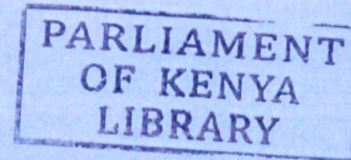


REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

*Paper laid  
by Hon. K.O. Mutho  
Opposition Party Whip  
(Mrs. 19.11.2015) on  
Mmm*



**REPORT**



**OF**

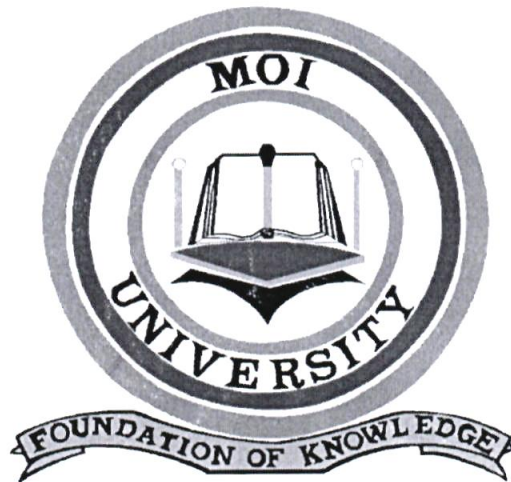
**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
MOI UNIVERSITY**

**FOR THE YEAR ENDED  
30 JUNE 2014**

# MOI UNIVERSITY



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## REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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



**MOI UNIVERSITY  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

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**MOI UNIVERSITY  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**BACKGROUND INFORMATION**

Moi University was established in 1984 as the second public university in Kenya by an Act of Parliament. The University is a body corporate established under the Moi University Charter 2013.

At Cabinet level, the University is represented by the the Cabinet Secretary for Education, Science and Technology, who is responsible for the general policy and strategic direction of the University.

**PRINCIPAL ACTIVITIES**

The principal activity of the University is the provision of university education through teaching, research and outreach.

**COUNCIL MEMBERS**

The Council Members who served the University during the year were as follows:

- |                                   |  |
|-----------------------------------|--|
| 1. Prof Jenesio Kinyamario        | - Chairman                                   |
| 2. Prof Richard K. Mibey          | - Vice Chancellor (Council Secretary)        |
| 3. Dr. S.A Omar                   | - Member                                     |
| 4. Dr. Richard Belio Kipsang      | - Principal Secretary, Ministry of Education |
| 5. Dr.Kamau Thugge                | - Principal Secretary, National Treasury     |
| 6. Felicity Nkirote Biriri        | - Member                                     |
| 7. Clement B. Ogomo               | - Member                                     |
| 8. Lucy Wangui Njeru              | - Member                                     |
| 9. Rt. Rev (Dr) Christopher Rutto | - Member                                     |

In Attendance:

- |                         |  |
|-------------------------|--|
| 1. EdwardMugo Njeru     | - Inspector General (Corporations)       |
| 2. Moses A. Nyakiongora | - Chief Quantity Surveyor, Min. of Lands |

**PRINCIPAL CAMPUSES AND CONSTITUENT COLLEGES**

Main Campus  
P.O Box 3900  
ELDORET  
TEL: 053-43620  
FAX: 254053-043047

Coast Satellite Campus  
P.O Box  
MOMBASA

**MOI UNIVERSITY  
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**PRINCIPAL CAMPUSES AND CONSTITUENT COLLEGES (Continued)**

OderaAkango Satellite Campus  
YALA

Kericho Satellite Campus  
P. O Box  
KERICHO

Town Campus  
P.O Box 4606  
ELDORET

Garissa University College  
P. O Box  
GARISSA

Eldoret West Campus  
P.O Box 8210  
ELDORET  
TEL: 31077/82

Nairobi Satellite Campus  
Bazaar Plaza  
P.O Box 63056-00200  
NAIROBI  
TEL: 020 - 2224954, 221206

Kitale Satellite Campus  
P.O Box 175  
KITALE

Rongo University College  
P.O Box 184  
RONGO

**MOI UNIVERSITY  
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**BANKERS**

National Bank of Kenya Limited  
Kenya Commercial Bank Limited  
Standard Chartered Bank Limited  
Co-operative Bank of Kenya Limited  
Barclays Bank of Kenya Limited  
Equity Bank

**INDEPENDENT AUDITORS**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O Box 30084-00100  
NAIROBI, KENYA  
TEL: 335777  
FAX: +254-20-330829

**MOI UNIVERSITY  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**MEMBERS OF THE UNIVERSITY COUNCIL**

Chairperson	<b>Jenesio Kinyamario, OGW</b>
Vice- Chancellor & Secretary to Council	<b>Richard K. Mibey, FWIF, EBS</b> B.A Biology (Warren Wilson College), M.Sc (Appalachian State University), M.Sc Plant Pathology (Oklahoma State University), D.Ed. Agricultural Education and Extension (Oklahoma State University), Ph.D. Mycology (Nairobi)
Principal Secretary Ministry of Education	<b>Richard Belio Kipsang</b> B.Ed., M.A. (UoN) Ph.D. (Catholic University of Eastern Africa)
Principal Secretary National Treasury	<b>Kamau Thugge</b> Ph.D (John Hopkins University)
Members	Sabah Ahmed Omar B.Sc., (UoN), M.Sc. (UoN) Ph.D (University of London)  Felicity Nkirote Biriri B.A. (KU).  Clement B. Ogomo B.Ed. (UoN), M.A (Sheffield, U.K)  Lucy Wangui Njeru B.Ed.Arts (UoN), M.Sc (JKUAT)  Rt. Rev. (Dr.) Christopher Rutto B.D. (St. Paul's University), M.A (Open University), Ph.D. (Birmingham University)
In Attendance	
Ag. Inspector General (State Corporations)	Edward Mugo Ngigi
Chief Quantity Surveyor Ministry of Lands, Urban	Moses A. Nyakiongora. OGW B.A. (Econ), Hons, M.A (Contrr. Mgt) (UoN), FIQSK FICPMK, MAAK (QS)

**MOI UNIVERSITY  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**MEMBERS OF THE UNIVERSITY COUNCIL**



**Prof Jenesio Kinyamario  
Chair of Council**



**Dr. S.A Omar  
Member**



**Lucy W. Gitundu  
Member**



**Bernard Malenya  
Member**



**Felicity Nkirote  
Member**



**Prof. R. K Mibey  
Vice Chancellor –  
Secretary to Council**



**Clement Ogomo  
Member**



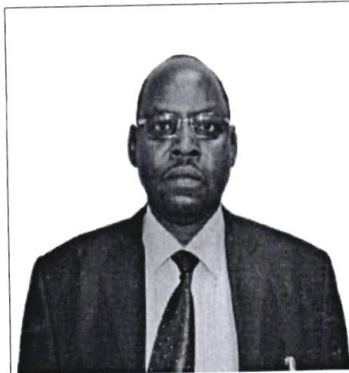
**Rev. Dr. Christopher Rutto  
Member**

**MOI UNIVERSITY  
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**MEMBERS OF THE MANAGEMENT BOARD**



**Prof. R.K Mibey  
Vice Chancellor**



**Prof. David Tuigong  
DVC- Finance**



**Prof Paul K. Chepkuto  
DVC- Admin, P & Devt**



**Prof. Bob Wishitemi  
DVC- A, R&E**



**Prof Nathan. O Ogechi  
DVC- Students' Affairs**



**Milcah J. Mutwol  
Finance Officer**



**Prof Joseph Rasowo  
Principal- OderaAkango**



**Prof F. Esamai  
Principal- CHS**

**MOI UNIVERSITY  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014 (Kshs'000)**

**REPORT OF THE CHAIRMAN**

I am pleased to present this report for the year ended 30 June 2014. This was another great year where the University made great strides in its development.

