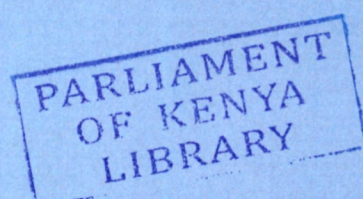


REPUBLIC OF KENYA



Paper Laid by the
LDM on Wednesday
17/10/2018.
Mwangi

OFFICE OF THE AUDITOR-GENERAL



REPORT



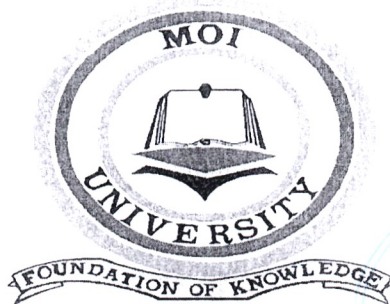
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MOI UNIVERSITY

FOR THE YEAR
ENDED 30 JUNE 2017

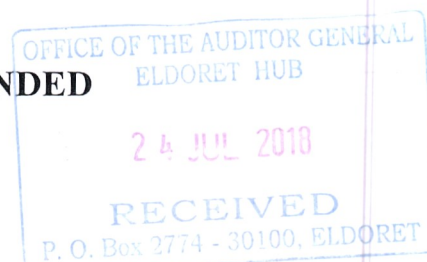


REGULATORY AND OTHER NON-COMMERCIAL ENTITIES

MOI UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**



**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

(a) Background information

The University was established under the Moi University Act in 1984 as the second public university in Kenya. The University is a body corporate established under the Moi University Charter 2013. At cabinet level, the University is represented by the Cabinet Secretary for Education, Science and Technology who is responsible for the general policy and strategic direction of the University.

The University is domiciled in Kenya.

(b) 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 the University of choice in nurturing innovation and talent in science, technology and development.

Mission

To preserve, create, and disseminate knowledge, conserve and develop scientific, technological, and cultural heritage through quality teaching and research; to create conducive work and learning environment, and to work with stakeholders for the betterment of society.

Core Values:

Moi University is committed to:

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

(c) Key Management

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

- University Council
- Vice Chancellor
- Moi University Management Board (MUMB)
- Deans and Directors

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(a) Key Management

Name of the Staff and area of responsibility		Qualifications
Prof. Isaac S. Kosgey Vice Chancellor		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)
Prof. Nathan Ogechi Deputy Vice Chancellor, Students' Affairs & Ag. Deputy Vice Chancellor, Administration, Planning & Development		B.Ed., M.Phil. (Moi), Ph.D (Hamburg)
Prof. Isaac Kimengi Deputy Vice Chancellor, Academics, Research and Extension		B.Ed. (Sc.) (Nairobi), M.A (Ed.) (Nairobi), Ph.D (Kenyatta)
Prof. Daniel K. Tarus Ag. Deputy Vice Chancellor, Finance		B.Com. M.B.A (Allahabad), Ph.D (Moi), CPA(K), CPS(K)

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Prof. Paul Ayuo Ag. Principal, College of Health Sciences		MBChB, M.Med (UoN), MPH (UOL-UK)
Prof. Philip Nyangweso Ag. Principal, Odera Akang'o Campus		B.Sc., MS. (Kenyatta). Ph.D (Moi)
Prof. Thomas K. Cheruiyot Ag. Principal, Bomet Campus		B.ABM (Egerton), M.Sc. (Wageningen), Ph.D (Moi)
George K. Aduda Ag. Finance Officer		B.Com (Accounting) (UoN), MBA (Finance), (CUEA). CPA(K)

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Petrolina C. Chepkwony Senior Legal Officer	 A black and white portrait of a woman with short, dark hair, wearing a patterned jacket over a dark top. She is looking slightly to the right of the camera.	LLB (Moi), Dip (KSL), EMPA (Moi), LLM (UoN)
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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Vice Chancellor	-Prof. Isaac S. Kosgey
2.	DVC - Finance	-Prof. Daniel K. Tarus
3.	DVC-A,R&E	-Prof. Isaac Kimengi
4.	DVC-Students Affairs	-Prof Nathan Ogechi
5.	Principal – CHS	-Prof. Paul Ayuo

(e) Fiduciary Oversight Arrangements

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

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

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

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

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

(f) 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

Eldoret West Campus

P. O Box 8210-30100
Eldoret

Coast Satellite Campus

P.O Box 3735-80100
Mombasa

Kitale Satellite Campus

P.O Box 175
Kitale

Odera Akang'o Campus College

P.O Box 436-40610
Yala

Nakuru Campus

P.O Box 14400-20100
Nakuru

Alupe University College

P.O Box 845-50400
Busia

Nairobi Satellite Campus

P.O Box 63056-00200
Nairobi

College of Health Sciences

P.O Box 4606-30100
Eldoret

Kericho Satellite Campus

P.O Box 1424-20200
Kericho

Bomet Campus College

P.O Box 701-20400
Bomet

Garissa University College

P.O Box 1801-70100
Garissa

(g) University Contacts

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

(h) University Bankers

1. National Bank of Kenya
Moi University Branch
P.O. Box
Eldoret 30100
Eldoret, Kenya

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

3. Kenya Commercial Bank
Eldoret Branch
P.O Box
Eldoret, 30100
Eldoret, Kenya

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

7. Transnational Bank
Eldoret Branch
P.O Box
Eldoret, 30100
Eldoret, Kenya

4. Equity Bank
Eldoret Branch
P.O Box
Eldoret, 30100
Eldoret, Kenya

6. Barclays Bank of Kenya
Eldoret Branch
P.O Box
Eldoret, 30100
Eldoret, Kenya

8. Housing Finance
Eldoret Branch
P.O Box
Eldoret, 30100
Eldoret, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. MEMBERS OF THE UNIVERSITY COUNCIL

