. Deputy Vice Chancellor, Administration, Planning & Development</p>
 <p>Prof. Isaac Kimengi B.Ed. (Sc.) (Nairobi), M.A (Ed.) (Nairobi), Ph.D (Kenyatta)</p>	<p>Deputy Vice Chancellor, Academics, Research and Extension</p>

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 <p>Prof. Daniel K. Tarus B.Com. M.B.A (Allahabad), Ph.D (Moi), CPA(K), CPS(K)</p>	<p>Ag. Deputy Vice Chancellor, Finance</p>
 <p>Prof. Paul Ayuo B.Sc., MS. (Kenyatta). Ph.D (Moi)</p>	<p>Ag. Principal – College of Health Sciences</p>
 <p>Prof. Philip Nyangweso B.Sc., MS. (Kenyatta). Ph.D (Moi)</p>	<p>Ag. Principal – OderaAkang’o Campus College</p>
 <p>CPA George K. Aduda B.Com (Accounting) (UoN), MBA (Finance), (CUEA). CPA(K)</p>	<p>Ag. Finance Officer</p>

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Petrolina C. Chepkwony
LLB (Moi), Dip (KSL), EMPA (Moi), LLM
(UoN)

Senior Legal Officer & Ag. Corporation
Secretary

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Annual Reports and Financial Statements
For the year ended June 30, 2019

CHAIRMAN'S STATEMENT

The financial year ended 30th June 2019 has been another chapter in the growth and upward trajectory of the University in spite of the many challenges being experienced in the University and higher education sector as a whole.

The University Council fully supports the University Management's efforts to entrench reforms and turn-around strategies in the University to ensure that we continue to offer relevant market-driven and high quality academic programmes.

The University is currently in the process of rationalization and harmonization of academic programmes and courses, staff, facilities and resource allocation. The University is also reviewing its curricula to align them to the Government's Big Four Agenda, Kenya Vision 2030, the African Union's Vision 2063 and the United Nation's Sustainable Development Goals.

Over the last few years, the University has had financial challenges arising from inadequate funding and decrease in the number of privately sponsored students. The strategies we are implementing, together with the turn-around strategies instituted in the last financial year will go a long way towards ensuring stability in the University.

The University is also exploring new niche academic areas like Sports Medicine and Sports Science as well other commercial ventures. The recent launch of the ultra-modern Textile Production Plant at our Rivatex East Africa Textile Factory and MU Technologies Plant by H.E President Uhuru Kenyatta will not only boost the revenue base of the University but also promote textile research, technology and manufacturing of locally assembled digital devices.

The University Council is very grateful to the Government for the continued support in the facilitating the growth and development of the two plants.

Rivatex East Africa Limited continues to focus in modernizing all the production sequences with determination of becoming an industry leader in production of quality textiles in the region. The company is driven by the goal of becoming the leading fully integrated textile mill in the East African region, one that produces quality and embraces innovation for consistent and sustainable supply of quality fabrics and apparels both locally and internationally.

Towards the realization of its mandate and vision of becoming a leader in textile technology, innovation and production, Rivatex East Africa Limited received a Line of Credit of USD 23,240,120 from the Export import (EXIM) Bank of India to undertake full modernization of the mill. We acknowledge the rapid and dynamic changes in textile technology and appreciate the fact that in order for the company to be competitive we must invest in a modern technology with the state of-the-art machinery that will ensure efficient and sustainable production is achieved cost effectively.

Overview of the operating environment

Significant reforms are currently underway in the Kenyan education system. The Government is changing the curriculum, expanding coverage and putting in place strategies to ensure universal transition from the lower primary levels and placing an added focus on technical and vocation training (TVET). Another key focus is improving access and quality in the entire education system and working towards achieving a free universal education system.

The higher education sector is currently facing a myriad of challenges ranging from reduction in the number of students qualifying to join universities to inadequate funding. Public universities therefore

have to be proactive in the wake of the reduced funding and the reduction in student numbers in order to be sustainable.

The Government has identified the textile industry under manufacturing as among the 'BIG Four' Agenda of the Government which will catalyze economic growth in the country as well as increase employment opportunities for the youth and women. The Government is keen on strengthening manufacturing industries through the 'Buy Kenya - Build Kenya strategy' which seeks to enhance competitiveness and consumption of locally produced goods and services. The Presidential Directive on Reservation of Minimum 40% of public procurement budget for locally produced goods will spur the growth of locally produced textile products.

The preferential access to regional and world markets under a number of agreements/arrangements creates a roadmap for future sustainable market for export. Within the COMESA trading bloc, the Kenyan textile industrial base is one of the most developed. Member countries of the regional bloc enjoy preferential tariff treatment for their imports and exports. REAL can benefit immensely from this market in selling textile products. The ten (10) year extension of African Growth and Opportunity Act (AGOA) in 2015 has further increased the opportunities that Rivatex East Africa Limited can exploit in order to grow and be profitable upon completion of the modernization that is being undertaken. Going by the positive global developments and shifts Rivatex is strategically placed to be a global textile industry player in the near future.

Future outlook

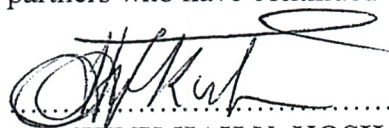
The University Council is pleased to note that the University Management has made great strides in recalibrating the University. The University Council has also approved several new or revised governance policies that are aimed at improving both students and staff welfare. Our aim is to attract and retain excellent staff and make Moi University a sought after destination by highly talented local and international students.

The University Council appreciates the Government's support in modernizing and expanding our infrastructure. In the FY 2019/2020, the Government has allocated capital development funds that will enable complete several projects, including the stalled Faculty of Science Complex, the 2250 Students' Hostel, the Public Health, Dentistry and Nursing (PDN) building and the Sewerage Project at Main Campus.

The University still requires more support to fully realize its vision as a *University of Science and Technology in nurturing Innovation, Science and Development*. We call on the University alumni spread all over the globe to assist in the physical development of the University.

Appreciation

On behalf of University Council, I want to thank the Government of Kenya for the continued support to the University and our company, Rivatex East Africa Limited. We also appreciate our development partners who have continued to support the University.



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DR. JEREMIAH N. KOSHAL
CHAIRMAN – MOI UNIVERSITY COUNCIL
REPORT OF THE VICE CHANCELLOR

MOI UNIVERSITY
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For the year ended June 30, 2019

It is with great pleasure that I present this report for the financial year ended 30th June 2019. During the year, the University made great strides in improving service delivery to our staff, students and other stakeholders. Some of the activities implemented during the year include:

Implementation of the Enterprise Resource Planning System (ERP)

During the year, the University finished all the planning and design of the ERP. The system, which was rolled out on 5th July 2019, will automate all University systems and ensure efficiency, data security of students' academic records, financial management, human resource, procurement, hostel management and research. This will improve efficiency in service delivery and also reduce costs. It will henceforth be easy to monitor students' academic progression from admission to graduation as well manage all University processes.

Launch of MU Technologies and Rivatex East Africa Limited

In response to the Government's strategic direction of manufacturing under the "Big Four" Agenda, the University has established MU Technologies – an Information Technology devices manufacturing facility. This facility will enhance the University's revenue base and will also be used for research and training.

The University was honoured by the official launch of the University by H.E the President of the Republic of Kenya on 21st June 2019, on the same day that he launched our modernized Rivatex East Africa.

The University used the facility for the assembly of devices for the Digital Literacy Project and the Kenya Population and Housing Census (KPHC) that was held in August 2019.

Capacity development for Rivatex East Africa Limited

The Government of Kenya has steadfastly supported Rivatex East Africa Limited through allocation of funds which have been utilized prudently through acquisition of state-of-the-art machinery. Through modernization the company has been able to produce cost effectively, increase productivity and quality of the products, and thus be competitive in attracting huge orders from the apparels manufacturers and brands that are expected to shift to the Special Economic Zones in the near future as well as serve existing clientele.

During the FY 2018/2019 Rivatex East Africa Limited acquired one (1) continuous bleaching range and (1) continuous dyeing range machine, while (1) one mercerizing machine and one (1) pad steam machine were delivered during the financial year and are currently being installed. Full installation and commissioning of these machines will make Rivatex East Africa Limited effectively serve the local and international markets adequately with quality products. The full modernization of the mill has continued to be on the management's key agenda in order to break-even and sustain its growth through internally generated income.

Collaborations and Partnerships

The University recognizes the importance of collaboration and synergy with like-minded institutions. In this regard, the University signed a number of Memoranda of Understanding with various institutions around the world during the year. These include Linkoping University (Sweden), where the University also celebrated 30 years of collaboration with the University in April 2019, Middle Tennessee State University (USA), Park University (USA), The Kansa University Medical Centre

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Annual Reports and Financial Statements
For the year ended June 30, 2019

(USA), Bayreuth University (Germany), Helwan University (Egypt) and Alexandria University (Egypt), among others.

Academic programmes

The University's academic programmes by and large went on smoothly throughout the year, save for the College of Health Sciences, where there was industrial action by academic staff that disrupted the programmes there. I am happy to report that the programmes in the college have now resumed and we are looking forward to a lasting solution to the issues that caused the disruptions.

Financial performance

The University's total revenue decreased by 6% during the year, mainly as a result of reduction in income from the privately sponsored students' programme. Total expenses also decreased by 5%, while the deficit for the year increased by 5%. We expect going forward that the measures put in place in terms of harmonization and rationalization of academic programmes and courses, turn-around and cost reduction strategies will begin to be realized in FY 2019/2020 and see the University return a positive performance.

The performance of Rivatex East Africa Limited was adversely impacted by the challenging business environment that was characterized by high operating costs due to the inefficiencies and the persistent breakdown of the old machines and the intensive modernization works in the production sequence that saw the company demolish the obsolete machines in spinning and weaving departments. Despite the challenges experienced, the company forecasts that it will report better operating results in the next financial when the benefits of the modernization will start accruing.

Appreciation

The University appreciates the support of the Government in providing financial support in form of recurrent and capital grants. This support has gone a long way in helping the University in achieving its goals.

I would also like to appreciate the support and advice of the University Council as well as our dedicated staff and students.



PROF. ISAAC S. KOSGEY, Ph.D.
VICE-CHANCELLOR

CORPORATE GOVERNANCE STATEMENT

Corporate governance comprises rules, procedures, regulations and processes through which the University is directed. The University is committed to the highest standards of corporate governance and ethics. Good corporate governance practices are therefore essential to the delivery of long term sustainability of the University.

The University Charter and the Universities Act No 42 of 2012, Moi University has established the following organs of governance:-

- The Council
- The Senate
- Moi University Management Board

The University has continued to implement effective corporate governance by ensuring timely and relevant disclosures as provided in the Public Finance Management (PFM) Act 2012, ensuring strong audit procedures and audit independence, having clearly defined Council and Management duties and responsibilities and ensuring compliance with relevant laws and ensuring the highest levels of integrity at all levels in the University.