The University Council has been focused in ensuring that the necessary learning infrastructure is provided and that qualified academic and administrative staff are recruited.

Despite the existing financial constraints, the Council has to a large extent achieved these objectives.

There has been a tremendous increase in the number of students and the diversity of the academic programmes offered by the University. This has necessitated the expansion of our learning and physical infrastructure. The University consequently purchased land to construct our campus in Nairobi and also put up additional classes in Main Campus using internally generated funds.

However, the University is facing challenges in raising adequate funds to finance the construction of all the needed infrastructure like students' hostels, laboratories, workshops and lecture halls. The School of Aerospace Sciences also requires additional aircraft for training.

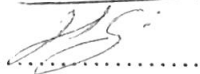
On behalf of the University Council and Management, I am appealing to the Government, our development partners and other well wishers to assist us completion of all the projects.

The University appointed Deputy Vice Chancellors, Deans and Directors through a competitive process. They are expected to take the lead in implementing the policies established by the Government and Council and to work as a team to move the University to the next level.

During the year the University implemented the Collective Bargaining Agreements (CBAs) negotiated by the unions representing staff. We hope that all concerned parties will continue to maintain amicable industrial relations that fosters peace and understanding needed for development.

I would like to appeal to the Government to consider increasing both our recurrent and capital budgets to enable the University meet its funding deficit which negatively impact on the quality of our programmes.

I thank all our partners, donors, collaborating institutions and students for their continued support and dedication and urge that we strive to achieve greater heights of excellence in the coming years.



.....  
**PROF. JENESIO KINYAMARIO, OGW**  
**CHAIRPERSON – MOI UNIVERSITY COUNCIL**

**MOI UNIVERSITY  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**REPORT OF THE VICE-CHANCELLOR**

I am pleased to present the report on the financial statements for the year ended 30 June 2014.

The University continued on its path of expansion as stated in our strategic plan and also increased the number and diversity of programmes that we offer. I wish to commend our high calibre academic and administrative staff for ensuring that the University's services continue to be of high standards. This has contributed in enabling the University to produce highly trained and skilled manpower capable of effectively competing for scarce employment opportunities and to also generate employment through entrepreneurship.

I wish to thank the Government for the support that it has extended to the University over the years. This support has enabled us to provide more access of higher education in various parts of the country through our satellite campuses and Constituent Colleges. We have seen drastic positive impacts on the communities where our campuses are situated in terms of social and economic development.

**Financial Performance Highlights**

The revenue base of the University expanded during the year as a result of the increase in academic programmes and expansion of campuses, hence an increase in the number of students.

The increase in the number of students and academic programmes and the consequent need to improve the learning infrastructure in order to continue offering quality education has led to a considerable stress on the University's finances. The funding to the University has not kept pace with the growing requirements thereby creating a funding deficit that should be addressed. There is therefore an urgent need to increase the recurrent and capital development funding to the University.

The University is currently facing challenges due to the surge in student numbers as a result of the free primary and secondary education. It is crucial that we construct additional students' hostels to house the students and avoid cases of students staying outside the campus because of the attendant insecurity. Additional learning facilities like lecture halls and laboratories are also required to ensure that we maintain the quality of our programmes.

During the year, there was an increase in the revenue base of the University resulting in a 22% increase in the overall income levels. There was a 25% increase in the overall expenditure mainly because of implantation of the negotiated CBAs with unions, escalating costs occasioned by general price increases and increase in the number of students that resulted in an increase in operations and maintenance expenses.

Our vision as a University is to be the University of Choice through the provision of quality and relevant teaching and research. The University will seek to expand its resource base but at the same time also ensure that our programmes remain cost effective and affordable.

### **Appreciation**

On behalf of the University Council, I extend my gratitude to the Government and our development partners and collaborators for the support and advice that they have extended to the University to enable us realize our objectives

I also thank the University Council for the commitment in mobilizing resources and the guidance they have provided to the University that has led to the remarkable achievements and growth of the University.



.....  
**PROF. RICHARD K. MIBEY, FWIF, EBS**  
**VICE- CHANCELLOR**

**MOI UNIVERSITY  
REPORTS AND FINANCIAL STATEMENTS  
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**CORPORATE GOVERNANCE STATEMENT**

Corporate governance is the process and structure by which organizations are directed and controlled and held accountable in order to achieve long term value and taking cognizance of the interest of all stakeholders.

The Council of Moi University is responsible for the governance of the University and is accountable to the Government for ensuring that the University complies with the law and highest standards of business ethics and corporate governance. Accordingly, the Council attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

The roles of the Chairman and the Vice Chancellor are distinct and their respective responsibilities clearly defined.

The Council comprises of nine members, eight of whom are independent and non-executive, including the Chairman. The Council defines the University's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Council Members bring their diverse experience and qualifications into the Council's deliberations.

Except for direction and guidance on general policy, the Council has delegated authority of its day-to-day business 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.

**Council Meetings**

The University Council deals with the overall administration of the University including policy formulation, Planning, Resource mobilization, allocation and provides a conducive environment for the implementation of Academic programmes.

The Council holds meetings on regular basis while special meetings are called when deemed necessary to do so.

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**Committees of Council**

The Council has set up the following committees which meet under well-defined terms of reference set by the Council. This is intended to facilitate efficient decision making of the Council in discharging its duties and responsibilities.

**Audit Committee**

The mandate of the audit committee includes:

- i) Assisting the accounting officer/chief executive officer in enhancing internal controls in order to improve efficiency, transparency and accountability.
- ii) Reviewing audit issues raised by both internal and external auditors.
- iii) Resolving unsettled and unimplemented Public Investment Committees' (PIC) recommendations.
- iv) Enhancing communication between management, internal and external audit and fostering an effective internal audit function.