Members of the University Council	Key Qualifications and experience
 D.O.B 14th December 1970 Dr. Jeremiah N. Ole Koshal, CHAIRMAN	BCom. Business Administration (Daystar), MBA. (Regent, USA), Ph.D.(Regent, USA) Dr. Koshal has over ten years local and international experience in the area of University education, research, executive training and business development. He is currently an Assistant Professor of Leadership at the Chandaria School of Business, United States International University (USIU).
 D.O.B 5th April 1961 Prof. Isaac S. Kosgey Vice - Chancellor, Secretary to Council	Ph.D. (Animal Sciences) , M.Sc. Animal Science with Distinction (Wageningen), B.Sc Animal Production with First Class Honours (Egerton), Diploma in Animal Husbandry with Distinction (Egerton), MBA (Kenyatta), Diploma in Law with Distinction (MKU) 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.



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

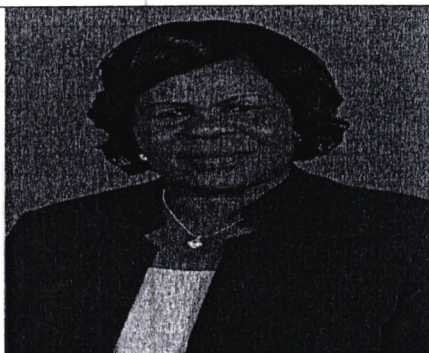
B.A (Economics), L.L.B, L.L.M (Public Finance) (Nairobi), Dip Law (Kenya School of Law)

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 universities.

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

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**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)

III. CHAIRMAN'S STATEMENT

I am pleased to present the financial report for the year ended 30 June 2017.

Moi University aspires to be the University of Choice in nurturing innovation and talent in science, technology and development. During the year, we embarked on the process of ensuring that we align our policies, processes and strategies in order to realise this vision and ensure that the University attains world class competitiveness.

In this regard, the University started a recovery strategy in order to reverse past negative trends. Over the past few years, we have had financial challenges owing to shortfalls in the funding for recurrent and capital development expenditure. These shortfalls have denied the University critical investments in teaching, research and learning facilities. I am therefore gratified to note that the recovery efforts have started showing positive improvements in the University that we can build on in the financial year 2017/2018.

Given the inadequate recurrent budget funding, the University has been using income from the privately sponsored students' programme (PSSP) to bridge the funding deficit. In the financial year 2016/2017, the income stream from PSSP came under severe pressure due to the negative impacts of the 2016 KCSE results that saw a huge reduction in the number of students qualifying to join universities.

We operate in an increasingly challenging and dynamic higher education sector. This calls for efficiency in our operations and ensuring that we deliver quality education and service to our students and other stakeholders at all times. In this regard, the University Council and Management will work together to ensure that we improve our systems so that we stand a vantage point in ensuring that the University operates efficiently at all times so that we deliver on our mandate.

I am delighted that the University undertook several capital developments projects during the year as part of our turnaround and re-branding strategies. This is shown in the upward growth in our investment in fixed assets during the year.

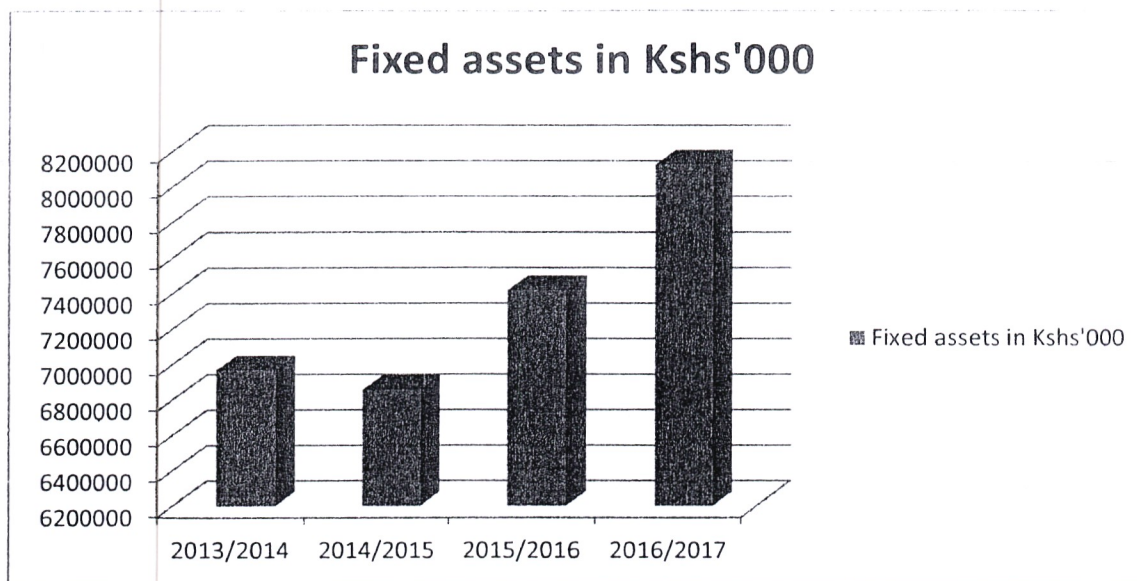
The University won the tender to supply learning devices to schools in 26 Counties under the Digital Learning Programme. As at year end, we had distributed and installed the devices to over 10,926 schools. The University is constructing a laptop assembly plant that will produce approximately 1,200 devices per day. I commend the University for this momentous achievement.

