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REPORT

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THE AUDITOR-GENERAL

ON

MOI UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2020**



**International Public Sector Accounting Standards (IPSAS)
Annual Financial Reporting Template for
Regulatory and Other Non – Commercial Government Owned Entities**
*(Semi - Autonomous Government Agencies and Public Funds Established by an Act of Parliament or
a Legal Notice)*

REGULATORY AND OTHER NON-COMMERCIAL ENTITIES

MOI UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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

MOI UNIVERSITY
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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.

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.

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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 Science and Aerospace Studies
- School of Graduate Studies, Research and Innovation

(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.

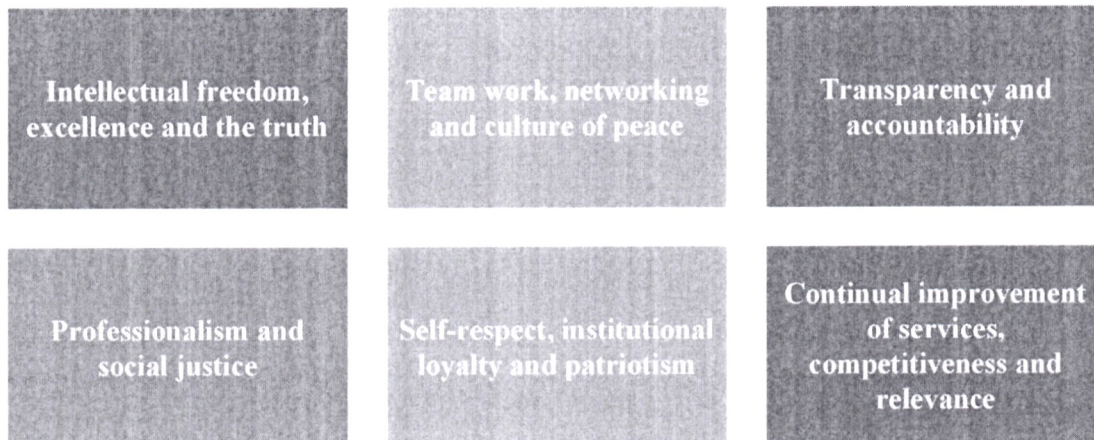
Vision

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



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:

- The University Council;
- The Vice Chancellor;
- The University Management Board;
- The University Senate

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Vice Chancellor	Prof. Isaac S. Kosgey
2.	Deputy Vice Chancellor - Finance	Prof. Daniel K. Tarus

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No.	Designation	Name
3.	Deputy Vice Chancellor - Admin, Planning and Development	Prof. Nathan O. Ogechi
4.	Deputy Vice Chancellor - Academics, Research and Extension	Prof. Isaac N. Kimengi
5.	Head of Procurement	Wilson Bett
6.	Chief Finance Officer	CPA George K. Aduda
7.	Principal – College of Health Sciences	Prof. Robert K. Tenge
8.	Senior Legal Officer	Petrolina 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

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

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(i) Independent Auditors

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

(j) Principal Legal Adviser

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

MEMBERS OF THE UNIVERSITY COUNCIL



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

Ph.D. (Animal Sciences), M.Sc. Animal Science (Wageningen), B.Sc Animal Production, Diploma in Animal Husbandry (Egerton), MBA (Kenyatta), Diploma in Law (MKU), LL.B (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 Universities. 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.



Dr. Julius Muia – PS National Treasury

BCom (Hons) (Accounting), Masters in Finance, Ph.D. Finance (Nairobi), CPA(K), CPS(K), Associate Kenya Institute of Bankers, Associate Chartered Institute of Arbitrators, Certified Coach. **Dr. 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.



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 Amb. Simon Nabukwesi	<p>Amb. Simon Nabukwesi is a career Diplomat credited with training many Kenyan envoys who are currently serving abroad.</p> <p>He served for many years as the Director, Foreign Service Academy at the Ministry of Foreign Affairs.</p> <p>He has also served as the Kenyan High Commissioner to Canada and as Principal, Friends School, Kamusinga, where he steered the School to achieve impressive academic results.</p>
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The term of the following members of Council ended on 9th March, 2020

Dr. Jeremiah N. Ole Koshal	Chairman
Ms. Elizabeth Obel Lawson	Independent Member
CPA Anne Hilda Muchunku	Independent Member
Mr. Vincent Chokaa	Independent Member
Mr. David Kipruto Rono	Independent Member
Commissioner Hamisi Dena	Independent Member

MANAGEMENT TEAM

Name of Staff and Area of Responsibility	Image	Qualifications
Prof. Isaac S. Kosgey Vice-Chancellor		Ph.D. (Animal Sciences), M.Sc. Animal Science (Wageningen), B.Sc Animal Production, Diploma in Animal Husbandry (Egerton), MBA (Kenyatta), Dip. Law (MKU), LL.B (OUT)
Prof. Nathan O. Ogechi Deputy Vice-Chancellor, Students' Affairs & Ag. Deputy Vice-Chancellor, Administration, Planning & Development		B.Ed., M.Phil. (Moi), Ph.D (Hamburg)

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<p>Prof. Isaac N. Kimengi Deputy Vice-Chancellor, Academics, Research and Extension</p>		<p>B.Ed. (Sc.), M.A (Ed.) (Nairobi), Ph.D (Kenyatta)</p>
<p>Prof. Daniel K. Tarus Ag. Deputy Vice -Chancellor, Finance</p>		<p>B.Com. M.B.A (Allahabad), Ph.D. (Moi), CPA(K), CPS(K)</p>
<p>Prof. Tenge Kuremu Ag. Principal, College of Health Sciences</p>		<p>MBCbB, M.Med (Surg) (UoN), M.Med (Paediatric Surg) (Kwazulu Natal), FCS(ECSA)</p>
<p>CPA George K. Aduda Ag. Chief Finance Officer</p>		<p>B.Com (Accounting) (Nairobi), MBA (Finance), (Catholic –East Africa). CPA(K)</p>

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<p>Petrolina C. Chepkwony Senior Legal Officer</p>	 A black and white portrait of a woman with braided hair, wearing a patterned shawl over a dark top. She is looking slightly to the right of the camera.	<p>LL.B. (Moi), Dip (Kenya School of Law), EMPA (Moi), LL.M. (Nairobi)</p>
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REPORT OF THE CHAIRMAN

The financial year ended 30th June 2020 has been one marked with extraordinary negative impacts on the lives and livelihoods of Kenyans due to the Covid-19 Pandemic. The economic and social disruptions caused by the coronavirus pandemic created multiple challenges in the education sector and the economy as a whole leading to severe consequences on the University's financial and operational performance and general household jobs and income across the country.

The University was therefore not able to meet its financial obligations due to the closure from March 2020, following the directive that all learning institutions close. The University took measures to safeguard its staff and students by facilitating staff to work from home and students to study through remote learning and teaching. Other staff in core and sensitive areas were deployed to work in shifts to mitigate against the spread of the virus.

Business Environment

The Kenyan economic performance in the year 2020 was affected by the adverse effects of the Covid-19 pandemic. The economy had been projected to grow by 6.1% based on strong revenue growth, reduction in non-core expenditures and a gradual decrease in the public debt. However, as a result, of the negative consequences of the coronavirus pandemic and invasion of swarms of desert locusts and floods that led to loss of lives, displacement of people and destruction of infrastructure, the economy grew by 4.9% in the first quarter of 2020 compared to 5.5% in the first quarter of 2019. The economy contracted by 5.7% in the second quarter of 2020 from a growth of 5.3% in the same quarter in 2019.

Over the past year, the University had made great strides in implementing turnaround strategies, and restructuring its governance processes to enable the University deliver on its mandate and achieve operational efficiency.

Our company, Rivatex East Africa Limited, is currently on course to becoming the leading fully integrated textile mill in East and Central Africa region producing quality and superior textile products. The company has been focusing on modernizing its machinery through the funding from the Export Import (EXIM) Bank of India and the Government of Kenya.

The operating environment towards the end of the year was very challenging mainly as a result of macro-economic headwinds created by the coronavirus pandemic. The University was not able to meet its revenue targets in generation of Appropriations-in-Aid after closure in March 2020, leading to an increase in pending bills at the end of the year.

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. The University has not therefore been able to fill all its declared capacities.

The preferential access to regional and world markets under a number of agreements/arrangements creates a roadmap for future sustainable market for export for Rivatex East Africa Limited. 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. We are therefore confident that Rivatex will be able to improve its performance in the coming years.

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Future Outlook

Looking into the future, the University expects that there will be an improvement in the higher education sector and funding of public universities to enable the University meet its financial obligations and recover from the negative effects of the Covid-19 pandemic. The economic environment in the country is expected to continue recovering, albeit at a slow pace, following the measures taken by the Government and the partial reopening of the economy.

The University has put in place measures to achieve synergy and operational efficiencies in line with the Ministry of Education's directive for public universities to rationalize and harmonize their academic programmes.

The University expects to reduce its operational expenses by leveraging on ICT in its administration, academic programmes and processes.

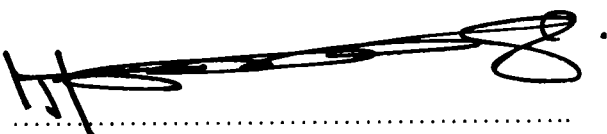
However, we request for additional funding from the Government for physical infrastructure, equipment and capacity development to match the number of Government Sponsored Students programme (GSSP) allocated to the University.

In addition, the University is requesting for additional funding in its recurrent budget to enable it settle the huge pending bills that arose as a result of the Covid-19 pandemic and to enable it at least meet its payroll costs, which are set to go up upon implementation of the 2017-2021 Collective Bargaining Agreements (CBAs) and payment of the enhanced Doctors' and Medical Risk Allowances.

Appreciation

On behalf of the University Council I would like to thank the Government for continued support to the University and Rivatex East Africa Limited through recurrent and capital development grants as well as our development partners.

I appreciate the University Management, staff and students for their tireless efforts in enabling the University meet its core mandate of teaching, research and community outreach.



.....
DR. HUMPHREY K. NJUGUNA
CHAIRMAN – MOI UNIVERSITY COUNCIL

REPORT OF THE VICE CHANCELLOR

It is with great pleasure that I present this report for the financial year ended 30th June 2020.

This year was marked by the disruptions caused by the global Coronavirus pandemic, which disrupted the University's operations from the third quarter following the Presidential directive that all learning institutions close as part of the containment measures against the pandemic. This closure, which has extended well into the financial year 2020/2021 has severely negatively affected the financial operations of the University due to the fact that the University has not been able to generate internally generated revenue, which is an integral part of financing the budget of the University. This has led to an accumulation of pending bills.

The recurrent capitation that the University receives has not kept pace with the number of students at the University. This is straining the University in achieving its noble objective of offering quality teaching and research. We, therefore, request that the Government reviews the current funding model and allocate recurrent capitation that is in tandem with its requirements.