**Executive Committee**

The mandate of the executive committee is:

To look at the Terms and Conditions of service for members of Management  
To evaluate the performance of the Vice Chancellor and Deputy Vice Chancellors  
To handle any urgent matter as circumstances may determine

**Finance, Resource Mobilization and General Purposes Committee**

1. To explore ways of raising funds for the University, both internally and externally.
  - 1.1 To liaise with external sources i.e. Development partners/linkages, Local entrepreneurs/resources, Staff/students and parents, Alumni, Endowment Fund and Commercial loans
  - 1.2 To liaise with internal sources i.e.
    - Expansion of PSSP programmes
    - Expansion of Distance Education
    - Commercialization of non-core activities of the University
    - Consultancies
    - Commercialization of research and development
2. To act on behalf of Moi University Council on all issues concerning resource

**MOI UNIVERSITY  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

mobilization and income generating activities.

- 2.1 To compile and maintain a data bank of all resource mobilization and income generating activities in the University and periodically report to University Council on their performance and contribution to financing university's core business.
- 2.2 To decide on those income generating activities which could be commercialized or outsourced.
- 2.3 To ensure that University facilities and assets used for resource mobilization and income generation are properly maintained.
3. To provide linkages and synergy amongst all income generating activities.
4. To develop appropriate and conducive policies to guide and promote resource mobilization and income generation activities in the University.

**Planning, Building and Development Committee**

- a) To be in charge of overall University Planning (short, medium and long term) including University Master Plan and Strategic Plan.
- b) To take charge of all arrangement for erection of new buildings once the finances have been made available.
- c) To receive and consider the report on the performance of various contractors for the proceeding tender or contract period.
- d) To be responsible for authorising expenditure for all maintenance work with the provision that the Committee will have the authority to delegate the minor maintenance work to an executive sub-committee of the University.
- e) To report progress to Council or the Finance and General Purposes Committee.
- f) To recommend and to effect as appropriate any modifications in physical facilities as may be necessary.
- g) To recommend to the Council on acquisition of new fixed assets including land and to advise the Council on utilisation of such assets and land.

**Research, Training, Statutes and Honorary Degrees Committee**

The mandate of the committee is as follows:

- a) To deal with all matters related to Research. In particular:
  - i) To provide policy guidelines on university-wide research activities.
  - ii) To fundraise and co-ordinate all fundraising activities for research activities in the university.
  - iii) To have in place a comprehensive research structure for resource mobilization

**MOI UNIVERSITY  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

and funding process.

- iv) To set priorities and targets for research activities in the university.
- v) To submit annual progress and financial reports to Council on all research activities in the university.
- vi) To advise on consultancies, technology transfer and intellectual property rights.
- vii) To receive and consider on behalf of Council all Senate reports on matters touching on research programmes.
- viii) To be the custodian of Moi University Research Policy (MURP) and Moi University Intellectual Property Policy (MUIPP) on behalf of Council, and recommend its review from time to time.
- ix) To facilitate dissemination of research findings and product development.
- b) To deal with any other research matter that Council may refer to it.
  - i) To deal with all matters related to training. In particular:
    - ii) To provide policy guidelines on university-wide training.
    - iii) To receive and consider on behalf of Council all Senate reports on staff training needs of the University.
    - iv) To advise Council on all matters relating to the Training Policy.
    - v) To be the custodian of Moi University Training Policy (MUTP) on behalf of Council, and to recommend its review from time to time.
    - vi) To deal with any other matter Council may refer to it.
  - c) To deal with all matters related to Statutes. In particular:
    - i) To examine the format and the contents of the University Statutes and make appropriate recommendations to Council for appropriate legislation as provided for in the Moi University Act, 1984
    - d) To deal with all matters related to Honorary Degrees. In particular:
      - i) To receive and consider proposals and nominations for the award of honorary degrees
      - ii) To recommend to Council award of honorary degrees

**Sealing Committee**

This committee authorizes on behalf of council the application of the University Seal on documents.

**Council Appeals Board**

This committee considers appeals from students and members of staff and makes



**MOI UNIVERSITY  
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recommendations to Council.

**Staff Disciplinary Committee**

The mandate of the committee is to consider and advise Council on action to be taken in regard to disciplinary matters for staff on Academic and non-Academic Terms of Service.

**Appointments, Promotions, Terms and Conditions of Service Committee**

- a) To consider qualified candidates for filling vacant posts in the University in accordance with the job description for the post to be filled.
- b) To interview, whenever possible in person, candidates who are considered to have met the job requirements in accordance with the announcement inviting applications for the post in question.
- c) To consider candidates in absentia in case any candidate is unable to appear before the committee in person for reasons the Committee considers acceptable.
- d) To recommend to Council the appointment of suitable candidate(s) after considering all the requirements for the post or in case of there being no suitable candidates to recommend re-advertisement of the position.
- e) To recommend to Council improvements in the job grading classifications as the Committee may consider appropriate.
- f) To review and make recommendations to Council on Terms and Conditions of Service as and when necessary or when directed to do so by Council from time to time.
- g) To examine and make recommendations to Council on salaries, terms and conditions of service for all University employees.

**Farm Committee**

1. To advice council on matters affecting the university farm
2. To develop the university Farm as an economic viable project
3. To co-opt members from other institutions whose contributions to the committee may deem appropriate

**Internal audit function**

The University has a fully operational internal audit function that is led by the Chief Internal Auditor, who is a member of the Institute of Certified Public Accountants of

**MOI UNIVERSITY  
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Kenya. The Internal Audit Department monitors compliance with policies and standards and the effectiveness of internal control structures across the University through its audit programmes.

**MOI UNIVERSITY  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Moi University, as a responsible corporate institution established to achieve public good, is committed to conducting its business in a manner that ensures that social, economic and environmental benefits accrue to the society and other stakeholders. During the year the University contributed to various community initiatives and noble projects, despite the prevailing resource constraints.

The University in collaboration with Indiana Purdue University organised the MUKESCO-IUPUI Peace Race at the Main Campus grounds. The objective of the race is to foster peace among the communities living within the environs of the University and also in other parts of Kenya. This race is now an annual event in the University calendar.

The University started a television station that will be used for among other purposes to propagate research and extension services to the wider community so that they can practically utilize the research findings from our researchers.

During the year, the University organised a visit to Ngeria Farm Prison where we offered free medical and dental clinic services, legal aid clinics and entertainment to the prisoners.

In an effort to give career guidance to students before they join the university, the University attended and gave motivational talks in Arnasens High School, Barnotik Primary School, Metkei Secondary School and Sacho High School. The University has also organised a training of trainers on alternative rites of passage for both men and women and a workshop for candidate classes to prepare them on how to tackle examinations.

The University recognises the need to be a caring citizen that conducts its business in an ethical and environmentally sustainable manner. To that end it has factored in its processes environmentally friendly waste management technologies. Our animal feeds plant uses materials that had hitherto been discarded to produce animal feeds.

The University is committed to ensuring that the marginalized in society are empowered both in terms of resources and life skills. During the year we material and financial support to various women's organizations and youth groups in terms of wheel chairs, beds and finances.

