


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 FEB 2019	DAY: THURSDAY
TABLED BY: <i>Hon. Aden Duale</i>	OF
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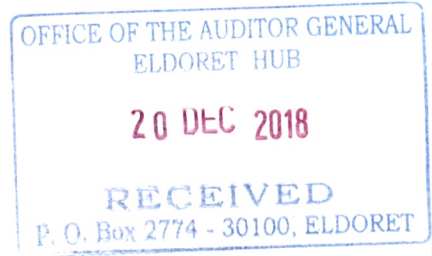
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MOI UNIVERSITY

FOR THE YEAR
ENDED 30 JUNE 2018





REGULATORY AND OTHER NON-COMMERCIAL ENTITIES

MOI UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

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. At Cabinet level, the University is represented by the Cabinet Secretary Ministry of Education who is responsible for the general policy and strategic direction of the University. The University is domiciled in Kenya.

Principal Activities

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

The vision, mission and core values of the University are as follows:

Vision

To be a 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:

Moi University is committed to:

- Promoting and defending intellectual and academic freedom, scholarship and relentlessly search for truth.
- Fostering teamwork, innovation, networking, tolerance, and culture of peace.
- Embracing excellence, transparency and accountability,
- Practicing professionalism, meritocracy, equality, integrity and social justice.
- Maintaining self-respect, discipline, responsibility, institutional loyalty, national patriotism and international competitiveness.
- Continual improvement of services in order to remain competitive and relevant

KEY MANAGEMENT

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

- University Council
- Vice Chancellor
- Moi University Management Board
- Deans and Directors

Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Vice Chancellor	Prof. Isaac S. Kosgey
2.	Ag. Deputy Vice Chancellor, Finance	Prof. Daniel K. Tarus
3.	Deputy Vice Chancellor, A,R&E	Prof. Isaac Kimengi
4.	Deputy Vice Chancellor, Students Affairs	Prof Nathan O. Ogechi
5.	Ag. Principal – College of Health Sciences	Prof. Paul Ayuo

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.

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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.

HEADQUARTERS, PRINCIPAL CAMPUSES AND CONSTITUENT COLLEGES

HEADQUARTERS

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

PRINCIPAL CAMPUSES AND CONSTITUENT COLLEGES

Bomet University Council
P.O.Box 701-20400
Bomet

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

UNIVERSITY CONTACTS

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

UNIVERSITY BANKERS

National Bank of Kenya
Moi University Branch
P.O. Box 22 - 30107
Moi University, Kenya

Kenya Commercial Bank
Eldoret Branch
P.O Box 560 - 30100
Eldoret, Kenya

Standard Chartered Bank
Eldoret Branch
P.O Box 7 - 30100
Eldoret, Kenya

Transnational Bank
Eldoret Branch
P.O Box 4308 - 30100
Eldoret, Kenya

Co-operative Bank of Kenya
Eldoret Branch
P.O Box 2948 - 30100
Eldoret, Kenya

Equity Bank
Eldoret Branch
P.O Box 2210 - 30100
Eldoret, Kenya
Barclays Bank of Kenya
Eldoret Branch
P.O Box 22 - 30100
Eldoret, Kenya

Housing Finance
Eldoret Branch
P.O Box 9015 - 30100
Eldoret, Kenya



INDEPENDENT AUDITORS

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

PRINCIPAL LEGAL ADVISER

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

I. MEMBERS OF THE UNIVERSITY COUNCIL

Names	Key Qualifications and experience
 <p>D.O.B 14th December 1970 Dr. Jeremiah N. Ole Koshal, CHAIRMAN</p>	<p>BCom. Business Administration (Daystar), MBA. (Regent, USA), Ph.D.(Regent, USA)</p> <p>Dr. Koshal has over ten years local and international experience in the area of University education, research, executive training and business development. He is currently an Assistant Professor of Leadership at the Chandaria School of Business, United States International University (USIU).</p>
 <p>D.O.B 5th April 1961 Prof. Isaac S. Kosgey Vice - Chancellor, Secretary to Council</p>	<p>Ph.D. (Animal Sciences) , M.Sc. Animal Science with Distinction (Wageningen), B.Sc Animal Production with First Class Honours (Egerton), Diploma in Animal Husbandry with Distinction (Egerton), MBA (Kenyatta), Diploma in Law with Distinction-(MKU).</p> <p>Professor Kosgey is a Professor of Animal Sciences (Animal Breeding and Genetics). He has extensive experience in public and university administration and management, having served in various capacities in Laikipia and Egerton University. Prior to being appointed the Vice - Chancellor of Moi University, he was the DVC – Administration, Finance and Development at Laikipia University. He has published widely and won several research grants. He is a peer reviewer in various refereed journals and has supervised several M.Sc. and Ph.D. students He is also a trained ISO 9001 auditor. He participates in several Government and community activities.</p>



D.O.B 30th December 1954
Ms Elizabeth Obel Lawson
Member

B.Sc. Hons (Nairobi), MSc. Botany (Nairobi), M.A. Communication Studies (Nairobi)

Skilled in strategic communication, advocacy, information research and analysis, she has over 20 years' experience in strategic communications on rural community development, environmental conservation, science and technology and agricultural research. She is currently working as a Communications Consultant in Strategic Communications, advocacy, science and journalistic writing, information research and materials production.



D.O.B 31st October 1976
CPA Ms Anne Hilda Muchunku
Member

BSc. Business Administration. (USIU), M.B.A Finance (USIU), C.P.A (K)

A qualified Certified Public Accountant, she has vast experience in finance and accounting in both for profit and non-profit organizations. She has worked in senior roles in finance and administration and contributed to organizational resource planning, financial reporting and management at strategic level.






D.O.B 2nd February 1968
Mr. Vincent Chokaa
Member

B.A (Economics), L.L.B, L.L.M (Public Finance) (Nairobi), Dip Law (Kenya School of Law)

Advocate of the High Court of Kenya and Commissioner for Oath and a Notary Public.

He is member of the Kenya Law Society, East African Law Society and the International Bar Association; he has wide practical knowledge and experience in the legal field and management of public

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	universities.
 <p>D.O.B 31st December 1959 Mr. David Kipruto Ronoh Member</p>	<p>B.Ed Science (Kenyatta), Msc (Nairobi), Post Graduate Diploma in Actuarial Science (Nairobi), Graduate Advanced Management Programme (Strathmore)</p> <p>He has vast experience in financial management, leadership and change management. He is currently the Chief Executive Officer, Pioneer Assurance Limited.</p>
 <p>D.O.B 18th December 1973 Commissioner Joseph Hamisi Dena (EBS) Member</p>	<p>B.Sc. Tourism Management (USIU-A), LLB (Nairobi), MBA Strategic Management (USIU-A)</p> <p>He is an Advocate of the High Court of Kenya, a Commissioner of Oaths and a Notary Public.</p> <p>He is a member of the Law Society of Kenya and also a member of the National Chamber of Commerce. He served as a commissioner of the Electoral Commission of Kenya and a member of the Disaster Management Commission. He has vast exposure from being a board member of Kenya Airports Authority, Kenya Accreditation Board, Coast Development Authority and the Kenya Ports Authority.</p>
 <p>Dr. Kamau Thugge - PS National Treasury</p>	<p>B.A(Economics)(Colorado),M.A (Economics) (John Hopkins University), Ph.D (John Hopkins University)</p> <p>Dr. Thugge has wide ranging experience having worked for the International Monetary Fund (IMF) for over 21 years in various capacities. He has also served as the head of Fiscal and Monetary Affairs and as Economic Secretary and Head of Economic Affairs in the National Treasury</p>







**Prof. Collete A. Suda - PS State
Department for University Education and
Research**

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

II. MANAGEMENT BOARD

Name of the Staff and area of responsibility		Qualifications
<p>Prof. Isaac S. Kosgey</p> <p>Vice Chancellor</p>		<p>Ph.D. (Animal Sciences), M.Sc. Animal Science with Distinction (Wageningen), B.Sc Animal Production with First Class Honours (Egerton), Diploma in Animal Husbandry with Distinction (Egerton), MBA (Kenyatta), Diploma in Law with Distinction (MKU)</p>
<p>Prof. Nathan O. Ogechi</p> <p>Deputy Vice Chancellor, Students' Affairs & Ag. Deputy Vice Chancellor, Administration, Planning & Development</p>		<p>B.Ed., M.Phil. (Moi), Ph.D (Hamburg)</p>
<p>Prof. Isaac Kimengi</p> <p>Deputy Vice Chancellor, Academics, Research and Extension</p>		<p>B.Ed. (Sc.) (Nairobi), M.A (Ed.) (Nairobi), Ph.D (Kenyatta)</p>
<p>Prof. Daniel K. Tarus</p> <p>Ag. Deputy Vice Chancellor, Finance</p>		<p>B.Com. M.B.A (Allahabad), Ph.D (Moi), CPA(K), CPS(K)</p>

<p>Prof. Paul Ayuo Ag. Principal, College of Health Sciences</p>		<p>MBChB, M.Med (UoN), MPH (UOL-UK)</p>
<p>Prof. Philip Nyangweso Ag. Principal, Odera Akang’o Campus</p>		<p>B.Sc., MS. (Kenyatta). Ph.D (Moi)</p>
<p>CPA George K. Aduda Ag. Finance Officer</p>		<p>B.Com (Accounting) (UoN), MBA (Finance), (CUEA). CPA(K)</p>
<p>Petrolina C. Chepkwony Senior Legal Officer & Ag. Corporation Secretary</p>		<p>LLB (Moi), Dip (KSL), EMPA (Moi), LLM (UoN)</p>

III. CHAIRMAN'S STATEMENT

I am pleased to present the financial report for the year ended 30 June 2018.

Moi University's aspiration continues to be the University of Choice in nurturing Innovation and Talent in Science, Technology and Development. During the year, the University realigned its policies, processes and strategies with its Vision and Mission to ensure that the University remains a global player in academic and research environment and compete favourably with other world class Universities.

In this regard, the University begun a recovery strategy aimed at reversing the negative trends that has affected the institution for sometimes. Over the past few years, the University has had financial challenges arising from the inadequate National Government funding for recurrent and capital development expenditure. This inadequacy has seen the University denied expansion of critical investments in teaching, research and learning facilities. I 'am however, grateful to note that the recovery efforts have started showing positive improvements in the University, which may be healthier in the financial year 2018/2019.

Given the inadequate funding, the University's other income from the Privately Sponsored Students' Programme (PSSP) to bridge the funding deficit, in the financial year 2017/2018, came under severe pressure because of the low enrolment from the 2017 KCSE candidates whose holistic absorption was taken by the Government sponsorship, thus denying the University access to these students as a revenue stream.