Review of the University's governing structures

The University has set up governance structures, processes and systems to ensure effectiveness and efficiency in decision-making. In this regard, during the year, the University reviewed its Statutes to align it to The Constitution of Kenya, and relevant laws and regulations, including review of its governance structures to enhance clarity in University structures, ease of decision-making, implementation and follow-up, and provide clarity in organizational operations.

The University recognizes the importance of policies in the running of day-to-day operations. Consequently, the University Management Board and Council in the last one (1) year has developed key policies and reviewed existing ones in line with The Constitution of Kenya and relevant laws and regulations of the Government.

Implementation of the Enterprise Resource Planning System (ERP)

To support the governance systems put in place, the University has automated its process by procuring and implementing an Enterprise Resource Planning (ERP) System to ensure effectiveness and efficiency in service delivery, including managing student results, course management, fee collection, generation of reports and general decision-making of the University.

Harmonization and Rationalization of University Academic Programmes

During the year, the University undertook harmonization and rationalization exercise of academic programmes to address quality issues affecting the University in the running of academic programmes by addressing challenges of inadequate learning facilities, inadequate office space for academic staff, duplication of academic programmes, course overloads, and realignment of academic staff based on expertise and qualifications, and duplication of roles among Directorates and other units supporting academic programmes.

The University closed two (2) Campuses during the financial year: Odera Akango and Kitale Campuses as part of its cost management measures.

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Resource Mobilization

To increase the resource base of the University, efforts have been made on writing proposals for grants and projects. The University has won a number of donor-funded projects, including Africa Centre of Excellence in Phytochemicals, Textile and Energy – ACE-II, Africa Centre of Excellence in African Studies, Digital Literacy Programme (DLP) Phase I and II, ASALI Project, among others. There are a raft of measures to improve the sustainability of Income Generating Units (IGUs) such as establishment of a Directorate of Resource Mobilization, Enterprise Development and Institutional Advancement (RMEDIA) to focus on IGUs and mobilization of resources for the University and establishment of an Advisory Committee to oversee their operations.

Students' Welfare

The University has instituted measures to ensure the welfare of students. These include the setting up of the Office of Career Services, release of academic certificates shortly after graduation, annual release of academic transcripts to reduce incidences of missing marks, revision of the Moi University (MUSO) Constitution and Students Handbook, enhancing extra-curricular activities and boosting security on Campuses. For the latter, the University is working closely with the National and County security agencies. The University has depoliticized student Governing Council elections to ensure the process is free and fair. Further, the University is engaging with Alumni to explore possibilities of resource mobilization as well as seeking support for needy students in terms of scholarships. An Endowment Fund Management Policy is underway for approval by Council to form a framework for structured engagement with the University's Alumni.

Financial performance

The University's financial performance during the year was negatively affected by the Covid-19 pandemic, which saw the University realize less than the anticipated revenue. We expect going forward that when the University resumes normal operations that the measures we have 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 2020/2021 and see the University return a positive performance.

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

REVIEW OF MOI UNIVERSITY PERFORMANCE FOR FY 2019/2020

Section 81 subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statements, a statement of the national government entity's performance against predetermined objectives.

Moi University has nine strategic pillars and objectives within its Strategic Plan for the FY 2015/2016- 2020/2021. These strategic pillars are as follows:

Pillar 1: Deliver an outstanding and innovative educational experience and conduct outstanding research and creative work for the public good.

Pillar 2: Secure the resources to achieve our vision, while being responsible stewards of these resources.

Pillar 3: Design viable programmes and activities aimed at enhancing students' welfare

Pillar 4: Conduct and revamp the physical facilities and ICT infrastructure

Pillar 5: Sustain an appropriate Quality Assurance and Performance Management Systems

Pillar 6: Provide resources to ensure effective and efficient library and information services

Pillar 7: Enhance the University's health care programmes, security and safety

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Pillar 8: Strengthen and broaden governance, corporate image and corporate social responsibility

Pillar 9: Create an entrepreneurial services unit for financial growth and sustainability of the University

The University develops its annual work plans based on the above nine pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The University achieved its performance targets set for the FY 2019/2020 period for its nine strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1	1. Develop innovative academic programmes for relevance, marketability and competitiveness 2. Strengthen research linkages and collaborations	-Number of academic programmes reviewed during the year -Increase in number of linkages and collaborations	-Review of academic programmes as per CUE requirements -Negotiate and conclude agreements with partners and collaborating institutions	Seven academic programmes were reviewed during the year The University achieved eight new linkages and collaborations during the year
Pillar 2	Efficient and prudent use of human and financial resources	Percentage absorption of allocated GoK funds	The University to absorb the funds allocated to it by GoK	The University absorbed 100% of the funds allocated by GoK
Pillar 3	To attract international students and promote exchange	Percentage increase in number of new international students	Improve/intensify messaging for prospective international students	The University achieved an increase of 18%. Other new students did not report due to the Covid-19 pandemic
Pillar 4	To acquire, develop and maintain quality facilities and equipment	Construction of tuition and residential facilities	Renovation of Hostel J at Main Campus Construction of Library at Annex Campus	The completion level was at 60% against a target of 85%. The achievement of the targets was affected by travel restrictions imposed as a result of Covid-19
Pillar 5	To continually implement, monitor and evaluate quality	Enhance implementation of QMS ISO	Continued ISO 9001:2015 certification	The University continued implementing the

	assurance and performance management systems	9001:2015 Institutionalize performance contracting	Signed and implemented Performance Contract for FY 2019/2020	QMS ISO 9001:2015 Standards Performance Contract for FY 2019/2020 signed and implemented
Pillar 6	Create awareness and build the e-capacity of the University community	Increase in number of MU Scholar Profile for online presence and visibility	Increase the number of MU Scholar Profiles from 205 to 400	The number was increased to 277. The closure of the University in March 2020 affected the achievement of the set target
Pillar 7	To ensure all staff, students and University assets are safe and secure	Sensitization of staff and students on security and safety measures	Workshops/trainings to sensitize staff and students on security and safety	The University sensitized both staff and students on security and safety. The University coordinated with the County Security Team to conduct security assessments at its campuses
Pillar 8	Sustain good governance for effective performance and service delivery	Reviewed University Statutes	Undertake review of the statutes and have them approved by the University Senate and Council	The Statutes were reviewed and approved during the year
Pillar 9	To encourage exploitation of potential business opportunities	Increase in MU revenue generated through business activities	Assembly of computer and IT related products	The University assembled devices used in the 2019 Census and for the Digital Literacy Programme

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.

Ownership

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. It is headed by the Vice-Chancellor and Secretary to the University Council, who is responsible for implementation of the Council's policy decisions and day-to-day operations of the University.

Constitution, Appointment and Retirement of Members of Council

The Council consists on nine persons appointed by the Cabinet Secretary in charge of Education. The membership of the Council is as follows:

- (i) The Chairperson
- (ii) The Principal Secretary in charge of University Education
- (iii) The Principal Secretary in charge of The National Treasury
- (iv) Five persons appointed by the Cabinet Secretary through an open and competitive process
- (v) The Vice-Chancellor, who is an ex-officio member of the Council

Newly appointed members of Council are facilitated to undergo an induction process covering the business of the University by availing relevant information and also taking them through structured induction training.

The members of Council retire at the expiry of their term of appointment or when appointed to other offices that could bring a conflict of interest.

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 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	16/7/19	20/8/19	17/12/19	29/1	5/2/20	6/3/20
Dr. Jeremiah Koshal	Chairman	√	√	√	√	√	√
Prof. Isaac Kosgey	Secretary	√	√	√	√	√	√
Ms Elizabeth O. Lawson	Independent Member	√	√	√	√	×	×

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CPA Hilda Muchunku	Independent Member	×	×	×	√	√	√
Mr. Vincent Chokaa	Independent Member	√	√	√	√	√	√
Mr. David Rono	Independent Member	√	×	×	√	×	√
Mr. Hamisi Dena	Independent Member	×	√	×	×	×	×
Ms. Isabella Kogei/ Mr. Isaac Memusi	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 functions are as indicated below.

The University has an Audit, Risk and Compliance Committee as required by law. The Council in appointing the members of this committee has ensured that at least one member of the committee has relevant qualifications and expertise in audit, financial management, or accounting with experience in public service and knowledge in risk management and is a member of a professional body in good standing.

Audit, Risk and Compliance Committee	Academic, Research, Extension and Students' Affairs Committee
Functions	Functions
To assist the Vice Chancellor in enhancing internal controls in order to improve efficiency, transparency and accountability.	To provide guidelines on University wide research activities
To review audit issues raised by both internal and external auditors.	To research set priorities and targets for research activities in the University
To resolve unsettled and unimplemented Public Investment Committee's (P.I.C) recommendations	To receive, consider and recommend to Council award of honorary degrees
To enhance communication between management, internal and external audit and to foster an effective audit function	To provide guidelines on University wide training

Finance, Administration and Strategy Committee	Human Resource and Governance Committee
Functions	Functions
To explore ways of raising funds for the University both internally and externally	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.
To develop appropriate and conducive policies to guide and promote resource mobilization and income generation activities in the University.	To recommend to Council improvements in the job grading classifications as the Committee may consider appropriate.
To monitor and evaluate income generation and resource mobilization activities in the University.	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.
To develop policies on utilization of resources (Income Generation) for the development of the core business of the University.	To examine and make recommendations to Council on salaries, terms and conditions of service for all University employees.

Council Boards

Council Appeals Board

The mandate of this board is to consider appeals from members of staff and make recommendations to Council

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

The University's operational and financial performance

Impact of Global Outbreak of Corona Virus (COVID-19) Pandemic on University Operations

The global outbreak of the Coronavirus pandemic had a significant impact on University operations from March, 2020, following the Presidential Executive Order directing all learning institutions to close and send the students and staff home.

The University, therefore, remained closed from the third quarter and only minimal operational activities took place up to the end of the financial year. The internally generated revenue collection from tuition and related charges as well as from other income generating units significantly dropped as there were no academic activities after the date of the closure.

The University is in consultation with the various Government organs on the protocols for re-opening and the mitigation modalities to be undertaken to ensure that the students and staff stay safe once we re-open. The University instituted blended teaching and learning from the second quarter of FY 2020/2021 to allow students to learn remotely pending the resumption of face-to-face learning.

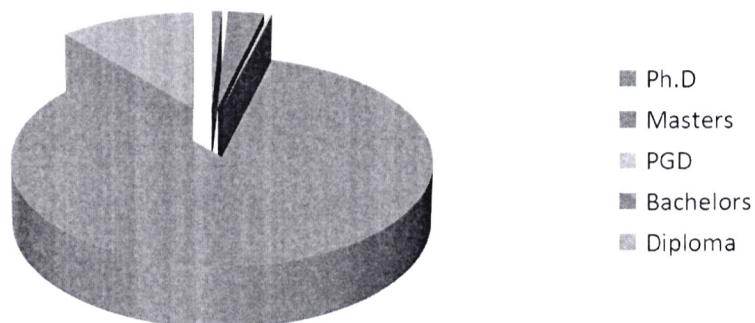
The University's calendar has been significantly affected because of the long period of closure. These changes have had a negative impact on the cash inflow to the University, reducing the ability to meet its obligations as and when they are due. This has led to an increase in outstanding obligations as at year-end. The University has had consultations with the parent ministry on financial assistance to ameliorate the negative consequences of Covid-19 on the financial and operational performance of the University.