Council Charter

The Charter of the Council is crucial to the University's governance and defines the Council's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight function. The Charter provides guidance on the following:

- The separation of the roles, functions, responsibilities and powers of the Council and its individual members
- Nomination, appointment, induction, on-going training and performance evaluation of the Council and its committees
- Policies and practices of Council on corporate governance matters, Council members' declarations and conflict of interest, conduct of Council and Council committee meetings
- Powers delegated to Council committees as well as matters reserved for final decision making and approval by the Council

Council Size, Composition and Appointments

The constitution of Council is stipulated in the University Charter and the Universities Act No. 12 of 2012. The University Council is headed by the Chairman and is composed of Nine [9] members inclusive of the Vice-Chancellor who is the only executive member. The constitution of the Council takes into consideration requirements of the education sector, diversity of skills, academic qualifications, gender, age and experience necessary to add value to the operations of the University.

Roles and Responsibilities of the Council

The roles and functions of the board are clearly defined and include giving the overall oversight of Management and giving the strategic direction of the University. The Council defines the University's strategies, objectives, values and ensures that procedures and practices are put in place to ensure effective control over strategic, financial, operational and compliance issues. The Council develops short and long term goals of the University, develops strategies to achieve those goals and monitors the performance of the University against the set goals. The Council also spearheads the

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For the year ended June 30, 2019

preparation of financial statements and reports of the University, approves and reviews annual budgets and ensures that the University has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity.

While the Council sets the direction and general guidance on policy, the day to day running of the University has been delegated to the Vice Chancellor. However, the Council is responsible for the stewardship of the University and assumes responsibility for the effective control of the University.

The Council has unrestricted access to timely and relevant information as well as advice and services of the Corporation Secretary to discharge its duties effectively. The operates in compliance with the Mwongozo code of conduct that offers corporate governance framework for all state corporations and the Council members of Council have duly undergone training under this code.

Council Meetings

The Council prepares an annual almanac showing the schedule of their meetings planned for each year. During the year, the University Council held regular quarterly meetings, while special meetings were called when necessary.

A summary of the Council regular meetings and attendance during the year is shown below:

Council member	Position	17/8/18	26/9/18	18/12/18	30/1/19	16/4/19
Dr. Jeremiah Koshal	Chairman	√	√	√	√	√
Prof. Isaac Kosgey	Secretary	√	√	√	√	√
Ms Elizabeth O. Lawson	Independent Member	√	√	√	√	√
CPA Hilda Muchunku	Independent Member	×	×	×	√	√
Mr. Vincent Chokaa	Independent Member	√	√	√	√	√
Mr. David Rono	Independent Member	×	×	×	×	√
Mr. Hamisi Dena	Independent Member	×	×	×	×	√
Ms Isabella Kogei	Rep. PS National Treasury	√	√	√	√	√
Mr. Charles Obiero	Rep. PS Min. of Education	√	×	√	√	√

Council Committees

The Council Members are appointed to various Council Committees, and hence, bring their diverse experiences in deliberations during Council meetings. The Council Committees have well defined terms of reference that are intended to facilitate efficient decision making by the Council in discharging its duties and responsibilities. The Council Committees and their memberships are as follows:-

Audit, Risk and Compliance Committee

Anne Hilda Muchunku	- Chair
Vincent Chokaa	- Member
Elizabeth Obel Lawson	- Member
Rep. PS National Treasury	- Member

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Rep. PS Ministry of Education - Member

Academic, Research, Extension & Student Affairs Committee

Elizabeth Obel Lawson - Chair
Hamisi Dena - Member
Rep. PS National Treasury - Member
Rep. PS Ministry of Education - Member

Finance, Administration and Strategy Committee

Hamisi Dena - Chair
David Rono - Member
Rep. PS National Treasury - Member
Rep. PS Ministry of Education - Member

Human Resource and Governance Committee

David Rono - Chair
Vincent Chokaa - Member
Anne Hilda Muchunku - Member
Rep. PS The National Treasury - Member
Rep. PS Ministry of Education - Member

Conflict of interest

Council Members are obligated to disclose to the Council any real or potential conflict of interest which comes to the Council Member's attention, whether direct or indirect. The Council has a conflict of interest register and at every meeting, members are required to declare any conflict of interest with regard to the matters under discussion.

Ethics and code of conduct

The Council members and employees of the University are expected to act with honesty, integrity and fairness in all their dealings with one another and with all stakeholders and to respect the diverse cultures of all people. The University has a code of conduct that binds every council member and employee.

Procurement policies

The University has in place procurement policies in line with the Public Procurement and Asset Disposal Act 2015 that promote fair and transparent procurement processes.

MANAGEMENT DISCUSSION AND ANALYSIS

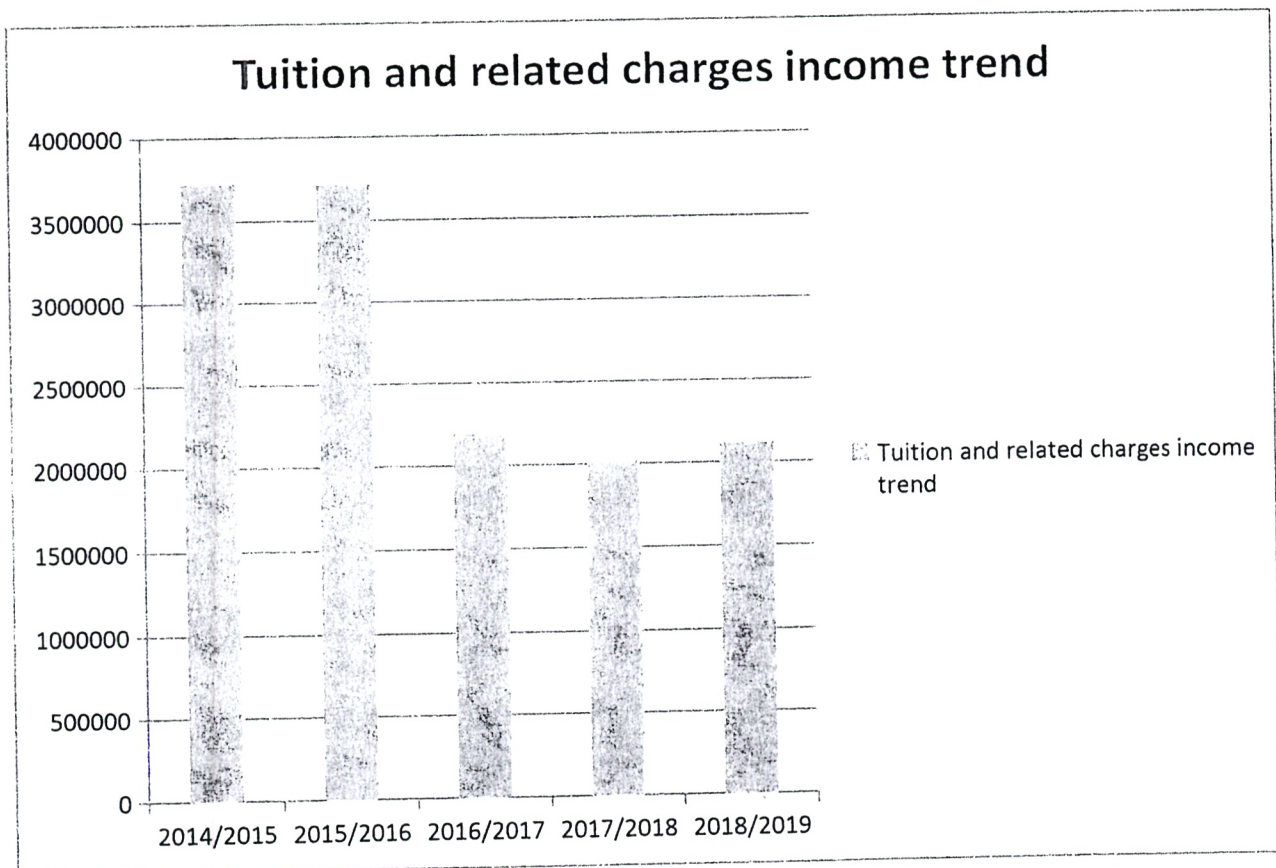
OPERATIONAL AND FINANCIAL PERFORMANCE

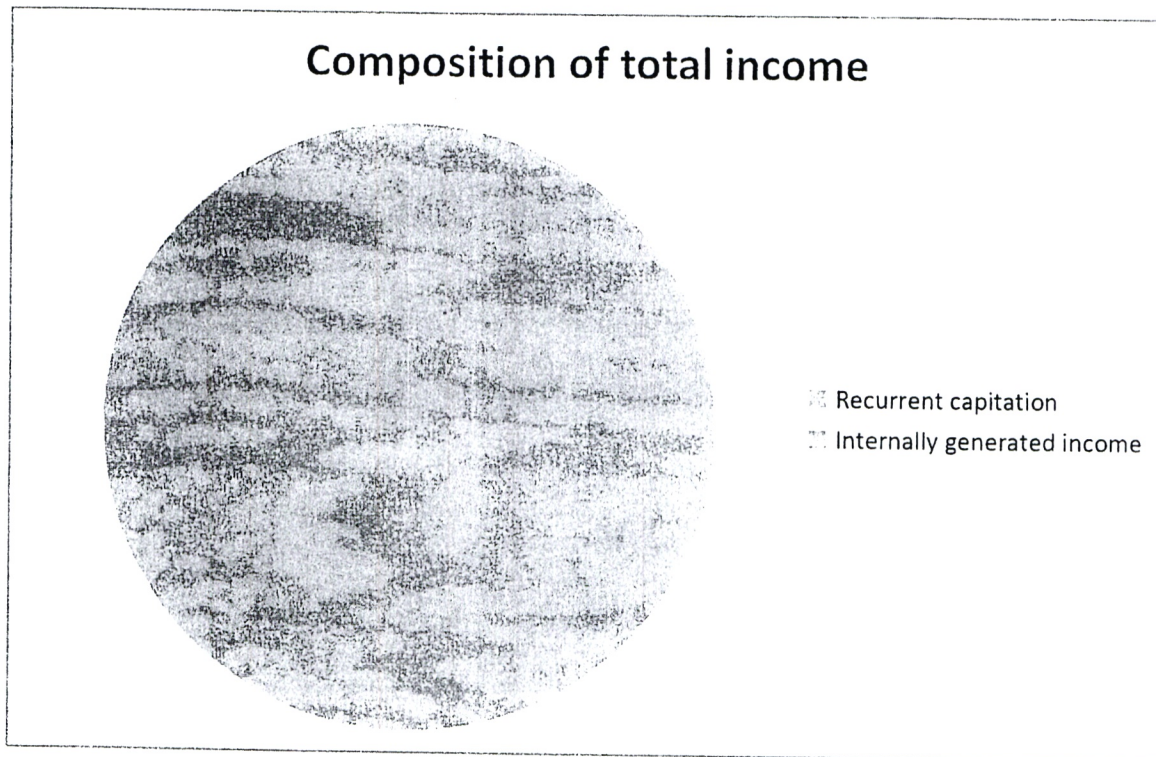
The total revenue for the financial year decrease by 6% as compared to FY 2017/2018. There was a decrease in recurrent capitation from Kes 4,196,909,000 in the previous year to Kes. 3,449,415,163 in the current year, a drop of 18%. Revenue from exchange transactions had an overall increase of 14% during the year.