During the year Rivatex East Africa Ltd spent Kshs.440, 961,340 to modernize the processing department of the factory to make the company more competitive to withstand threats and take advantage of emerging opportunities in the fast changing global textile manufacturing arena. This was out of the recognition that in order to build a formidable textile industry giant the company must invest in modern plant and machinery that will enable it to sustainably produce both efficiently and cost effectively. The University firmly expects profitability and returns from the company following these investments.

We anticipate that the ten (10) year extension of African Growth and Opportunity Act (AGOA) in 2015 will further increase the opportunities that Rivatex East Africa Limited can

exploit in order to grow and become profitable upon completion of the modernization that is being undertaken.

Growth in Fixed assets from 2014 – 2017



The University's operations and financial performance was affected during the year by the negative impacts of the reduction in the number of PSSP students and industrial action by staff in public universities which resulted in the loss of the semester slated between January and March 2017. This resulted in the deficit for the year increasing. We are hopeful that these negative trends will be reversed in the financial year 2017/2018.

Professor Laban Ayiro was appointed as the acting Vice Chancellor during the year following the expiry of the term of Professor Richard Mibey. The current University Council was also constituted during the year. I would like to congratulate all of us on the onerous duties bestowed on our shoulders and pledge that together we shall strive to steer the University to greater heights.

I would like to thank all those who supported the University during the year, including our dear students, the Government, development and collaborating partners. My sincere and deep gratitude to the Chancellor, my fellow Council Members as well as our dedicated staff and other stakeholders.



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 65 in 2013/2014 to over 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. 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 we as a University seriously look for alternative sources of income to supplement our budget.

It is in this respect that during the year, the University participated in and competitively won the tender to supply learning devices to schools in 26 Counties under the Digital Learning Programme. The income accruing from this programme in this financial year amounted to Kshs. 758,606,000 underlying the importance of the contribution of this revenue source in supplementing the overall University resource base.

We have strived to inculcate a competitive spirit in our staff and students and this showed tremendous results in the year under review. The University, through a rigorous and competitive selection, won the Kshs. 600 million World Bank Project grant to set up the Africa Centre of Excellence in Phytochemicals, Textiles and Renewable Energy (PTRE). The University is among the three Africa Centres of Excellence (ACEII) in Kenya that were launched in April 2017 by the Cabinet Secretary for Education. The ACEs are meant to develop high level skills and knowledge with focus on science, technology, engineering and mathematics (STEM). We are proud of this achievement and commend all our staff who have made us proud in winning this award.

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 help the University in funding 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 engaging a private sector partner from India to construct workshops at our School of Engineering and also provide equipment and machinery for practicals.

Over the next five years, the University will pursue interdisciplinary initiatives, innovation in its teaching and expansion in research.

During the year, the University undertook several infrastructure 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 PDN building
- Construction of the gate at Main Campus
- Construction and erecting of floodlights at Main Campus
- Construction of a perimeter wall at Main Campus

The government of Kenya has steadfastly supported Rivatex East Africa Limited through allocation of capital development funds which have been utilized in acquisition of state-of-the-art machinery. Through modernization we anticipate that the company will be able to produce cost effectively and thus be competitive in order to attract orders from apparel manufacturers and brands that are expected to shift to the Special Economic Zones in the near future as well as serve the company's existing customers. During the 2016/2017 financial year company acquired one (1) washing machine, one (1) mercerizing machine, one (1) pad steam dyeing range, one (1) raising machine, and one (1) doubling and precision, folding & plaiting machine and one (1) automatic inspection machine This will make Rivatex East Africa Limited effectively serve the local and regional markets with quality products. We anticipate that the investment in the above machines will enable the company increase its sales volumes tremendously while retaining more clients during the 2017/2018 financial year. The company plans to procure, in the 2017/2018 financial year, one (1) grey cloth inspection machine, one (1) rotating machine, one (1) yarn dyeing machine one (1) hot flue machine and one (1) continuous bleaching & scouring machine. These modernization efforts will together enable Rivatex East Africa Limited increase production and sales volumes in the long run.

Academic Programmes

I am proud of our high calibre academic and administrative staff who have ensured that our services continue to be of high standards. This has contributed to the University improving its ranking and made Moi University to be the top ranked University in Kenya during the year.

The University's academic programmes were disrupted in the third quarter by the industrial action by staff in public universities. Consequently, the semester that was to begin on 13 January 2017 did not take off. The strike was called off in March 2017, resulting in the semester dates for the January- March Semester being rescheduled to end in June 2017. We therefore lost a semester, further depressing our revenue for the year.