The Covid-19 intervention and mitigation measures that have been put in place by the Government require that fewer cohorts of students will be in session in line with the requirement for proper social distancing in the University. We, therefore, expect to realise lower than anticipated revenue in the next financial year arising from the closure, while the University will have to incur additional expenditures to deal with and mitigate the effects of the COVID-19 pandemic.

Academic matters

The University held two graduations in August and December 2019 and graduated 9,244 students as indicated below:

Programme	August 2019	December 2019	Total
Ph.D.	29	47	76
Masters	101	170	271
PGD	4	19	23
Bachelors	2,329	5,518	7,847
Diploma	321	706	1,027
Total	2,784	6,460	9,244

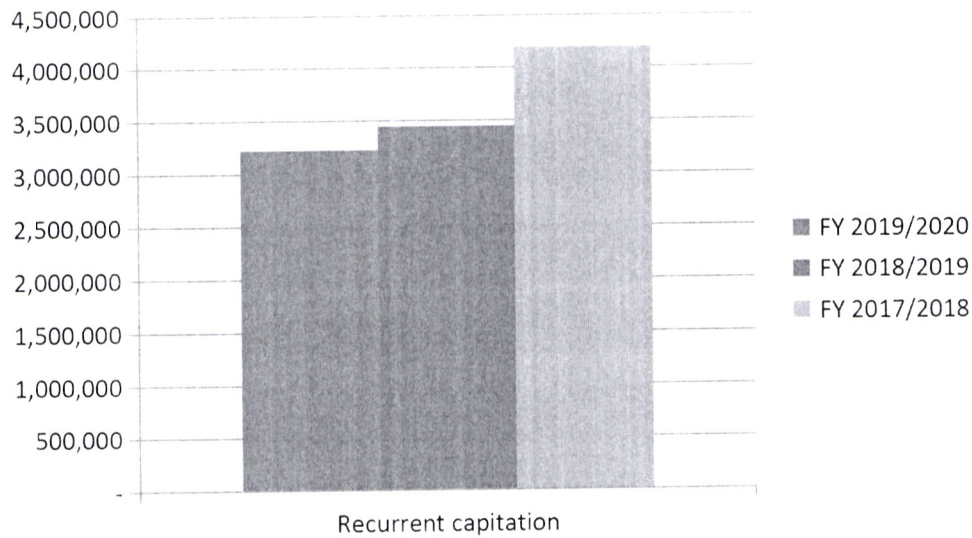


Financial Performance

The University received recurrent capitation of Kes 4,141,751,370 made up of normal capitation (Kes 3,224,704,568), Doctors and Lecturers’ Medical and Risk allowances arrears (Kes 306,194,400) and 2017-2020 Collective Bargaining Agreement arrears (Kes 610,852,402).

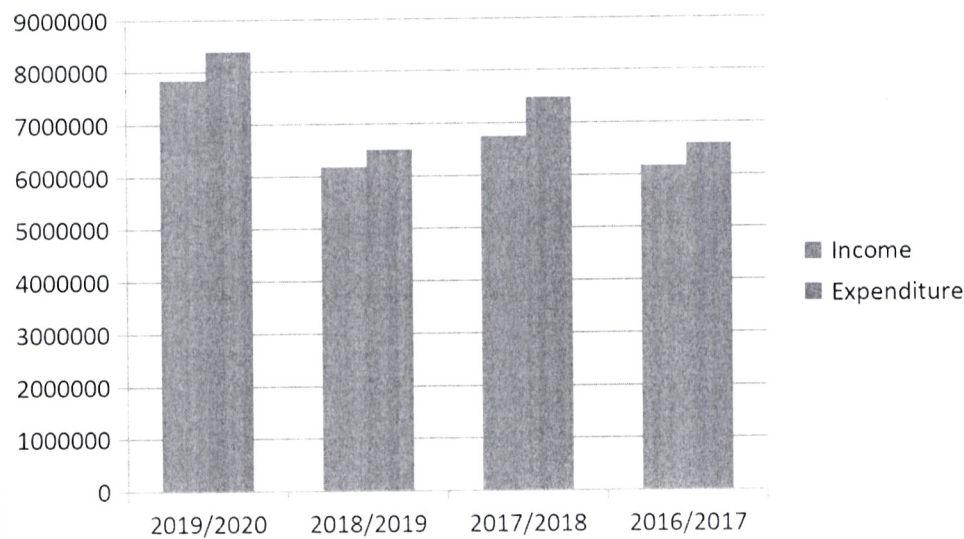
The University’s internally generated revenue significantly dropped as a result of the closure as there were no academic activities from the date of closure up to the end of the financial year. It is anticipated that the decline of revenue collection shall continue to be witnessed into the Financial Year 2020/2021 until such time that the pandemic shall have stabilized to allow students to resume studies and the University to regain normalcy.

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The recurrent capitacion received by the University has decreased in real terms as a result of implementation of the Differentiated Unit Cost (DUC) funding model. The University has made representations to the Ministry of Education for a review of this funding model to enable the University operate optimally.

Income and Expenditure for the period 2016 to 2020



Financial Year	*Income (Kes'000)	Expenditure (Kes'000)
2019/2010	7,857,544	8,397,577
2018/2019	6,184,006	6,511,005
2017/2018	6,752,775	7,484,587
2016/2017	6,167,842	6,599,435

*The breakdown of the incomes for the four years is shown below:

	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17
Recurrent Capitation	3,224,705	3,449,415	3,153,993	2,766,459
CBA arrears	917,047	-	1,042,916	-
Appropriations in Aid	3,715,792	2,734,591	2,555,866	3,411,383
Total Income	7,857,544	6,184,006	6,752,842	6,167,842

The University's revenue during the year was Kes 7,857,544,000 against an expenditure of Kes 8,397,577,000, thus, having a deficit of Kes 540,033,000. The reduction in the income from the privately sponsored students' programme and the reduction in the number of students qualifying to join Universities has led to deficits in the University's financial operations.

Key projects and investment decisions the entity is planning/implementing

Implementation Of Key Infrastructural Projects

The University is currently implementing the following key infrastructure projects that were approved in the Capital Development Budget for FY 2019/2020. The projects are expected to improve the learning atmosphere in the University and, therefore, improve the quality of teaching. The projects include:

- a) Construction of Library at Annex Campus
- b) Schools of Public Health, Dentistry and Nursing Building
- c) Completion of 2250 Students Hostel, Block M, Wing C. and Block N
- d) Completion of Stalled Sewerage Works
- e) Renovation of Hostels at Main Campus

Major risks facing the University

The University's activities are exposed to a number of risks that include credit risk, liquidity risk and market risks.

The credit risk emanating from trade receivables (students' fees) is managed by ensuring that students pay the requisite fees at the time of registration and signing of nominal rolls and also before sitting for their examinations. The University has procured an ERP system that will minimize risks.

Liquidity risk emanates from the University's challenges in meeting its obligations as and when there are due. The University is managing this risk by continuously reviewing its cash flow forecasts and agreeing on acceptable payment plans with creditors in order to meet the shortfall. The University is seeking financial support from the government to mitigate cash flow challenges as this has led to increased litigations and threatened executions.

The University is facing a risk from the reduction in the number of privately sponsored students admitted to the University. Decrease in the number of admissions has resulted in reduction in tuition fees, thus resulting in financial challenges. The University is dealing with this risk through vigorous marketing of PSSP programmes. There is renewed focus on admissions of post graduate students, whose numbers are not affected by the government policy on admission of new students.

In addition to the above risks, the University is also facing risks in its business continuity plan caused by changes in the operating environment and changes in policies affecting the higher education sector. These could lead to supply chain interruptions.

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Material arrears in statutory/financial obligations

The University has arrears in Pension and Provident Fund contributions, savings and credit organizations, welfares and bank loan deductions. The University has made Remedial arrangements to make payments towards reducing the Pension Scheme and Provident Fund outstanding arrears.

The University's financial probity and serious governance issues

There were no reported financial improbity issues by either internal or external parties. The University has put in place governance structures in place to ensure that any exposures are addressed promptly.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORT

The University continues to focus on programmes that are of material importance to our students and various stakeholders, including the Government and industry. The University is committed to building a more sustainable future, despite the challenges and resource constraints that are currently being experienced by public universities.

In this report we indicate the strategic efforts that the University is engaging in to achieve sustainability in its operations and business model.

Sustainability strategy and profile

The year under review has been especially tough for the University following the onset of the global Covid-19 pandemic that saw the University close in March, 2020. The sustainability efforts of the University during the year were aimed at keeping the University afloat, despite the challenging operating environment. The University therefore focused on growing its revenue base, especially through the development and assembly of digital devices in its Assembly Plant in Eldoret. We are confident that these efforts will enable the University to continue delivering on its mandate.

The University has also incorporated blended teaching and learning to allow our students to learn virtually in their various remote locations. This model will allow the University to continue its academic programmes despite the restrictions currently in force due to the coronavirus pandemic. The ten year extension in 2015 of the African Growth and Opportunity Act (AGOA) has provided opportunities for our company, Rivatex East Africa Ltd., to exploit and be profitable following the modernization of the machines at the factory. Rivatex is strategically placed to be a strong textile industry player in the country and the region.

The University has instituted measures to ensure effectiveness and efficiency in service delivery and cost management strategies. We have harmonized and rationalized academic programmes, courses/units, departments, staff, facilities and other University operations.

The University has disbanded two Schools, namely, School of Human Resource Development and School of Aerospace Sciences, and merged several Departments within Schools, rationalized and re-aligned academic staff based on academic qualifications, and harmonized similar programmes. Additionally, the University is reviewing curricula to harmonize similar courses, realign course loadings, offer University-wide courses on blended on-line learning, and disband and merge Directorates with similar roles. The University has also set-up guidelines for appointment of Associate Deans and Deputy Directors, and terminated leased facilities to reduce on rental costs. To mitigate teaching space requirements, the University is developing requisite infrastructure, including laboratories to improve on quality delivery of academic programmes. The next phase is rationalization of non-teaching staff to ensure optimization of their numbers, skills and competencies.

Further, the University has set up governance structures, processes and systems to ensure effectiveness and efficiency in decision-making. In this regard, the University has revised its Statutes, and reviewed and formulated new policies. To support the governance systems put in place, the University has automated its process by procuring and implementing an Enterprise Resource Planning (ERP) System to ensure effectiveness and efficiency in service delivery, including managing student results, course management, fees collection, generation of reports and general decision-making in the University. The automation process is currently standing at 80 per cent, and is expected that the University will be fully automated by June, 2020.