The increase in revenue from exchange transactions during the year is mainly attributed to income from the Digital Literacy Programme and the Kenya Population and Housing Census Projects where the University won tenders to supply digital devices. The University has established an Information Technology devices manufacturing facility, which we intend to use to enhance the University's revenue base and also for research and training purposes.

The facility was officially launched by H.E President Uhuru Kenyatta on 21st June 2019. The University is expanding its product portfolio that it will sell commercially. These include desktops, laptops and all-in-one devices.

The decrease in the number of students qualifying to join universities continued during the year. This trend has had a negative impact on the University's income from tuition and related charges, hence the University's endeavour to expand its revenue base by seeking other sources of revenue. Going forward, we plan to start value addition activities in the University farm in addition to expanding our output in Elimu Millers (that currently produces maize meal and animal feeds).





Recurrent capitulation makes 54% of the total income for the year. The University, being a Government institution, relies on exchequer funding in running its operations. Government funding over the years has decreased while the number of students admitted to the University has also gone down. There is therefore a need to re-look at the financing of the University with regard to fees payable by students and the financing from the Government.

Operating expenses

The operating expenses during the year decreased by 5% from Kes. 7,378,156,000 in FY 2017/2018 to Kes. 7,000,609,000 in FY 2018/2019. This was due to austerity and cost cutting measures instituted by the University. The University will continue with rationalization and harmonization of academic programmes and courses in order to align our facilities and staff to the resources and ensure that we deliver relevant market-driven and high quality academic programmes.

The University will continue with the path of reform and transformation so as to ensure that we meet our core mandate. This will include infrastructural developments for the purposes of having a conducive learning environment.

The University, in consultation with the trustees of the pension fund and provident fund are in discussions on the way forward in extinguishing the outstanding pension and provident fund contributions. This will entail putting in place a remedial action plan on payment of all the amounts due. We are also following up with the Government on financial assistance to enable the University settle legacy debts that are still outstanding in our books.

During the year, the University was in compliance with regards to statutory requirements with regards to deductions and payments of Pay As You Earn (PAYE), NHIF, NSSF and HELB.

Academic Programmes

Academic programmes ran on schedule during the year in the University. There was industrial action in the College of Health Sciences, although this is being addressed together with all the parties involved. Learning and teaching programmes are currently going on at the College.

With the implementation of an Enterprise Resource Planning (ERP) in FY 2019/2020, we envisage that there will be even more efficiency in service delivery in all our academic and administrative services.

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REPORT OF THE UNIVERSITY COUNCIL

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

Principal activities

The principal activities of the entity continue to be provision of University education through teaching, research and outreach.

Results

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

Council Members

The members of the University Council who served during the year are shown on page viii - xi.

Auditors

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

By Order of the University Council,



Prof. Isaac S. Kosgey, Ph.D.
Secretary to Council

Eldoret

Date:.....05/22/19.....

STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 47 of the Universities Act require the Council Members to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for that year. The Council Members are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council Members are also responsible for safeguarding the assets of the University.

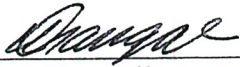
The Council Members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining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

The Council Members accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Universities Act, 2012. The Council Members are of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2019, and of the University's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The University financial statements were approved by the Council on _____ 2019 and signed on its behalf by:



Vice Chancellor



Council Member



Council Member

REPUBLIC OF KENYA

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

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying consolidated financial statements of Moi University set out on pages 1 to 51, which comprise the consolidated statement of financial position as at 30 June, 2019, and the consolidated statement of financial performance, consolidated statement of changes in net assets, consolidated 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 effects 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 Moi 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) and do comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

Basis for Qualified Opinion

1.0 Presentation of Financial Statements

1.1 Non-Compliance with Consolidation Procedure

A review of the University's records provided for audit review revealed that the University was established under the Moi University Act in 1984 and Rivatex East Africa Limited (REAL) is a limited liability company, wholly owned by the University. The University acquired the Company in 2007 for training, research, extension and commercial purposes. However, the consolidated financial statements prepared by the University do not comply with paragraph 40 of IPSAS 35 - Consolidated Financial Statements which stipulates that the consolidation procedure should combine like items of assets, liabilities, net assets/equity, revenue, expenses and cash flows of the controlling entity with those of its controlled entities.

1.2 Non-Compliance with IPSAS 35

The statement of financial performance reflects performance for the University and that of Rivatex East Africa Limited (a subsidiary of the University) on the face of the statement and therefore the presentation is not in line with IPSAS 35. The presentation is not done in line with any known financial reporting framework. Further, the investment that the University has made in Rivatex East Africa Limited has not been recognised in the Universities accounting records and therefore consolidation of the two entities cannot be properly achieved with creation of an unidentified suspense account.

Under the circumstances, the financial statements are not in line with International Public Sector Accounting Standards.

2.0 Irregular Banking of Student Fees into Welfare Account

The consolidated statement of financial position reflects cash and cash equivalents of Kshs.920,013,000. However, examination of bank statements, cash books and student ledgers for students, provided for audit review, revealed that the reported cash and cash equivalents balance excluded cheques payable to Moi University received in Nairobi campus totalling to Kshs.7,727,190 which were not banked in the University's Bank account but were instead irregularly banked in the Moi University Staff Welfare account.

Consequently, the accuracy and completeness of the cash and cash equivalents figure of Kshs.920,013,000 could not be confirmed.

3.0 Unsupported Other Privately Sponsored Students Programme (PSSP) Debtors

As previously reported and as disclosed in Note 25 to the financial statements, included in the receivables from exchange transactions balance of Kshs.864,097,000 reflected in the consolidated statement of financial position is other PSSP debtors balance of Kshs.800,000 which has been outstanding for more than five (5) years and whose supporting documents were not provided for audit verification.

Under the circumstances, the accuracy, completeness and recoverability of other PSSP debtors of Kshs.800,000 could not be confirmed.

4.0 Revenue from Exchange Transaction

4.1 Unrecorded Other Services Rendered Revenue

As disclosed in Note 10 to the financial statements, the consolidated statement of financial performance reflects revenue from other services rendered amounting to Kshs.425,871,000 which includes MU Technologies income totalling Kshs.285,486,000. However, records held by the Information Communication and Technology Authority (ICTA) indicated that the University was paid Kshs.283,683,082 in respect of the Digital Literacy Programme while the Kenya National Bureau of Statistics paid the University an amount of Kshs.470,604,082 during the year under review. The difference between these records has not been explained or reconciled.

4.2 Unsupported Tuition Revenue

The consolidated statement of financial performance reflects tuition and related charges revenue of Kshs.2,114,509,000 which, as disclosed under Note 8 to the financial statements, includes tuition fees revenue of Kshs.1,716,498,000. However, examination of the students' ledgers for the year ended 30 June, 2019, revealed that three hundred and thirty (330) credit entries in the ledgers totalling to Kshs.23,205,786 could not be traced to the bank statements of the accounts where they were purportedly deposited. Further, the credit entries were not supported by receipts to ascertain that they were actually received. The details of the entries are as summarized below:

Bank	Type of Bank Account	Bank Account Number	Total No. of Credits Received to Students Ledger but not Traced to the Bank	Amount (Kshs.)
Cooperative Bank 02	Co-operative Bank Moi University PSSP Account	01129046897300	58	2,213,400
Kenya Commercial Bank 10	KCB Fees Deposit PSSP Account	1107758580	33	1,353,156
Other Bank accounts	Collection accounts	Various	239	19,639,230
Total			330	23,205,786

Consequently, the validity, accuracy and completeness of the reported tuition fees revenue of Kshs.1,716,498,000 could not be confirmed.

4.3 Fraudulent Fees Payments Entries

The statement of financial performance reflects tuition and related charges balance of Kshs.2,114,509,000 as at 30 June, 2019. However, examination of records relating to other sponsors fees paid through cheques revealed that credit entries in the student ledgers totalling to Kshs.25,260,170 and debit entries totalling to Kshs.17,568,837 were reversed. It was established that some of the entries were fraudulently made by a staff member who had access rights and was entrusted with the duty of crediting fees payments to student ledgers in the system. Although the staff member was suspended on 11 April, 2018, as at the time of the audit in October, 2019, the case had not been concluded and no evidence of the action taken to correct the anomaly was provided for audit.

In the circumstances, the accuracy and completeness of the reported tuition and related charges income of Kshs.2,114,509,000 could not be confirmed.

5.0 Trade and Other Payables from Exchange Transactions

The consolidated statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.4,223,207,000 as at 30 June, 2019. However, supporting documents including ledgers, invoices, demand notes or suppliers' statements and aging analysis were not provided for audit verification.

Consequently, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.4,223,207,000 could not be confirmed.

6.0 Unserviced and Understated Long Term Loan from Government of Kenya

As reported in the previous year, the consolidated statement of financial position reflects Government of Kenya (GOK) loan balance of Kshs.231,250,000 relating to outstanding GOK loan advanced to the University to facilitate the acquisition of its Karatina Campus. The Campus was gazetted as a constituent college of Moi University through Legal Notice No.163 of 1 October, 2010. According to the Order establishing the College, all rights, liabilities and assets held by all persons on behalf of the College were to automatically and fully be transferred to the College. However, the loan has not been transferred to Karatina University as per the Order and it remains unserviced since the date of gazettelement of Karatina campus. Although Moi University has written to the Government seeking consent to assign the loan to Karatina University, no evidence was provided to show that the consent has been given.

In addition, the University Management has neither quantified nor recognized the interest accrued on this loan for the last eight years and therefore the liability in the accounting records has been understated by an unknown amount of money.

In view of the foregoing, the justification of the continued retention of the loan in the books of Moi University, its repayment and liability for interest and penalties accruing due to non-repayment of the loan could not be confirmed.

7.0 Property, Plant and Equipment

The property, plant and equipment balance of Kshs.9,904,167,000 reflected in the consolidated statement of financial position includes unquantified value of assets transferred to Karatina University in 2013 and that are yet to be eliminated from the University's accounting records. Further, the University continues to charge depreciation on these assets as well as reflecting their netbook value as part of the net worth. The existence, working conditions and status of these assets could not be confirmed as they were no longer under the custody of the University.

Consequently, the existence, accuracy and ownership of the reported property, plant and equipment balance of Kshs.9,904,167,000 could not be confirmed.

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

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report

Other Matter

1.0 Going Concern

The consolidated statement of financial position reflects total current liabilities of Kshs.4,502,196,000 that exceeded the current assets balance of Kshs.4,094,880,000 resulting to a negative working capital of Kshs.407,316,000. As at 30 June, 2019, the University had an accumulated deficit of Kshs.2,811,536,000. The University is therefore technically insolvent and may face financial challenges in settling liabilities as and when they fall due. In the circumstances, the going concern of the University in absence of continued support from the Government and creditors is in doubt.