The University operates in an increasingly challenging and dynamic higher education sector and this calls for efficiency in our operations and ensuring that we deliver quality education and services to our students and other stakeholders at all times. The University has also had other challenges largely on infrastructure, implementation of critical projects and management of wage bill among others, and all these require prudent resource management. In this regard, the University Council and Management will work together to ensure that we improve our operating systems so that we stand a vantage point in ensuring that the University operates efficiently at all times so as that we deliver on our mandate. The University is harmonizing related programmes across various schools in order to utilize resources effectively and to also make academic programmes attractive and marketable

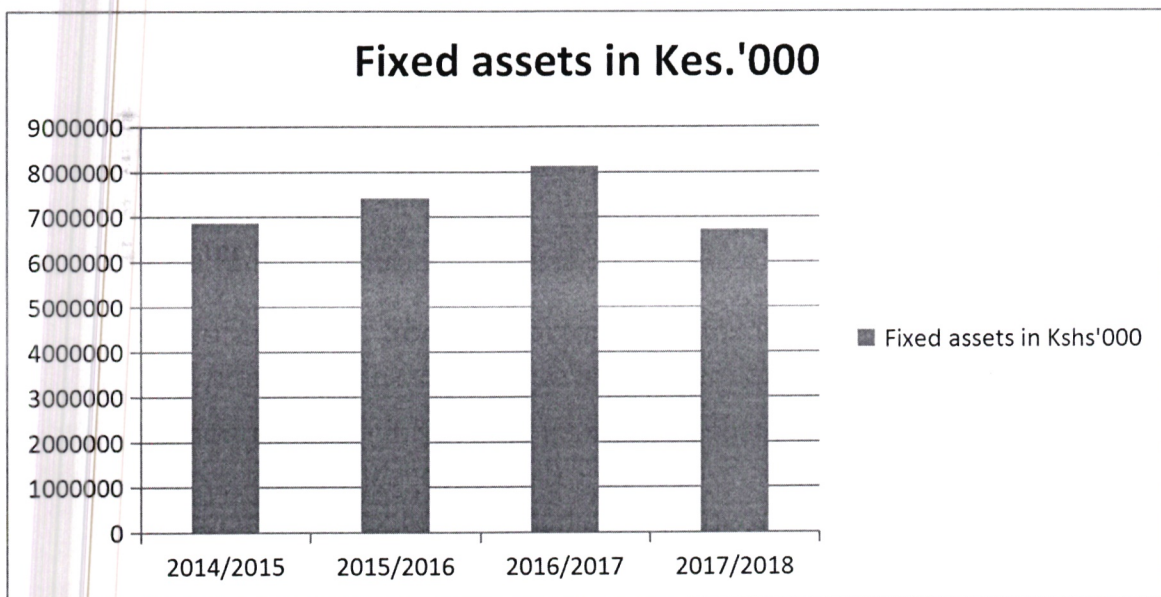
Under the Digital Learning Programme, the University has constructed a Laptop Assembly Plant at Rivatex that produces approximately 1,200 devices per day to be distributed to Primary Schools in Kenya. The Government is in the process of launching Phase II of the project which will give the University an opportunity to assemble more devices. Additionally, the University will diversify the production to include other electronic devices e.g. mobile phones, computers electric meters among others

During the year Rivatex East Africa Ltd was revamped in collaboration with the National Government, through provision of modern equipment and machines. This will enhance

quality and volume of products from the factory. The textile engineering students will also be exposed to more practical oriented skills to make them competitive in the job market.

Moi University is among the three National Institutions that won the World Bank funding to be the Africa Centres of Excellence (ACE II) in Kenya. Moi University is Africa Centre of Excellence in Phytochemicals, Textiles and Renewable Energy (PTRE). The ACEs are meant to develop the labour's higher level skills and knowledge with focus on Science, Technology, Engineering and Mathematics (STEM).

Growth in Fixed assets from 2015 – 2018



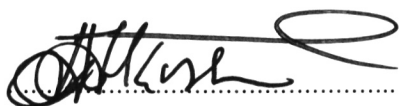
The University's funding during the year has not been in tandem with its growth and hence the asset base has not also grown to support the teaching services as envisioned. The University's operations and financial performance was affected during the year by the low student enrolment from the 2017 KCSE students due to Government resolve to absorb all the students with a C+ into Government sponsored programmes and the industrial action by staff in Public Universities.

During the year, Prof. Isaac S. Kosgey was appointed as the 7th Vice Chancellor after a rigorous and competitive recruitment process. The Council congratulates him for the appointment and assure him of their support as he steer the University to higher levels.

Lastly, on behalf of the University Council, I thank the Government of Kenya for their continued support in all our undertaking, including all those people, Institution and Development Partners who supported the University during the year in one way or the other. The Council appreciates their contribution and takes opportunity to wish all of them well in their undertaking.

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I also extend my sincere and deep gratitude to the Chancellor, my fellow Council Members as well as our dedicated staff and other stakeholders for making the year successful.



DR. JEREMIAH N. OLE KOSHAL
CHAIRMAN – MOI UNIVERSITY COUNCIL

IV. REPORT OF THE VICE CHANCELLOR

The higher education sector has had significant and dynamic changes in the recent past. The number of public and private universities increased from sixty five (65) in 2013/2014 to over seventy (70) in 2015/2016. The expansion in the number of universities has increased access to higher education but at the same time also increased competition amongst the universities. The most significant event in terms of enrolment for public universities during the year was the massive reduction in the number of students that qualified to join universities for both GSSP and PSSP. This reduction had a huge negative impact in the University's revenue during this financial year.

The Government's Education Sector Report for the period 2017/18 – 2019/20 recognises inadequate funding as one of the challenges facing the higher education sector. The need to scale up expenditure in order to ensure better access, quality, equity and relevance of education and training is a key emerging issue that needs to be addressed in the light of reduction in the number of students qualifying to join universities. However, the Government's resource envelope for education still remains constrained when measured against the overall budget, making it imperative that as a University to seriously look for alternative sources of income to supplement our budget.

Over the years, the University heavily relied on self-supporting students to raise additional funds to bridge the Government funding, but in the last two financial years, the trend changed when all students with C+ were fully admitted and supported by the Government. This change in policy resulted in University's operations being affected by cash flow problems, resulting in huge liabilities to our service providers, which stand at more than of Kes.2billion. The University has developed a recovery strategy aimed at reducing operational costs to meets its obligations, but the available resources may not be sufficient. The University is therefore, making an appeal to the Government and other Development Partners to support its operational needs.

As a University we are ever grateful to the existing partners, the VLIR-OUS, CERMESA, ASALI and the World Bank thorough the African Centre for Excellence (ACE-II) project who have made significant contribution to our desired achievements. The ACE-II project continues to support the University under their Kes. 600million in Phytochemicals, Textiles and Renewable Energy (PTRE). Our University was among the three Africa Centres of Excellence (ACE II) in Kenya, which are meant to develop high level skills and knowledge with focus on Science, Technology, Engineering and Mathematics (STEM). The project has gone a long way in training academic staff, equipping science labs in the university. Besides, these projects have enhanced University research and its corporate responsibility.

Other Projects

The University started during the year a process of rebranding and transformation in order to enhance the corporate image of the University. The University Council and Management are grateful that the Government agreed to fund the construction of an ultra-modern Amphitheatre and lecture halls as well as renovations in the students' hostels. These projects will go a long way in improving our teaching, learning and living environment for students. In order create a conducive learning environment for provision of quality education for our students; the University is at an advance stage in constructing hostels through a Public Private Partnership (PPP) project to house our students in main and town campuses. Over the next five years, the University will pursue interdisciplinary initiatives, innovation in its teaching and expansion in research.

During the year, the University continued to undertake several infrastructural projects. These projects will augment the University's recovery strategy and also re-brand and give the University a face lift. The projects include:

- Completion of Library at the School of Law
- Completion of Additional wing of PDN building
- Completion of the Main Campus gate
- Construction and erecting of additional floodlights at Main Campus
- Renovation of Hostel H and J
- Construction of additional wing 2250No Student Hostel
- Construction of 500No. Lecture Hall in the School of Arts and Social Sciences

The University has scaled down on leasing accommodation and teaching rooms facilities in order to reduce its expenditure with a view to developing own infrastructure.

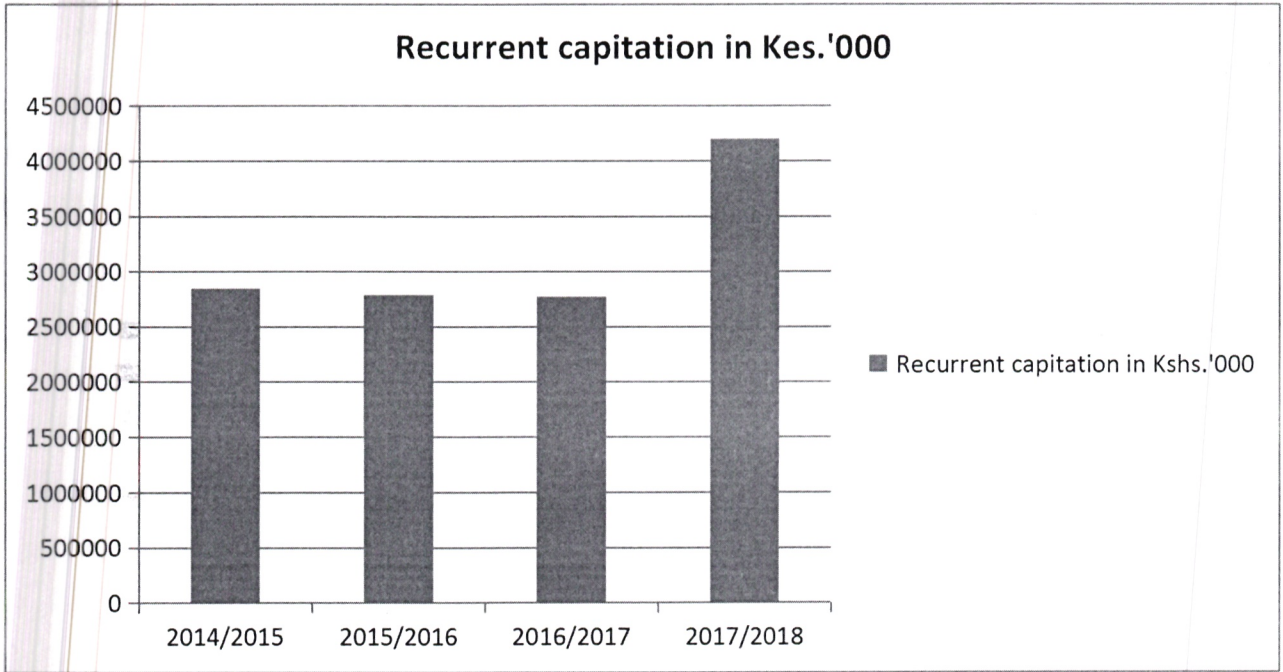
Academic Programmes

I am proud of our high calibre academic and administrative staff who have ensured that our services continue to be of high standard. This has contributed to the University improving in its ranking and subsequently made Moi University to be well ranked University in Kenya during the year. The University's academic programmes were disrupted in the second and third quarters by the industrial action by staff in public universities. Consequently, the semester dates were rescheduled and this action had a negative impact in the University's cash flow. During the year the University decided to scale down operations in Kitale and Odera Akang'o campuses and some programmes in those campuses were relocated to main campus. This decision were informed by high operational costs against little revenue stream and the academic needs that had to be realigned

Financial Performance

The University performance recorded an increase of 48% in its deficit during the year. This deficit is largely due to declining internal revenues streams, inadequate Government funding to meet the increasing operational costs and staff industrial action. The Government

recurrent support in the year was Kes. 4.2billion with Kes. 1,043billion paid to support salary arrears for the 2013-2017 CBA agreement, against overall operation costs of Kes. 4.2billion in wage bill.



Rivatex East Africa Limited registered a 4% increase in turnover from Kes.117,702,000 recorded in the previous financial year to Kes.121,643,802 in the current year. The commissioning of new machines in processing department is expected to further lead to the growth in turnover in 2017/18. It is expected, therefore, that with the improved efficiency of both the spinning and processing departments, the company will be in a position to attain a sustainable growth in sales and become profitable.

Growth Prospects

Despite the decrease in the number of undergraduate PSSP students, the University envisages opportunities for growth in our post graduate programmes. The Government projects to graduate at least 2,400 PhDs per year in order to meet the demands of our higher education sector. Accordingly, the University will leverage on the strengths of our qualified and competent faculty in order to increase enrolment in post-graduate programmes. We are also increasing the number of programmes being offered in our Distance and Open Learning Programme.

Appreciation

Lastly, on behalf of Management, I would like to express our sincere gratitude and appreciation to the Government and the University Council for the support and advice that we have unwaveringly received during the year. I also thank our staff and students, development partners, collaborating institutions and other partners and stakeholders for the help and support that we continue to receive.