**MOI UNIVERSITY  
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**STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES**

The Public Finance Management Act, 2012 and the State Corporations Act, require the Council Members to prepare financial statements for 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, 2014. 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 and the State Corporations Act. 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, 2014, 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's financial statements were approved by the Council on  
26<sup>th</sup> Sept 2014 and signed on its behalf by:

  
Council Member

  
Council Member

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON MOI UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Moi University set out on pages 19 to 39, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

#### **Management's Responsibility for the Financial Statements**

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Property, Plant and Equipment**

A review of the assets register revealed that some items of property, plant and equipment costing Kshs.52,186,276.50 have been fully depreciated. Further, these assets have been included in cost/ valuation of property, plant and equipment as 30 June 2014 at nil carrying amounts. Audit review also indicated that the university has not revalued these assets with nil carrying amounts contrary to Paragraph 44 of International Public Sector Accounting Standards 17 (IPSAS 17) which requires that after recognition as an asset, an item of property, plant, and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation, less any subsequent accumulated depreciation, and subsequent accumulated impairment losses. Revaluations shall also be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Consequently it has not been possible to ascertain that the property, plant and equipment balance of Kshs.5,049,053,000 as at 30 June 2014 is fairly stated.

#### **2. Cash and Bank Balances**

The statement of financial position reflect cash and bank balances of Kshs.121,799,000 which include a balance of Kshs.575,773.00 for the PSSP Payment Account number 1102488690 maintained at the Kenya Commercial Bank. Audit review of the bank reconciliation statement for PSSP Payment Account as at 30 June 2014 reflects unrepresented cheques totaling Kshs.9,859,984.25 out of which cheques amounting to Kshs.4,307,853.456 are stale. However, no action appears to have been taken to reverse the cheques in the cash book. In the circumstances, the accuracy and validity of the cash and bank balances of Kshs.121,799,000 as at 30 June 2014 could not be confirmed.

#### **3. Government of Kenya Loan**

The statement of financial position reflect a G.O.K Loan balance figure of Kshs.224,169,000 relating to a loan advanced by the National Treasury to facilitate the acquisition of Karatina University College land. However, this loan should have been taken over by Karatina University College in accordance with Section 3 (4), CAP 210A of the Karatina University College Order, 2010. Consequently, no justification has been provided for the continued inclusion of this loan in the books

of Moi University against the requirement of Section 3(4) of Karatina University College Order, 2010 CAP 210A.

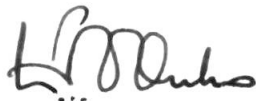
### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Moi University as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with Universities Act, 2012 of the Laws of Kenya.

### **Emphasis of Matter**

#### **Going Concern**

A review of the statement of financial position of the University revealed that the current liabilities balance of Kshs.1,386,116,000 exceeded the current assets balance of Kshs.1,273,075,000 resulting to a negative working capital of Kshs.113,041,000. Consequently, the University is technically insolvent and may not be able to meet its current obligations as and when they fall due and its continued operation as a going concern is dependent on the support of the Government, creditors and bankers as it may not be able to meet its financial obligations when they fall due. My opinion is not qualified in respect to this matter.



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

**Nairobi**

**15 July 2015**

**MOI UNIVERSITY**  
**Reports And Financial Statements**  
**For The Year Ended 30 June 2014 (Kshs '000)**

STATEMENT OF FINANCIAL PERFORMANCE

	NOTE	2014 Kshs (000)	2013 Kshs (000)
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>			
Grants from National Government	2(i) & 14	3,378,248	2,938,621
In-kind donations	2(e) & 18	<u>70,000</u>	<u>-</u>
		<u>3,448,248</u>	<u>2,938,621</u>
<b>Revenue from exchange transactions</b>			
Tuition and related charges	2(ii) & 15	3,850,617	3,005,530
Farm income		14,311	26,265
Other services rendered	16	149,800	187,212
Sundry income	17	<u>195,773</u>	<u>105,020</u>
		<u>4,210,501</u>	<u>3,324,027</u>
		<u>7,658,749</u>	<u>6,262,648</u>
<b>TOTAL REVENUES</b>			
<b>OPERATING EXPENSES</b>			
Academic departments	19	4,867,567	3,522,659
Administration and central services	20	1,840,613	1,511,144
Academic services	21	240,341	177,936
General educational services	22	46,388	45,729
Maintenance of premises	23	394,146	526,062
Staff and Students welfare	24	181,345	165,560
Farm expenses		22,263	14,469
Miscellaneous expenses	25	79,525	170,830
		<u>7,672,188</u>	<u>6,134,389</u>
<b>TOTAL OPERATING EXPENSES</b>			
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		<u>(13,439)</u>	<u>128,259</u>

STATEMENT OF FINANCIAL POSITION

	NOTE	2014 Kshs (000)	2013 Kshs (000)
<b>ASSETS</b>			
<b>NON- CURRENT ASSETS</b>			
Property, Plant and Equipment	2 (b) & 3	5,049,053	4,975,649
Investments	4	223,234	223,234
Biological assets	2(h) & 6	7,731	5,445
<b>Total Non-Current Assets</b>		<u>5,280,018</u>	<u>5,204,328</u>
<b>CURRENT ASSETS</b>			
Inventories	2(h) & 5	80,416	70,181
Biological assets	2(h) & 6	3,863	9,374
Related company balances	7	259,965	259,965
Trade and other receivables	2(q) & 8	807,032	607,028
Government securities		-	-
Cash and bank balances	2 (s) & 9	121,799	306,618
<b>Total Current Assets</b>		<u>1,273,075</u>	<u>1,253,166</u>
<b>TOTAL ASSETS</b>		<u>6,553,093</u>	<u>6,457,494</u>
<b>CAPITAL RESERVES AND LIABILITIES</b>			
Capital Reserves		4,637,125	4,600,202
Revenue Reserves		305,683	319,122
		<u>4,942,808</u>	<u>4,919,324</u>
<b>NON-CURRENT LIABILITIES</b>			
G.O.K Loan	13	224,169	224,169
<b>Total Non-Current Liabilities</b>		<u>224,169</u>	<u>224,169</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	1,354,178	1,141,087
Debit bank balances	11	1	159,833
Other liabilities and provisions	12	24,856	6,000
G.O.K Loan	13	7,081	7,081
<b>Total Current Liabilities</b>		<u>1,386,116</u>	<u>1,314,001</u>
<b>TOTAL CAPITAL RESERVES AND LIABILITIES</b>		<u>6,553,093</u>	<u>6,457,494</u>

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

*Cooley* Vice Chancellor

Richard K. Mibey, B.A (Warren), M.Sc Biology (Appalachian), M.Sc Plant Pathology (Oklahoma)  
 D.Ed Agricultural Education and Extension (Oklahoma), PhD. (Nairobi)

*Boyanaka* Council Chairman

Prof. Jenesio I. Kinyamario B. Sc (Nairobi), MSc (Texas A&M), Ph.D (Nairobi)