2.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.7,347,965,000 and Kshs.6,642,555,000 respectively resulting to an under-funding of Kshs.705,410,000 or 10% of the budget. Similarly, the University spent Kshs.6,112,288,000 against an approved budget of Kshs.7,347,964,000 resulting to an under-expenditure of Kshs.1,235,676,000 or 17% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Lack of Bank Reconciliation Statements

The consolidated statement of financial position reflects cash and cash equivalents of Kshs.920,013,000. Although bank reconciliation statements for June, 2019 were provided

for audit verification, monthly bank reconciliation statements for the eleven months – July 2018 to May 2019 - for all the sixty (60) bank accounts and five (5) Mpesa accounts maintained by the University were not provided for audit review. Further, failure to prepare monthly bank reconciliation statements is contrary to Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer of a National Government entity to ensure bank account reconciliations are completed for each bank account held by the Accounting Officer every month and submitted not later than the 10th of the subsequent month to The National Treasury with a copy to the Auditor-General.

The Management was therefore in breach of the law.

2.0 Construction of Main Gate

As reported in the previous year, the property, plant and equipment balance of Kshs.9,904,167,000 includes work in progress figure of Kshs.5,086,788,000 which in turn includes expenditure on the construction of the main gate amounting to Kshs.4,818,280. According to the contract agreement, the contract was to commence on 23 January, 2017 and take 16 weeks to complete. However, physical verification of the project revealed that the project was incomplete and the contractor had abandoned the project after being paid the full contract sum.

Additional information indicated that the project was only 60% complete and as explained by the Management, there were omissions in the Bill of Quantities and the structural drawings. Further, according to the report of the County Works Officer, the gross valuation of the works was Kshs.7,778,990 out of which an amount of Kshs.4,818,280 had already been paid being the full contract sum, while the anticipated total cost to completion was Kshs.9,267,188. No justification was provided for the variation of 92% in the cost of the Project.

3.0 Engagement of Casual Employees

As disclosed in Note 15 to the financial statements, the consolidated statement of financial performance reflects administration and central services expenses of Kshs.2,388,556,000 which includes total personal emoluments of Kshs.1,072,420,000. The latter balance includes an amount of Kshs.155,073,334 related to payment of wages for seven hundred and fifty-seven (757) casual employees in various departments. The casuals had worked continuously for a period of 12 months from July, 2018 to June, 2019 contrary to Section 37 of the Employment Act, 2007 and Section 2.3.4 of the University's Human Resource Policy Manual which states that casual employment may be offered to employees to perform defined tasks on a day to day basis and their remuneration shall be on a piece rate basis in accordance with the minimum wage guidelines set by the government. Such appointments may be for a specified period of time provided that it does not exceed three months. Further, the casuals had been performing tasks that were long term in nature.

Consequently, the University was in breach law and regulations.

4.0 Officers in Acting Capacity

As reported in the previous year, an audit of the payroll revealed payment of acting allowances amounting to Kshs.2,896,683 to staff who had been acting in various positions for over one year contrary to Section C.14 of Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that acting allowance would not be payable to an officer for more than six (6) months.

5.0 Construction of Library Annex Campus

The consolidated statement of financial position reflects property, plant and equipment balance of Kshs.9,904,167,000 which included work in progress amount of Kshs.5,086,788,000. The latter balance includes an amount of Kshs.126,013,694 incurred on the construction of the library at Annex Campus. A construction company was contracted through tender number MU/T/3/2016/2017 to build a library at Annex Campus for a contract sum of Kshs.115,837,459 on 7 November, 2016. The contract sum was later varied to Kshs.136,978,990.

However, the following observations were made regarding the project:

(i) Delay in Completion of the Project

According to the contract documents, the construction works of the Library were supposed to take forty (40) weeks. However, as at the time of audit in October, 2019, the project was about 90% complete and there was no approved extension as required under Section 139(2) of the Public Procurement and Asset Disposal Act, 2015. The Accounting Officer did not provide explanations for the cause of the delay in the execution of the project which had taken more than three years to complete and why there was no contract extension, yet the works were still ongoing. Further, continued delay in the completion of the works is likely to result in cost escalation.

(ii) Variation of the Contract

The University Management approved the variation of the contract by Kshs.21,141,531 which is equivalent to 18.5% of the contract sum of Kshs.115,837,459.00 on 23 January, 2018. However, there was no evidence that the variation of the contract was referred to the tender awarding authority in accordance with the provisions of Section 151(2) (e) of the Public Procurement and Asset Disposal Act, 2015. The contract variation was granted for an already expired contract since no evidence of contract extension was provided for audit review

(iii) Performance Bank Guarantee

The performance bank guarantee of Kshs.5,791,872.50 from a local bank expired on 31 October, 2017 and no evidence was provided to show that it was renewed.

(iv) Unaccounted for Project Management Fees

A review of the Bill of Quantities indicated that an amount of Kshs.675,000 allocated for project management fees was fully paid as at 30 May, 2019. However, the payments were not supported with payment schedules, site meeting minutes and the engineer's instructions. It was therefore not possible to confirm the propriety of the expenditure on management fees.

In view of the foregoing, the Management did not comply with the provisions of the Public Procurement and Asset Disposal Act, 2015 and conditions of the contract agreement in implementation of the project. The propriety and value for money on the expenditure of Kshs.126,013,694 could therefore not be confirmed.

6.0 Proposed Builders Works at School of Dentistry

Included in the work in progress balance of Kshs.5,086,788,000 is an amount of Kshs.62,998,750 incurred on the completion of builders works on the second floor of the School of Dentistry building. A construction company was contracted through tender number MU/T/35/2016/2017 to complete the works at a contract sum of Kshs.82,022,380 on 16 June, 2017.

However, the following observations were made on the Project:

(i) Delay in Completion of the Project

According to the contract documents, the completion works at the School of Dentistry was supposed to take thirty-two (32) weeks. However, as at the time of audit in October, 2019, the project was about 76% complete and there was no approved extension as required under Section 139(2) of the Public Procurement and Asset Disposal Act, 2015. The Accounting Officer did not explain the cause of the delay in the execution of the project which had taken more than two years to complete and why there was no contract extension yet the works were still in progress. Further, continued delay in the completion of the works is likely to result in cost escalation.

(ii) Performance Bank Guarantee

The performance bank guarantee of Kshs.1,700,000 from an Insurance Company issued on 8 February, 2017 expired in September, 2017 and no evidence was provided to show that it was renewed. Further, it was observed that the contractor provided a performance guarantee of Kshs.1,700,000 instead of Kshs.4,101,119 being five percent (5%) of the contract sum of Kshs.82,022,380 as stipulated in the contract. The University is therefore exposed in the event that the contractor fails to complete the Project.

(iii) Unaccounted for Project Management Fees

A review of the Bill of Quantities indicates that an amount of Kshs.500,000 had been allocated in respect of project management fees and an amount of Kshs.400,000 had

been incurred as at 26 June, 2019. However, the payments were not supported by payment schedules, site meeting minutes and the engineer's instructions. It was therefore not possible to confirm the propriety of the expenditure of management fees of Kshs.400,000.

Consequently, the Management did not comply with the provisions of the Public Procurement and Asset Disposal Act, 2015 and conditions of the contract agreement in implementation of the Project. The propriety and value for money on the expenditure of Kshs.62,998,750 could not be confirmed.

7.0 Loss Making Commercial Ventures

7.1 Elimu Millers

The consolidated statement of financial performance reflects Elimu Millers income amount of Kshs.9,045,000 (2018 - Kshs.23,295,000). However, the corresponding expenditure was indicated as Kshs.15,171,000 (2018 - Kshs.24,655,000) resulting in a loss of Kshs.6,126,000 (2018 loss – Kshs.1,360,000). The loss-making trend of the unit might therefore deplete resources earmarked for other activities.

7.2 Farm Operations

The consolidated statement of financial performance reflects a farm income amount of Kshs.7,098,000 (2018- Kshs.8,534,000). However, the corresponding expenditure was indicated as Kshs.9,605,000 (2018- Kshs.13,483,000) resulting in a loss of Kshs.2,507,000 (2018 loss – Kshs.4,949,000). The loss-making trend of the unit might therefore deplete resources earmarked for other activities.

The continued deficit position of the two ventures needs to be reversed to ensure sustainability of the projects to avoid negative impact on the overall financial performance of the University.

8.0 Failure to Observe a Third Rule on Basic Salary

A review of the payroll for the month of June, 2019 revealed that two hundred and forty-eight (248) employees of the University earned net salaries less than a third of their respective basic salaries. This is contrary to Section 19(3) of the Employment Act, 2007 which provides that the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

Consequently, the Management was in breach of the law.

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

REPORT ON EFFECTIVENESS INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

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 those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to 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 to continue as a going concern or 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 Moi 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

06 July, 2021

MOI UNIVERSITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

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

	Notes	Moi University Kes'000	Rivatex Kes'000	2018-2019 Kes'000	2017-2018 Kes'000
Revenue from non-exchange transactions					
Grants from National Government	6	3,449,415	-	3,449,415	4,196,909
Donations	7	-	-	-	24,365
		3,449,415	-	3,449,415	4,221,274
Revenue from exchange transactions					
Tuition and related charges	8	2,114,509	-	2,114,509	2,014,724
Rivatex gross profit	9	-	(52,525)	(52,525)	(34,579)
Other services rendered	10	425,871	-	425,871	297,496
Sundry income	11	211,571	19,600	231,171	222,031
Elimu Millers income	12	9,045	-	9,045	23,295
Farm income	13	7,098	-	7,098	8,534
		2,768,094	(32,925)	2,734,091	2,531,501
Total revenue		6,217,509	(32,925)	6,184,006	6,752,775
Expenses					
Academics departments expenses	14	3,561,311	-	3,561,311	4,151,672
Administration and central services	15	2,274,018	114,538	2,388,556	2,429,914
Academic services	16&17	265,119	-	265,119	325,547
General educational services	18	43,652	-	43,652	61,990
Maintenance of premises	19	470,462	-	470,462	321,552
Staff and students' welfare	20	180,770	-	180,770	144,720
Miscellaneous expenses	21	2,718	-	2,718	11,054
Elimu millers expenses	12	15,171	-	15,171	24,665
Farm expenses	13	9,605	-	9,605	13,483
Total expenses		6,822,826	114,538	6,937,364	7,484,587
Deficit for the year		(605,317)	(147,463)	(753,358)	(731,812)

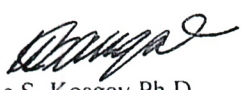
The notes set out on pages 6 to 39 form an integral part of these Financial Statements

MOI UNIVERSITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

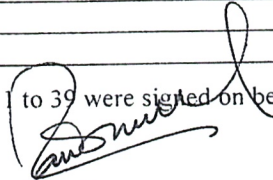
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

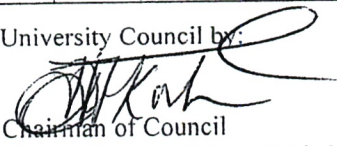
	Notes	2018-2019 Kes'000	2017-2018 Kes'000
Assets			
Current assets			
Cash and cash equivalents	24	920,013	988,434
Receivables from exchange transactions	25	864,097	1,003,509
Receivables from non-exchange transactions	27	1,056,899	373,436
Inventories	28	1,149,650	718,598
Biological assets	29	104,221	2,939
		4,094,880	3,086,916
Non-current assets			
Property, plant and equipment	31	9,904,167	6,621,457
Intangible assets	32	9,307	-
Biological assets	29	4,655	5,372
		9,918,129	6,626,829
Total assets		14,013,009	9,713,745
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	33	4,223,207	2,944,284
Provisions	34	10,980	7,710
Deferred income	35	268,009	-
Debit bank balances	36	-	16,171
		4,502,196	2,968,165
Non-current liabilities			
GoK loan	37	231,250	231,250
		231,250	231,250
Total liabilities		4,733,446	3,199,415
Net assets		9,279,563	6,514,330
Capital reserve		12,017,466	8,498,855
Revaluation reserve		73,653	73,653
Revenue reserve		(2,811,536)	(2,058,178)
Total reserves		9,279,563	6,514,330

The Financial Statements set out on pages 1 to 39 were signed on behalf of the University Council by:

Vice Chancellor 
 Name: Prof. Isaac S. Kosgey, Ph.D.