20/12/2018

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

V. CORPORATE GOVERNANCE STATEMENT

Corporate governance comprises rules, procedures, regulations and processes through which the University is directed. According to the provision of the University Charter and the University Act No 42 of 2012, Moi University has the following established organs of Governance:-

- The Council
- The Senate
- Moi University Management Board

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.

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.

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.

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

Audit, Risk and Compliance Committee

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

Academic, Research, Extension & Student Affairs Committee

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

Finance, Administration and Strategy Committee

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

Human Resource and Governance Committee

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

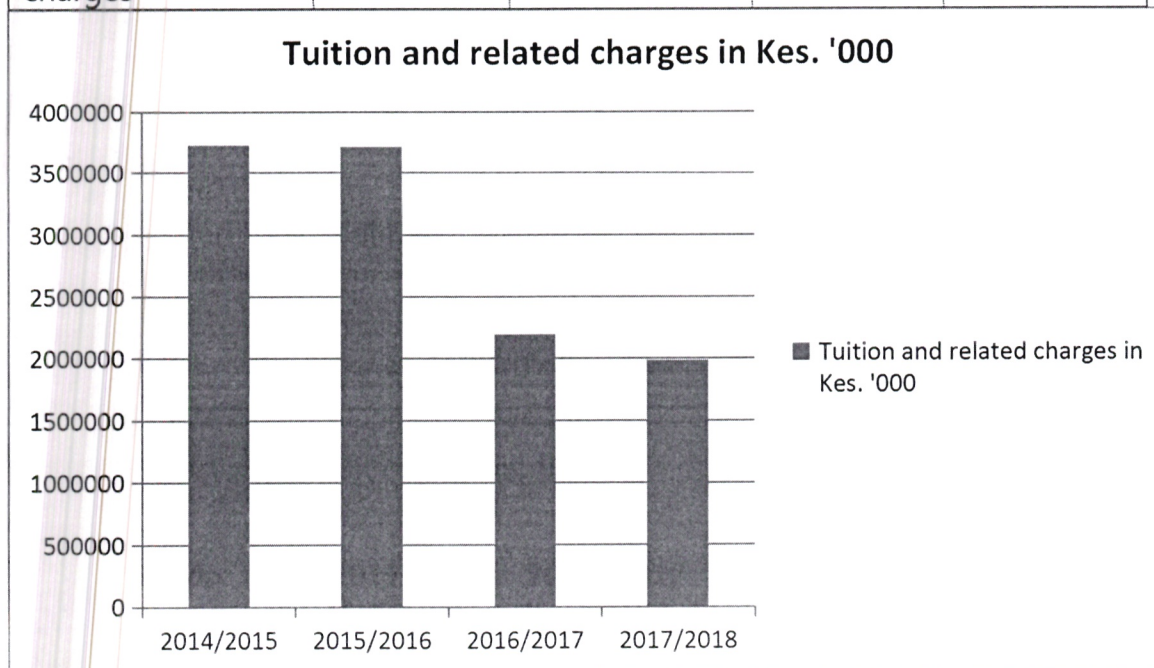
The Council's operations are guided by a board charter. They have a conflict of interest register and at every meeting, members are required to declare any conflict of interest with regard to the matters under discussion. While the Council sets the direction and general guidance on policy, the day to 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.

VI. MANAGEMENT DISCUSSION AND ANALYSIS
SECTION A: OPERATIONAL AND FINANCIAL PERFORMANCE

The University's performance during the year was once again affected by the low enrolment arising from the Government new direction of sponsoring all students who scored C+ and above. This new direction has seen low enrolment into our PSSP programmes for the period 2016 and 2017, thus denying the needed funds to manage University needs. On the other hand the Government funding has not been in tandem with University expenses and this has resulted in the University not meeting its obligation with its service providers. During the year, the University experienced academic instability arising from the industrial action by the staff. The action disrupted the operations of the University much as the fixed costs and other operational costs were incurred against down falling revenues. The University cash flow was depressed and our service suppliers adversely affected in terms of delayed payments. The overall revenue from tuition and related charges, therefore, decreased by 41% as compared to 2015/2016.

In view of the depressed cash inflows, the University exercised financial prudence by reducing some of the planned expenditures. The income from tuition has been declining in the recent past as a result of competition from other universities as indicated below:

Financial Year	2017/2018 Kes.'000	2016/2017 Kes.'000	2015/2016 Kes.'000	2014/2015 Kes.'000
Tuition & related charges	1,982,790	2,188,369	3,711,284	3,722,493



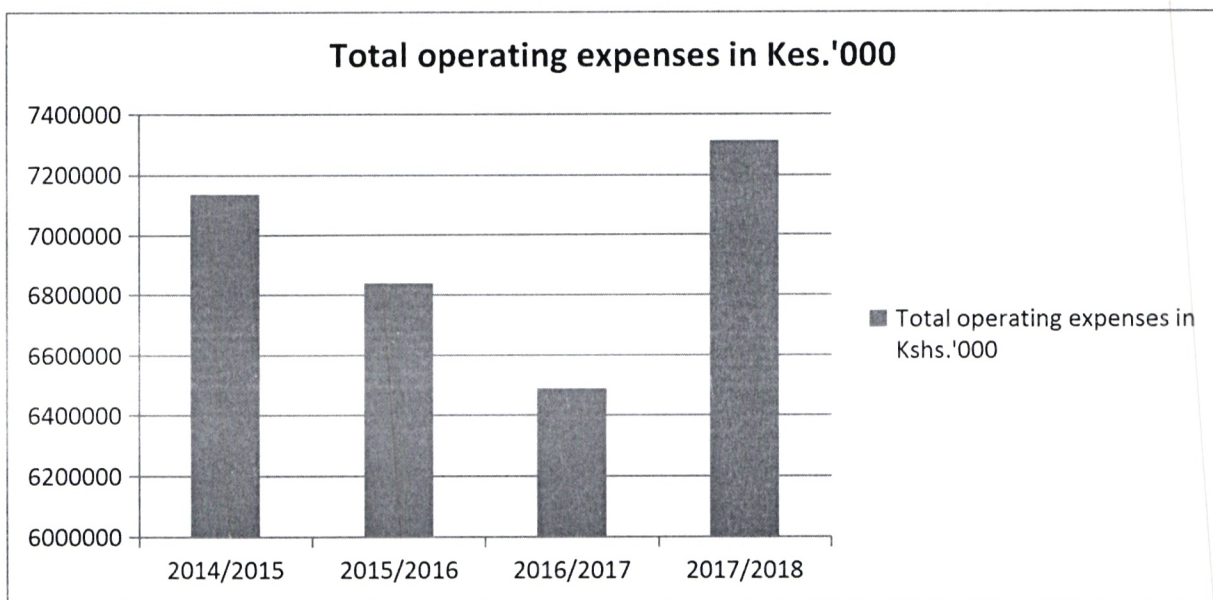
The University's strategies going forward in dealing with this negative trend include vigorous marketing of PSSP programs through promotions in electronic and print media,

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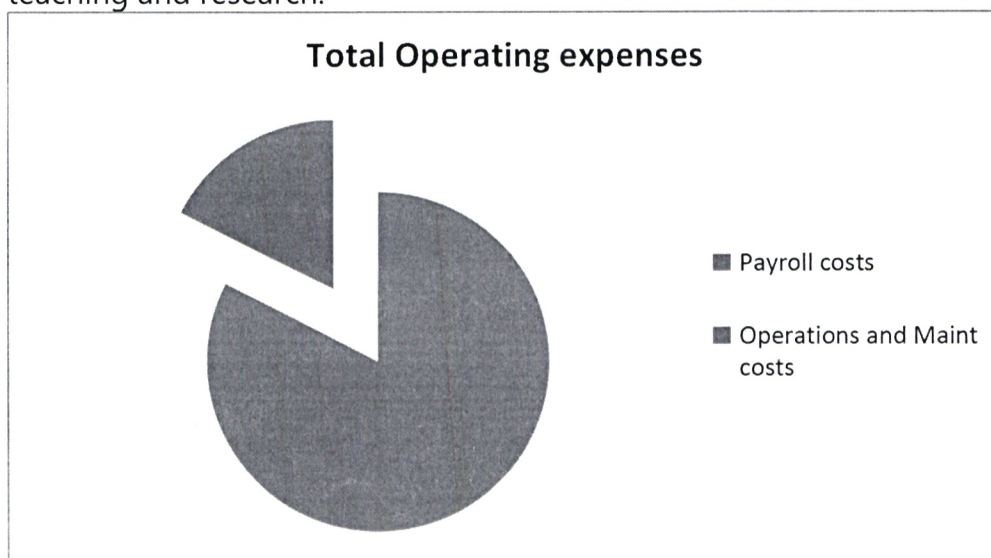
school visits, career talks; exhibitions and trade shows; road shows; use of flyers, brochures and incentives in a bid to increase the number of students' population.

Operating Expenses

The University's total operating costs have shown a downward trend because of deliberate austerity measures that have been instituted by the University, except for the year under review where there was an increase in expenditure resulting from the salary increase implemented during the year.



However, the payroll remains the biggest expenditure in the University's operating expenses taking 82.5% of the total expenses. This leaves the University with inadequate funds for running its operations to enable it deliver on its mandate of giving quality teaching and research.



There is, therefore, a need, going forward, to reconfigure the University's expenditure profile in order to adequately deliver on its core mandate. The University has frozen all employment in strict compliance with the circular from the Head of Public Service. Any new employment can only be done upon verifiable justification and approval from the Parent Ministry and The National Treasury. In order to institute efficiency and effectiveness of the HR and Finance functions, the University is installing an Integrated Personnel and Payroll Database (IPPD) and is in the process of procuring an Enterprise Resource Planning (ERP) system.

Academic Programmes

Except for the disruption due to the industrial action and the general elections, the University's academic programmes ran smoothly during the year. The University held one graduation in the FY 2017/2018, and graduated a total of 4,764 students distributed as follows:

DATE	Ph.D.	Masters	PGD	Bachelors	Diploma	Total
Dec 2017	43	156	6	3,946	613	4,764
Total	43	156	6	3,946	613	4,764

The University will continue to focus on having excellent academic programmes, blended with flexible teaching and learning through application of ICT so that our graduates compete globally.

SECTION B: COMPLIANCE WITH STATUTORY REQUIREMENTS

During the year, the University complied with statutory requirements with regard to deduction and remittance of PAYE, NHIF, NSSF, HELB.

The University complied with the requirements of the Public Procurement and Disposal Act and the regulations therein. The University developed a procurement plan and the same was submitted to the PPRA. Following the revision of the University's budget, the plan was also revised and the same submitted to PPRA and the National Treasury. Quarterly reports were also prepared and submitted to PPRA.

The University submitted quarterly reports to the National Council for People with Disabilities as required. The University also prepared and submitted quarterly reports and financial statements as required under Section 83 of the Public Finance Management Act, 2012. The University is in arrears in the remittance of pension and provident fund contributions as well as payment of the remedial payment plan for extinguishing pension and provident fund contributions that were in arrears. The deductions were not remitted as per the plan. Remittances of loan deductions are three month in arrears, while other payroll deductions like unions, saccos, welfares are also in arrears. We expect that these will be settled with the short term financing facility that the University is seeking.

Legal Cases:

Paul Kiprop Chepkuto vs Moi University and three others.

The claimant was the Deputy Vice Chancellor - A, P & D and is challenging his dismissal from employment by Council claiming it was unlawful and unjust. The University has filed a defence.

SECTION C: KEY PROJECTS AND INVESTMENT DECISIONS THE UNIVERSITY IS PLANNING/IMPLEMENTING

The University embarked during the year on a process of rebranding and transformation in order to enhance the corporate image of the University. The University Council engaged the Government and is grateful for financial help in funding the University's infrastructural development that include an ultra-modern Amphitheatre and lecture halls as well as renovations in the students' hostels. In order create a conducive learning environment for provision of quality education for our students, the University is engaging a private sector partner from India to construct workshops at our School of Engineering and also provide equipment and machinery for practical. Over the next five years, the University will pursue interdisciplinary initiatives, innovation in its teaching and expansion in research.