**MOI UNIVERSITY**  
**Reports And Financial Statements**  
**For The Year Ended 30 June 2014 (Kshs '000)**

STATEMENT OF CHANGES IN NET ASSETS

	Capital reserves Kshs (000)	Revenue Reserves Kshs (000)	Total Kshs (000)
As at 1 July 2012	4,580,202	190,863	4,771,065
Surplus for the year	-	128,259	128,259
Capital development grants	310,000	-	310,000
Capital devt grants paid to Rivatex	(290,000)	-	(290,000)
As at 30 June 2013	<u>4,600,202</u>	<u>319,122</u>	<u>4,919,324</u>
As at 1 July 2013	4,600,202	319,122	4,919,324
Deficit for the year	-	(13,439)	(13,439)
Capital development grants	171,923	-	171,923
Capital devt grants paid to Rivatex	(135,000)	-	(135,000)
As at 30 June 2014	<u>4,637,125</u>	<u>305,683</u>	<u>4,942,808</u>

The Capital Reserves relates to revaluation surplus on revaluation of fixed assets and capital development grants received from the Government.

**IOI UNIVERSITY**  
**Reports And Financial Statements**  
**For The Year Ended 30 June 2014 (Kshs '000)**

STATEMENT OF CASH FLOWS

	NOTE	2014 Kshs (000)	2013 Kshs (000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Deficit)/Surplus for the year		(13,439)	128,259
Adjustments for :-			
Depreciation		107,721	122,551
Interest income		(19,639)	(24,329)
Gain on disposal of fixed assets		(11)	(2,145)
Provision for audit fees		6,960	-
Provision for capitation receivable		(208,089)	(196,043)
Decrease in provision for doubtful debts		(44,584)	-
Operating surplus before working capital changes		<u>(171,081)</u>	<u>28,293</u>
Changes in working capital			
Decrease in inventories		(10,235)	37,818
Decrease in biological assets		3,225	(5,943)
Increase in trade and other payables		213,091	358,269
Decrease in other liabilities and provisions		11,896	3,000
Decrease in trade and other receivables		52,669	(40,800)
Net changes in working capital		<u>270,646</u>	<u>352,344</u>
Total cash generated from operations		99,565	380,637
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets	3	(181,125)	(589,639)
Interest received		19,639	24,329
Proceeds on disposal of fixed assets		11	2,145
Net cash flows from investing activities		<u>(161,475)</u>	<u>(563,165)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital receipts from GOK		36,923	20,000
Repayment of GOK loan		-	(18,750)
Net cash flows from financing activities		<u>36,923</u>	<u>1,250</u>
Net increase in cash and cash equivalents		(24,987)	(181,278)
Cash and cash equivalents at the beginning of the year		<u>146,785</u>	<u>328,063</u>
Cash and cash equivalents at the end of the year	28	<u><u>121,798</u></u>	<u><u>146,785</u></u>

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Statement of compliance and basis of preparation

The University's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000).

The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

### 2. Summary of significant accounting policies

#### a) New and revised standards

There have been a number of amendments to standards that became effective for the first time in the financial year beginning 1 July 2013. None of them is expected to have a significant impact on the University's financial statements.

#### b) Revenue recognition

##### 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 University and can be measured reliably.

##### i) Revenue from exchange transactions

###### Rendering of services

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the University and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the University's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the University's activities as described below.

###### 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 University.

###### 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.

###### 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**c) 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 University recognizes such parts as individual assets with 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.

**d) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased to the University. 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 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.

**e) 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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**f) In-kind contributions**

In-kind contributions are donations that are made to the University in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the University includes such value in the the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**g) Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.

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.

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written recoverable amount.

**h) 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 condition 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 labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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

**i) Biological assets**

Biological assets are measured at fair values less estimated point of sales costs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

**j) 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.

**j) 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.

**k) 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 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) 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.

**m) Employee benefits**

**Retirement benefit plans**

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

**n) 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.

**o) 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**p) Service concession arrangements**

The University analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the University recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the University also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**q) Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**r) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the University or not, less any payments made to the suppliers.

**s) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**t) 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 control over the University, or vice versa. The University is controlled by the National Government, through the Ministry of Education. Members of key management are regarded as related parties and comprise the Council Members and members of the University Management Board.

**u) Financial risk management**

The University's activities expose it to financial risks including credit and market risks. The University's overall risk management policies are set by the University Council and implemented by the Management, and focus on the unpredictability of changes in the operating environment and seek to minimize the potential adverse effects of such risks on the University's performance by setting acceptable levels of risk. The University does not hedge against any risks.

**i) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party for the other party by failing to discharge an obligation. Credit risk on trade receivables is managed by ensuring that students pay fees before sitting for their examinations. Students with fees arrears are not allowed to graduate until the fees is cleared.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**ii) Liquidity risk**

Liquidity risk is the risk that the University will encounter difficulties in meeting obligations associated with financial liabilities. The Council has developed a risk management framework for the management of the University's short, medium and long term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The University manages liquidity risk by continuously reviewing forecasts and actual cashflows, and maintaining banking facilities to cover any shortfalls.

**ii) Market risk**

Market risk is the fair value or future cash flows of financial instruments will fluctuate because of changes in market price.

**a) Currency risk**

Currency risk arises on financial instruments denominated in foreign currency. The University does not have any significant currency risk as it does not have trade receivables, trade payables and borrowings denominated in foreign currency.

**b) Other price risk**

Other price risk arises on financial instruments because of changes in the price of a financial instrument. The University is not exposed to other price risk as it does not hold financial instruments.

**v) Comparative figures**

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

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

<b>COST/VALUATION</b>	Land Kshs (000)	Buildings Kshs (000)	W.I.P Kshs (000)	Furniture, plant and equipment Kshs (000)	Computers, copiers and printers Kshs (000)	Motor vehicles and aeroplanes Kshs (000)	Total Kshs
At 1 July 2012	456,429	3,791,913	902,942	402,624	334,835	311,507	6,200,250
Disposals/capitalized	-	309,130	(309,130)	-	-	-	-
Additions	419,814	-	112,933	5,606	19,567	31,719	589,639
At 30 June 2013	876,243	4,101,043	706,745	408,230	354,402	343,226	6,789,889
At 1 July 2013	876,243	4,101,043	706,745	408,230	354,402	343,226	6,789,889
Disposals/capitalized	-	-	-	-	-	(125)	(125)
Additions	-	-	132,921	13,735	20,770	13,699	181,125
At 30 June 2014	876,243	4,101,043	839,666	421,965	375,172	356,800	6,970,889