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To increase the resource base of the University, efforts have been made on writing proposals for grants and projects. The University has secured a number of well-funded projects, including Africa Centre of Excellence in Phytochemicals, Textile and Energy - ACE-II, Africa Centre of Excellence in African Studies, Incubation Centre, Digital Literacy Programme (DLP) Phase I and II, HEPSSA Project, ASALI Project, among others. There are a raft of measures to improve the sustainability of Income Generating Units (IGUs) such as establishment of a Directorate of Resource Mobilization, Enterprise Development and Institutional Advancement (RMEDIA) to focus on IGUs and mobilization of resources for the University and establishment of an Advisory Committee to oversee their operations.

The University has also instituted measures to ensure the welfare of students. These include the setting up of the Office of Career Services, release of academic certificates shortly after graduation, annual release of academic transcripts to reduce incidences of missing marks, revision of the Moi University Students Organization (MUSO) Constitution and Students' Handbook, enhancing extra-curricular activities and boosting security on Campuses. For the latter, the University is working closely with the National and County security agencies. The University has tried to depoliticize student Governing Council elections to ensure the process is free and fair. Further, the University is engaging with Alumni to explore possibilities of resource mobilization as well as seeking support for needy students in terms of scholarships. An Endowment Fund Management Policy is underway for approval by Council to form a framework for structured engagement with the University's Alumni.

Environmental performance

The University embraces environmental safety in its operations and has in place policies for handling e-waste, managing other waste generated in the University and ensuring that all our operations conform to best practices to reduce any negative impacts on the environment. Rivatex East Africa Ltd., in consultation with global design houses in the Export Processing Zone, is in the process of modernizing the factory's effluent treatment plant to meet the standards required under the African Growth and Opportunity Act for textile exports to the United States market.

The company has adopted greener production processes that protect the environment and minimizes damage to the environment. The University believes that this will immensely contribute to and sustain our future success.

Employee Welfare

The University is an equal opportunity employer and is committed to hiring and retaining qualified and competent staff, who possess actual and future potential to effectively and efficiently perform their duties to achieve the University's vision, mission and strategic objectives.

The University does its recruitment competitively through an open and transparent process. Potential employees are expected to comply with the requirements of Chapter Six of the Constitution. The principles of affirmative action, gender and disabled persons and mainstreaming of National Values and Principles of Governance as espoused in Chapter Ten of the Constitution guide our hiring process.

The University measures employee performance through an appraisal/evaluation process that provides feedback, reviews progress, identifies and addresses potential for rewarding and advancement of employees.

Market place practices

Rivatex East Africa Limited, through the Ministry of Industry, Trade and Co-operatives collaborates

with other Government institutions like the Fibre Crops Directorate of the Agriculture and Food Authority (AFA), the Kenya Plant Health Inspectorate Service (KEPHIS), Kenya Agriculture and Livestock Research Organization (KALRO), farmers, ginners and spinners have signed tripartite agreements for the creation of public awareness (sensitization), sustainability and multi-sectoral rural industrialization. Through these linkages the farmers will be assured of a ready market for their produce and at competitive prices, leading to job/wealth creation and poverty alleviation.

Community Engagements

The University recognizes that for sustainable growth and profitability it must play its role in society as an ethical and compliant entity that respects communities, legal requirements and the environment. During the year, the University, through Rivatex East Africa Limited, supported several projects and activities that impact positively on the lives of communities and the society at large. The company supported two students in secondary schools and donated fabrics to five children's homes.

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REPORT OF THE COUNCIL MEMBERS

The Council Members submit their report together with the financial statements for the year ended June 30, 2020 which show the state of the University's affairs.

Principal activities

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

Results

The results of the University for the year ended June 30, 2020 are set out on page 1.

Council Members

The members of the Council who served during the year are shown on page (viii).

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 Council



Prof. Isaac S. Kosgey, Ph.D
Secretary to Council
Eldoret
Date: *28/04/2021*

STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 47 of the Universities Act, 2012 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, 2020. 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 Public Finance Management 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, 2020, 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.

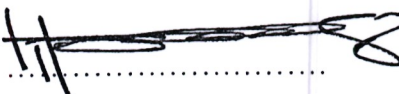
Nothing has come to the attention of the Council Members to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The University's financial statements were approved by the Council on _____ 2020 and signed on its behalf by:


.....

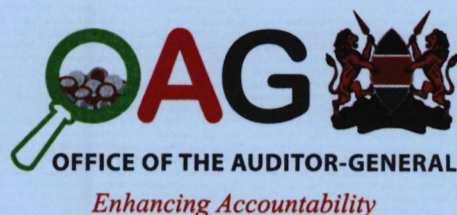
Vice Chancellor


.....

Council Member

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MOI UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Moi University set out on pages 1 to 42, which comprise the consolidated statement of financial position as at 30 June, 2020, and the consolidated statement of financial performance, consolidated statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter 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, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act No.42 of 2012.

Basis for Qualified Opinion

1. Presentation and Disclosure of Financial Statements

A review of the financial statements availed for audit review revealed the following anomalies:

- i) The statements of financial performance reflects departmental expenditure items instead of expenditure items as reflected in the recommended format by The National Treasury vide Circular Ref No: AG. 4/16/3 Vol.1 (9) of 24 June, 2020.
- ii) The consolidated total assets amount of Kshs.16,443,297,000 reflected in the consolidated statement of financial position varies with the casted amount of Kshs.16,423,390,000, resulting in a variance of Kshs.19,907,000 which has not been explained or reconciled.

- iii) The consolidated statement of changes in net assets reflects capital development grants received – Moi University of Kshs.181,215,000 and restatement of Rivatex reserves by negative Kshs.100,843,000 which have not been explained or supported.
- iv) The statement of cash flows reflects consolidated depreciation amount of Kshs.185,813,000 which varies with the consolidated amount of Kshs.66,758,000 reflected in Note 14 to the financial statements, resulting in an unexplained variance of Kshs.119,055,000.
- v) The statement of cash flows reflects a decrease in inventories amount of Kshs.199,040,000 which varies with the computed amount of Kshs.201,889,000, resulting in unexplained variance of Kshs.2,849,000.
- vi) The statement of cash flows reflects an increase in the trade and other payables amount of Kshs.1,775,378,000 which varies with the computed amount of Kshs.1,775,668,000 resulting to unexplained variance of Kshs.290,000.
- vii) The consolidated statement of financial position reflects total assets of Kshs.16,443,297,000, total liabilities of Kshs.5,908,483,000 and net assets of Kshs.10,514,907,000 as at 30 June, 2020. The net assets balance of Kshs.10,514,907,000 differs with the computed amount of Kshs.10,534,814 resulting in a variance of Kshs.19,907,000 which has not been explained or reconciled.
- viii) The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 is not matched with all expenses balances disclosed in the Notes to the financial statements.
- ix) The consolidated statement of financial performance for the year ended 30 June, 2020 reflects total expenses amount of Kshs.8,305,581,000 for Moi University which varies with the amount of Kshs.8,284,649,000 reflected in the statement of comparison of budget and actual amounts, resulting in a variance of Kshs.20,932,000 which has not been explained or reconciled.
- x) The investment that the University has made in Rivatex East Africa Limited has not been recognised on the face of the statement of financial position. The presentation, therefore, is not in line with Paragraph 43 of IPSAS 6 which stipulates that, “in preparing consolidated financial statements, an entity combines the financial statements of the controlling entity and its controlled entities line by line, by adding together like items of assets, liabilities, net assets or equity, revenue, and expenses.”
- xi) Appendix 1 of the financial statements on progress on follow up of auditor recommendations has not been completed as required by the Public Sector Accounting Standards Board.

Under the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Comparison of the Financial Statements of Moi University and Rivatex East Africa Limited

A comparison of the amounts in the financial statements of the Moi University and Rivatex East Africa Limited as at 30 June, 2020 revealed the following variances:

Component	Moi University Financial Statements (Kshs.)	Rivatex East Africa Limited Financial Statements (Kshs.)	Variance (Kshs.)
Miscellaneous Expense	24,695,000	-	24,695,000
Assets Disposals	21,520,000	-	21,520,000
Trade Payables	-	273,224,777	(273,224,777)
Provisions	3,954,000	-	3,954,000
Total	50,169,000	273,224,777	

No explanation or reconciliation has been provided for the above variances.

3. Revenue from Exchange Transactions

The consolidated statement of financial performance for the year ended 30 June, 2020 reflects revenue from exchange transaction of Kshs.3,477,286,000. The amount excludes unrecorded and unquantified joint venture profit or loss arising from the Kenya National Population and Housing Census Project between the University and a donor as stipulated in Paragraph 5 of the supply and cooperation agreement of 25 March, 2019. It is apparent that the revenue and expenditure in respect of this project have not been accounted for in the financial statements.

Therefore, the accuracy and completeness of revenue from exchange transactions total figure of Kshs.3,477,286,000 for the year ended 30 June, 2020 could not be confirmed.

4. Trade and Other Payables from Exchange Transactions

4.1 Part-Time Lecturers Claims

Included in trade and other payables from exchange transactions balance of Kshs.5,666,543,000 reflected in the consolidated statement of financial statements as at 30 June, 2020 is an outstanding amount of Kshs.105,812,020 for part-time lecturers claims, which was also not supported by a list of the part-time lecturers engaged together with their individual pending claims.

Under the circumstance, the accuracy and completeness, of the part-time lecturers claims of Kshs.105,812,020 as at 30 June, 2020 could not be confirmed.

4.2 Capital Work in Progress

Included also in the trade and other payables from exchange transactions balance of Kshs.5,666,543,000 is Capital Work- in- Progress balance of Kshs.37,973,351 which was not supported with interim or completion certificates and aging analysis showing the amount of work certified against the bills of quantities.

In view of the circumstances, the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs.5,666,543,000 as at 30 June, 2020 could not be confirmed.

5. Undisclosed Material Uncertainty in Relation to Sustainability of Services

The consolidated statement of financial position reflects total current liabilities balance of Kshs.5,677,233,000 that exceeded current assets balance of Kshs.5,200,725,000 resulting to a negative working capital of Kshs.476,508,000 as at 30 June, 2020. The University also had an accumulated deficit of Kshs.3,209,205,000 as at 30 June, 2020. 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.

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. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.8,140,098,000 and Kshs.7,857,545,000 respectively resulting to an under-funding of Kshs.282,553,000 or 35% of the approved revenue budget. Similarly, the University spent Kshs.8,305,581,000 against an approved budget of Kshs.8,140,098,000 resulting to an over-expenditure of Kshs.165,483,000 or 2% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Pending Bills

Included in the trade and other payables from exchange transactions balance of Kshs.5,666,543,000 were pending bills totalling Kshs.1,109,468,194 as at 30 June, 2020

which had been outstanding for over 90 days. Under the circumstances, the university is likely to face legal actions for not settling pending bills.

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 described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Personnel Costs

1.1 Irregular Token Allowance

A review of the University's payroll revealed that 34 primary and secondary school teachers were paid total wages of Kshs.2,659,000 as token allowances. The salaries of the teachers are paid by the Teachers Service Commission (TSC) as per their terms and conditions of service. The University, as part of its Corporate Social Responsibility (CSR) paid them a token allowance since they provide services to the two schools within the University.