SECTION D: 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, among others. 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 difficult economic environment increases the possibility of default risk by students. During the year, the University developed a Debtors' Policy to address the credit risks in the University. Liquidity risk emanates from the University encountering difficulties in meeting its obligations as a result of financial difficulties. The University is managing this risk by continuously reviewing its cash flow forecasts, arranging banking facilities and agreeing acceptable payment plans with creditors in order to meet any shortfall. The University is seeking approval for a short term financing facility to deal with the liquidity risks currently being faced by the University. 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 will result in reduction in tuition fees, thus resulting in financial challenges. The University is dealing with this risk through vigorous marketing of PSSP programs through promotions in electronic and print media, school visits, career talks; exhibitions and trade shows; road shows; use of flyers, brochures and incentives in a bid to increase the number of students' population. There is renewed imperative to focus on admissions of post graduate students, whose numbers were not affected by the 2016 KCSE results.

SECTION E: MATERIAL ARREARS IN STATUTORY/FINANCIAL OBLIGATIONS

The University has Pension and Provident Fund contributions arrears and Past Service Gratuity for the Provident Fund. The University has already signed a remedial payment plan with the MU Pension Scheme and Provident Fund to clear the outstanding contributions. In the payment plan, the University continues to remit Kshs. 8,226,719 per month for pension Contribution and Kshs. 757,293.09 per month for the Provident Fund, Remittances of loan deductions are three months in arrears, while other payroll deductions like unions, Saccos, welfares are also in arrears. The University is entering into payment plan in order to address the arrears

SECTION F: FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

There were no financial probity and governance issues during the year.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Moi University, as a responsible corporate institution established to achieve public good, recognises the link between sustainable growth and development of the institution and the need to invest in society, the local community and protection of the environment. This is important to ensure that social, economic and environmental benefits accrue to the society and other stakeholders as the University conducts its business. During the year the University contributed to various community initiatives and noble projects, despite the prevailing resource constraints. During the year, the University participated in a number of social corporate activities aimed at positioning the University as a participator and or contributor of social developments for our students and the community at large. Key among these participations are:

- The University participated in a one day career workshop on 28th June 2018 whose theme was ***"Dynamics in Career and Placement towards Achieving Vision 2030"***. The workshop was organized by County Government of Nandi in collaboration with KESSHA and the participants included officers from KUCCPS. The University emphasized the need to strengthen strong linkages between the University and the County to enable students wishing to pursue higher education to make use of the University facility so as to reduce on their academic and associated costs.
- The University recognises the need to be caring for the Health welfare of the community within and beyond its surroundings. During the year and in line with its objective of reaching the community through the community based approach conducted a dental clinic at Ngeria Prison as a way of encouraging preventive dental problems and offering treatment to those affected. The activity was just one of the many health cares that the community so desires and the University will continue offering such services one of its priority areas in line with Government Big 4 agenda.
- Environmental degradation is becoming a worldwide problem and the University has positioned itself to not only create awareness of the need to keep our environment safe but participate in its conservation. During the year, the University participated in a tree planting initiative organized by East Youth Parliament at Moi University, School of Information Science. The theme of the day was ***"Better Environment for Better Tomorrow"***. The initiatives group and the University intend to grow 10,000 trees in its tree nursery as an effort towards increasing the forest cover for the Country.
- As a way of registering its presence within the surrounding community, the University continues to enjoy cordial relationship with the schools within its arm length reach. During the year the University outreach team visited about six schools to promote our linkages by attending their various calendar events in the schools and the University will continue supporting this events.

- Since its founding time, the University continues to promote reading culture to members of the community and the society at large this will ensure that the society is aware and informed of its environment and more so the current events in the country and the world at large. The University has therefore opened the Main Campus Library to the primary and secondary school children to make use of the library during school holidays and free time to promote their academic development and interact with their senior family members in gaining knowledge and understanding of their environment. The University has also allowed professional bodies to undertake their professional examination at a fee using our facilities in order to widen and reach all those interested.
- During the year, the University organised a Youth Workshop to sensitise the youth on opportunities available for their empowerment. This workshop brought together several youth groups who need to grow and create employments for others. The participants during the workshop were drawn from the Ministry of Youth Affairs and other local leaders from the County Government of Uasin Gishu.

VIII. REPORT OF THE UNIVERSITY COUNCIL

The Council Members submit their report together with the financial statements for the year ended June 30, 2018 which show the state of the University's affairs.

Principal Activities

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

Results

The consolidated results of the entity for the year ended June 30, 2018 are set out on page

Members of Council

The members of the University Council who served during the year are shown on page vi.

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

DATE: *20/12/2018*

IX. STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 47 of the Universities Act require the University 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, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Universities Act. 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, 2017, 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.

MOI UNIVERSITY
Reports and Financial Statements
For the year ended June 30, 2018

Approval of the Financial Statements

The University's financial statements were approved by the University Council on _____2018 and signed on its behalf by:



Council Member



Council Member

Council Member

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MOI UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying consolidated financial statements of Moi University set out on pages 32 to 70, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of financial performance, consolidated statement of changes in net assets, consolidated statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the consolidated financial statements present fairly, in all material respects, the financial position of Moi University as at 30 June 2018, 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 Universities Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

1.1 Changes in Net Assets

The consolidated statement of changes in net assets for the year ended 30 June 2018 reflects total deficit for the year of Kshs.613,850,000 which is at variance with the consolidated statement of financial performance figure of Kshs.731,812,000 resulting in a variance of Kshs.117,962,000 which has not been reconciled. Further, the consolidated statement of changes in net assets reflects net assets figure of Kshs.6,632,292,000 as at 30 June 2018 whereas the consolidated statement of financial position reflects Kshs.6,514,330 resulting in a variance of Kshs.117,962,000 which has also not been explained or reconciled.

Consequently, the accuracy of the consolidated statement of changes in net assets deficit figure of Kshs.613,850,000 and closing balance of Kshs.6,632,292,000 could not be confirmed.

Report of the Auditor-General on the Financial Statements of Moi University for the year ended 30 June 2018

1.2 Statement of Cash Flows

The consolidated statement of cash flow reflects purchase of property, plant and equipment figure of Kshs. 695,876,000 which however vary from note 26 balance of Kshs. 695,696,000 resulting in a variance of Kshs. 180,000 which has not been reconciled or explained.

Consequently, the accuracy of the consolidated cash flows statement as at 30 June 2018 could not be confirmed.

1.3 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects actual capital receipts on comparable basis figure of Kshs.381,500,000. However, the total actual capital receipts after casting reflects Kshs.482,341,575 resulting into an unexplained variance of Kshs.100,841,575. Further, the capital expenditure on comparable basis indicates a figure of Kshs.636,524,558 resulting in an unexplained over expenditure of Kshs.255,024,558. The source of funding for this expenditure has not been explained nor included in the approved budget for 2017/2018.

Consequently, the accuracy and completeness of the statement of comparison of capital budget and actual amounts for the year ended 30 June 2018 could not be ascertained.

2.0 Other PSSP Debtors

As reported in the previous year, included in receivables from exchange transaction balance of Kshs.1,003,509,000 under note 22 to the financial statements is other PSSP Debtor balance of Kshs 800,000 which has been outstanding for more than three years and whose supporting documents were not provided for audit verification.

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

3.0 Current and Non-Current Liabilities

3.1 Unremitted Employee Benefit Obligations

Included in the total trade and other payables from exchange transactions balance of Kshs.2,944,284,000 is pension fund contribution of Kshs.475,733,877 and provident fund contribution of Kshs.10,623,871 all totaling to Kshs.486,357,748 which had not been remitted to the respective pension managers and Trustees contrary to the Retirement Benefits Act, No.3 of 1997 which requires employers to remit pension deductions to the respective scheme within 15 days of making the deduction. Part VII section 53(A)(I) of the Act requires an employer with agreement of the employee to make deductions from employee's emoluments for remittance to the scheme and in case of failure to remit the deductions within 15 days, the scheme may institute proceedings against the employer after a 7 days' notice. However, available information revealed that the unremitted pension fund contribution amounted to Kshs.923,601,847 and the provident fund contribution stood at Kshs.149,922,468 all totaling to Kshs.1,073,524,315 instead of the total balance Kshs.486,357,748 reported in the statement of financial position. Had this amount been

incorporated in the financial statement, the current liabilities would have been Kshs.3,555,331,567 against total current assets figure of Kshs.3,086,916,000 resulting in a negative working capital of Kshs.468,415,567, a clear indication that the university is technically insolvent. The University's current liabilities has therefore been understated by Kshs.587,166,567 not disclosed in the financial statements.

Under the circumstances, the University is in breach of the Retirement Benefits Act, of 1997 and the validity, accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.2,944,284,000 as at 30 June 2018 could not be confirmed.

4.0 Unserviced Long Term Government of Kenya Loan

As reported in the previous year, the consolidated statement of financial position as at the 30 June 2018 reflects Government of Kenya (GOK) Loan balance of Kshs.231,250,000 relating to outstanding GOK loan advanced to the University to facilitate the acquisition of its Karatina Campus. The Campus was gazetted as a constituent college of Moi University through Legal Notice no.163 of 1 October 2010. According to the order establishing the college all rights, liabilities and assets held by anybody on behalf of the college shall automatically and fully be transferred to the college. However, the loan has not been transferred to Karatina University as per the order and it remains unserviced since the date of gazettelement of Karatina campus. Although Moi University has written to the government seeking consent to assign the loan to Karatina University, no evidence was provided to show that the consent was given.

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

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed,

except for the matter(s) described in the Basis for [Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Qualified Opinion] 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

1.0 Construction of Main Gate

As reported in the previous year, the property, plant and equipment balance of Kshs.6,621,457,000 as at 30 June 2018 reflects work in progress figure of Kshs.2,019,750,000 which in turn includes expenditure on the construction of main gate amounting to Kshs.4,818,280. According to the contract agreement, the contract was to commence on 23 January 2017 and take 16 weeks to completion. A physical verification of the project revealed that the project is incomplete and the contractor has abandoned the project after being paid the full contract sum.

Available information indicate that the project is only 60% complete. The management explained that there were omissions in the bill of quantities and the structural drawings.

According to the report of the County works Officer, the gross valuation of the works is Kshs.7,778,990 out of which an amount of Kshs.4,818,280 has already been paid being the full contract sum while the anticipated cost of the project is Kshs.9,267,188. No justification was provided for this big variation in the cost of the project which is likely to cost much more than original contract price.

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 2018 could not be confirmed and the University has not obtained value for this expenditure as the university is yet to derive benefits from the project.

2.0 Engagement of Casual Employees

The consolidated statement of financial performance for the year ended 30 June 2018 reflects academic departments expenses figure of Kshs.4,151,672,000 which includes total personal emoluments figure of Kshs.2,367,332,000 as disclosed under note 13 to the financial statements. Further, out of the total personal emoluments figure of Kshs.2,367,332,000 an amount of Kshs.138,803,935 was incurred on the payment of wages for eight hundred and two (802) casual employees in various departments during the financial year 2017/2018 who had worked continuously for a period of 12 months from July 2017 to June 2018 contrary to the University Human Resource Policy Manual Paragraph 2.3.4 which states that Casual employment may be offered to employees to perform defined tasks on a day to day basis and their remuneration shall be on a piece rate basis in accordance with the minimum wage guidelines set by the government. Such appointments may be for a specified period of time provided that it does not exceed three months. Further, the casuals have been performing tasks that are permanent in nature and not short term tasks.

Consequently, the university is in breach of the University Human Resource Policy.