The University also made the decision to close Kericho and Nakuru Campuses and the programmes in those campuses were relocated accordingly.

Financial Performance

The reduction in the number of students qualifying to join universities and the subsequent reduction in the number of PSSP students admitted, the industrial action from January to

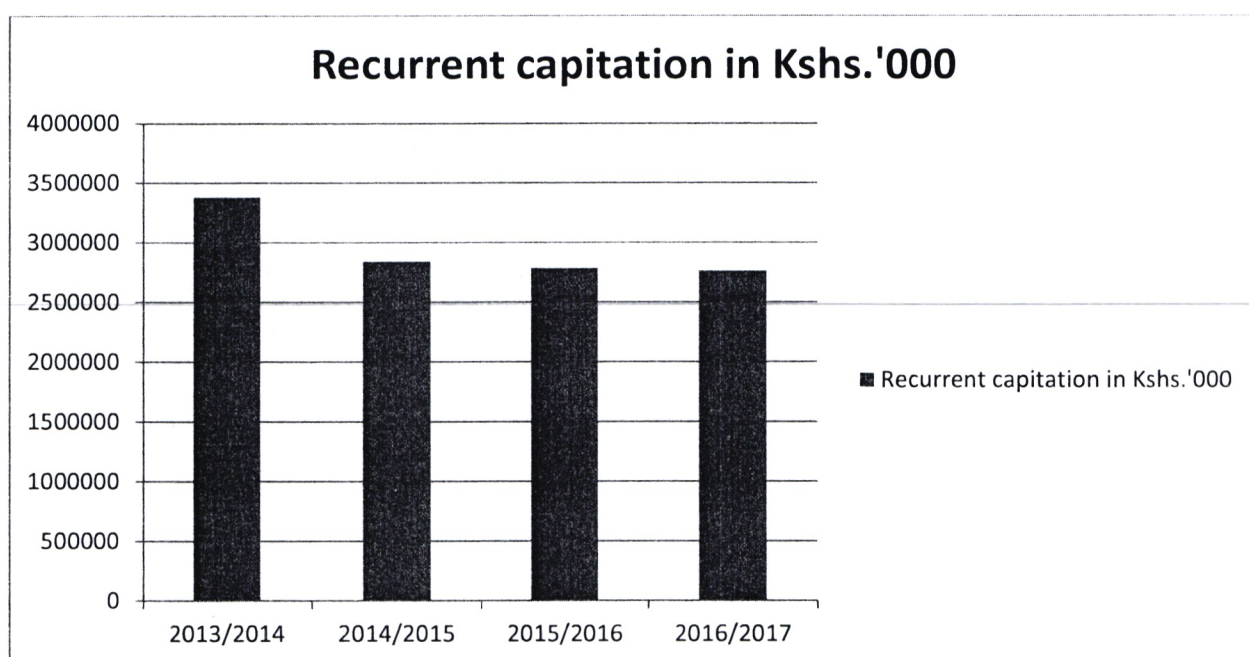
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March 2017 are significant factors that led to a negative financial performance during the year.

The recurrent capitation funding to the University has not kept pace with the growing financial requirements of the University. This has led to strains in meeting the University's financial obligations as and when they arise. There is therefore an urgent need to increase not only the recurrent and capital development funding to the University, but also grow supplementary revenue streams for the University.

The funding trends for the last four financial years shows that it's been decreasing .

Financial Year	2016/2017	2015/2016	2014/2015	2013/2014
Recurrent Capitation (Kshs.'000)	2,766,459	2,787,746	2,843,723	3,378,248



Rivatex East Africa Limited registered a 16% increase in turnover from Kshs.98, 172,058 recorded in the previous financial year to Kshs.114,357,815 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 that we still have opportunities for growth in our post graduate programmes. The Government's projections are for all universities to produce at least 2,400 PhDs per year in order to meet the demands of our higher education sector. Accordingly, we will leverage on the strengths of our faculty in order to increase the number of post graduate students joining

our programmes. We are also increasing the number of programmes being offered in our Distance and Open Learning Programme.

Appreciation

On behalf of Management, I would like to express our sincere gratitude and appreciation to the Government and the University for the support and advice that we have unwaveringly received during the year.

I also want to thank our staff and students, development partners, collaborating institutions and other partners and stakeholders for the help and support that we continue to receive.



.....
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. It involves balancing the interests of the University in order to achieve long term strategic objectives of the University.

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 Moi University Council operates in compliance with the Mwongozo code that offers corporate governance framework for all state corporations. The members of Council have duly undergone training under this code.

The Council prepares an annual almanac showing the schedule of 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 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 mandated to carry out specified functions. The Members of Council therefore bring their diverse experiences in deliberations during Council meetings.

The Council committees have well defined terms of reference. The committees are intended to facilitate efficient decision making by the Council in discharging its duties and responsibilities.