Date: 05/12/19

DVC - Finance 
 Name: Prof. Daniel Tarus
 ICPAK Member Number: 12230
 Date: 05 December, 2019

Chairman of Council 
 Name: Dr. Jeremiah N. Koshal

Date: 5/12/2019

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

	Capital reserve	Revenue reserve	Revaluation reserve	Total
	Kesh'000	Kes'000	Kes'000	Kes'000
At July 1, 2017	7,611,105	(1,326,366)	73,653	6,358,392
Deficit for the year	-	(731,812)	-	(731,812)
Capital/Development grants received during the year	887,750	-	-	887,750
At June 30, 2018	8,498,855	(2,058,178)	73,653	6,514,330
At July 1, 2018	8,498,855	(2,058,178)	73,653	6,514,330
Deficit for the year	-	(753,358)	-	(753,358)
Revaluation gain				
Capital/Development grants received during the year – Moi University	288,529	-	-	288,529
Capital/Development grants received during the year – Rivatex E.A Ltd	830,000	-	-	830,000
Capital grants transferred by MU to Rivatex	(150,500)	-	-	(150,500)
Capital grants received by Rivatex from MU	150,500	-	-	150,500
Machines acquired through Exim Bank	2,400,062	-	-	2,400,062
At June 30, 2019	12,017,466	(2,811,536)	73,653	9,279,563

MOI UNIVERSITY
Annual Reports and Financial Statements
For the year ended June 30, 2019

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2018-2019	2017-2018
		Kes'000	Kes'000
Deficit for the year		(753,358)	(731,812)
Adjustments for:-			
Depreciation	31	106,767	121,551
Interest income		-	(35,319)
Gain on disposal of fixed assets		-	(2,881)
Provision for audit fees	15	3,770	3,980
Increase in provision for doubtful debts	15	40,134	14,817
Operating deficit before working capital changes		(602,687)	(629,664)
Increase in inventories		(431,131)	(4,312)
Decrease in biological assets		(100,565)	213
Increase in trade and other payables		1,281,979	691,800
Provision for audit fees		(3,770)	(3,980)
Increase in provision for doubtful debts		(40,134)	(14,817)
Increase in trade and other receivables		(544,051)	(316,786)
Increase in deferred income	35	268,009	-
		430,416	352,118
Net cash flows from operating activities		(172,271)	(277,546)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets 31		(3,398,570)	(695,876)
Proceeds from sale of property, plant and equipment		-	2,881
Interest received		-	35,319
Net cash flows used in investing activities		(3,398,570)	(657,676)
Cash flows from financing activities			
Capital development grants from GoK	6	1,118,529	887,750
Capital assets from Exim Bank		2,400,062	-
Net cash flows from financing activities		3,518,591	887,750
Net increase/(decrease) in cash and cash equivalents		(52,250)	(47,472)
Cash and cash equivalents at 1 July	24&36	972,263	1,019,735
Cash and cash equivalents at 30 June	24	920,013	972,263

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

	Rationalized budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000
Revenue					
Exchequer grants	2,939,075	510,340	3,449,415	3,449,415	-
Tuition and related charges	539,042	-	539,042	657,915	118,873
Privately sponsored students fees	2,648,624	-	2,648,624	1,164,310	(1,484,314)
Students accommodation fees	52,133	-	52,133	134,519	82,386
Students field trips/courses	176,750	-	176,750	162,516	(14,234)
Students activities	49,291	-	49,291	35,406	(13,885)
Research funds	91,937	-	91,937	127,695	35,758
Farm income	14,047	-	14,047	7,098	(6,949)
Rental income	3,609	-	3,609	5,546	1,937
MU Technologies income	-	150,000	150,000	553,495	403,495
Elimu millers income	71,501	-	71,501	9,045	(62,456)
Other income	101,615	-	101,615	335,595	233,980
Total income	6,687,625	660,340	7,347,965	6,642,555	(705,409)
Expenses					
Personal emoluments					
Basic salaries	2,928,595	-	2,928,595	2,685,986	242,609
Gratuity and pensions contributions	388,790	-	388,790	386,718	2,072
House allowance	1,168,113	-	1,168,113	1,078,941	89,172
Other personal allowances	355,903	-	355,903	318,019	37,884
Commuting allowance	374,293	-	374,293	355,627	18,666
Passage and leave allowance	25,718	-	25,718	16,720	8,998
Sub-total	5,241,411	-	5,241,411	4,842,011	399,401
Operations and maintenance expenses					
Medical expenses	117,786	-	117,786	102,223	15,563
Transport operating expenses	8,234	-	8,234	7,051	1,183

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For the year ended June 30, 2019

Travelling and accommodation expenses	16,095	-	16,095	8,766	7,329
External travel and accommodation expenses	3,210	-	3,210	1,116	2,094
External examiners	12,147	-	12,147	12,197	(50)
Postal expenses	623	-	623	510	113
Telephone expenses	80	-	80	78	2
Internet expenses	32,385	-	32,385	30,889	1,496
Official entertainment	509	-	509	-	509
Deans committee and senate expenses	3,208	-	3,208	2,300	908
Conferences and seminars	3,003	-	3,003	2,014	989
Council expenses	27,803	-	27,803	24,897	2,906
Staff welfare support and funeral expenses	1,583	-	1,583	826	757
Graduation expenses	24,509	-	24,509	18,651	5,858
Open and cultural day expenses	200	-	200	-	200
Electricity, water and conservancy expenses	142,287	-	142,287	154,955	(12,668)
Teaching materials	46,709	-	46,709	35,031	11,678
Publishing and printing expenses	1,784	-	1,784	1,163	621
Purchase of uniforms and clothing	699	-	699	467	232
Library expenses	21,936	-	21,936	9,759	12,177
Purchase of stationery	18,792	-	18,792	10,374	8,418
Advertising and publicity	14,966	-	14,966	7,497	7,469
Audit fees and expenses	13,977	-	13,977	11,535	2,442
Payment of rent and rates	212,087	-	212,087	159,065	53,022
Computer expenses	3,007	-	3,007	1,469	1,538
Insurance expenses	27,990	-	27,990	12,263	15,727
Legal expenses	6,741	-	6,741	2,226	4,515
Cleaning materials and detergents	2,808	-	2,808	3,140	(332)
Farm expenses	8,965	-	8,965	9,605	(640)
Training expenses	4,633	-	4,633	915	3,718
Post graduate programme	770	-	770	237	533
University research programme	1,350	-	1,350	533	817
Purchase of motor vehicles	11,000	-	11,000	3,960	7,040
Purchase of plant and equipment	20,230	-	20,230	16,859	3,371

For the year ended June 30, 2019

Maintenance of plant and equipment	1,188	-	1,188	962	226
Maintenance of buildings	9,509	-	9,509	5,099	4,410
Maintenance of computers	609	-	609	-	609
Maintenance of catering and hostels facilities	12,314	-	12,314	9,914	2,400
Maintenance of water supplies	4,678	-	4,678	3,890	788
Maintenance of playgrounds	1,049	-	1,049	459	590
ICT infrastructure	1,913	-	1,913	1,020	893
ERP expenses	10,000	-	10,000	9,307	693
IODL expenses	3,120	-	3,120	3,000	120
Payment of outstanding debts	141,440	510,340	651,780	85,497	566,283
Programme accreditation costs	6,600	-	6,600	2,080	4,520
Contract services and subscriptions	19,276	-	19,276	8,271	11,005
PSSP disbursements and costs	120,703	-	120,703	42,546	78,157
Research funds disbursements	98,035	-	98,035	107,133	(9,098)
Students field trips/courses	113,385	-	113,385	114,949	(1,564)
MU Technologies expenses	-	150,000	150,000	166,266	(16,266)
Students activities	36,433	-	36,433	15,775	20,658
Contingent expenses	3,957	-	3,957	3,702	255
Satellite campuses expenses	1,986	-	1,986	1,499	487
ISO and ISO related expenses	7,900	-	7,900	5,357	2,543
Strategic plan implementation and monitoring	4,905	-	4,905	3,239	1,666
Performance contracting expenses	9,274	-	9,274	7,433	1,841
Revaluation of fixed assets	2,030	-	2,030	-	2,030
Elimu millers expenses	15,507	-	15,507	15,171	336
KUCCPS placement costs	6,282	-	6,282	4,700	1,582
Directorate of communication expenses	1,003	-	1,003	437	566
Sub-total	1,446,212	660,340	2,106,552	1,270,277	836,275
Total expenditure	6,687,624	660,340	7,347,964	6,112,288	1,235,676
Surplus/(deficit) for the period	-	-	-	530,267	530,267

Budget notes

1. The adjustments to the budget were due to Supplementary Estimates II funds for FY 2018/19 amounting to Kes 510,340,142 that were received in FY 2019/20 and an adjustment of Kes 150,000,000 to the MU Technologies budget.

Annual Reports and Financial Statements
For the year ended June 30, 2019

2. Reconciliation between the statement of financial performance and the actual on comparable basis

	Kes'000	Kes'000
Surplus as per actual on comparable basis		530,267
Less: Purchase of plant and equipment	16,869	
Purchase of motor vehicles	3,960	
Payment of outstanding debts	85,497	
PSSP disbursements and costs	42,546	(148,872)
		381,395
Add: Rivatex expenditure	114,538	
Rivatex gross loss	32,925	147,463
		528,858
Less: Collections relating to previous year	425,046	
Depreciation and accrued expenses	857,170	(1,282,216)
Deficit as per statement of financial performance		(753,358)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Moi University was established under the Moi University Act in 1984 as the second Public University in Kenya. The University derives its authority and accountability from Universities Act, 2012 and the Moi University Charter 2013. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is the provision of University education through teaching, research and outreach.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Universities Act, 2012 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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 40: Public Sector Combinations	Applicable: 1st January 2019 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 are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (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:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

iii. Early adoption of standards

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Rendering of services

The University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2018-2019 was approved by the University Council in July 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the University upon receiving the respective approvals in order to conclude the final budget. Accordingly, the University recorded additional appropriations of Kes. 510,340,142 on the 2018-2019 budget following the University Council's approval.