3.0 Officers in Acting Capacity

As reported in the previous year, an audit of the payroll revealed that payment of acting allowances amounting to Kshs.707,904 was paid to staff in acting capacity who have been acting for over one year without being confirmed to the posts contrary to government regulations.

Consequently, the management breached the law on officers in acting capacity and the propriety of acting allowances of Kshs.707,904 could not be confirmed.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 ability to continue to sustain services, disclosing, as applicable, matters related to sustain services and using the applicable basis of accounting unless the management either intends to liquidate the Moi University's or to cease operations, or have no realistic alternative but to do so.

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

In addition to the responsibility for the preparation and presentation of the 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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the Moi 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.

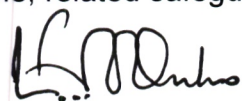
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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



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

Nairobi

21 January 2019

MOI UNIVERSITY
Reports and Financial Statements
For the year ended June 30, 2018

X. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Note	Moi University	Rivatex	2017-2018	2016-2017
		Kshs'000	Kshs'000	Kshs'000	Kshs'000
Revenue from non-exchange transactions					
Grants from National Government	6	4,196,909	-	4,196,909	2,766,459
Donations	6a	24,365	-	24,365	-
		4,221,274	-	4,221,274	2,766,459
Revenue from exchange transactions					
Tuition and related charges	7	2,014,724	-	2,014,724	2,188,369
Rivatex gross profit	8	-	(34,579)	(34,579)	(36,248)
Other services rendered	9	297,496	-	297,496	854,564
Sundry income	10	220,831	1,200	222,031	369,884
Elimu Millers Income	11	23,295	-	23,295	-
Farm Income	12	8,534	-	8,534	24,815
		2,564,880	(33,379)	2,531,501	3,401,384
Total revenue		6,786,154	(33,379)	6,752,775	6,167,843
Expenses					
Academic departments expenses	13	4,151,672	-	4,151,672	3,413,296
Administration and central services	14	2,323,483	106,431	2,429,914	1,978,722
Academic services	15	325,547	-	325,547	253,316
General educational services	16	61,990	-	61,990	36,801
Maintenance of premises	17	321,552	-	321,552	492,421
Staff and students' welfare	18	144,720	-	144,720	287,503
Miscellaneous expenses	19	11,054	-	11,054	101,438
Elimu Millers expenses	11	24,655	-	24,655	-
Farm expenses	12	13,483	-	13,483	35,938
Total expenses		7,378,156	106,431	7,484,587	6,599,435
Deficit for the year		(592,002)	(139,810)	(731,812)	(431,592)

MOI UNIVERSITY
Reports and Financial Statements
For the year ended June 30, 2018

XI. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

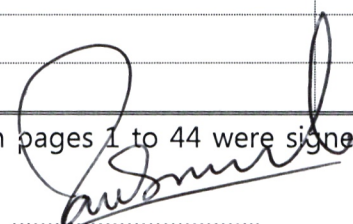
		2017-2018	2016-2017
		Kshs'000	Kshs'000
Assets			
Current assets			
Cash and cash equivalents	21	988,434	1,021,472
Receivables from exchange transactions	22	1,003,509	1,060,159
Receivables from non-exchange transactions	23	373,436	-
Inventories	24	718,598	714,286
Biological assets	25	2,939	3,161
		3,086,916	2,799,078
Non-current assets			
Property ,plant and equipment	26	6,621,457	6,047,132
Biological assets	24	5,372	5,363
		6,626,829	6,052,495
Total assets		9,713,745	8,851,573
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	27	2,944,284	2,252,984
Provisions	28	7,710	7,210
Debit bank balance	29	16,171	1,737
		2,968,165	2,261,931
Non-current liabilities			
Long-term Loan - GoK	30	231,250	231,250
		231,250	231,250
Total liabilities		3,199,415	2,493,181
Net assets		6,514,330	6,358,392
Reserves			
Capital Reserves		8,572,508	7,684,758
Revenue Reserves		(2,058,178)	(1,326,366)
Total reserves		6,514,330	6,358,392

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


 Vice Chancellor

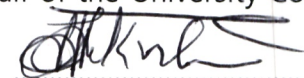
Prof. Isaac S. Kosgey

Date 20/12/2018


 DVC – Finance

Prof. Daniel K. Tarus
 ICPAK Member No. 12230

Date 26/12/18


 Chairman of Council

Dr. Jeremiah N. Koshal

Date 20/12/2018

**XII. CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR
 ENDED 30 JUNE 2018**

	Capital Reserves	Revenue Reserves	Total
	Kshs'000	Kshs'000	Kshs'000
Balance as at 1 July 2016	6,667,353	(894,774)	5,772,259
Deficit for the year	-	(431,592)	(431,592)
Transfers of assets to Karatina University	(172,231)	-	(172,231)
Rivatex capital grants	610,000	-	610,000
Capital grants received during the year – Moi University	534,934	-	534,934
Revaluation gain	44,702	-	44,702
Balance as at 30 June 2017	7,684,758	(1,326,366)	6,358,392
Balance as at 1 July 2017	7,684,758	(1,326,366)	6,358,392
Deficit for the year	-	(731,812)	(613,850)
Capital grants received during the year – Moi University	31,500	-	31,500
Capital grants received during the year – Rivatex Ltd	856,250		856,250
Balance as at 30 June 2018	8,572,508	(2,058,178)	6,632,292

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

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XIII. CONSOLIDATED STATEMENT OF CASHFLOWS AS AT 30 JUNE 2018

		2017-2018	2015-2016
		Kshs'000	Kshs'000
Deficit for the year		(731,812)	(431,592)
Adjustments for:			
Depreciation	26	121,551	116,956
Interest income	10	(35,319)	(30,799)
Gain on Disposal	10	(2,881)	-
Provision for audit fees	14	3,980	3,730
Increase/(decrease) in provision for doubtful debts		14,817	16,434
Operating deficit before working capital changes		(629,664)	(325,271)
Increase in inventories		(4,312)	(56,814)
(Increase)/decrease in biological assets		213	(16)
Increase in trade and other payables		691,800	1,044,505
Provision for audit fees		(3,980)	(3,730)
Increase in provision for doubtful debts		(14,817)	(16,434)
(Increase)/decrease in trade and other receivables		(316,786)	(554,577)
		352,118	412,934
Total cash generated from operating activities		(277,546)	87,663
Cash flows from investing activities			
Purchase of property, plant and equipment	26	(695,876)	(837,297)
Transfer of assets to Karatina University		-	(175,231)
Disposal of fixed assets	10	2,881	44,702
Transfers		-	131,638
Interest received	10	35,319	30,799
Net cash flows from investing activities		(657,676)	(805,389)
Cash flows from financing activities			
Capital grants from GoK	6	887,750	1,144,934
Net cash flows used in financing activities		887,750	1,144,934
Net increase/(decrease) in cash and cash equivalents		(47,472)	427,208
Cash and cash equivalents at 1 July		1,019,735	592,527
Cash and cash equivalents at 30 June	21, 29	972,263	1,019,735

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2018

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2018

Item No		Budget			Actual on Comparable Basis 2017/2018 Kshs.	Performance Difference 2017/2018 Kshs.	%
		original 2017/2018 Kshs.	Adjustment 2017/2018 Kshs.	Final 2017/2018 Kshs.			
Revenue							
1	Exchequer Grants	2,634,999,378	518,994,187	3,153,993,565	3,153,993,565	-	0%
2	Exchequer Grants (Arrears- Salaries & H/allowance)	1,042,915,006	-	1,042,915,006	1,042,915,006	-	0%
3	Tuition & Related Charges	539,042,243	-	539,042,243	396,167,427	142,874,816	27%
170	Privately Sponsored Students Fees	2,288,033,762	-	2,288,033,762	1,171,372,594	(1,116,661,168)	49%
401	Students Accommodation Fees	52,133,300	-	52,133,300	53,023,094	889,794	-2%
407	Students Field Trips/Courses	200,558,745	-	200,558,745	133,876,296	(66,682,449)	33%
409	Students Activities	63,568,950	-	63,568,950	7,326,155	(56,242,795)	88%
402	Research Funds	75,383,479	-	75,383,479	107,142,537	31,759,058	-42%
403	Farm Income	11,706,137	-	11,706,137	8,533,578	(3,172,559)	27%
117	Rental Income	3,037,191	-	3,037,191	6,928,436	3,891,245	-128%
119	Digital Literacy Programme	400,000,000	-	400,000,000	135,000,000	(265,000,000)	66%
118	Elimu Millers	68,096,000	-	68,096,000	23,294,862	(44,801,138)	66%
164	Other Income	91,427,691	-	91,427,691	96,553,593	5,125,902	-6%
	TOTAL	7,470,901,882	518,994,187	7,989,896,069	6,336,127,143	(1,653,768,926)	20.7%
EXPENDITURE							
Personal Emoluments							
0	Basic Salaries	2,103,034,176	384,897,390	2,487,931,566	2,409,328,604	78,602,962	3%
20	Casual Payments	175,141,284	-	175,141,284	194,432,098	(19,290,814)	-11%
30	Part time Payments	109,646,064	-	109,646,064	10,557,782	99,088,282	90%
40	Gratuity & Pension contribution	477,528,358	44,742,753	522,271,111	517,154,863	5,116,248	1%
90	Exchequer Grants (Arrears- Salaries & H/allowance)	1,042,915,006	-	1,042,915,006	1,036,361,432	6,553,574	0%
50	House allowance	1,177,260,946	-	1,177,260,946	1,114,815,158	62,445,788	5%
60	Other personal allowance	321,498,814	14,573,200	336,072,014	351,902,658	(15,830,644)	-5%
60	Other personal allowance (Medical Arrears)	-	-	-	-	-	0%
70	House to Office allowance	293,915,874	74,780,844	368,696,718	367,466,993	1,229,725	0%
80	Passage & Leave expenses	22,113,200	-	22,113,200	25,464,303	(3,351,103)	-15%
	Sub-total	5,723,053,722	518,994,187	6,242,047,909	6,034,037,465	208,010,444	3%
Operations & Maintenance							
90	Medical expenses	145,855,570	-	145,855,570	114,486,083	31,369,487	22%
100	Transport operating expenses	14,449,371	670,589	15,119,960	5,741,077	9,378,883	62%
110	Travelling & Accommodation exps.	11,595,062	960,315	12,555,377	8,341,466	4,213,911	34%