The Council committees are as follows:

- Audit, Risk and Compliance Committee
- Academic, Research, Extension & Student Affairs Committee
- Finance, Administration and Strategy Committee
- Human Resource and Governance Committee

The members of the committees 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
Joseph Hamisi Dena	- Member
Rep. PS National Treasury	- Member
Rep. PS Ministry of Education	- Member

Finance, Administration and Strategy Committee

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

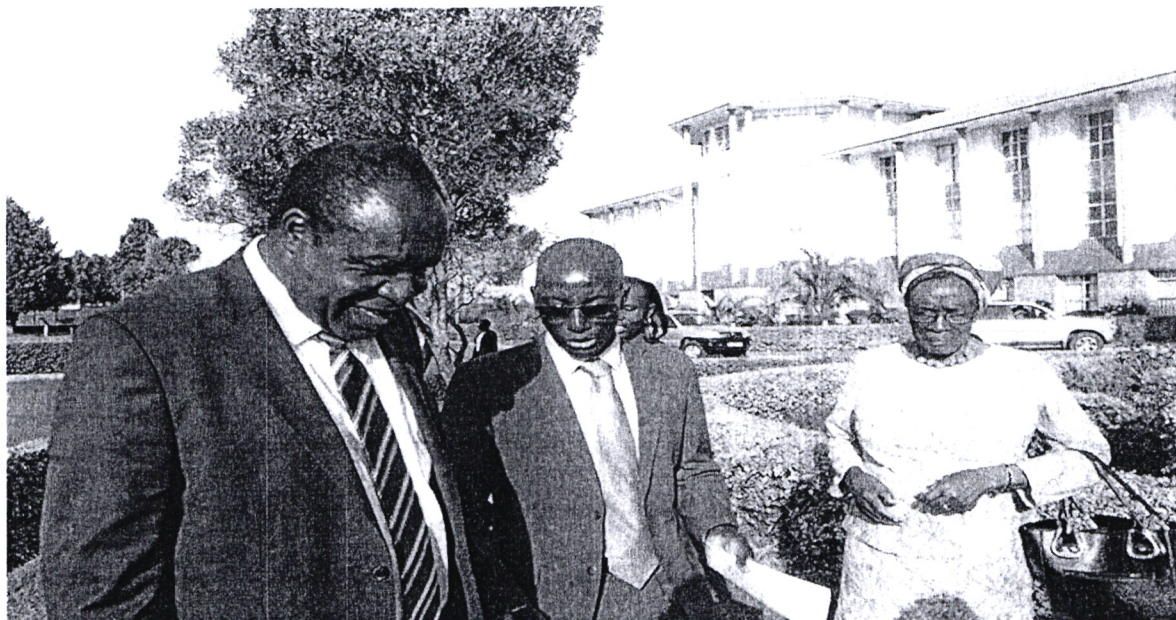
Human Resource and Governance Committee

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

The Council's operations are guided by a board charter. The board has a conflict of interest register and at every meeting, members are required to declare any conflict of interest with regard to the matters under discussion.

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

The biographies of the Council members are shown on ix - xi



VI. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A: Operational and Financial Performance

The University's financial performance during the year was adversely impacted by the negative effects of the 2016 KCSE examination results. The University did not therefore admit sufficient number of privately sponsored students in the January and May intakes, thus leading to failure to realise revenue that it would normally have in this period. This led to an overall shortfall in this budget line, leading to a negative variance in the total budgeted revenue for the year.

The industrial strike in the third quarter exacerbated the revenue shortfalls as students did not report and pay fees between January and March 2017 as earlier budgeted.

The overall revenue from tuition and related charges therefore had a decrease of 41% as compared to 2015/2016.

The University's cash in-flows were therefore negatively impacted during the year leading to failure to meet all the obligations as and when they fell due. This resulted in the payables at the end of the year increasing by 57% as compared with the previous year. It is in this regard, therefore, that the University has sought approval from the Government for a short-term financing facility in order to clear the outstanding obligations, which if settled in due course could lead to legal suits.

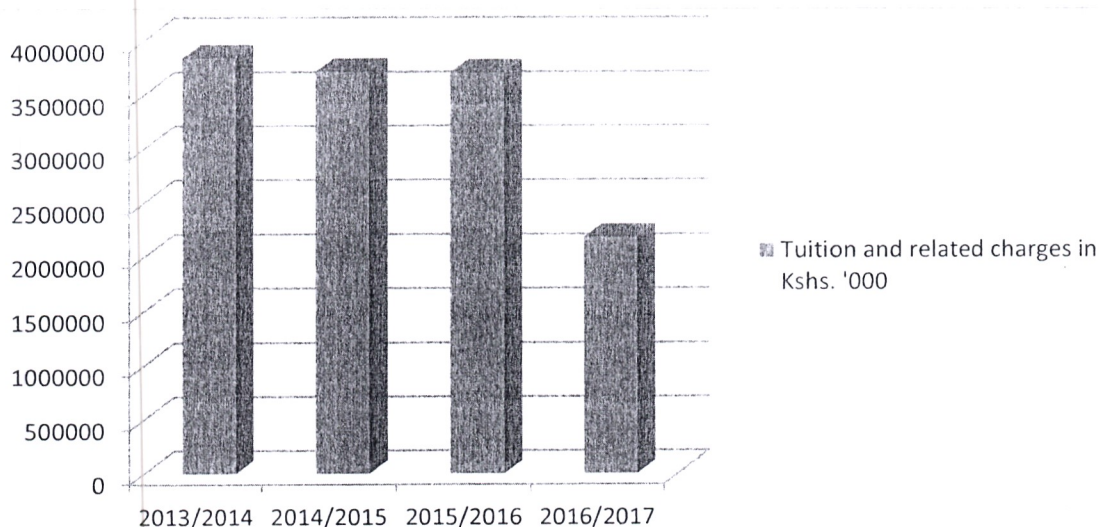
In view of the depressed cash in-flows, the University exercised financial prudence by reducing or postponing some of the planned expenditures. This resulted in the cumulative budget vs actual result for expenditures during the year to show a positive Kshs. 221,912,685.