The University's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Deferred tax

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

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

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

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

d) Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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

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

e) Property, plant and equipment

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The University also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the University will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the University has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The University assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

j) Inventories

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

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Inventories (Continued)

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

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

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

Biological assets are measured at fair values less estimated point of sale costs. Fair value is determined based on the present location and condition of the biological assets. The fair value is based on the market price at the local Cheptiret Market, less transport and other costs charged at the market. The fair value of crops in the field is determined based on the costs incurred as at year end. This is because costs approximate fair value since little biological transformation has taken place since the initial cost incurrence and the market of the biological transformation on price is not material.

k) Provisions

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

Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent liabilities

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

Contingent assets

The University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

more uncertain future events not wholly within the control of the University in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. The University's reserves and their purpose are stated in the statement of changes in net assets.

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

The University provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the University pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

o) Foreign currency transactions

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

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Related parties

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Subsequent events

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

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the University's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the University

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

- 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

The annual depreciation rates in use are:

- | | |
|----------------------------------|-------|
| • Buildings | 2% |
| • Furniture, Plant and Equipment | 12.5% |
| • Motor Vehicles | 25% |
| • Computers | 33.3% |

Leasehold land is amortised over the unexpired period of the lease

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6 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

Provisions

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

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

6 GRANTS FROM NATIONAL GOVERNMENT

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kes'000	Amount deferred under deferred income Kes'000	Amount recognised in capital reserve	Total grant income during the year	2017-2018
			Kes'000	Kes'000	Kes'000
State Department for University Education and Research	3,449,415	-	288,529	3,737,944	4,578,401
Ministry of Industry, Trade and Cooperatives	-	-	830,000	830,000	506,250
Total	3,449,415	-	1,118,529	4,567,944	4,578,401

7 DONATIONS

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Seeding Laboratories	-	24,365
Total	-	24,365

The donation comprised of laboratory equipment from the Seeding Labs, USA,

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 TUITION AND RELATED CHARGES

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Tuition fees	1,716,498	1,664,763
Registration fees	10,133	12,274
Students' ID fees	2,974	2,179
Examination fees	44,341	45,457
Medical fees	48,279	49,186
Activity fees	35,406	32,657
Games and sports fees	9,931	5,921
Computer fees	30,549	22,273
Internet connectivity fees	19,910	6,869
Application fees	3,475	8,602
Workshop/attachment fees	162,516	133,876
Amenity fees	30,497	30,667
Total tuition and related charges	2,114,509	2,014,724

9 RIVATEX GROSS PROFIT

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Sales		
Printed fabrics	39,852	47,198
Dyed	20,608	23,112
Cloth (Grey)	3,373	3,893
Bleached	4,744	5,474
Garments	35,631	41,116
Waste	527	608
Other	211	243
Total Sales	104,946	121,644
Cost of sales		
Direct costs		
Opening stocks	70,351	94,664
Purchases	87,208	24,435
Closing stocks	(106,150)	(70,351)
Cost of raw materials	51,409	48,748
Direct labour	38,353	25,566
Factory electricity	23,411	25,172
Factory water	6,047	4,360
	119,220	55,098
Indirect costs		

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Firewood expenses	5,135	4,608
Salaries and wages	41,835	41,929
Packaging materials	357	315
Designs and screens	530	338
Lubricants and oils	382	2,371
Staff uniforms and consumables	702	4,100
Spares and consumables	823	342
Tailoring consumables	6,344	6,540
Depreciation	41,528	38,486
	97,636	99,029
	216,856	202,875
Add: Opening Work in progress	279,925	245,854
Less: Closing Work in progress	(317,517)	(279,925)
Cost of good manufactured	179,264	
Add: Opening Finished goods	57,932	45,351
Less: Closing Finished goods	(79,725)	(57,932)
Cost of Sales	157,471	156,223
Gross profit	(52,525)	(34,579)

10 OTHER SERVICES RENDERED

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Bookshop sales	320	1,924
Accommodation and catering services	134,519	53,023
MU Technologies income*	285,486	235,621
Rental income	5,546	6,928
Total income from other services rendered	425,871	297,496

*The University won the tender to supply digital learning devices to 26 counties under the Digital Literacy Programme and mobile devices, solar chargers and power banks to the Kenya Bureau of Statistics for the Kenya Population and Housing Census (KPHC), 2019. This income relates to distribution and installation services and first line support to the schools and the digital devices for KPHC.

11 SUNDRY INCOME

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Sale of tender documents	28	67
Water sales	711	429
Graduation fees	37,353	8,003
Interest income	-	35,319
Parking fees	9,434	8,657

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Research grants	127,695	66,428
Fines	4,225	3,785
Miscellaneous	32,925	95,262
Gain on disposal of fixed assets	-	2,881
Other income – Rivatex (lease of m.vehicle)	1,800	1,200
Other income – Rivatex (training fee)	17,800	-
Total sundry income	231,171	222,031

12 ELIMU MILLERS REVENUE ACCOUNT

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Sales	9,045	23,295
Opening stocks	1,847	1,455
Operating expenses	13,637	25,047
Closing stocks	(313)	(1,847)
Cost of sales	15,171	24,655
Deficit for the year	(6,126)	(1,360)

13 FARM REVENUE ACCOUNT

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Sales	7,098	8,534
Opening stocks	5,401	8,862
Operating expenses	8,260	3,427
Personnel costs	4,252	6,595
Closing stocks	(8,308)	(5,401)
Cost of sales	9,605	13,483
Deficit for the year	(2,507)	(4,949)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 ACADEMIC DEPARTMENTS EXPENSES

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Personal emoluments	1,923,811	2,367,332
House allowance	638,733	779,626
Responsibility allowance	235,202	267,147
Car allowance	134,684	135,128
Entertainment allowance	16,017	17,732
Commuting allowance	35,316	55,948
Gratuity and retirement benefits	190,544	288,551
Teaching and office expenses	17,413	35,206
Travelling and accommodation expenses	1,634	311
Stationery	1,497	1,111
Vehicle running expenses	1,759	856
Staff development	751	4,136
University research programme	124,519	12,919
Field courses	114,949	71,820
CUE Quality charges	9,533	5,476
Special grants research expenses	114,949	108,274
Books and journals	-	99
Total academic departments expenses	3,561,311	4,151,672

15 ADMINISTRATION AND CENTRAL EXPENSES

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Personal emoluments	1,072,420	1,194,371
House allowance	287,614	371,007
Responsibility allowance	43,957	53,370
Car allowance	66,159	65,705
Entertainment allowance	5,223	5,427
Commuting allowance	66,232	83,233
Advertisement and publicity	23,003	16,746
Gratuity and retirement benefits	76,244	119,945
Office expenses	13,729	5,889
Travelling and accommodation expenses	6,879	8,591
Telephone and internet expenses	54,614	19,295
Purchase of uniforms	94	181
Vehicle running expenses	3,737	2,920
Insurance and legal expenses	14,489	23,588
Council and senate expenses	25,918	25,485
Passage and baggage expenses	1,587	411
Publishing and printing expenses	158	215
Ceremonial and funeral expenses	1,373	1,900

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Provision for audit fees	3,770	3,730
Bookshop expenditure	2,713	24,289
Books and journals	58	16
Increase in provision for doubtful debts	40,134	14,817
Miscellaneous expenses	44,578	17,703
ISO and ISO related expenses	5,179	8,054
Depreciation	60,625	78,788
Digital Literacy Programme expenses	365,436	177,251
Postal and telegram expenses	510	555
Rivatex administration expenses	45,404	46,383
Rivatex sales and marketing expenses	10,379	10,427
Rivatex personnel expenses	46,340	49,621
Total administration and central expenses	2,388,556	2,429,914

16 ACADEMIC SERVICES EXPENSES

	2018-2019	2017-2018
	Kes	Kes
Personal emoluments	122,391	188,281
House allowance	64,414	73,987
Responsibility allowance	1,708	2,656
Car allowance	14,527	13,625
Entertainment allowance	630	1,515
Commuting allowance	9,563	12,267
Gratuity and retirement benefits	16,059	26,034
Office expenses	376	1,261
Library books	34,026	-
Travelling and accommodation	108	-
Vehicle running expenses	154	-
Uniforms	37	-
Books and journals	114	-
Total academic services expenses	264,107	319,626

17 COMPUTER SERVICES EXPENSES

	2018-2019	2017-2018
	Kes	Kes
Personal emoluments	772	5,824
House allowance	-	57
Responsibility allowance	3	-
Travelling and accommodation	145	-
Commuting allowance	-	30
Gratuity and retirement benefits	-	10
Office expenses	92	-
Total computer services expenses	1,012	5,921
Total academic and computer services expenses	265,119	325,547

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 GENERAL EDUCATIONAL SERVICES EXPENSES

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Graduation expenses	11,642	13,938
Students' admission and examination exp	13,484	28,231
External examiners expenses	12,197	10,256
Staff development – non academic	280	1,087
External travel and accommodation	1,116	5,908
Conferences and seminars	4,933	2,570
Total general educational services exp	43,652	61,990

19 MAINTENANCE OF PREMISES

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Rent and rates	230,457	171,177
Electricity, water and conservancy	210,988	144,530
Maintenance of buildings	16,322	5,845
Maintenance of plant and equipment	12,695	10,520
Total maintenance of premises	470,462	332,072

20 STAFF AND STUDENTS' WELFARE

Description	2018-2019	2017-2018
	Kes'000	Kes'000
University medical scheme	104,457	100,742
Recruitment expenses	5	178
Passage and leave	15,134	15,064
Hotel accommodation and hospitality	-	257
Students' accommodation and catering	37,246	13,618
Students' welfare services	23,928	14,861
Total staff and students' welfare	180,770	144,720

21 MISCELLANEOUS EXPENSES

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Parking yard expenses	1,106	
Others	1,612	534
Total miscellaneous expenses	2,718	534

22 BOOKSHOP REVENUE ACCOUNT

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Sales	320	1,924
Cost of sales		
Opening stocks	16,284	16,588
Purchases	832	1,440
	17,116	18,028
Closing stocks	(15,455)	(16,284)
	1,661	1,744
Gross profit	(1,341)	180
Salaries and wages	(1,052)	(22,545)
Deficit for the year	(2,393)	(22,365)

23 MU TECHNOLOGIES REVENUE ACCOUNT

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Sales	285,486	235,621
Cost of sales		
Opening stocks	-	-
Purchases	521,673	-
Operating expenses	166,266	177,251
Closing stocks	(322,503)	-
	365,436	177,251
(Deficit)/surplus for the year	(79,950)	58,370

24 CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Current accounts	915,890	988,434
Mpesa/cash at hand	4,123	3,397
Total cash and cash equivalents	920,013	988,434

24(a).DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	2018-2019	2017-2018
	Kes'000	Kes'000
a) Current account		
Barclays Bank of Kenya	27,821	20,933

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Co-operative Bank of Kenya		4,260	8,378
Equity Bank		672	1,852
Kenya Commercial Bank		522,622	348,206
National Bank of Kenya		304,785	396,386
Standard Chartered Bank		712	4,242
Trans-National Bank		11,049	15,200
Equity Bank - Rivatex		31,109	189,840
KCB - Rivatex		12,860	
Sub- total		915,890	985,037
b) Mpesa/Cash at hand			
Mpesa		4,058	3,357
Cash at hand		65	40
Sub- total		4,123	3,397
Grand total		920,013	988,434

25 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Students' fees debtors	894,740	756,092
Bookshop/imprest/other debtors	17,342	27,518
ICT Authority	17,078	245,007
Farm debtors	773	4,952
Elimu millers debtors	303	6,549
Rivatex E.A Ltd debtors	52,714	58,263
Other PSSP debtors	800	800
Alupe University college	56,651	87,696
Other trade receivables	47,381	-
	1,087,782	1,186,877
Less: impairment allowance	(223,685)	(183,368)
Total	864,097	1,003,509

26 RIVATEX RECEIVABLES

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Current receivables		
Trade receivables	49,779	43,780
Prepayments	2,555	14,103
Utilities deposits	380	380
Total Rivatex receivables	52,714	58,263
Rivatex prepayments		
Manawa Ginneries	-	13,979
Seragraphics Ltd	-	124
Prepaid insurance	2,555	-
	2,555	14,103

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	Kes'000	Kes'000
CBA Unfunded Employer's contributions to Pension and Provident Fund	546,559	373,435
State Department for University Education	510,340	-
Total	1,056,899	373,435

The employers' pension and provident fund contributions relating to Collective Bargaining Agreements relating to the periods 2010-2013 and 2013-2017 have not been funded. The amounts above relate to the amounts due to be received as a result of the CBAs.