**DEPRECIATION**

At 1 July 2012	16,092	800,476	-	335,270	283,279	256,572	1,691,689
Disposals	-	-	-	-	-	-	-
Charge for the year	-	69,002	-	16,106	17,653	14,837	117,598
Amortization for the year	4,953	-	-	-	-	-	4,953
At 30 June 2013	21,045	869,478	-	351,376	300,932	271,409	1,814,240
At 1 July 2013	21,045	869,478	-	351,376	300,932	271,409	1,814,240
Disposals	-	-	-	-	-	(125)	(125)
Charge for the year	-	69,002	-	13,844	17,503	2,419	102,768
Amortization for the year	4,953	-	-	-	-	-	4,953
At 30 June 2014	25,998	938,480	-	365,220	318,435	273,703	1,921,836

**NET BOOK VALUE**

At 30 June 2014	850,245	3,162,563	839,666	56,745	56,737	83,097	5,049,053
At 30 June 2013	855,198	3,231,565	706,745	56,854	53,470	71,817	4,975,649

The Work in Progress (WIP) included under Property, Plant and Equipment relates to buildings under construction that had not been completed by year end.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. PROPERTY, PLANT AND EQUIPMENT

Included in buildings are the following buildings whose valuation is as shown below:

- Operating Theatres	20,000,000
- Diagnostic Laboratories	21,772,000
- Boundary Wall for Anatomy Laboratories	<u>1,700,000</u>
	<u>43,472,000</u>

The buildings are located on land not owned by the University. The University is seeking to reach a formal understanding with Moi Teaching and Referral Hospital on the status of the land and buildings pending the final resolution of the matter through the government.

**MOI UNIVERSITY**  
**Reports And Financial Statements**  
**For The Year Ended 30 June 2014 (Kshs '000)**

NOTES TO THE FINANCIAL STATEMENTS (continued )

	2014 Kshs (000)	2013 Kshs (000)
4. INVESTMENT		
Rivatex E.A Limited		
Share capital	<u>223,234</u>	<u>223,234</u>
The investment in R(E.A)Ltd relates to the total cost of acquiring the company by Moi University.		
5. INVENTORIES		
Main	45,671	40,599
Catering	522	498
Farms	6,500	200
Bookshop	<u>27,723</u>	<u>28,884</u>
	<u>80,416</u>	<u>70,181</u>
6. BIOLOGICAL ASSETS		
As at year-end, the University had the following biological assets.		
Livestock	<u>7,731</u>	<u>5,445</u>
	<u>7,731</u>	<u>5,445</u>
Current assets:		
Crops in field	<u>3,863</u>	<u>9,374</u>
	<u>3,863</u>	<u>9,374</u>
7. RELATED PARTY BALANCE		
Rivatex (E.A) Limited	257,599	257,599
Moi University Holdings Limited	<u>2,366</u>	<u>2,366</u>
	<u>259,965</u>	<u>259,965</u>

Moi University Holdings Limited has no shareholding as its limited by guarantee.

The related party balance for MUHL relates to bank balances for several operational units that were taken over by the company upon their assumption of management control of the units. The details are as follows:

<b>Bank Account:</b>	<b>Date</b>	<b>Amount</b>
Civil and Structural Engineering account	August 2003	1,364,993
M.U Computer Instrumentation Centre	August 2003	313,721
M.U Press bank account	August 2003	724,109
Amount from Kenya Seed	January 2011	<u>(37,820)</u>
		<u>2,365,004</u>

The related party balance for R(E.A)Ltd relates to amounts paid on behalf of the company.

Other transactions with the company were made at terms equivalent to those that prevail in arm's length transactions.

## NOTES TO THE FINANCIAL STATEMENTS (continued )

	2014 Kshs (000)	2013 Kshs (000)
<b>8. TRADE AND OTHER RECEIVABLES</b>		
Amounts falling due within one year:-		
Student fees debtors	583,122	538,998
Other debtors and accruals	367,691	257,404
Farm debtors	1,199	190
Other PSSP debtors	800	800
	<u>952,812</u>	<u>797,392</u>
Provision for doubtful debts	<u>(145,780)</u>	<u>(190,364)</u>
	<u>807,032</u>	<u>607,028</u>
The general provision for the year has been calculated at 25% of the outstanding fees balances.		
<b>9. CASH AND BANK BALANCES</b>		
Kenya Commercial Bank	29,678	23,649
National Bank of Kenya	44,392	35,701
Standard Chartered Bank	13,610	55,257
Equity Bank	9,051	42,708
Barclays Bank of Kenya	4,943	9,669
Co-operative Bank of Kenya	20,125	139,634
	<u>121,799</u>	<u>306,618</u>
<b>10. TRADE AND OTHER PAYABLES</b>		
Amounts falling due within one year:-		
Recurrent and capital creditors	1,177,647	999,035
Students' holding accounts	176,531	142,052
	<u>1,354,178</u>	<u>1,141,087</u>
<b>11. BANK BALANCES</b>		
Kenya Commercial Bank	-	58,299
National Bank of Kenya	1	101,534
	<u>1</u>	<u>159,833</u>
<b>12. OTHER LIABILITIES AND PROVISIONS</b>		
Provision for audit fees	6,960	6,000
Prepaid fees	17,896	-
	<u>24,856</u>	<u>6,000</u>
<b>13. GOK LOAN</b>		
Current:		
Amount payable within 12 months	7,081	7,081
Non-current:		
Amount payable after 12 months	224,169	224,169
	<u>231,250</u>	<u>231,250</u>

The GOK loan was advanced to the University to facilitate the acquisition of its Karatina Campus.

The Campus was gazetted as a constituent college of Moi University on 1 October 2010. The order establishing the college stated that all rights, liabilities and assets held by anybody on behalf of the college shall automatically and fully be transferred to the college. Moi University has paid the principal and interest on the loan up to the date of gazette. KUC (now Karatina University) is expected to take up the payment of the principal and interest until the loan is fully

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NOTES TO THE FINANCIAL STATEMENTS (continued )

	2014 Kshs (000)	2013 Kshs (000)
repaid. As per the terms of the loan, the University has written to the Government seeking consent to assign the loan to Karatina University.		
<b>14. GRANTS FROM NATIONAL GOVERNMENT</b>		
<b>RECURRENT CAPITATION GRANTS</b>		
July	264,140	196,043
August	540,143	196,043
September	232,850	196,043
October	246,128	196,043
November	235,797	196,043
December	235,797	782,143
January	235,797	196,043
February	235,797	196,043
March	235,797	196,043
April	231,768	196,043
May	478,145	196,043
June	206,089	196,048
	<u>3,378,248</u>	<u>2,938,621</u>
<b>CAPITAL DEVELOPMENT GRANTS</b>		
August	4,953	20,000
October	45,000	250,000
January	7,769	-
April	5,849	-
May	18,352	40,000
June	90,000	-
	<u>171,923</u>	<u>310,000</u>
Amounts for Rivatex E.A Ltd	<u>(135,000)</u>	<u>(290,000)</u>
	<u>36,923</u>	<u>20,000</u>
<b>TOTAL GRANTS FROM NATIONAL GOVERNMENT</b>	<u><u>3,415,171</u></u>	<u><u>2,958,621</u></u>
<b>15. TUITION AND RELATED CHARGES</b>		
Tuition fees	3,406,542	2,678,980
Registration fees	6,057	3,278
Students' ID charges	3,686	3,185
Examination fees	67,654	48,593
Medical fees	71,506	49,184
Activity fees	42,498	29,043
Application fees	11,819	12,494
Workshop/attachment fees	196,845	148,656
Amenity fees	44,010	32,117
	<u><u>3,850,617</u></u>	<u><u>3,005,530</u></u>