The amount is to augment their transport expenses as it was noted in the past that teachers were unwilling to accept postings to the two schools because of distance from town and the related transport expenses. However, approval for the payment of token payment was not provided for audit verification. The University therefore irregularly paid wages of Kshs.2,659,000.

1.2 Failure to Observe a Third Rule on Basic Salary

A review of the payroll for the month of June, 2020 revealed that thirty-nine (39) 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.

1.3 Acting Allowance

As reported in the previous year, a review of the personnel records revealed that twenty-three (23) officers have 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. Further, an expenditure of Kshs.572,491 incurred on acting

allowances during the year under review has not been disclosed in the financial statements.

1.4 Engagement of Casual Employees

As disclosed in Notes 13,14,15 and16 to the financial statements, personnel emoluments of Kshs.2,025,724,000, Kshs.1,160,955,000, Kshs.119,625,000 and Kshs.3,788,000 totalling Kshs.3,310,092,000 were incurred under academic department, administration and central department, academic services department, and computer services departments, respectively. The total balance of Kshs.3,310,092,000 includes an amount of Kshs.4,128,613 related to payment of wages for forty-four (44) casual employees who were not recorded in the master roll.

Further, available information indicates that the University had engaged 736 casual employees for over three years with some having worked for 25 years .This is 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 of law and regulations.

2. Ethnic Composition

A review of the University staff establishment revealed that the University had two thousand seven hundred and thirty-nine (2,739) members of staff out of which one thousand six hundred and ninety-six (1,696) or 62% members of staff were from one ethnic community. This is contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which stipulates that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

3. Staff Promotions

A review of personal files and payroll availed for audit revealed the following irregular promotions:

- i) A staff with personal number 06122 was promoted to Deputy Chief Flight Instructor salary Scale XIII on 28 January, 2015 with all benefits of Collective Bargaining Agreement (CBA) between Moi University Council and Academic Staff Union (UASU). He was further promoted to position of Chief Flight Instructor and Chief Grounds Instructor 19 February, 2020 without advertisement of the position as per Moi University Human Resource Policy Manual. Further, the employee was

irregularly paid a responsibility allowance of Kshs.377,000 per month or Kshs.4,524,000 per annum which is not approved for under Scale 13.

- ii) A staff with personal number 5802 was promoted from administration assistant Grade 7 earning basic salary Kshs.43,937 per month to the position of assistant registrar, grade 12, salary entry point of Kshs.94,347 per month. However, there was no advertisement for the position and she was irregularly promoted by 3 grades. She was later appointed as acting Public Relations Officer.

The Management was, therefore in breach of its Human Resource Policies.

4. Digital Learning Programme Project

The consolidated statement of financial performance reflects an expenditure of Kshs.3,779,157,000 under administration and central expenses which, as disclosed in Note 14 to the financial statements, includes an amount of Kshs.1,475,670,000 incurred under the digital literacy programme. The expenditure related to supply of parts used to assemble PC tablets such as solar chargers, power banks and mobile devices used for 2019 Kenya Population Housing Census and Digital Literacy Programme.

Available information indicates that the parts were directly procured from an international company. However, the prevailing conditions did not meet the condition set out in Section 103(2) of the Public Procurement and Asset Disposal Act, 2015 for use of direct procurement method. Further, tender documents, inspection and acceptance reports and interim and completion certificates were not availed for audit verification.

The University was therefore, in breach of the law.

5. Loss Making Commercial Venture - Elimu Millers

The consolidated statement of financial performance reflects Elimu Millers Income amount of Kshs.7,659,000 (2019 - Kshs.9,045,000). However, the corresponding expenditure was indicated as Kshs.10,263,000 (2019 - Kshs.15,171,000) resulting in a loss of Kshs.2,604,000 (2019 loss – Kshs.6,126,000). The loss-making trend of the unit might therefore deplete resources earmarked for other activities.

6. Work in Progress

6.1 Proposed Builders Works at School of Dentistry Second Floor

As reported in the previous year, a construction company was on 16 June, 2017 contracted to build the second floor of the School of Dentistry building at a contract sum of Kshs.82,022,380. The works were supposed to take thirty (32) weeks.

However, at the time of physical verification in December, 2020, the project had not been completed and there was no approved extension as required by Section 139(2) of the Public Procurement and Asset Disposal Act, 2015. Available information indicates that a new contractor was engaged to complete the project at a contract cost of Kshs.169,232,777 as per the Bill of Quantities. However, procurement records such as

advertisement, evaluation minutes, signed contract for the new contract were not availed for audit verification.

6.2 Completion Works of Library Block - Annex Campus

The consolidated statement of financial position reflects property, plant and equipment balance of Kshs.11,205,824,000 which included work in progress amount of Kshs.6,296,622,000. The latter balance includes an amount of Kshs.8,067,334 incurred on completion works of the library at Annex Campus. A construction company was contracted to build a Library at Annex Campus for a contract sum of Kshs.115,837,459 on 07 November, 2016. The construction works was supposed to take forty (40) weeks.

However, as at the time of audit in December, 2020, the project had not been completed and there was no approved extension as required by Section 139(2) of the Public Procurement and Asset Disposal Act, 2015. Further, records availed for audit indicate that the project was handed over on 13 November, 2019, but the completion certificate was not provided for audit verification.

6.3 Stalled Construction of the Main Gate

As reported in the previous year, the property, plant and equipment balance of Kshs.11,205,824,000 reflected in the consolidated statement of financial position includes work in progress amount of Kshs.6,296,622,000 which in turn includes expenditure on the construction of the main gate at Moi University 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.

Under the circumstances, the validity and propriety of the expenditure of Kshs.4,818,280 incurred on the construction of the gate as at 30 June, 2020 could not be confirmed and the University has not obtained value for this expenditure.

7. Un-Remitted Pension and Other Statutory Deductions

Included in the trade and other payables from exchange transactions balance of Kshs.5,666,543,000 is an amount of Kshs.1,889,186,329 relating to pension and provident deductions. An additional amount of Kshs.1,590,392,130 for other statutory deductions have also remained un-remitted to the relevant authorities against the requirements of Section 19(4) of the Employment Act, 2007.

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 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 the Management is aware of 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

18 August, 2021

MOI UNIVERSITY
Annual Reports and Financial Statements
For the year ended June 30, 2020

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Moi Univ Kes'000	Rivatex E.A. Ltd Kes'000	Consolidated 2019-2020 Kes'000	Consolidated 2018-2019 Kes'000
Revenue from non-exchange transactions					
Grants from National Government	6	4,141,751	100,000	4,241,751	3,449,415
		4,141,751	100,000	4,241,751	3,449,415
Revenue from exchange transactions					
Tuition and related charges	7	1,483,588	-	1,483,588	2,114,509
Rivatex E. A. Ltd. gross profit	8	-	(238,732)	(238,732)	(52,525)
Other services rendered	9	1,706,104	-	1,706,104	425,871
Sundry income	10	511,720	201	511,921	231,171
Elimu Millers income	11	7,659	-	7,659	9,045
Farm income	12	6,722	-	6,722	7,098
		3,715,793	(238,531)	3,477,286	2,734,091
Total revenue		7,857,544	(138,531)	7,719,037	6,184,584
Expenses					
Academic Departments expenses	13	4,012,135	-	4,012,135	3,134,952
Administration and central services	14	3,565,814	213,343	3,779,157	2,388,556
Academic services	15	235,790	-	235,790	264,107
Computer services	16	3,788	-	3,788	1,012
General educational services	17	36,200	-	36,200	43,652
Maintenance of premises	18	247,458	-	247,458	470,462
Staff and students' welfare	19	183,897	-	183,897	180,770
Miscellaneous expenses	20	5,371	24,695	30,066	2,718
Elimu Millers expenses	11	10,263	-	10,263	15,171
Farm expenses	12	4,865	-	4,865	9,605
Total expenses		8,305,581	238,038	8,543,619	6,511,005
Deficit for the year		(448,037)	(376,569)	(824,606)	(326,421)

The notes set out on pages 9 to 45 form an integral part of these Financial Statements

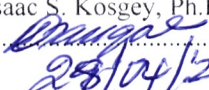
MOI UNIVERSITY
Annual Reports and Financial Statements
For the year ended June 30, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

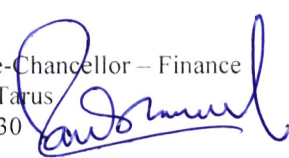
	Notes	2019-2020 Moi Univ Kes '000	2019-2020 Consolidated Kes'000	2018-2019 Consolidated Kes'000
Assets				
Current assets				
Cash and cash equivalents	22	1,237,347	1,308,824	1,005,898
Receivables from exchange transactions	23	1,291,551	1,388,753	872,817
Receivables from non-exchange transactions	25	1,553,476	1,553,476	1,056,899
Inventories	26	24,636	947,761	1,149,650
Biological assets	27	1,911	1,911	104,221
		4,108,921	5,200,725	4,189,485
Non-current assets				
Property, plant and equipment	29	4,778,263	11,205,824	9,904,167
Intangible assets	30	9,307	9,307	9,307
Biological assets	27	7,534	7,534	4,655
		4,795,104	11,222,665	9,918,129
Total assets		8,904,025	16,443,297	14,107,614
Liabilities				
Current liabilities				
Trade and other payables from exchange transactions	31	5,392,349	5,666,543	3,890,875
Other liabilities and provisions	32	10,690	10,690	10,980
Deferred income	33	-	-	268,009
		5,403,039	5,677,233	4,169,864
Non-current liabilities				
GoK loan	34	231,250	231,250	231,250
		231,250	231,250	231,250
Total liabilities		5,634,289	5,908,483	4,401,114
Net assets		3,269,736	10,514,907	9,706,500
Capital Reserves				
Capital Reserves		4,668,331	13,650,459	12,017,446
Revaluation Reserve		-	73,653	73,653
Revenue Reserve		(1,398,595)	(3,209,205)	(2,384,599)
Total net assets and liabilities		3,269,736	10,514,907	9,706,500

The Financial Statements set out on pages 1 to 44 were signed on behalf of the Council by:

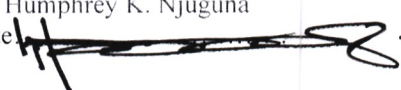
Vice-Chancellor
 Prof. Isaac S. Kosgey, Ph.D.

Date.....

 28/04/2021

Ag. Deputy Vice-Chancellor – Finance
 Prof. Daniel K. Tarus

ICPAK No. 12230

 Date.....

Chair of Council
 Dr. Humphrey K. Njuguna

Date.....


CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020

	Capital reserve	Revaluation reserve	Revenue reserve	Total
	Kes'000	Kes'000	Kes'000	Kes'000
At July 1, 2018	8,498,855	73,653	(2,058,178)	6,514,330
Deficit for the year	-	-	(326,421)	(326,421)
Capital development grants received - Moi University	288,529	-	-	288,529
Capital development grants received - Rivatex	980,500	-	-	980,500
Capital development grants transferred by MU to Rivatex E.A. Ltd	(150,500)	-	-	(150,500)
Machines acquired through by Rivatex E.A. Ltd Exim Bank	2,400,062	-	-	2,400,062
At June 30, 2019	12,017,446	73,653	(2,384,599)	9,706,500
At July 1, 2019	12,017,446	73,653	(2,384,599)	9,706,500
Deficit for the year	-	-	(824,606)	(824,606)
Capital development grants received - Moi University	181,215	-	-	181,215
Capital development grants received - Rivatex E.A.Ltd.	980,000	-	-	980,000
Capital development grants transferred by MU to Rivatex E.A. Ltd.	(30,000)	-	-	(30,000)
Restatement of Rivatex reserves	(100,843)	-	-	(100,843)
Machines acquired by Rivatex E.A. Ltd through Exim Bank	602,611	-	-	602,611
At June 30, 2020	13,650,429	73,653	(3,209,205)	10,514,877

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2019-2020	2019-2020	2018-2019
		Moi Univ	Consolidated	Consolidated
		Kes'000	Kes'000	Kes'000
Deficit for the year		(448,037)	(824,606)	(326,421)
Adjustments for:-				
Depreciation	29	58,343	185,813	106,767
Provision for audit fees		3,730	4,020	3,770
Increase in provision for doubtful debts		99,383	99,383	40,134
Operating deficit before working capital changes		(286,581)	(535,390)	(175,750)
Decrease in inventories		351,089	199,040	(431,052)
Decrease in biological assets		(1,413)	102,310	(100,565)
Increase in trade and other payables		1,477,962	1,775,378	949,647
Provision for audit fees		(3,730)	(4,020)	(3,770)
Increase in doubtful debts provision		(99,383)	(99,383)	(40,134)
Increase in trade and other receivables		(970,680)	(1,012,513)	(552,771)
Decrease in deferred income		(268,009)	(268,009)	268,009
Net cash flows from operating activities		199,355	157,413	(86,386)
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets	29	(100,964)	(1,487,470)	(3,398,570)
Net cash flows from investing activities		(100,964)	(1,487,470)	(3,398,570)
Net cash flows from financing activities				
Capital development grants from GoK	6	181,215	1,131,215	1,118,529
Capital assets from Exim Bank		-	602,611	2,400,062
Restatement of Rivatex capital grants		-	(100,843)	-
Net cash flows from financing activities		181,215	1,632,983	3,518,591
Net increase/(decrease) in cash and cash equivalents		279,606	302,926	33,635
Cash and cash equivalents at 1 July	22	957,741	1,005,898	972,263
Cash and cash equivalents at 30 June	22	1,237,347	1,308,824	1,005,898

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000	Kes'000
Revenue										
Exchequer grants	3,224,705	4,141,752	917,047	4,141,752	4,141,751	-				
Tuition and related charges	2,487,319	2,487,319	-	2,487,319	1,415,970	(1,071,349)				
Students accommodation and catering fees	83,126	83,126	-	83,126	52,360	(30,766)				
Students field trips/courses	163,717	163,717	-	163,717	46,467	(117,250)				
Students activities	56,009	56,009	-	56,009	21,151	(34,858)				
Research Funds	120,937	120,937	-	120,937	374,322	253,385				
Farm income	18,775	18,775	-	18,775	6,722	(12,053)				
Rental income	3,609	3,609	-	3,609	10,086	6,477				
MU Technologies income	919,470	919,470	-	919,470	1,643,658	724,188				
Elimu Millers income	27,150	27,150	-	27,150	7,659	(19,491)				
Other income	118,234	118,234	-	118,234	137,398	19,164				
Total income	7,223,051	8,140,098	917,047	8,140,098	7,857,545	(282,553)				
Expenses										
Personal emoluments										
Basic salaries	2,699,974	3,310,826	610,852	3,310,826	3,189,390	121,436				
Gratuity and pensions contributions	426,718	426,718	-	426,718	422,228	4,490				
House allowance	1,078,941	1,078,941	-	1,078,941	1,052,824	26,117				
Other personal allowances	318,019	624,214	306,195	624,214	623,855	359				
Commuting allowance	355,627	355,627	-	355,627	349,086	6,541				
Passage and leave allowance	27,698	27,698	-	27,698	14,878	12,820				
Sub-total	4,906,977	5,824,023	917,047	5,824,023	5,652,261	171,763				
Operations and maintenance expenses										
Medical expenses	135,786	135,786	-	135,786	106,380	29,406				
Transport operating expenses	8,224	8,224	(2,500)	5,734	5,589	135				
Travelling and accommodation expenses	16,095	16,095	18,000	34,095	33,853	242				
External travel and accommodation expenses	3,210	3,210	-	3,210	4,476	(1,266)				

**Annual Reports and Financial Statements
For the year ended June 30, 2020**

External examiners	12,147	(1,000)	11,147	8,154	2,993
Postal expenses	423	-	423	188	235
Telephone expenses	80	-	80	50	30
Internet expenses	38,047	-	38,047	53,293	(15,246)
Official entertainment	309	-	309	-	309
Deans committee and senate expenses	3,208	-	3,208	337	2,871
Conferences and seminars	3,503	-	3,503	857	2,646
Council expenses	27,803	(1,500)	26,303	23,542	2,761
Staff welfare support and funeral expenses	1,583	-	1,583	629	954
Graduation expenses	24,509	-	24,509	14,871	9,638
Open and cultural day expenses	200	-	200	-	200
Electricity, water and conservancy expenses	160,287	(18,000)	142,287	103,969	38,318
Teaching materials	46,709	-	46,709	21,921	24,788
Publishing and printing expenses	1,384	-	1,384	-	1,384
Purchase of uniforms and clothing	2,699	-	2,699	50	2,649
Library expenses	24,235	-	24,235	18,324	5,911
Purchase of stationery	18,792	-	18,792	6,053	12,739
Advertising and publicity	14,967	-	14,967	3,807	11,160
Audit fees and expenses	13,977	-	13,977	11,096	2,881
Payment of rent and rates	156,087	-	156,087	126,691	29,396
Computer expenses	4,117	-	4,117	40	4,077
Insurance expenses	27,990	-	27,990	108,083	(80,093)
Legal expenses	7,461	-	7,461	4,022	3,439
Cleaning materials and detergents	4,089	-	4,089	769	3,320
Farm expenses	13,142	-	13,142	10,443	2,699
Training expenses	4,633	-	4,633	81	4,552
Post graduate programme	770	-	770	2,362	(1,592)
University research programme	3,525	-	3,525	432	3,093
Purchase of motor vehicles	45,000	-	45,000	-	45,000
Purchase of plant and equipment	20,230	-	20,230	17,068	3,162
Purchase of medical equipment	1,388	-	1,388	-	1,388
Maintenance of buildings	9,509	-	9,509	8,145	1,364

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	209	-	209	-	209	-	209
Maintenance of computers	12,314	-	12,314	-	8,653	-	209
Maintenance of catering and hostels facilities	4,678	-	4,678	-	1,181	-	3,661
Maintenance of water supplies	1,049	-	1,049	-	493	-	3,497
Maintenance of playgrounds	2,913	-	2,913	-	2,334	-	556
ICT infrastructure	35,000	-	35,000	-	4,869	-	579
ERP expenses	3,120	3,000	6,120	40			30,131
IODL expenses	29,313	-	29,313	-	13,871	-	6,080
Infrastructure development	77,556	-	77,556	-	77,058	-	15,442
Payment of outstanding debts	8,600	-	8,600	-	3,087	-	498
Programme accreditation costs	19,276	-	19,276	-	7,229	-	5,513
Contract services and subscriptions	80,448	-	80,448	-	44,935	-	12,047
PSSP disbursements and costs	120,944	-	120,944	-	184,721	-	35,513
Research funds disbursements	163,717	-	163,717	-	73,126	-	(63,777)
Students field trips/courses	769,470	-	769,470	-	1,475,670	-	90,591
MU Technologies expenses	58,009	-	58,009	-	17,127	-	(706,200)
Students activities	3,957	-	3,957	-	1,730	-	40,882
Contingent expenses	1,986	-	1,986	-	5,184	-	2,227
Satellite campuses expenses	7,900	-	7,900	-	813	-	(3,198)
ISO and ISO related expenses	5,405	-	5,405	-	733	-	7,087
Strategic plan implementation and monitoring	9,274	-	9,274	-	3,604	-	4,672
Performance contracting expenses	2,030	-	2,030	-	-	-	5,670
Revaluation of fixed assets	14,000	-	14,000	-	-	-	2,030
GoK loan repayment	16,290	-	16,290	-	10,263	-	14,000
Elimu Millers expenses	6,285	-	6,285	-	-	-	6,027
KUCCPS placement costs	2,202	-	2,202	-	40	-	6,285
Directorate of communication expenses	4,010	-	4,010	-	52	-	2,172
IPO and linkages expenses	-	2,000	2,000	-	-	-	3,958
Online teaching infrastructure	2,316,074	-	2,316,074	-	2,632,388	-	2,000
Sub-total	7,223,051	917,047	8,140,098	-	(427,105)	(316,315)	
Total expenditure							(144,552)
Surplus/(deficit) for the period							(427,105)

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	Kes'000	Kes'000
Deficit as per actual on comparable basis		(427,105)
Less: Purchase of plant and equipment	17,068	
Payment of outstanding debits	77,058	
Infrastructure development	13,871	107,997
		(319,108)
Less: Accruals	(42,779)	
Depreciation	58,343	
Provision for doubtful debits	97,910	(128,929)
Deficit as per statement of financial performance		(448,037)

Budget Notes

1. The difference between the original and final budget was due to revision in the Supplementary II Budget for FY 2019/2020
2. The University was closed in March, 2020 due to the Covid-19 pandemic. There were no academic activities from the date of closure up to the end of the financial year. The major budget variances were occasioned by this closure.

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, marketable securities and financial instruments at fair value, 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 the notes to the financial statements.

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 2020

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 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>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.</p> <p>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.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>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.
Amendments to Other IPSAS resulting from IPSAS 41,	<p>Applicable: 1st January 2022:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.

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Standard	Effective date and impact:
Financial Instruments	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

iii. Early adoption of standards

The University did not early – adopt any new or amended standards in year 2020.

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 financial performance over the useful life of the assets that has been acquired using such funds.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be 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.

b) Budget information

The original budget for FY 2019-2020 was approved in July, 2019. 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 917,046,802 on the 2019-2020 budget following the approval of the Supplementary II Estimates.

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 the Statement of Budget vs. Actual amounts in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) 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 University 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.

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.

e) 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 de-recognized 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.

f) 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)

g) Leases

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

h) 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.

i) 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.

j) 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 Entity 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 Entity 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)

h) Research and development costs (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 Entity 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.

i) 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)

i) 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.

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.

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 more uncertain future events not wholly within the control of the Entity 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Nature and purpose of reserves

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

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 employees and directors. 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.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) 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 the members of Council, the Vice Chancellor and senior management.

q) 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.