28 INVENTORIES

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Main	27,149	34,066
Catering	1,996	1,666
Rivatex inventories	781,958	659,350
Farm	275	5,401
Bookshop	15,455	16,268
Elimu millers	313	1,847
MU Technologies	322,504	-
Total inventories at the lower of cost and net realizable value	1,149,650	718,598

29 BIOLOGICAL ASSETS

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Livestock	4,655	5,372
Crops in the field	3,378	2,939
Cottons – Rivatex E.A Ltd	100,843	-
Total biological assets	108,876	8,311

30 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Property, plant and equipment	60,185	78,348
Amortization	440	440
Property, plant and equipment - Rivatex	46,142	42,763
Total	106,767	121,551

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	W.I.P	Furniture, plant and equipment	Computers, printers and copiers	Motor vehicles and aeroplanes	Total
Cost	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000
At 1 July 2017	598,037	3,712,524	1,795,306	1,200,738	425,540	394,535	8,126,680
Additions – Moi University	-	-	214,760	57,904	6,628	43,571	322,863
-Rivatex E.A Ltd	-	86	371,559	641	565	162	373,013
W.I.P capitalized	-	356,473	(361,875)	5,402	-	-	-
Disposals	-	-	-	(769)	(3,615)	(9,213)	(13,597)
At 30th June 2018	598,037	4,069,083	2,019,750	1,263,916	429,118	429,055	8,808,959
Additions - MU	-	-	134,738	28,615	5,609	12,970	181,932
Additions - Rivatex	-	9,727	788,323	1,080	1,027	7,109	807,266
Additions – Rivatex LMW Exim machines	-	-	2,400,062	-	-	-	2,400,062
Disposals - Rivatex	-	-	-	(4,435)	(14,740)	(2,345)	(21,520)
Transfers	-	-	(256,085)	256,085	-	-	-
At 30th June 2019	598,037	4,078,810	5,086,788	1,545,261	421,014	446,789	12,176,699
Depreciation							
At 1 July 2017	(38,275)	(942,889)	-	(466,606)	(375,689)	(255,872)	(2,079,548)
Depreciation – Moi University	-	(56,473)	-	(10,009)	(7,707)	(4,159)	(78,348)
Depreciation - Rivatex	-	(2,850)	-	(29,061)	(4,666)	(5,435)	(42,012)
Amortization – Moi University	(440)	-	-	-	-	-	(440)
Amortization - Rivatex	(751)	-	-	-	-	-	(751)
Disposals	-	-	-	769	3,615	9,213	13,597
At 30 June 2018	(39,466)	(1,002,212)	-	(504,907)	(384,447)	(256,253)	(2,187,285)
Depreciation - MU	(440)	(39,502)	-	(9,569)	(6,436)	(4,678)	(60,625)
Depreciation - Rivatex	(751)	(3,093)	-	(35,412)	(856)	(6,030)	(46,142)
Disposals - Rivatex	-	-	-	4,435	14,740	2,345	21,520

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At 30 th June 2019	(40,657)	(1,044,807)	-	(545,453)	(376,999)	(264,616)	(2,272,532)
Net book values							
At 30 th June 2019	557,380	3,034,003	5,086,788	999,808	44,015	182,173	9,904,167
At 30 th June 2018	558,571	3,066,871	2,019,750	759,009	44,671	172,802	6,621,457

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 INTANGIBLE ASSETS-SOFTWARE

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Cost		
At beginning of the year	-	-
Additions	9,307	-
At end of the year	9,307	-

33 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Recurrent and capital payables	4,152,576	2,864,012
Students' holding accounts	43,934	72,433
Rivatex E.A Ltd payables	26,697	8,839
Total trade and other payables	4,223,207	2,452,886

34 OTHER LIABILITIES AND PROVISIONS

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Provision for audit fees – Moi Univ	10,690	7,460
Provision for audit fees - Rivatex	290	250
Total deposits	10,980	7,710

35 DEFERRED INCOME

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Kenya National Bureau of Statistics	268,009	-
Total deferred income	268,009	-

The deferred income movement is as follows:

	KNBS		Total
	Kes'000		Kes'000
Balance brought forward	-		-
Additions	268,009		268,009
Transfers to income statement	-		-
Balance carried forward	268,009		268,009

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 DEBIT BANK BALANCE

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Rivatex E.A Ltd	-	16,171
	-	16,171

37 BORROWINGS – GoK LOAN

Description	2018-2019	2017-2018
	Kes'000	Kes'000
Balance at beginning of the period	231,250	231,250
Repayments of borrowings during the period	-	-
Balance at end of the period	231,250	231,250

38 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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38. FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kes'000	Fully performing Kes'000	Past due Kes'000	Impaired Kes'000
At 30 June 2019				
Receivables from exchange transactions	1,087,782	837,065	221,845	223,685
Receivables from non-exchange transactions	1,056,877	510,340	546,559	-
Bank balances	920,013	920,013	-	-
Total	3,064,672	2,267,418	768,404	223,685
At 30 June 2018				
Receivables from exchange transactions	1,186,377	815,664	187,345	183,368
Receivables from non-exchange transactions	373,435	-	373,435	-
Bank balances	972,263	972,263	-	-
Total	2,532,075	1,787,927	560,780	183,368

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from students' fees.

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

(ii) Liquidity risk management

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

(iii) Market risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38. FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

a) Foreign currency risk

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

The University manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

Interest rate risk is the risk that the University's financial condition may be adversely affected as a result of changes in interest rate levels. The University's interest rate risk arises from bank deposits. This exposes the University to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The University analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

MOI UNIVERSITY**Annual Reports and Financial Statements****For the year ended June 30, 2019****NOTES TO THE FINANCIAL STATEMENTS (Continued)****39 RELATED PARTY BALANCES****Nature of related party relationships**

Entities and other parties related to the University include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the University, holding 100% of the University's equity interest. Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) University Council Members;
- iv) Key Senior Management;
- v) Rivatex E.A Limited

	2018-2019	2017-2018
	Kes'000	Kes'000
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	4,567,944	4,578,409
Total	4,567,944	4,578,409
b) Transfers to Related Parties		
Transfers of capital grants to Rivatex E.A Limited	150,500	350,000
Total		
c) Key management compensation		
Council members allowances	19,340	38,780
Compensation to key management		80,295

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 TAXATION

This note on taxation refers to corporation tax position for Rivatex E.A Limited

	2018-2019	2017-2018
	Kes'000	Kes'000
At beginning of the year	(2,175,335)	(1,728,100)
Tax loss for the year	(356,324)	(447,235)
Income tax paid during the year	-	-
At end of the year	(2,531,659)	(2,175,335)

41 EVENTS AFTER THE REPORTING PERIOD

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

42 ULTIMATE AND HOLDING ENTITY

Moi University is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

43 Currency

The financial statements are presented in Kenya Shillings (Kes) rounded to the nearest one thousand shillings.