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112	External Travelling & Accommodation	4,975,536	-	4,975,536	4,709,678	265,858	5%
113	Teaching Practice & Field course.	-	-	-	-	-	0%
114	Community Based education & Service	-	-	-	-	-	0%
115	External Examiners	10,452,375	-	10,452,375	7,838,127	2,614,248	25%
120	Postal expenses	813,719	-	813,719	623,180	190,539	23%
121	Telephone expenses	619,344	(184,000)	435,344	80,460	354,884	82%
122	Internet Expenses	32,385,376	-	32,385,376	16,533,957	15,851,419	49%
130	Official entertainments	708,913	-	708,913	-	708,913	100%
131	Deans & Senate comm. exp.	3,907,672	-	3,907,672	2,986,904	920,768	24%
	conferences & seminars	3,346,723	1,125,766	4,472,489	4,472,482	7	0%
132	Council Expenses	34,448,681	-	34,448,681	26,502,492	7,946,189	23%
135	Staff welfare support & funeral Expenses	1,339,035	-	1,339,035	1,319,040	19,995	1%
136	Graduation expenses	20,509,242	(2,166,750)	18,342,492	12,414,940	5,927,552	32%
137	Open & Cultural Day Celebrations	-	-	-	-	-	0%
137	Open & Cultural Day Celebrations	-	-	-	-	-	0%
140	Electricity, water & conservancy	149,287,000	-	149,287,000	100,392,348	48,894,652	33%
150	Teaching materials	40,709,002	-	40,709,002	23,526,289	17,182,713	42%
171	Publishing & printing expenses	2,584,269	-	2,584,269	500,047	2,084,222	81%
172	Purchase of uniform & clothing	2,034,445	(3,340)	2,031,105	698,539	1,332,566	66%
173	Library Expenses	22,293,387	-	22,293,387	11,977,207	10,316,180	46%
174	Purchase of Stationery	17,791,897	706,233	18,498,130	9,443,506	9,054,624	49%
175	Advertising & Publicity	18,364,956	-	18,364,956	13,038,575	5,326,381	29%
176	Show expenses	-	-	-	-	-	0%
179	Audit fees & expenses	21,977,280	-	21,977,280	9,187,400	12,789,880	58%
182	Payment of rent/rates	210,214,740	-	210,214,740	241,527,502	(31,312,762)	-15%
185	Computer Expenses	4,906,869	(200,000)	4,706,869	766,837	3,940,032	84%
187	Insurance expenses	35,990,291	-	35,990,291	14,263,371	21,726,920	60%
190	Legal Expenses	6,240,795	-	6,240,795	4,989,383	1,251,412	20%
191	Cleaning Materials & Detergents	2,808,484	-	2,808,484	2,163,051	645,433	23%
192	Farm Expenses	9,364,910	-	9,364,910	9,164,039	200,871	2%
194	Training expenses	8,632,575	-	8,632,575	4,486,097	4,146,478	48%
196	Post graduate programme	1,302,200	-	1,302,200	808,581	493,619	38%
197	University research programme	1,988,518	(158,813)	1,829,705	1,291,395	538,310	29%
210	Purchase of Motor Vehicles & Aeroplane	24,190,000	-	24,190,000	-	24,190,000	100%
220	Purchase of Plant & Equipment	14,229,964	2,000,000	16,229,964	12,542,534	3,687,430	23%
221	Inter-University Games	-	-	-	-	-	0%
230	Purchase of medical Equip.	2,063,234	-	2,063,234	-	2,063,234	100%
250	Maintenance of Plant & Equip.	3,376,355	-	3,376,355	274,208	3,102,147	92%
251	Maintenance of Computers	908,728	-	908,728	97,000	811,728	89%
260	Maintenance of Building & stat.	8,509,119	(50,000)	8,459,119	3,330,206	5,128,913	61%
261	Maintenance of Catering & Host.	14,014,816	(2,200,000)	11,814,816	10,280,818	1,533,998	13%

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270	Maintenance of water supplies	5,877,842	-	5,877,842	3,791,467	2,086,375	35%
280	Maintenance of Playgrounds	2,149,393	-	2,149,393	912,309	1,237,084	58%
281	ICT Infrastructure	6,027,615	-	6,027,615	1,524,280	4,503,335	75%
282	FMIS final phase & ERP system	10,000,000	-	10,000,000	2,024,281	7,975,719	80%
283	Directorate of Open & Distance Learning	6,119,892	-	6,119,892	3,234,456	2,885,436	47%
290	Development of Academic Inform. System	-	-	-	-	-	0%
380	Payment of outstanding debts	138,924,993	-	138,924,993	138,923,754	1,239	0%
381	Programme Accreditation costs	7,600,000	-	7,600,000	299,300	7,300,700	96%
390	Contract Services & Subscriptions	17,275,716	-	17,275,716	18,726,939	(1,451,223)	-8%
404	Pssp disbursements& Costs	264,586,722	-	264,586,722	227,182,929	37,403,793	14%
405	Research funds disbursements	92,299,423	-	92,299,423	102,251,732	(9,952,309)	-11%
406	Students Field Trips/Courses	140,558,745	-	140,558,745	54,334,991	86,223,754	61%
408	Students Activities	48,568,950	-	48,568,950	32,141,903	16,427,047	34%
410	Contigent Liabilities	3,456,779	-	3,456,779	3,454,132	2,647	0%
412	Other Campus Expenses	1,967,088	-	1,967,088	1,967,088	-	0%
413	ISO & ISO Related Expenses	9,000,000	-	9,000,000	5,323,739	3,676,261	41%
414	Strategic Plan Implementation & Monitoring	4,204,626	(500,000)	3,704,626	3,187,627	516,999	14%
415	Performance Contracting	8,309,952	-	8,309,952	5,052,605	3,257,347	39%
	Revaluation of fixed assets	5,030,121	-	5,030,121	-	5,030,121	100%
	Loan Repayment	3,883,250	-	3,883,250	-	3,883,250	100%
	Elimu millers expenses	51,181,600	-	51,181,600	23,198,475	27,983,125	55%
	KUCCPS Placement Costs	7,785,000	-	7,785,000	-	7,785,000	100%
	Directorate of Communication	3,850,000	-	3,850,000	160,000	3,690,000	96%
	Sub-total	1,747,848,160	-	1,747,848,160	1,308,490,826	439,357,334	25%
	Gross Expenditure	7,470,901,882	518,994,187	7,989,896,069	7,342,528,291	647,367,778	8%
	CAPITAL DEVELOPMENT GRANTS						
	Completion of Hostels	98,000,000	-	98,000,000	41,901,470	57,090,530	0%
	Construction of Sewer Line	50,000,000	-	50,000,000	6,772,095	43,227,905	
	Completion of Library – School of Law	50,000,000	-	50,000,000	75,118,504	(25,118,504)	0%
	Completion of PDN Building	20,000,000	-	20,000,000	8,549,506	11,450,494	0%
	Procurement of Textile Training Machinery - Rivatex Ltd	200,000,000	-	200,000,000	350,000,000	(150,000,000)	(7.5%)
		418,000,000		418,000,000	381,500,000	36,500,000	91%

CAPITAL GRANTS	Exchequer Grants	418,000,000		418,000,000	381,500,000	36,500,000	91%
EXPENDITURE	Completion of Hostels	58,000,000	-	58,000,000	41,901,470	8,090,530	72%
	Construction of Sewer Line	50,000,000	-	50,000,000	6,772,095	43,227,905	14%
	Completion of Library – School of Law	80,000,000	-	80,000,000	75,118,504	4,881,416	94%
	Completion of PDN Building	20,000,000	-	20,000,000	8,549,506	11,450,494	45%

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Completion of Gate	10,000,000	-	10,000,000	2,687,000	7,313,000	30%
Construction of Lecture Halls	10,000,000	-	10,000,000	7,965,982	2,034,018	80%
	218,000,000	-	218,000,000	214,759,558	4,240,442	
Procurement of Textile Training Machinery - Rivatex Ltd	200,000,000	150,000,000	350,000,000	350,000,000	-	100%
Construction of Digital Literacy Programme Building	100,000,000	-	100,000,000	71,765,000	28,235,000	72%
	300,000,000	150,000,000	450,000,000	421,765,000	28,235,000	
	518,000,000	150,000,000	668,000,000	636,524,558	32,475,442	95%

Budget notes on variances

- (a) Reduction mainly due to decrease in the number of students qualifying to join university as a result of the 2017 KCSE results, leading to decrease in the number of PSSP students. The January and May intakes were also missed due to the lecturers' strike leading to loss of the projected revenue.
- (b) Relative increase in accommodation fees due to the fact that most students opted to use university facilities compared to the previous year.
- (c) Decrease due to disruption of academic programmes due the industrial action by lecturers and decrease in the number of PSSP students
- (d) – (l) Reduction due to austerity measures taken to reduce planned activities in view of reduced income from PSSP students
- (e) The increase in research funds disbursements was because of the number of activities planned for the higher funds received during the year.
- (f) Decrease of projected direct funds from Digital Learning Programme to fund University Budget

XV. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The University's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, (rounded to the nearest one thousand), which is the functional and reporting currency of the University. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
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 which are covered purely under Public Sector combinations as amalgamations.

XV. NOTES TO THE FINANCIAL STATEMENTS (Continued)

Early adoption of standards

The University did not early – adopt any new or amended standards in year 2018.

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.

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

KV. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity'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 2017-2018 was approved by the University Council on 13th July 2017. 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 entity recorded additional appropriations on the 2017-2018 budgets following the University Council's approval.

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

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

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the

XV. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

reporting date in the area where the University's subsidiary, Rivatex 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.

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

XV. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 50-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except where revaluation has been done as indicated. 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.

f) Depreciation and impairment of Plant, Property and Equipment

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

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

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

Leasehold land is amortised over the unexpired period of the lease

g) Leases

Finance leases are leases that transfer substantially the entire 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 Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

i) 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.

j) Research and development costs

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

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

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

k). Financial Instruments

Financial Assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

- 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 default)

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.

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 labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of 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 Entity.

I) Biological assets

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

m) 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 University in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

n) Nature and purpose of reserves

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

o) 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.

p) Employee benefits

Retirement benefit plans

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

q) 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.

r) 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.

s) 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 Council Members, the Vice Chancellor and senior management.

t) 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.

u). 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. For the purposes of these financial statements, cash and cash equivalents also include balances held in M-Pesa at the end of the financial year.

v). Comparative figures

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

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 amount 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 Entity. 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

Provisions

Provisions were raised and management determined an estimate based on the information available. 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.

u). 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, 2018.

XV. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kes.	Amount deferred under deferred income Kes.	Amount recognised in capital fund.	Total grant income during the year	2016-2017
			Kes.	Kes.	Kes.
Ministry of Education	4,196,909	-	381,500	4,578,409	3,461,393
Ministry of Trade & Cooperatives – Rivatex Ltd			506,250	506,250	610,000
Total	4,196,909	-	887, 750	4,578,409	3,461,393

6(a). Donation

Seedling Labs	24,365	-
	24,365	-

7. Tuition and related charges

Description	2017-2018	2016-2017
	Kes.'000	Kes.'000
Tuition fees	1,664,763	1,936,830
Registration fees	12,274	13,479
Students' ID fees	2,179	2,479
Examination fees	45,457	33,360
Medical fees	49,186	37,445
Activity fees	32,657	21,781
Games and sports	5,921	-
Computer fee	22,273	-
Internet Connectivity	6,869	-
Application fees	8,602	7,549
Workshop/attachment fees	133,876	112,886
Amenity fees	30,667	22,260
Total revenue from tuition services	2,014,724	2,188,369

8. Rivatex gross profit

Printed fabrics	47,198	45,668
Dyed	23,112	22,363
Cloth (Grey)	3,893	3,766
Bleached	5,474	5,297
Garments	41,116	39,783
Waste	608	589
Others	243	236
Total sales	121,644	117,702
Cost of sales:		
Direct costs		
Opening stocks	94,664	111,873
Purchases	24,435	20,033
Closing stocks	(70,351)	(94,663)
	48,748	37,243
Direct labor	25,566	22,657
Electricity	25,172	22,982
Water	4,360	5,657
	55,098	51,296
	103,846	88,539
Indirect costs		
Firewood	4,608	4,700
Salaries and wages	41,929	37,158
Packaging materials	315	586
Designs and screens	338	860
Lubricants and oils	2,371	2,988
Staff uniforms and consumables	4,100	1,503
Spares and consumables	342	5,130
Tailoring consumables	6,540	6,260
Depreciation	38,486	30,246
	99,029	89,431

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	202,875	177,970
Add: Opening Work in progress	245,854	224,980
Less: Closing Work in progress	(279,925)	(245,854)
Add; Opening Finished goods	45,351	42,206
Less; Closing Finished goods	(57,932)	(45,352)
Cost of Sales	156,223	153,950
Gross profit	(34,579)	(36,248)

9. Other services rendered

Bookshop sales	1,924	8,397
Accommodation and catering services	53,023	83,439
Digital Literacy Programme*	235,621	758,606
Rental income	6,928	4,122
Total other services rendered	297,496	854,564

*The University won the tender to supply digital learning devices to 26 counties under the Digital Literacy Programme. This income relates to distribution and installation services and first line support to the schools.