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. 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 are included in accounts receivables.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**5 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

TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to statement of financial performance Kes'000	Amount deferred under deferred income Kes'000	Amount recognised in capital fund.	Total grant income during the year	2018-2019
			Kes'000	Kes'000	Kes'000
State Department for University Education and Research	4,141,751	-	181,215	4,322,966	3,737,944
Ministry of Industrialization and Enterprise Development	100,000	-	950,000	1,050,000	830,000
Total	4,241,751	-	1,131,215	5,372,966	4,567,944

7 TUITION AND RELATED CHARGES

Description	2019-2020	2018-2019
	Kes'000	Kes'000
Tuition fees	1,281,414	1,716,498
Registration fees	8,102	10,133
Students' ID fees	2,393	2,974
Examination fees	20,326	44,341
Medical fees	22,877	48,279
Activity fees	21,151	35,406
Games and sports fees	11,874	9,931
Computer fees	26,563	30,549
Internet connectivity fees	23,821	19,910
Application fees	3,818	3,475
Workshop/attachment fees	46,467	162,516
Amenity fees	14,782	30,497
Total tuition and related charges	1,483,588	2,114,509

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 RIVATEX GROSS PROFIT

Description	2019-2020	2018-2019
	Kes'000	Kes'000
Sales		
Printed fabrics	96,319	39,852
Dyed	49,808	20,608
Cloth (Grey)	8,153	3,373
Bleached	11,465	4,744
Garments	86,118	35,631
Waste	1,274	527
Other	510	211
Less Return Inwards	(374)	
Total Sales	253,272	104,946
Cost of sales		
Direct costs		
Opening stocks	106,150	70,351
Purchases	330,104	87,208
Closing stocks	(307,512)	(106,150)
Cost of raw materials	128,742	51,409
Direct labour	73,162	38,353
Factory electricity	84,585	23,411
Factory water	13,386	6,047
	299,875	119,220
Indirect costs		
Firewood expenses	10,458	5,135
Salaries and wages	51,455	41,835
Packaging materials	498	357
Designs and screens	3,134	530
Lubricants and oils	9,739	382
Staff uniforms and consumables	1,523	702
Spares and consumables	1,911	823
Tailoring consumables	7,404	6,344
Depreciation	118,874	41,528
	204,995	97,636
	504,869	216,856
Add: Opening Work in progress	317,517	279,925
Less: Closing Work in progress	(324,285)	(317,517)
Cost of good manufactured	498,101	179,264
Add: Opening Finished goods	79,725	57,932
Less: Closing Finished goods	(85,820)	(79,725)
Cost of Sales	492,006	157,471
Gross profit	(238,732)	(52,525)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 OTHER SERVICES RENDERED

Description	2019-2020	2018-2019
	Kes'000	Kes'000
Bookshop sales	-	320
Accommodation and catering services	52,360	134,519
MU Technologies income*	1,643,658	285,486
Rental income	10,086	5,546
Total income from other services rendered	1,706,104	425,871

*The University won the tender to supply digital learning devices to Primary Schools in 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.

10 SUNDRY INCOME

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
			Kes'000	Kes'000
Sale of tender documents	50	-	50	28
Water sales	559	-	559	711
Graduation fees	52,885	-	52,885	37,353
Parking fees	13,215	-	13,215	9,434
Research grants	374,322	-	374,322	127,695
Fines	36,566	-	36,566	4,225
Miscellaneous	34,123	-	34,123	32,925
Lease of motor vehicle	-	195	195	1,800
Exchange gain	-	6	6	17,800
Total sundry income	511,720	201	511,921	231,171

11 ELIMU MILLING REVENUE ACCOUNT

Description	2019-2020	2018-2019
	Kes'000	Kes'000
Sales	7,659	9,045
Opening stocks	312	1,847
Operating expenses	10,066	13,637
Closing stocks	(116)	(313)
Cost of sales	10,263	15,171
Deficit for the year	(2,604)	(6,126)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 FARM REVENUE ACCOUNT

	2019-2020	2018-2019
	Kes'000	Kes'000
Sales	6,722	7,098
Opening stocks	8,308	5,401
Operating expenses	3,123	8,260
Personnel costs	3,877	4,252
Closing stocks	(10,443)	(8,308)
Cost of sales	4,865	9,605
Surplus/(deficit) for the year	1,857	(2,507)

13 ACADEMIC DEPARTMENTS EXPENSES

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
Personal emoluments	2,025,724	-	2,025,724	1,527,811
House allowance	693,577	-	693,577	638,733
Responsibility allowance	557,867	-	557,867	235,202
Car allowance	145,264	-	145,264	134,684
Entertainment allowance	15,580	-	15,580	16,017
Commuting allowance	38,774	-	38,774	35,316
Gratuity and retirement benefits	240,237	-	240,237	190,544
Teaching and office expenses	21,921	-	21,921	17,413
Travelling and accommodation expenses	9,784	-	9,784	1,634
Stationery	1,349	-	1,349	1,497
Vehicle running expenses	632	-	632	1,759
Staff development	60	-	60	751
University research programme	432	-	432	124,519
Field courses	73,126	-	73,126	114,949
CUE Quality charges	3,087	-	3,087	9,533
Special grants research expenses	184,721	-	184,721	84,590
Total academic departments expenses	4,012,135	-	4,012,135	3,134,952

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 ADMINISTRATION AND CENTRAL EXPENSES

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
			Kes'000	Kes'000
Personal emoluments	1,101,501	59,454	1,160,955	1,072,420
House allowance	303,838	-	303,838	287,614
Responsibility allowance	53,981	-	53,981	43,957
Car allowance	71,078	-	71,078	66,159
Entertainment allowance	5,696	-	5,696	5,223
Commuting allowance	71,157	-	71,157	66,232
Advertisement and publicity	3,807	-	3,807	23,003
Gratuity and retirement benefits	166,199	-	166,199	76,244
Office expenses	3,643	-	3,643	13,729
Travelling and accom expenses	24,069	4,834	28,903	6,879
Telephone and internet expenses	53,343	3,063	56,406	54,614
Purchase of uniforms	50	-	50	94
Vehicle running expenses	4,957	2,977	7,934	3,737
Insurance and legal expenses	19,654	7,057	26,711	14,489
Council and senate expenses	23,879	3,808	27,687	25,918
Passage and baggage expenses	37	-	37	1,587
Publishing and printing expenses	-	-	-	158
Ceremonial and funeral expenses	629	-	629	1,373
Provision for audit fees	3,730	290	4,020	3,770
Books transferred to library	15,455	-	15,455	2,713
Books and journals	87	-	87	58
Increase in provision for doubtful debts	97,910	1,473	99,383	40,134
Miscellaneous expenses	1,763	6,488	8,251	32,085
ISO and ISO related expenses	5,150	-	5,150	5,179
Depreciation	58,343	8,415	66,758	60,625
Digital Literacy Programme expenses	1,475,670	-	1,475,670	365,436
Postal and telegram expenses	188	1,757	1,945	510
Cotton development	-	100,000	100,000	100,843
Research and product development	-	4,334	4,334	3,970
Fuel and oil	-	5,621	5,621	6,531
Water and electricity	-	3,772	3,772	3,272
Total administration and central expenses	3,565,814	213,343	3,779,157	2,388,556

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 ACADEMIC SERVICES EXPENSES

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
Personal emoluments	119,625	-	119,625	122,391
House allowance	55,409	-	55,409	64,414
Responsibility allowance	2,867	-	2,867	1,708
Car allowance	13,757	-	13,757	14,527
Entertainment allowance	863	-	863	630
Commuting allowance	9,056	-	9,056	9,563
Gratuity and retirement benefits	15,792	-	15,792	16,059
Office expenses	-	-	-	376
Library books	18,324	-	18,324	34,026
Travelling and accommodation	-	-	-	108
Vehicle running expenses	-	-	-	154
Uniforms	-	-	-	37
Books and Journals	97	-	97	114
Total academic services expenses	235,790	-	235,790	264,107

16 COMPUTER SERVICES EXPENSES

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
Personal emoluments	3,788	-	3,788	772
Responsibility allowance	-	-	-	3
Travelling and accommodation	-	-	-	145
Office expenses	-	-	-	92
Total computer services expenses	3,788	-	3,788	1,012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 GENERAL EDUCATION SERVICES EXPENSES

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
Graduation expenses	14,871	-	14,871	11,642
Students' admission and examination exp	7,800	-	7,800	13,484
External examiners expenses	8,154	-	8,154	12,197
Staff development – non academic	42	-	42	280
External travel and accommodation	4,476	-	4,476	1,116
Conferences and seminars	857	-	857	4,933
Total general educational services expenses	36,200	-	36,200	43,652

18 MAINTENANCE OF PREMISES

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
Rent and rates	126,691	-	126,691	230,457
Electricity, water and conservancy	103,969	-	103,969	210,988
Maintenance of buildings	8,145	-	8,145	16,322
Maintenance of plant and equipment	8,653	-	8,653	12,695
Total maintenance of premises	247,458	-	247,458	470,462

19 STAFF AND STUDENTS WELFARE

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
University medical scheme	106,380	-	106,380	104,457
Recruitment expenses	200	-	200	5
Passage and leave	14,878	-	14,878	15,134
Students' accommodation and catering	45,312	-	45,312	37,246
Students' welfare services	17,127	-	17,127	23,928
Total staff and students' welfare	183,897	-	183,897	180,770

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 MISCELLANEOUS EXPENSES

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
			Kes'000	Kes'000
Parking yard expenses	433		433	1,106
Finance costs	-	11,000	11,000	-
Selling and distribution costs	-	13,695	13,695	-
Others	4,938	-	4,938	1,612
Total miscellaneous expenses	5,371	24,695	30,066	2,718

21 MU TECHNOLOGIES REVENUE ACCOUNT

Description	2019-2020	2018-2019
	Kes'000	Kes'000
Sales	1,643,658	285,486
Cost of sales		
Opening stocks	322,503	-
Operating expenses	1,475,670	687,939
Closing stocks	(849)	(322,503)
	1,797,324	365,436
Deficit for the year	(153,666)	(79,950)

22 CASH AND CASH EQUIVALENTS

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
			Kes'000	Kes'000
Current accounts	1,234,114	71,296	1,305,410	1,001,775
Mpesa/cash at hand	3,233	181	3,414	4,123
Total cash and cash equivalents	1,237,347	71,477	1,308,824	1,005,898

22 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
Financial institution	Kes'000	Kes'000	Kes'000	Kes'000
Current account				
Barclays Bank of Kenya	29,630	-	29,630	27,821
Co-operative Bank of Kenya	1,183	-	1,183	4,260
Equity Bank	4,254	9,447	13,701	31,781
Kenya Commercial Bank	509,962	61,849	571,811	535,482
National Bank of Kenya	682,441	-	682,441	390,670
Standard Chartered Bank	721	-	721	712
Trans-National Bank	5,923	-	5,923	11,049
Sub- total	1,234,114	71,296	1,305,410	1,001,775
Mpesa/Cash at hand				
Mpesa	3,233	-	3,233	4,058
Cash at hand	-	181	181	65
Sub- total	3,233	181	3,414	4,123
Grand total	1,237,347	71,477	1,308,824	1,005,898