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. 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)	Timeframe: (Put a date when you expect the issue to be resolved)
2.0	Included in note 22 in the financial statements is other PSSP debtors balance of Kes 800,000, which has been outstanding for more than three years and whose supporting documents were not provided for audit verification.	<p>This is a debt due from Moi University Secondary School that arose out of an advance the University made to the School to assist it at the time.</p> <p>The School had written to the University indicating its inability to repay the debt due to its current financial status. The University Management discussed the issue and while agreeing in principle to write off the debt, requested the School to provide its audited financial statements to back up its claim of inability to repay the debt.</p> <p>Since the amount to be written off exceeds Kes 100,000 threshold set in the PFM Regulations, after approval by Council the University will write to the Cabinet Secretary as set out in the Regulations.</p>	Prof. Daniel Tarus – Ag. DVC-Finance	Not resolved	30 June 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.0	<p>Unremitted Employee Benefit Obligations Included in the total trade and other payables from exchange transactions balance of Kes. 2,944,284,000 is pension fund contribution of Kes. 475,733,877 and provident fund contribution of Kes. 10,623,871 all totaling to Kes. 486,357,748 which had not been remitted to the respective pension managers and trustees contrary to the Retirement Benefits Act, No. 3 of 1997 which requires employers to remit pension deductions to respective scheme within 15 days of making deductions.</p>	<p>The Collective Bargaining Agreements (CBAs) signed between the three unions representing staff at the University for the period 2010-2013 and 2013-2017 led to increases in the employees' basic pay and house allowances. The increase in the basic pay meant that the employees' and employer's pension contributions increased. However, as at the accounting date, in both the 2010-2013 and 2013-2017 CBAs, the employer's pension contributions had not been funded and the amounts remitted to public universities in order to pay the contributions. This led to delays in making remittances as public universities, with dwindling exchequer funding, are struggling to make the payments. The University Management has had meetings with the Retirement Benefits Authority to discuss ways of</p>	Prof Daniel Tarus – DVC Finance	Not resolved	30 June 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>resolving the matter. A viable remedial action plan will be discussed and agreed with the trustees. The discussions will also explore capping the interest charged on the outstanding amounts, or request to waiver of all interest charges and repay only the principal amounts.</p> <p>The University approved payments to the Pension Scheme and Provident Fund amounting to Kes 116,066,728 and 19,136,391 respectively from the funds received from GoK on Supplementary II for FY 2018/2019.</p>			
4.0	<p>Unserviced Long Term GoK Loan</p> <p>The GoK loan balance of Kes 231,250,000 relates to outstanding GoK loan advanced to the University to facilitate the acquisition of its Karatina Campus. The Campus was gazette as a constituent college of Moi University through Legal Notice No. 34 of 1 October 2010. According</p>	<p>Clause V (3.2) of the Loan Agreement between the Government and Moi University states that the Government must give consent in writing to transfer/assign the outstanding loan. The two institutions wrote to the National Treasury seeking the consent as provided for in the loan agreement following the</p>	Prof Daniel Tarus – DVC Finance	Not resolved	30 June 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>to the order establishing the college all rights, liabilities and assets held by anybody on behalf of the college shall automatically and fully be transferred to the college. However, the loan has not been transferred to Karatina University as per the order and it remains unserviced since the date of gazettelement of Karatina Campus. Although Moi University has written to the Government seeking consent to assign the loan to Karatina University, no evidence was provided to show that the consent was given.</p> <p>In view of the foregoing, the justification of the continued retention of the loan in the books of Moi University, its repayment and liability for interest/penalties accruing due to non-repayment of the loan could not be confirmed.</p>	<p>signing of the handing/taking over of assets and liabilities. The two institutions are also sought segregated loan schedules indicating the amount payable by each institution to facilitate the repayment of respective loan balances. Consequently the University received and signed a Subsidiary Loan Agreement from the National Treasury that now allocated the loan between Moi University and Karatina University.</p> <p>We are following up the issue so that we receive back the fully signed Subsidiary Loan Agreement and consent to transfer the portion of the loan belonging to Karatina University. We will then remove the portion of that loan from the books of Moi University based on the written consent.</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p>Construction of Main Gate</p> <p>The work in progress figure includes expenditure on construction of the main gate amounting to Kes. 4,818,280. According to the contract agreement, the contract was to commence on 23 January 2017 and take 16 weeks to completion. A physical verification of the project revealed that the project is incomplete and the contractor has abandoned the project after being paid the full contract sum. Available information indicates that the project is only 60% complete. The management explained that there were omissions in the bill of quantities and the structural drawings. According to the report of the County Works Officer,</p>	<p>The Resident Engineer of Kenya Rural Roads Authority (KeRRA) wrote to the University on 12th July 2019 indicating that the New Gate under construction lies within the road reserve in one section while another section lies inside Talai Farm. He advised that the University consider relocating the gate to enable the construction of the road passing through Moi University to continue. Consequently, the University Senate at its 286th meeting held on 17th July 2019 nominated a subcommittee to relocate and redesign the new gate. The committee is being chaired by Prof. L. Mulongo.</p> <p>The committee will present its recommendations for approval by Council. The University also is in the process of arranging a meeting with the contractor to discuss modalities of</p>	Prof Nathan Ogechi – DVC A,P&D	Not resolved	30 June 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>the gross valuation of the works is Kes 7,778,990 out of which an amount of Kes 4,818,280 has already been paid being the full contract sum while the anticipated cost of the project is Kes. 9,267,188. No justification was provided for this big variation in the cost of the project which is likely to cost much more than the original contract price. The validity and propriety of the expenditure of Kes 4,818,280 incurred on the construction of the gate as at 30th June 2018 could not be confirmed and the University has not obtained value for this expenditure as the University is yet to derive benefits from the project.</p>	<p>terminating the contract</p>			
2.0	Engagement of casual employees	The University has had casual staff who have been engaged to	Prof. Nathan Ogechi – DVC	Not resolved	30 June 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Out of the total personal emoluments figure Kes 138,803,935 was incurred on the payment of wages for 802 casual employees in various departments during the financial year 2017/2018 who had worked continuously for a period of 12 months from July 2017 to June 2018 contrary to the University Human Resource Policy Manual paragraph 2.3.4 which states that casual employment may be offered to employees to perform defined tasks on a day to day basis and their remuneration shall be on a piece rate basis in accordance with the minimum wage guidelines set by the Government. Such appointments may be for a specified period of time provided that it does</p>	<p>perform various tasks within the University. However, the University has not been able to absorb the staff as permanent due to budgetary constraints. Presently, there is a moratorium on engagement of new casuals and rationalization of the numbers due by natural attrition. We have put in place procedures to ensure that the hiring of both permanent and casual staff must be considered and approved by the University Council before their engagement. The issue of casuals in the University is very delicate and has in the past led to some tensions. It is for this reason that the University has appealed to the Government for financial support in order to engage the casual staff on a permanent basis. This will prevent possible litigations resulting from non-confirmation of their appointment. The</p>	A,P&D		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	not exceed three months. Further the casuals have been performing tasks that are permanent in nature and not short term tasks. Consequently, the University is in breach of the University Human Resource Policy.	University has made provision in the budget for funds to engage the casuals gradually on a permanent basis. We have also written to the Attorney General to give us on an advisory on the legal implications regarding the casuals.			
3.0	<p>Officers in Acting Capacity</p> <p>An audit of the payroll revealed that Kes 707,904 was paid to staff in acting capacity who have been acting for over one year without being confirmed to the posts contrary to Government regulations. Consequently, the Management breached the law on officers in acting capacity and the propriety of acting allowances of Kes 707,904 could not be confirmed.</p>	Treasury Circular No. 02/2016 dated 26 th February 2016 gave policy guidelines on recruitment of staff, adjustments and upgrading of staff by State Corporations and Semi-Autonomous Government Agencies (SAGAs). The circular put a general freeze on employment except in core and key positions where approval must be granted prior to the recruitment. Pursuant to the provisions of the circular, the University has not been able to fill all the vacant positions in the institution because approval	Prof. Nathan Ogechi – DVC A,P&D	Not resolved	30 June 2020

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>must be granted prior to the positions being filled. The University is currently rationalizing and harmonizing departments and positions as well as reviewing the establishment. This process will result in the University being to determine the actual positions to be filled. The University is also taking the necessary steps as detailed in the circular to seek the requisite approvals to fill the determined vacant positions.</p>			
1.1	<p>Change in Net Assets The consolidated statement of changes in net assets for the year ended 30th June 2018 reflected a variance of Kes 613,850,000 which is at variance with the consolidated statement of financial performance of Kes 731,812,000 resulting in a variance of Kes</p>	<p>During the finalization of the financial statements , some pages containing superseded drafts were inserted, hence the observation by the auditors. We have corrected the figures accordingly.</p>	George Aduda – Ag. Finance Officer	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	117,962,000 which has not been reconciled. Further, the consolidated statement of changes in net assets figure of Kes 6,632,292,000 was at variance with the consolidated statement of financial position of Kes 6,514,330,000, resulting in a variance of Kes 117,962,000				
1.2	Statement of Cash Flows The consolidated statement of cash flows reflects the purchase of property, plant and equipment of Kes 695,876,000 which however vary from note 26 balance of Kes 695,696,000 giving a variance of Kes 180,000	This was occasioned by the inadvertent insertion of superseded drafts as indicated above. The amounts have been corrected accordingly	George Aduda – Ag. Finance Officer	Resolved	
1.3	Statement of Comparison of Budget and Actual Amounts The statement of comparison of budget and actual amounts reflects	This was similar to the cases above above where superseded drafts were attached to the final report. The correct copies have been inserted	George Aduda – Ag. Finance Officer	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>actual receipts on comparable basis figure of Kes 381,500,000. However, the total actual capital receipts after casting reflects Kes 482,341,575 resulting in an unexplained variance of Kes. 100,841,575. Further the capital expenditure on comparable basis indicates a figure of Kes 636,524,558 resulting in an unexplained variance of Kes. 255,024,558. The source of funding for this expenditure has not been explained nor included in the approved budget.</p>				

Vice Chancellor *Dmugot*

Date *05/12/19*

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Donor	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Construction of School Law Library	GoK	-	No	Yes
Construction of PDN – Phase 2	GoK	-	No	Yes
Completion of Wing C 2250 Hostel	GoK	-	No	Yes
Completion of Sewer Line – Main Campus	GoK	-	No	Yes
Renovation of Hostel H	GoK	-	No	Yes
Renovation of Hostel J	GoK	-	No	Yes
500# Lecture Hall SBPS	A.I.A	-	No	Yes
Construction of auditorium	GoK	-	No	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction of Library – School of Law	300,000	126,203	75%	50,000	43,601	GoK
2	Construction of PDN Phase 2	600,000	62,999	61%	120,000	56,251	GoK
3	Completion of Wing C 2250 Hostels	150,000	30,828	50%	50,200	27,748	GoK
4	Completion of Sewer Line – Main Campus	255,000	64,821	35%	96,800	58,339	GoK
5	Renovation of Hostel H	150,000	33,529	11%	50,000	30,176	GoK
6	Renovation of Hostel J	150,000	1,224	1%	50,000	1,102	GoK
7	500# Lecture Hall SBPS	11,395	7,082	90%	11,395	6,074	A.I.A

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		MOI UNIVERSITY		
Break down of Transfers from the State Department of University Education and Research				
FY 2018/2019				
a.	Recurrent Grants			
	Bank statement date	Amount (Kes)	FY to which it relates	Receipt number
	8/2/2018	249,921,335	2018/2019	NB02-208617
	8/29/2018	249,921,335	2018/2019	NB02-208801
	10/01/2018	249,921,335	2018/2019	NB02-208933
	11/07/2018	249,921,335	2018/2019	NB02-209052
	12/03/2018	234,926,055	2018/2019	NB02-209143
	12/27/2018	234,926,056	2018/2019	NB02-209229
	1/02/2019	244,922,908	2018/2019	NB02-209372
	3/07/2019	244,922,628	2018/2019	NB02-203494
	3/28/2019	229,927,628	2018/2019	NB03-203494
	5/02/2019	249,921,333	2018/2019	NB02-209664
	6/06/2019	249,921,335	2018/2019	NB02-209785
	6/28/2019	249,921,335	2018/2019	NB02-209865
	7/09/2019	510,340,143	2018/2019	NB02-209911
	Total	3,449,415,163		
b.	Development Grants			
	Bank statement date	Amount (Kes)	FY to which it relates	Receipt number
	11/15/2018	12,456,300	2018/2019	NB02-209100
	11/15/2018	6,771,095	2018/2019	NB02-209101
	11/15/2018	10,000,000	2018/2019	NB02-209099
	11/15/2018	75,250,000	2018/2019	NB02-209102
	11/15/2018	18,227,227	2018/2019	NB02-209098
	3/20/2019	75,250,000	2018/2019	NB02-209542
	4/01/2019	62,006,873	2018/2019	NB02-209613
	5/28/2019	21,158,445	2018/2019	KB17-000274
	6/01/2019	7,403,299	2018/2019	KB17-000261
	Total	288,529,239		
c.	World Bank ACEII Project			
	Bank statement date	Amount (Kes)	FY to which it relates	Receipt number
	5/02/2019	1,315,640	2018/2019	KB17-000139
	21/02/2019	46,296,443	2018/2019	KB17-000140
	Total	47,612,983		

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

Finance Officer
Moi University

Head of Accounting Unit
Ministry of Education

Sign -----

Sign-----

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received			Where Recorded/recognized					
		Nature: Development	Total Amount - Kes	Statement of Financial Performance	Capital Reserve	Deferred Income	Receivables	Others	Total Transfers during the Year
Ministry of Industry, Trade and Co-operatives		Development	830,000,000		√				830,000,000
Total			830,000,000	-	830,000,000	-	-	-	830,000,000

*The above amounts were remitted directly to Rivatex East Africa Limited