10. Sundry Income

Sale of tender documents	67	68
Water sales	429	459
Graduation fees	8,003	19,059
Interest income	35,319	30,799
Parking fees	8,657	9,205
Research grants	66,428	230,016
Fines	3,785	3,726
Miscellaneous	95,262	75,352
Gain on disposal of Assets	2,881	-
	220,831	368,684
Other income – Rivatex	1,200	1,200
	1,200	1,200
Total sundry income	222,013	369,884

11. Elimu Millers Revenue Account

Elimu sales	23,295	-
Less: Opening stocks	1,455	-
Elimu expenses	19,296	-
Personnel costs	5,751	-
Closing stocks	(1,847)	-

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	24,655	
Deficit for the year	(1,360)	-

12. Farm Revenue Account

Farm sales	8,534	24,815
Less: Opening stocks	8,862	10,655
Farm expenses	3,427	23,115
Personnel costs	6,595	11,030
Closing stocks	(5,401)	(8,862)
	13,483	35,938
Deficit for the year	(4,949)	(11,123)

13. Academic Departments Expenses

Personal emoluments	2,367,332	1,774,677
House allowance	779,626	704,875
Responsibility allowance	267,147	269,421
Car allowance	135,128	140,898
Entertainment allowance	17,732	16,891
Commuting allowance	55,948	45,326
Gratuity and retirement benefits	288,551	180,655
Teaching and office expenses	35,206	21,188
Travelling and accommodation expenses	311	3,737
Stationery	1,111	1,705
Vehicle running expenses	856	36
Staff development	4,136	7,634
University research programme	12,919	24,776
Field courses	71,820	95,778
CUE Quality charges	5,476	51,684
Special grants research expenses	108,274	73,549
Books and journals	99	466
Total academic departments expenses	4,151,672	3,413,296

14. Administration and central expenses

Personal emoluments	1,194,371	814,822
House allowance	371,007	338,286
Responsibility allowance	53,370	58,660
Car allowance	65,705	67,820
Entertainment allowance	5,427	5,646
Commuting allowance	83,233	86,479
Advertisement and publicity	16,746	41,642
Gratuity and retirement benefits	119,945	72,812
Office expenses	5,889	14,557
Travelling and accommodation	8,591	5,196

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Telephone and internet expenses	19,295	19,459
Purchase of uniforms	181	728
Vehicle running expenses	2,920	7,418
Insurance and legal expenses	23,588	52,778
Council and senate expenses	25,485	47,594
Passage and baggage	411	342
Publishing and printing expenses	215	406
Ceremonial and funeral expenses	1,900	751
Provision for audit fees	3,730	3,730
Bookshop expenditure	24,289	28,261
Books and journals	16	60
Increase in provision for doubtful debts	14,817	16,434
Miscellaneous expenses	17,703	11,702
ISO and ISO related expenses	8,054	12,148
Depreciation	78,788	83,349
Digital Literacy Programme expenses	177,251	96,292
Postal and telegram	555	687
	2,323,483	1,888,059
Rivatex Ltd: Administrative Expenses	46,383	40,146
Sales and Marketing	10,427	9,699
Personnel Expenses	49,621	40,818
	106,431	90,663
Total administration and central services	2,429,914	1,978,722

15(a) Academic Services Expenses

Personal emoluments	188,281	113,841
House allowance	73,987	67,215
Responsibility allowance	2,656	3,410
Car allowance	13,625	14,106
Entertainment allowance	1,515	960
Commuting allowance	12,267	12,622
Gratuity and retirement benefits	26,034	15,840
Office expenses	1,261	197
Library books	-	19,157
	319,626	247,348

15(b) Computer services expenses

Personal emoluments	5,824	2,924
House allowance	57	1,977
Responsibility allowance	-	38
Car allowance	-	180

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Commuting allowance	30	420
Gratuity and retirement benefits	10	419
Office expenses	-	10
	5,921	5,968
Total academic and computer services	325,547	253,316

16. General Educational services expenses

Graduation expenses	13,938	2,739
Students' admission and examination	28,231	9,433
External examiners' expenses	10,256	17,368
Staff development – non academic	1,087	948
External travel and accommodation	5,908	2,972
Conferences and seminars	2,570	3,341
Total general educational services	61,990	36,801

17. Maintenance of premises

Rent and rates	171,177	254,188
Electricity, water and conservancy	144,530	227,009
Maintenance of buildings	5,845	11,224
Total maintenance of premises	321,552	492,421

18. Staff and students' welfare

University medical scheme	100,742	217,820
Recruitment expenses	178	528
Passage and leave	15,064	15,486
Hotel accommodation and hospitality	257	123
Students' accommodation and catering	13,618	21,154
Students' welfare services	14,861	32,392
Total staff and students' welfare	144,720	287,503

19. Miscellaneous expenses

ASK Show	-	-
Maintenance of plant and equipment	10,520	7,324
Others	534	94,114
Total miscellaneous expenses	11,054	101,438

20. Bookshop revenue account

Sales	1,924	8,397
Less: Cost of sales		
Opening stocks	16,588	10,905
Add: Purchases	1,440	14,935
	18,028	25,840
Less: Closing stocks	(16,284)	(10,742)
	1,744	15,098

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Gross/(deficit) for the year	180	(6,701)
Salaries and wages	(22,545)	13,163
Deficit for the year	(22,365)	(19,864)

21. Cash and cash equivalents

Current accounts	988,434	521,513
Fixed deposits accounts	-	488,760
Mpesa/cash at hand	3,397	2,028
Total cash and cash equivalents	988,434	1,012,301

21(a) Detailed analysis of the cash and cash equivalents

Financial institution		
a) Current account		
Barclays Bank of Kenya	20,933	35,752
Co-operative Bank	8,378	887
Equity Bank	1,852	9,325
Kenya Commercial Bank	348,206	242,873
National Bank of Kenya	396,386	223,954
Standard Chartered Bank	4,242	3,300
Trans-National Bank	15,200	14,593
Rivatex	189,840	8,315
Sub- total	985,037	538,999
b) Fixed deposits account		
National Bank of Kenya	-	300,000
Housing Finance	-	188,760
Sub- total	-	488,760
c) Others		
M-Pesa	3,357	1,914
Cash at hand	40	-
Sub- total	3,397	1,914
Grand total	988,434	1,029,673

22. Receivables from exchange transactions

Current receivables		
Students' fees debtors	756,092	669,809
Other debtors/Imprest/Bookshop	27,518	39,108
ICT Authority (DLP)	245,007	478,607
Farm debtors	4,952	3,917
Elimu millers debtors	6,549	
Other PSSP debtors	800	800
Rivatex E.A. Ltd	58,263	36,469
Alupe Receivables	87,696	-
	1,186,877	1,228,710

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Less: impairment allowance	(183,368)	(168,551)
Total receivables	1,003,509	1,060,159

22(a) Rivatex receivables

Current receivables		
Trade receivables	43,780	21,986
Prepayments – Rivatex Ltd	14,103	14,103
Utilities deposits	380	380
Total Rivatex receivables	58,263	36,469
Rivatex Ltd Prepayments:		
Manawa Gineries	13,979	13,979
Seragraphics Ltd	124	124
	14,103	14,103

23. Receivables from non- exchange transactions

Current receivables		
CBA Unfunded Employer's contributions		
Pension Scheme	350,214	-
Provident Fund	23,221	-
	373,435	-

The Employer's 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.

24. Inventories

Main	34,066	37,301
Catering	1,666	1,569
Rivatex inventories	659,350	664,336
Farm	5,401	338
Bookshop	16,268	10,742
Elimu Millers	1,847	-
Inventories at the lower of cost and net realizable value	718,598	714,286

25. Biological assets

Livestock	5,372	5,363
Crops in the field	2,939	3,161
Total biological assets	8,311	8,524

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For the year ended June 30, 2018

Notes to the Financial Statements (Continued)

26. Property, Plant and Equipment							
Particulars	Land	Buildings	W.I.P	Furniture, Plants and Equipment	Computers, Printers and Copiers	Motor Vehicles and Aero planes	Total
COST/VALUATION	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)
At 1 July 2016	766,565	3,712,524	1,186,405	987,466	416,030	350,922	7,419,912
Additions - Moi University	-	-	148,512	11,706	7,963	-	168,181
- Rivatex Ltd	-	-	454,987	207,066	1,547	114	663,714
Revaluation of Motor Vehicles	-	-	-	-	-	44,702	44,702
Assets in Transit	-	-	5,402	-	-	-	5,402
Transfers to Karatina University	(168,528)	-	-	(5,500)	-	(1,203)	(175,231)
At 30 June 2017	598,037	3,712,524	1,795,306	1,200,738	425,540	394,535	8,126,680
Additions - Moi University	-	-	214,760	57,904	6,628	43,571	322,683
- Rivatex Ltd	-	86	371,559	641	565	162	373,013
Capitalized	-	356,473	(361,875)	5,402	-	-	-
Disposals	-	-	-	(769)	(3,615)	(9,213)	(13,597)
At 30 June 2018	598,037	4,069,083	2,019,750	1,263,916	429,118	429,055	8,808,959
DEPRECIATION							
At 1 July 2016	37,084	881,086	-	439,002	358,091	249,220	1,964,483
Charge for the year - Moi University	-	58,953	-	8,223	13,313	2,420	82,909
- Rivatex Ltd	-	2,850	-	29,442	4,285	5,435	42,012
Amortization - Moi University	440	-	-	-	-	-	440
- Rivatex Ltd	751	-	-	-	-	-	751
Transfers to Karatina University	-	-	-	688	-	1,203	1,891
Disposals	-	-	-	-	-	-	-
At 30 June 2017	38,275	942,889	-	466,606	375,689	255,872	2,079,548
Charge for the year - Moi University	-	56,473	-	10,009	7,707	4,159	78,348
- Rivatex Ltd	-	2,850	-	29,061	4,666	5,435	42,012
Amortization - Moi University	440	-	-	-	-	-	440
- Rivatex Ltd	751	-	-	-	-	-	751
Disposals	-	-	-	(769)	(3,615)	(9,213)	(13,597)
At 30 June 2018	39,466	1,002,212	-	504,907	384,447	256,253	2,187,502
NET BOOK VALUE							
At 30 June 2018	558,571	3,066,871	2,019,750	759,009	44,671	172,802	6,621,457
At 30 June 2017	559,762	2,769,635	1,795,306	734,132	49,851	138,663	6,047,132

MOI UNIVERSITY**Reports and Financial Statements****For the year ended June 30, 2018****XV. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****27. Trade and other payables from exchange transactions**

Description	2017-2018	2016-2017
Recurrent and capital creditors	2,864,012	1,988,748
Students' holding accounts	72,433	46,419
Rivatex E.A Ltd trade creditors	7,839	217,817
Total trade and other payables	2,452,886	2,252,984

Included in payables are Kshs. 350,214,202 and Kshs 23,221,414 relating to unremitted Employer's contributions arising from the signed Collective Bargaining Agreements for the periods 2010-2013 and 2013-2017. These contributions have not been funded to date.

28. Other liabilities and provisions

Provision for audit fees	7,460	6,960
Provision for audit fees - Rivatex	250	250
Total other liabilities and provisions	7,710	7,210

29. Debit bank balance

Moi University	-	-
Rivatex E.A Ltd	16,171	1,737
Total debit bank balance	16,171	1,737

30. Borrowings – GoK loan

Balance at beginning of the year	231,250	231,250
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
Balance at end of the year	231,250	231,250

The GOK loan was advanced to the University to facilitate the acquisition of its Karatina Campus. The Campus was gazetted as a constituent college of Moi University on 1 October 2010. The order establishing the college stated that all rights, liabilities and assets held by anybody on behalf of the college shall automatically and fully be transferred to the college. Moi University has paid the principal and interest on the loan up to the date of gazettment. KUC (now Karatina University) is expected to take up the payment of the principal and interest until the loan is fully repaid. As per the terms of the loan, the University has written to the Government seeking consent to assign the loan to Karatina University.