The income from tuition has been coming under threat in the recent past as a result of competition from other universities as indicated below:

MOI UNIVERSITY
Reports and Financial Statements
For the year ended June 30, 2017

Financial Year	2016/2017 Kshs.'000	2015/2016 Kshs.'000	2014/2015 Kshs.'000	2013/2014 Kshs.'000
Tuition and related charges	2,188,369	3,711,284	3,722,493	3,850,617

Tuition and related charges in Kshs. '000

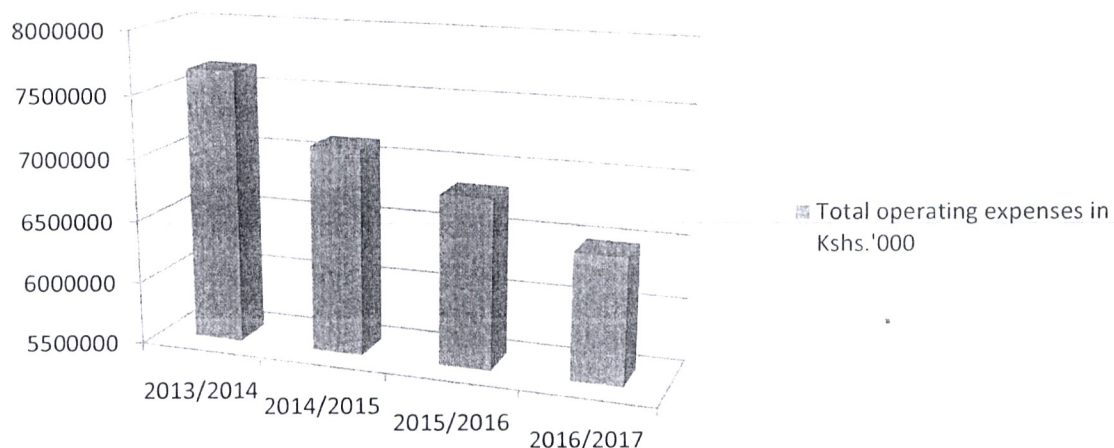


The University's strategies going forward in dealing with this negative trend include vigorous marketing of PSSP programs through promotions in electronic and print media, school visits, career talks; exhibitions and trade shows; road shows; use of flyers, brochures and incentives in a bid to increase the number of students' population.

Operating expenses

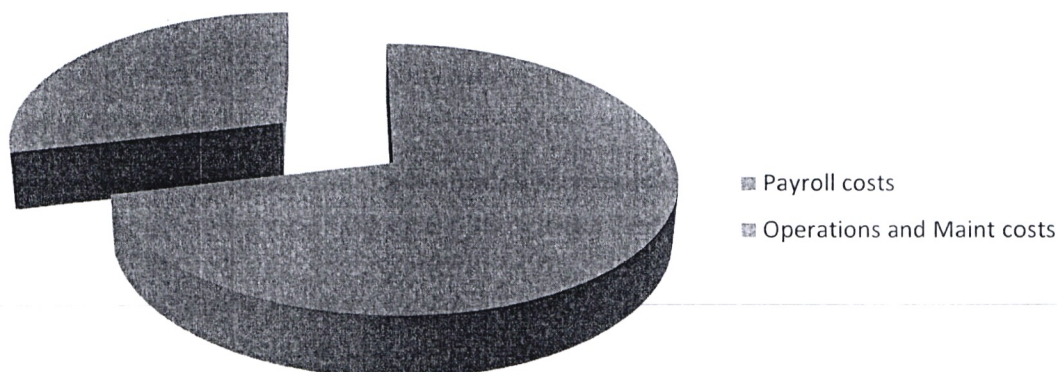
The University's total operating costs have shown a downward because of deliberate austerity efforts that have been instituted.

Total operating expenses in Kshs.'000



However, the payroll remains the biggest expenditure in the University's operating expenses taking 71% 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.

Total Operating expenses



There's 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 National Treasury.

MOI UNIVERSITY
Reports and Financial Statements
For the year ended June 30, 2017

Remittances of loan deductions are one month in arrears, while other payroll deductions like unions, sacco, welfare are also in arrears. We expect that these will be settled with the short term financing facility that the University is seeking.

Legal Cases:

Nairobi Court of Appeal Civil Appeal No. 216/2016 - County Govt of Bomet vs Moi University, Attorney General, Chief Land Registrar and District Land Registrar.

This case involved a dispute on the occupation of the land where Bomet Campus is. The appeal by the County Government of Bomet was dismissed.

Eldoret E&LR Case No. 135 of 2017

Paul Kiprop Chepkuto vs Moi University and three others.