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
Students' fees debtors	1,265,741	-	1,265,741	894,740
Bookshop/imprest/other debtors	40,048	-	40,048	17,342
Trade and other receivables	-	98,676	98,676	52,714
Other PSSP debtors	800	-	800	800
Other trade receivables	306,557	-	306,556	130,906
	1,613,146	98,676	1,711,821	1,096,502
Less: impairment allowance	(321,595)	(1,474)	(323,068)	(223,685)
Total	1,291,551	97,202	1,388,753	872,817

24 RIVATEX RECEIVABLES

Description	2019-2020	2018-2019
	Kes'000	Kes'000
Current receivables		
Trade receivables	79,075	49,779
Prepayments	14,149	2,555
Utilities deposits	380	380
Other Receivables Rivatex	5,072	-
Total Rivatex receivables	98,676	52,714
Rivatex prepayments		
Prepaid insurance	-	2,555
	-	2,555

25 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
CBA Unfunded Employer's contributions to Pension and Provident Fund	942,624	-	942,624	546,559
State Department for University Education	610,852	-	610,852	510,340
Total	1,553,476	-	1,553,476	1,056,899

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 and interest charged by the Pension and Provident Fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 INVENTORIES

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
Main	20,577	-	20,577	27,149
Catering	2,097	-	2,097	1,996
Rivatex inventories	-	923,125	923,125	781,958
Farm	997	-	997	275
Bookshop	-	-	-	15,455
Elimu Millers	116	-	116	313
MU Technologies	849	-	849	322,504
Total inventories at the lower of cost and net realizable value	24,636	923,125	947,761	1,149,650

27 BIOLOGICAL ASSETS

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
Livestock	7,534	-	7,534	4,655
Crops in the field	1,911	-	1,911	3,378
Cotton	-	-	-	100,843
Total biological assets	9,945	-	9,445	108,876

Biological assets comprise of:

Bearer biological assets - livestock	7,534	4,655
Consumable biological assets – crops in field	1,911	104,221
	9,445	108,876

28 DEPRECIATION AND AMORTISATION EXPENSE

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
Property, plant and equipment	57,903	127,288	185,191	106,327
Amortization	440	-	440	440
Total	58,343	127,288	185,631	106,767

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29 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 2018	598,037	4,069,083	2,019,750	1,263,916	429,118	429,055	8,809,959
Additions - Moi University	-	-	134,738	28,615	5,609	12,970	181,932
Additions - Rivatex E.A. Ltd	-	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 E.A. Ltd	-	-	-	(4,435)	(14,740)	(2,345)	(21,520)
Transfers/adjustments	-	-	(256,085)	256,085	-	-	-
At 30th June 2019	598,037	4,078,810	5,086,788	1,545,261	421,014	446,789	12,177,699
Additions - Moi University	-	-	83,896	15,512	1,556	-	100,964
Additions - Rivatex E.A. Ltd	-	5,766	759,976	891	2,933	14,329	783,895
Additions - Rivatex LMW Exim Machines	-	-	602,611	-	-	-	602,611
Transfer/adjustments	-	-	(236,649)	236,649	-	-	-
At 30th June 2020	598,037	4,084,576	6,296,622	1,798,306	425,503	461,118	13,664,169
Depreciation and impairment							
At 1 July 2018	(39,466)	(1,002,212)	-	(504,907)	(384,447)	(256,253)	(2,187,285)
Depreciation - Moi University	(440)	(39,502)	-	(9,569)	(6,436)	(4,678)	(60,625)
Depreciation - Rivatex E.A. Ltd	(751)	(3,093)	-	(35,412)	(856)	(6,030)	(46,142)
Disposals - Rivatex E.A. Ltd	-	-	-	4,435	14,740	2,345	21,520
At 30th June 2019	(40,657)	(1,044,807)	-	(545,453)	(376,999)	(264,616)	(2,272,532)
Depreciation - Moi University	(440)	(36,420)	-	(9,608)	(7,820)	(4,055)	(58,343)
Depreciation - Rivatex E.A. Ltd	-	(3,237)	-	(116,349)	(1,854)	(6,030)	(127,470)
Transfer/adjustment	-	-	-	-	-	-	-
At 30th June 2020	(41,097)	(1,084,464)	-	(671,410)	(386,673)	(274,701)	(2,458,345)
Net book values							

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At 30 th June 2020	556,940	3,000,112	6,296,622	1,126,903	38,830	186,417	11,205,824
At 30 th June 2019	557,380	3,034,003	5,086,788	999,808	44,015	182,173	9,904,167

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 INTANGIBLE ASSETS-SOFTWARE

Description	2019-2020	2019-2020	2019-2020	2018-2019
	Moi Univ	Rivatex	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000	Kes'000
Cost				
At beginning of the year	9,307	-	9,307	-
Additions	-	-	-	9,307
At end of the year	9,307	-	9,307	9,307

31 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2019-2020	2018-2019
	Moi Univ	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000
Recurrent and capital payables	5,334,086	5,608,280	3,846,941
Students' holding accounts	58,263	58,263	43,934
Total trade and other payables	5,392,349	5,666,543	3,890,875

32 OTHER LIABILITIES AND PROVISIONS

Description	2019-2020	2019-2020	2018-2019
	Moi Univ	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000
Provision for audit fees	10,690	10,690	10,980
Total provisions	10,690	10,690	10,980

33 DEFERRED INCOME

Description	2019-2020	2019-2020	2018-2019
	Moi Univ	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000
Kenya National Bureau of Statistics	-	-	268,009
Total deferred income	-	-	268,009

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 BORROWINGS – GoK LOAN

Description	2019-2020	2019-2020	2018-2019
	Moi Univ	Consolidated	Consolidated
	Kes'000	Kes'000	Kes'000
Balance at beginning of the period	231,250	231,250	231,250
Repayments of borrowings during the period	-	-	-
Balance at end of the period	231,250	231,250	231,250

35 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 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.

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, 2020				
Receivables from exchange transactions	1,711,821	639,226	749,527	323,068
Receivables from non-exchange transactions	1,553,476	610,852	942,624	-
Bank balances	1,308,824	1,308,824	-	-

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Total	4,574,121	2,558,902	1,692,151	323,068
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	1,005,898	1,005,898	-	-
Total	3,150,557	2,353,303	768,404	223,685

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 un-collectible amounts that the University has recognized 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 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 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.

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.

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 University'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. Conversion at the time of payment is done using the prevailing exchange rate.

36. FINANCIAL RISK MANAGEMENT (Continued)**(i) Market risk (Continued)****b) Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity 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.

iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kes'000	Kes'000
Revaluation reserve	73,653	73,653
Retained earnings	(3,209,205)	(2,384,599)
Capital reserve	13,650,459	12,017,446
Total funds	10,514,907	9,706,500
Total payable	5,894,336	4,401,114
Less: cash and bank balances	(1,308,824)	(1,005,898)
Net debt/(excess cash and cash equivalents)	4,585,512	3,395,216
Gearing	44%	35%

37 RELATED PARTY BALANCES**Nature of related party relationships**

Entities and other parties related to the entity 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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) University Senior Management
- v) Rivatex East Africa Limited

	2019-2020	2018-2019
	Kes'000	Kes'000
Transactions with related parties		
a) Grants from National Government		
Grants from National Government	5,472,966	4,567,944
Total	5,472,966	4,567,944
b) Transfers to related party		
Transfer of capital development grants to Rivatex E.A Ltd	30,000	150,500
c) Key management compensation		
Council members expenses	20,267	19,340
Compensation to key management	57,294	62,494
Total	77,561	81,834

NOTES TO THE FINANCIAL STATEMENTS (Continued)

38 TAXATION

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

	2019-2020	2018-2019
	Kes'000	Kes'000
At beginning of the year	(2,535,116)	(2,175,335)
Tax loss for the year	(370,485)	(359,781)
Income tax paid during the year	-	-
At end of the year	(2,905,601)	(2,535,116)

39 EVENTS AFTER THE REPORTING PERIOD

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

40 ULTIMATE AND HOLDING ENTITY

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

41 CURRENCY

The financial statements are presented in Kenya Shillings (Kes).

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

Dungu

Date.....

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
		Kes'000	Kes'000		Kes'000	Kes'000	
1	Construction of Library at Annex	300,000	134,270	75%	30,252	113,601	GoK
2	Construction of PDN – Phase II	600,000	62,999	61%	29,574	56,251	GoK
3	Construction of Wing C – 2250 Hostels	150,000	63,838	50%	47,809	27,748	GoK
4	Construction of Sewer Line	255,000	88,100	35%	42,460	58,339	GoK
5	Renovation of Hostel H	42,326	33,529	95%	42,326	33,529	GoK
6	Renovation of Hostel J	35,331	4,450	30%	35,331	4,450	GoK
6	Construction of School of Science	4,200,000	1,058	1%	-	-	GoK
7	500# Lecture Hall	11,395	10,607	60%	721	9,546	AIA

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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 2019/2020				
a.	Recurrent Grants			
	Bank Statement Date	Receipt Number	Amount (Kes)	FY to which the amounts relate
	09/08/2019	NB02-000024	268,725,281	2019/2020
	30/08/2019	NB02-000074	268,725,381	2019/2020
	30/09/2019	NB02-000219	268,725,380	2019/2020
	07/11/2019	NB02-000373	268,725,381	2019/2020
	03/12/2019	NB02-000483	268,725,381	2019/2020
	07/01/2020	NB02-000623	268,725,380	2019/2020
	10/02/2020	NB02-000732	268,725,381	2019/2020
	03/03/2020	NB02-000779	268,725,381	2019/2020
	27/04/2020	NB02-000840	268,725,380	2019/2020
	27/05/2020	NB02-000841	268,725,381	2019/2020
	18/06/2020	NB02-000861	268,725,381	2019/2020
	25/06/2020	NB02-000886	306,194,400	2019/2020
	29/06/2020	NB02-000901	268,725,380	2019/2020
	07/07/2020	NB02-000924	610,852,402	2019/2020
		Total	4,141,751,370	
b.	Development Grants			
	Bank Statement Date	Receipt Number	Amount (Kes)	FY to which the amounts relate
	05/12/2019	NB02-000495	143,803,276	2019/2020
	25/06/2020	NB02-000885	37,411,535	2019/2020
		Total	181,214,811	
c.	World Bank (ACEII) Project Donor Receipts			
	Bank Statement Date	Receipt Number	Amount (Kes)	FY to which the amounts relate
	03/07/2019	KB17-000276	45,749,425	2019/2020
	07/01/2020	KB17-000017	48,024,527	2019/2020
	22/06/2020	KB17-000036	15,195,384	2019/2020
		Total	108,969,336	

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

Chief Finance Officer
Moi University

Head of Accounting Unit
State Dept for University Education and Research

Sign -----

Sign-----

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent /Development	Total Amount – Kes'000	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Industrialization and Enterprise Devt			1,050,000	100,000	950,000	-	-	1,050,000,000
Total			1,050,000	100,000	950,000	-	-	1,050,000,000



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