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NOTES TO THE FINANCIAL STATEMENTS (continued )

	2014 Kshs (000)	2013 Kshs (000)
<b>16. OTHER SERVICES RENDERED</b>		
Bookshop sales	33,433	69,818
Accommodation and catering services	107,756	99,365
Rental income	8,477	17,824
Commercial tree nursery	134	205
	<u>149,800</u>	<u>187,212</u>
<b>17. SUNDRY INCOME</b>		
Sale of tender documents	217	146
Water sales	365	349
Gain on disposal of motor vehicles	11	2,145
Graduation fees	18,794	19,021
Interest income	19,639	24,329
Decrease in provision for doubtful debts	44,584	-
Parking fees	4,393	-
Research grants	59,116	41,145
Fines	2,913	1,205
Miscellaneous	45,741	16,680
	<u>195,773</u>	<u>105,020</u>
<b>18. IN-KIND DONATIONS</b>		
Books	<u>70,000</u>	<u>-</u>
The books were donated to the University Library by Books for Africa.		
<b>19. ACADEMIC DEPARTMENTS EXPENSES</b>		
Personal emoluments	3,600,272	2,333,077
House allowance	662,076	572,966
Responsibility allowance	152,413	142,276
Car allowance	83,423	74,244
Entertainment	27,244	14,703
Commuting allowance	69,966	62,964
Gratuity and retirement benefits	133,327	122,031
Teaching and office expenses	23,233	20,140
Travelling and accommodation	1,151	4,867
Telephone	1,721	1,867
Stationery	6,231	5,367
Purchase of uniforms	14	27
Vehicle running expenses	2,599	4,028
Staff development	10,165	13,717
University research programme	18,809	39,123
Field courses	43,103	64,551
Special grants research expenses	31,705	46,444
Books and journals	115	267
	<u>4,867,567</u>	<u>3,522,659</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued )

	2014 Kshs (000)	2013 Kshs (000)
<b>20. ADMINISTRATION AND CENTRAL SERVICES EXPENSES</b>		
Personal emoluments	688,221	509,882
House allowance	341,801	251,787
Responsibility allowance	13,125	10,869
Car allowance	34,969	32,804
Entertainment	12,622	3,488
Commuting allowance	63,796	60,393
Advertisements	53,539	50,206
Gratuity and retirement benefits	205,165	43,706
Office expenses	20,127	30,022
Travelling and accommodation	7,257	10,553
Telephone	27,514	30,948
Purchase of uniforms	274	1,566
Vehicle running expenses	31,442	26,907
Insurance	45,525	45,923
Official entertainment	24	53
Council and senate expenses	26,527	33,793
Passage and baggage	820	716
Publishing and printing	2,678	1,475
Ceremonial and funeral expenses	250	597
Provision for audit fees	3,480	3,000
PSSP Coordinating office expenses	-	114,907
Bookshop expenditure	45,447	67,940
Books and journals	3,517	4,221
Miscellaneous, legal and others	99,873	43,717
ISO and ISO related expenses	1,094	5,116
Depreciation	107,721	122,551
Air services expenses	2,564	2,608
Provision for doubtful debts	-	-
Provision for interest on GOK loan	-	-
Postal and telegram	1,241	1,396
	<u>1,840,613</u>	<u>1,511,144</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued )

	2014 Kshs (000)	2013 Kshs (000)
<b>21. (a) ACADEMIC SERVICES EXPENSES</b>		
Personal emoluments	55,850	50,182
House allowance	31,054	35,984
Responsibility allowance	330	897
Car allowance	2,901	2,616
Entertainment	866	195
Commuting allowance	7,867	9,088
Gratuity and retirement benefits	6,881	6,122
Office expenses	105	356
Travelling and accommodation	36	557
Telephone	-	70
Purchase of uniforms	-	9
Vehicle running expenses	1,152	872
Library books	96,516	36,486
Books and periodicals	464	179
	<u>204,022</u>	<u>143,613</u>
<b>21. (b) COMPUTER SERVICES EXPENSES</b>		
Personal emoluments	18,905	16,296
House allowance	10,944	12,422
Responsibility allowance	60	118
Car allowance	921	760
Purchase of uniforms	25	-
Commuting allowance	2,503	2,219
Gratuity and retirement benefits	2,633	2,375
Office expenses	88	66
Travelling and accommodation	-	49
Telephone	-	9
Books and periodicals	9	9
Entertainment	231	-
	<u>36,319</u>	<u>34,323</u>
<b>TOTAL</b>	<u>240,341</u>	<u>177,936</u>
<b>22. GENERAL EDUCATIONAL SERVICES EXPENSES</b>		
Graduation expenses	8,761	10,150
Students admission and examination	14,422	13,232
External examiners expenses	15,935	10,855
Staff development - non academic	2,733	1,234
External travel and accommodation	1,380	3,459
Conferences and seminars	3,157	6,799
	<u>46,388</u>	<u>45,729</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued )

	2014 Kshs (000)	2013 Kshs (000)
<b>23. MAINTENANCE OF PREMISES</b>		
Rents and rates	162,218	248,702
Electricity, water and conservancy	217,755	263,709
Maintenance of buildings	14,173	13,651
	<u>394,146</u>	<u>526,062</u>
<b>24. STAFF AND STUDENTS WELFARE</b>		
University medical scheme	114,083	76,975
Recruitment expenses	913	878
Passage and leave	13,783	9,457
Hotel accommodation and hospitality	116	2,348
Students' accommodation and catering expenses	29,469	39,050
Students' welfare services	22,981	36,852
	<u>181,345</u>	<u>165,560</u>
<b>25. MISCELLANEOUS EXPENSES</b>		
ASK show expenses	1,332	1,221
Maintenance of plant and equipment	25,220	24,354
Others	52,973	145,255
	<u>79,525</u>	<u>170,830</u>
<b>26. BOOKSHOP REVENUE ACCOUNT</b>		
Sales	33,433	69,818
Less: Cost of sales		
Opening stocks	28,884	34,230
Purchases	25,911	48,354
	<u>54,795</u>	<u>82,584</u>
Closing stocks	(27,723)	(28,884)
	<u>27,072</u>	<u>53,700</u>
Gross surplus for the year	6,361	16,118
Less: Expenses		
Salaries and wages	14,009	14,161
Rent	4,356	-
Others	10	79
(Deficit)/Surplus for the year	<u>(7,658)</u>	<u>1,878</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued )

27. UNIVERSITY FARMS REVENUE ACCOUNTS

	2014 Kshs (000)	2013 Kshs (000)
Farm sales	<u>14,311</u>	<u>26,265</u>
Less: Expenses		
Opening stocks	15,019	10,794
Farm expenses	<u>11,274</u>	<u>12,103</u>
	26,293	22,897
Personnel costs	14,065	6,591
Closing stocks	<u>(18,095)</u>	<u>(15,019)</u>
	<u>22,263</u>	<u>14,469</u>
(Deficit)/Surplus for the year	<u>(7,952)</u>	<u>11,796</u>

28. CASH AND CASH EQUIVALENTS

The cash and cash equivalents in the cash flow statements is composed of the following amounts:

Short term deposits	-	-
Bank and cash balances	121,799	306,618
Bank overdraft	<u>(1)</u>	<u>(159,833)</u>
	<u>121,798</u>	<u>146,785</u>

29. CONTINGENCIES

a) Contingent liabilities

The university has a contingent liability in respect of car, housing and furniture loans granted to staff through the Kenya Commercial Bank. In the opinion of the University, no liability is expected to crystallise in respect of the guarantees.

b) Litigation

i) In the ordinary course of operations, the University is a defendant in various litigations and claims. Although there are no assurances, the University believes, based on information currently available, that the ultimate resolution of these legal proceedings and claims is not likely to have a material adverse effect on the operations of the University.

The cases are pending determination by the courts and it is not practicable to determine the timing and final amounts (if any).

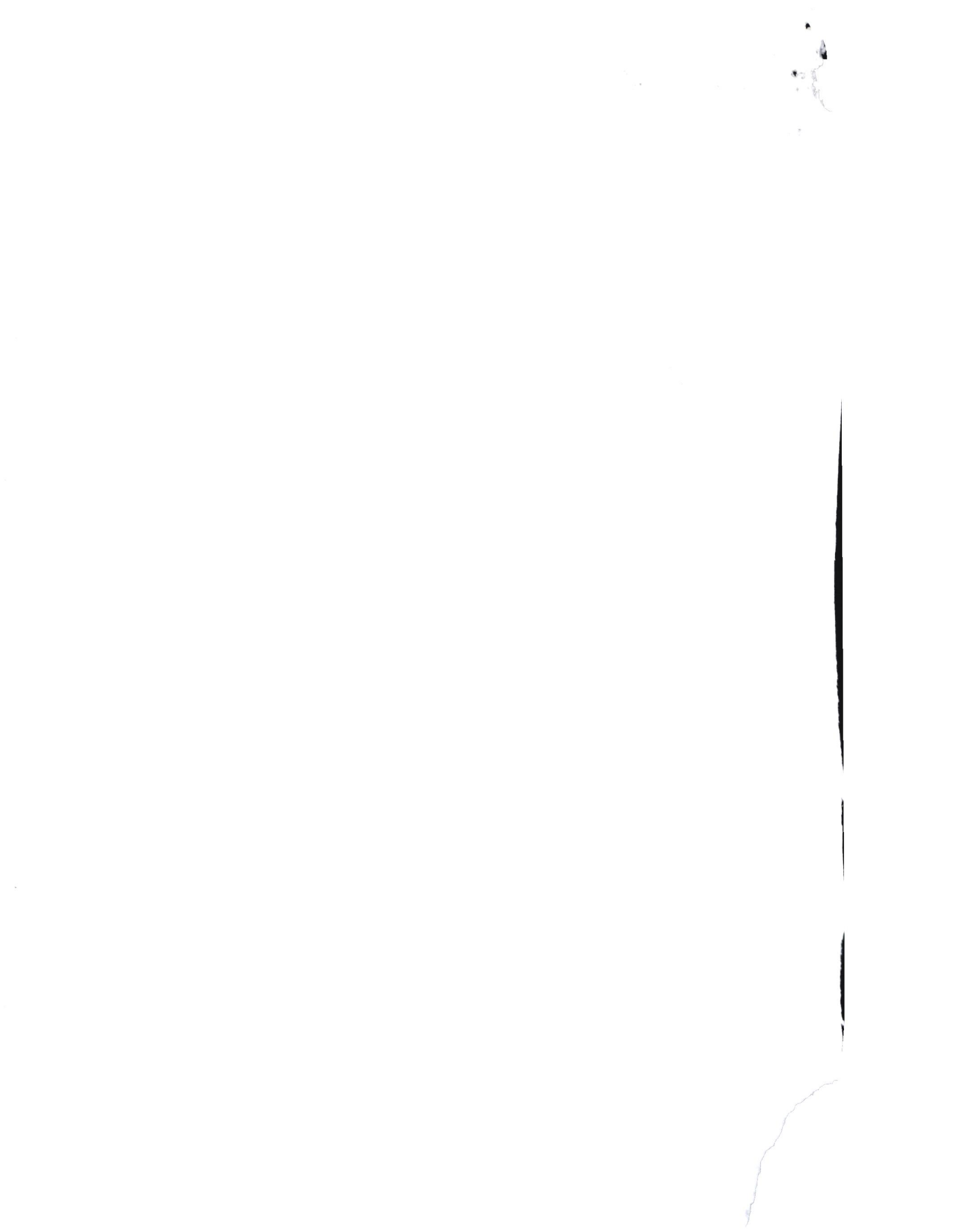
Due to nature of the cases, detailed disclosure has not been made for each case as this may be prejudicial to the position of the University.

ii) Pending bills

The University has various pending bills arising out of the stalled government- financed capital projects.

The government has appointed a Pending Bills Closing Committee to verify the stock of pending bills and advice the government on their settlement.

No material liability will arise to the University for these pending bills as the determination and eventual settlement of the pending bills will be done by the government. No provision has therefore been made for the bills.



NOTES TO THE FINANCIAL STATEMENTS (continued )

30. EVENTS AFTER THE END OF THE REPORTING PERIOD

a) Handing over of assets and liabilities to University of Eldoret

The University handed over the assets and liabilities belonging to University of Eldoret (formerly Chepkoilel University College) on 15 December 2014, save for legal cases relating to the former Chepkoilel University College. Further, there are pending contentious issues regarding Malindi and Homa Hills lands. While University of Eldoret contends that these should be transferred to them, the position of the University is that these are Moi University assets that should not be part of the handing over.

The three pending issues have been handed over to the parent ministry for consideration and ultimate resolution.

b) Winding up of Moi University Holdings Limited (MUHL).

The board of the company held a special general meeting on 9 June 2014 where a resolution to wind up the company was passed. Consequent to the formal resolution to wind up the company and signing of the minutes on 4 August 2014, the documents have been filed with the Registrar of Companies to facilitate the winding up.

31. LEGAL STATUS

The University is a body corporate established in Kenya under the Moi University Charter 2013 and is domiciled in Kenya.