The claimant was the DVC- 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 funding the University's infrastructural development that will include an ultra-modern Amphitheatre and lecture halls as well as renovations in the students' hostels.

In order to 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 practicals. Over the next five years, the University will pursue interdisciplinary initiatives, innovation in its teaching and expansion in research.

During the year, the University undertook several projects funded by the Government and A-I-A. These projects will augment the University's recovery strategy and also re-brand and give the University a face lift. These projects include:

- Completion of Library at the School of Law
- Completion of PDN building
- Construction of the gate at Main Campus
- Construction and erecting of floodlights at Main Campus
- Construction of a perimeter wall at Main Campus
- Construction of library, lecture halls and administration block at Bomet Campus

MOI UNIVERSITY
Reports and Financial Statements
For the year ended June 30, 2017

In order to institute efficiency and effectiveness of the HR and Finance functions, the University is installing an Integrated Personnel and Payroll Data base (IPPD) and is in the process of procuring an Enterprise Resource Planning (ERP) system.

Academic Programmes

Except for the disruption of the January – March semester due to the industrial action, the University's academic programmes ran smoothly during the year. The University held three graduations in the FY 2016/2017, and graduated a total of 10,965 students distributed as follows:

DATE	Ph.D.	Masters	PGD	Bachelors	Diploma	Total
Sept 2016	24	165	7	3,598	776	4,570
Dec 2016	41	183	9	3,502	528	4,263
June 2017	7	29	7	1,801	288	2,132
Total	72	377	23	8,901	1,592	10,965

The University therefore met and exceeded its targeted number for graduating Ph.Ds. (62) in the financial year. We 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.

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, therefore making the University to face 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's 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. The University is remitting Kshs. 8,226,719 per month for 36 months starting September 2016 to clear the Pension Scheme contribution arrears. The Provident Fund employer's contributions arrears are being paid for 24 months at the rate of Kshs. 757,293.09 per month, whereas the past service gratuity of Kshs. 162,596,710 is being paid over 36 months at the rate of Kshs. 5,170,531.91 per month.

Remittances of loan deductions are one month in arrears, while other payroll deductions like unions, Saccos, welfares are also in arrears. The short term financing facility that the University is seeking will be used to clear these arrears.

SECTION F

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

Key University staff attended career days and workshops for head teachers in order to motivate and mentorship to students in high schools. These motivational talks are a permanent feature in our calendar of events every year and they ensure that the University maintains a strong link with students who are aspiring to join Universities.

The University recognises the need to be a caring citizen in promoting the health of the local community. In achieving this objective, the University conducted Free Dental Clinics for the people living in the University neighbourhood of Kesses. This is part of our Health Outreach programme that we have extended in the past also to Ngeria Prison in order to improve the health of the inmates there.

Environmental degradation has severe negative effects in the world. It is therefore important for constant efforts to be made to conserve the environment around us. During the year, the University started a project to grow 10,000 trees in the University. This project will be continued in subsequent years in order to improve the total tree cover in the University.

The University has built and promoted the culture of reading and has opened doors to national examination sitting students to use the library during their school holidays support their efforts of attaining university education. During the year, the University organised a Youth Workshop to sensitise the youth on opportunities available for their empowerment.

VIII. REPORT OF THE UNIVERSITY COUNCIL

The Council Members submit their report together with the financial statements for the year ended June 30, 2017 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, 2017 are set out on page 1.

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, PhD
Secretary to Council

Eldoret

Date: 23/7/2018

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.

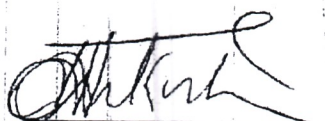
The Council Members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining 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.

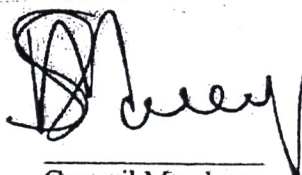
Nothing has come to the attention of the Council Members to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The University's financial statements were approved by the University Council on 27th SEPTEMBER 2017 and signed on its behalf by:



Council Member



Council Member



Council Member

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MOI UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Moi University set out on pages 1 to 42 which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of financial performance, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 financial statements present fairly, in all material respects, the financial position of Moi University as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do comply with Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1.0 Work In Progress

1.1 Construction of Main Gate

The property, plant and equipment balance of Kshs.6,047,132,000 as at 30 June 2017 reflects work in progress figure of Kshs.1,795,306,000 which in turn includes construction of main gate expenditure 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 2017 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.

1.2 Construction of Bomet Campus

Included also in work in progress figure of Kshs.1,795,306,000 is construction of library and hostel at Bomet Campus expenditure of Kshs.53,282,005. The contract was awarded to a construction company for construction of a library block, kitchen and dining hall block, academic block (Tuition block) and 2 number hostel blocks at a contract sum of Kshs1,391,982,469. The contract was to commence on 8 November 2016, for a period of 104 weeks and completion date 7 November, 2018. A physical verification of the project during the month of March 2018 revealed that the project is behind schedule and is not likely to be completed within the contract period. The academic block was under construction but roofing, windows, doors and plastering had not been started.