31. 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

XV. NOTES TO THE FINANCIAL STATEMENT (CONT...)

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 Company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The University's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. 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 2018				
Receivables from exchange transactions	1,157,927	1,157,127	971,197	183,368
Receivables from non-exchange transactions	-	-	-	-
Bank balances	979,631	979,631	-	-
Total	2,137,558	2,136,758	971,197	183,368
At 30 June 2017				
Receivables from exchange transactions	1,235,750	965,141	822,432	167,452
Receivables from non-exchange transactions	-	-	-	-
Bank balances	1,010,649	1,010,649	-	-
Total	2,239,359	1,968,750	822,432	167,452

The students/customers under the fully performing category are paying their debts as they continue learning/trading. The credit risk associated with these receivables is minimal and the

XV. NOTES TO THE FINANCIAL STATEMENT (CONT...)

allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The University has significant concentration of credit risk on amounts due from students' fees debtors and ICT Authority.

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

(ii) Liquidity risk management

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

(iii) Market risk

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

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 entity'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, Risk and Compliance Committee of Council.

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

There was a major change to the University's exposure to market risks because of the 2016 KCSE results which resulted in a drastic reduction in the number of privately sponsored students.

a) Foreign currency risk

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

XV. NOTES TO THE FINANCIAL STATEMENT (CONT...)

b) Interest rate risk

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

c).Management of interest rate risk

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

32. Related Party Balances

a). Nature of related party relationships

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

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

b). Related party transactions

Details	2018 Kes'000	2017 Kes'000
Transfers from related parties'	4,578,409	3,461,390
Transfers to related parties	350,000	160,000
	=====	=====

c) Key management remuneration

Details	2018 Kes'000	2017 Kes'000
Council members'	38,780	35,409
Key management compensation	80,295	71,420
	=====	=====

d) Due from related parties

Due from Parent Ministry	373,436	-
Due from SAGA	-	-

XV. NOTES TO THE FINANCIAL STATEMENT (CONT...)
e). Due to related parties

Due to the parent Ministry	-	-
Due to SAGA	-	-

33. Contingent assets and contingent liabilities
a) Litigation

- i. A claim of Kes.185,000,068 against the University is pending resolution in the High Court arising out of one of the capital projects that were being financed by the Government. Based on legal counsel, the chances of an adverse outcome for the University have been assessed as low. The entire amount has therefore been disclosed as a contingent liability.
- ii. In the ordinary course of operations, the University is a defendant in various litigations and claims. Although there are no assurances, the University believes, based on information currently available, that the ultimate resolution of these legal proceedings and claims is not likely to have a material adverse effect on the operations of the University.

The cases are pending determination by the courts and it is not practicable to determine the timing and final amounts (if any). Due to nature of the cases, detailed disclosure has not been made for each case as this may be prejudicial to the position of the University.

b) Provident Fund

Prior to 30th June 2008, the University was operating a gratuity arrangement for staff in grades 1 – IV whereby the staff would be paid a gratuity upon attaining the age of retirement. With effect from 1st July 2008, the Moi University Provident Fund was established. An actuarial valuation was done to determine the value of past service gratuity. As at 30 June 2018, the amount stood at Kshs. 107,119,645.31. The University is negotiating with the Provident Fund on possibilities of staggering this amount and making it payable as and when the staff retire.

c) Pending bills

The University has various pending bills arising out of the stalled government- financed capital project. The government has appointed a Pending Bills Closing Committee to verify the stock of pending bills and advise the government on their settlement. No material liability will arise to the University for these Pending Bills as the determination and eventual settlement of the pending bills will be done by the government. No provision has therefore been made for the bills.

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

The University handed over the assets and liabilities belonging to University of Eldoret (formerly Chepkoilel University College) on 15 December 2014 save for legal cases relating to the former Chepkoilel University College. Further, there are pending contentious issues regarding Malindi and Homa Hills lands. While University of Eldoret contends that these should be transferred to

them, the position of the University is that these are Moi University assets that should not be part of the handing over. The three pending issues have been handed over to the parent ministry for consideration and ultimate resolution.

e). Events after the reporting period

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

34. Ultimate and Holding Entity

The University is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

XV. NOTES TO THE FINANCIAL STATEMENT (CONT...)

35. Currency

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

36. DISCLOSURE OF AN ERROR IN THE FIDUCIARY TEAM

The name of the current Vice-Chancellor Prof. Isaac S. Kosgei was erroneously included in the Annual report and Financial Statement for the period ended 30th June 2017 as a member of the Fiduciary team instead of the then Acting Vice-Chancellor, Prof. Laban Ayiro

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	<p>Construction of Main Gate</p> <ul style="list-style-type: none"> - That Physical verification revealed that the project was abandoned at 60% completion - That the contract sum Of Kshs. 4.82m had been fully paid - Anticipated completion cost is Kshs. -9.27m and no justification was provided for the big variation 	<ul style="list-style-type: none"> • There was omission on BQs and as such, the Technical Staff handling BQs and advertising have been issued with show cause letters • Management wrote to the Ministry of Transport, Infrastructure, Housing and Urban Development to determine the value cost of the project. The ministry team gave an estimated value of shs. 7,778,990 to completion. • The University therefore is terminating the contract and tender for the remaining works. 	Prof. Nathan O. Oketch Ag. Deputy Vice Chancellor – A,P,D	Not Resolved	30 th September 2019
1.2	<p>Construction of Bomet Campus</p> <ul style="list-style-type: none"> - Verification revealed the project is behind schedule and may not be completed as 	<ul style="list-style-type: none"> • The project was moved to the new site because of the Geo-Survey 		Resolved	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>scheduled</p> <ul style="list-style-type: none"> - That the delay was caused by geotechnical finding on weak rock samples at the site and - That no explanation for this finding was provided to support the finding as to why the construction had commenced before the study 	<p>results</p> <ul style="list-style-type: none"> • The Contractor is making good progress on the construction of the project • Management is in the touch with the Council of Bomet University College to fastrack the construction of the projects 	<p>Prof. Nathan O. Oketch Ag. Deputy Vice Chancellor – A,P,D</p>		
2.1	<p>Un-Surrendered imprests – Kshs 25,476,385</p> <ul style="list-style-type: none"> - That the above imprests had not been surrendered by year end. 	<p>There were un-surrendered imprests at the close of the year arising from varying purposes running beyond the end of F/Y before their activities are completed. So far most of the imprests have been accounted for.</p>	<p>Prof. Daniel Tarus Ag. Deputy Vice Chancellor, Finance</p>	Resolved	N/A
2.2	<p>Other PSSP debtors</p> <ul style="list-style-type: none"> - That Kshs 800,000 due from Moi University Secondary School has been outstanding for more than two years - No documents were availed for verification. 	<p>The University has written to the School Management demanding repayment of the money and this shall be pursued expeditely</p>	<p>Prof. Daniel Tarus Ag. Deputy Vice Chancellor, Finance</p>	Not resolved	30 June 2019
3.0	<p>GoK Loan</p> <ul style="list-style-type: none"> - That a loan of Kshs. 231.5m acquired by the University for acquisition of Karatina Campus (now Karatina University) - The establishing order showed that all rights, liabilities and assets held by anybody on behalf of the College shall automatically and fully be transferred to the 	<ul style="list-style-type: none"> • The University has written to the Ministry of Education to provide the loan schedule for Moi University and Karatina University. • The University 	<p>Prof. Daniel Tarus Ag. Deputy Vice Chancellor, Finance</p>	Not Resolved	30 th June 2019

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>College and this transfer had not been done</p> <ul style="list-style-type: none"> - That the University has written to the Government seeking consent to assign the liability to Karatina University - No evidence was provided to show that the consent was given and the liability still remain un-serviced 	<p>is also pursuing the Vesting Order to facilitate the transfer of the loan to Karatina University</p>			
<p>Other Matter</p>	<p>Officers in Acting Capacity That the staff on acting capacity for over six months were paid Kshs. 605,499 in breach of the law on officers in acting capacity</p>	<ul style="list-style-type: none"> • The members of staff have acted for a period more than six months because of disciplinary cases which are on-going. • Some of the cases have now been resolved paving way for the advertisement to fill the positions. • Additionally, we have Government Circulars freezing employment, thus, making it difficult for the University to fill the vacancies. • The University has also written to the Head of Public Service seeking for permission to advertise and fill in the vacant positions. 	<p>Prof. Nathan O. Oketch Ag. Deputy Vice Chancellor – A,P,D</p>	<p>Not Resolved</p>	<p>30th June 2019</p>

Appendix 1: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Status of Projects completion

NO	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction of Library at Annex Campus	115,837,459	113,094,882	98%		93,343,167	GOK
2	Construction of gate at Main Campus	4,818,250	4,700,000	98%		4,230,000	AIA
3	Construction of Perimeter Wall at Main Campus	15,856,257	13,146,000	83%		11,831,400	AIA
4	Installation of floodlights at Main Campus	20,982,500	20,982,500	100%		18,884,250	AIA
5	Construction of PDN-Phase1	87,056,350	83,095,116	94%		82,091,319	GOK
6	Renovation of Hostel H, Main Campus	42,326,330	29,445,170	70%		26,500,353	GOK
7	Completion of wing C-2250 Hostels	65,221,260	12,456,300	19%		11,210,669	GOK
8	500#Lecture Hall-SBPS	11,394,750	3,600,250	32%		3,240,468	GOK
9	Completion of Sewer Line-Main Campus	101,490,616	6,772,095	7%		-	GOK
10	Construction of PDN Phase-2	82,022,380	27,433,750	33%			GOK
11	Construction of Additional Lecture Hall-SASS	7,273,621	4,365,462	60%		4,365,462	AIA

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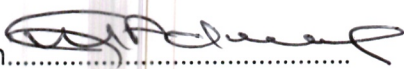
Appendix 2: INTER-ENTITY TRANSFERS

Entity Name:		Moi University		
Break down of Transfers from the State Department of University Education				
a.	Recurrent Grants	Bank Statement Date	Amount (Kes.)	FY to which the amounts relate
		7/3/2017	497,991,915	2017/2018
		7/19/2017	544,923,090	2017/2018
		8/1/2017	219,583,282	2017/2018
		9/4/2017	219,583,282	2017/2018
		10/3/2017	219,583,280	2017/2018
		11/3/2017	219,583,282	2017/2018
		12/2/2017	216,247,578	2017/2018
		12/2/2017	219,583,282	2017/2018
		1/2/2018	43,249,516	2017/2018
		1/2/2018	219,583,281	2017/2018
		2/8/2018	1,666,667	2017/2018
		2/8/2018	8,400,000	2017/2018
		2/8/2018	219,583,282	2017/2018
		2/8/2018	43,249,516	2017/2018
		3/13/2018	41,582,849	2017/2018
		3/13/2018	211,183,282	2017/2018
		4/6/2018	43,249,516	2017/2018
		4/6/2018	219,583,282	2017/2018
		5/3/2018	219,583,282	2017/2018
		5/3/2018	43,249,516	2017/2018
		6/14/2018	43,249,516	2017/2018
		6/11/2018	219,583,282	2017/2018
		6/28/2018	43,249,516	2017/2018
		6/28/2018	219,583,282	2017/2018
		Total	4,196,908,576	
b.	Development Grants	7/05/2017	50,000,000	2017/2018
		7/05/2017	300,000,000	2017/2018
		4/17/2018	31,500,000	2017/2018
		Total	381,500,000	
		Grand Total	4,578,408,576	

The above amounts have been communicated to the Parent Ministry

Finance Officer
Moi University

Head of Accounting
Ministry of Education

Sign.....

Sign.....