It was further observed that only excavation works had been done for the library and dining. The management explained that the contractor relocated to the new site following a geothermal site investigation that was done by the Materials Testing and Research Division of the Ministry of Transport, Infrastructure, Housing and Urban Development which found the rock samples in the first site to be weak and therefore unsuitable for constructing the buildings hence the cause for the delay. However, no explanation was provided as to why the geotechnical site investigation had to be done after the start of the project instead of being done before construction started.

Under the circumstances, the project may not be completed as per contract agreement and there is the risk of price variation and cost escalation due to the delay on the completion of the project in time.

2.0 Receivables from Exchange Transactions

2.1 Un-Surrendered Imprest

The consolidated statement of financial position reflects receivables from exchange transactions balance of Kshs.1,060,159,000 which includes other debtors balance of Kshs.39,108,000 out of which, an amount of Kshs.25,476,385 relates to temporary imposts which were due on or before 30 June 2017. However, no reason has been provided by management for failure to account or recover the outstanding impost from the defaulting officers.

Consequently, the management breached Government regulations governing management of imprests and therefore the propriety of the imprests amounting to Kshs. 25,476,385 could not be confirmed.

2.2 Other PSSP Debtors

As reported in the previous year, included also in receivables from exchange transactions balance of Kshs1, 060,159,000 under Note 16 to the financial statements is other PSSP debtor balance of Kshs.800,000 which has been outstanding for more than two 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 GOK Loan

The consolidated statement of financial position as at 30 June 2017 reflects GoK loan figure of Kshs. 231,250,000 relating to outstanding GOK loan advanced to the University to facilitate the acquisition of its Karatina Campus. The Karatina Campus was gazetted as a constituent college of Moi University on 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. Under the circumstances, the justification of the continued retention of the loan in the books of Moi University and when repayment would resume or who would be liable for the interest/penalties accrued during the period when the loan was not being repaid could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Moi University 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 matters described in the Basis for Qualified Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

Officers in Acting Capacity

An audit of the payroll revealed that payment of acting allowances amounting to Kshs.605,499 was paid to staff in acting capacity who have been acting for over six months 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.605,499 could not be confirmed.

Responsibilities of Management and those charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Moi University's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations.

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

Those charged with governance are responsible for overseeing the University's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue offering 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 consolidated/ 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 offering 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 of the entities or business activities 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

17 August 2018

**X. CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	MOI UNIV	RIVATEX	2016-2017 CONSOLIDATED	2015-2016 CONSOLIDATED
		Kshs'000	Kshs'000	Kshs'000	Kshs'000
Revenue from non-exchange transactions					
Grants from National Government	1	2,766,459	-	2,766,459	2,787,746
		2,766,459	-	2,766,459	2,787,746
Revenue from exchange transactions					
Tuition and related charges	2	2,188,369	-	2,188,369	3,711,284
Rivatex gross profit	3	-	(36,248)	(36,248)	(56,720)
Other services rendered	4	854,564	-	854,564	115,827
Sundry income	5	368,684	1,200	369,884	152,960
Farm income	6	24,815	-	24,815	10,838
		3,436,432	(35,048)	3,401,384	3,934,189
Total revenue		6,202,891	(35,048)	6,167,843	6,721,935
Expenses					
Academic departments expenses	7	3,413,296	-	3,413,296	3,914,289
Administration and central services	8	1,881,754	96,968	1,978,722	1,830,656
Academic services	9	253,316	-	253,316	201,471
General educational services	10	36,801	-	36,801	45,781
Maintenance of premises	11	492,421	-	492,421	530,777
Staff and students' welfare	12	287,503	-	287,503	286,079
Farm expenses	6	35,938	-	35,938	28,664
Miscellaneous expenses	13	101,438	-	101,438	78,951
Total expenses		6,502,467	96,968	6,599,435	6,916,668
Taxation		-	-	-	-
Deficit for the year		(299,576)	(132,016)	(431,592)	(194,733)

The notes set out on pages 9 to 44 form an integral part of these Financial Statements.

**XII. CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

		2016-2017	2015-2016
		Kshs'000	Kshs'000
Assets			
Current assets			
Cash and cash equivalents	15	1,021,472	592,700
Receivables from exchange transactions	16	1,060,159	505,582
Inventories	17	714,286	657,472
Biological assets	18	3,161	756
		2,799,078	1,756,510
Non-current assets			
Property, plant and equipment	19	6,047,132	5,455,429
Biological assets	18	5,363	7,752
		6,052,495	5,463,181
Total assets		8,851,573	7,219,691
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	2,252,984	1,208,479
Provisions	21	7,210	7,210
Debit bank balance	22	1,737	173
		2,261,931	1,215,862
Non-current liabilities			
GoK Loan	23	231,250	231,250
		231,250	231,250
Total liabilities		2,493,181	1,447,112
Net assets		6,358,392	5,772,579
Capital Reserves		7,684,758	6,667,353
Revenue Reserves		(1,326,366)	(894,774)
Total reserves		6,358,392	5,772,579

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

DVC –Finance
Prof. Daniel K. Tarus
ICPAK Member No.

Chairman of Council
Dr. Jeremiah N. Koshal

**XIII. CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2017**

	Capital Reserves	Revenue Reserves		Total
	Kshs'000	Kshs'000		Kshs'000
Balance as at 1 July 2015	5,962,618	(700,041)		5,262,577
Deficit for the year	-	(194,733))		(194,733)
Capital Development Grants received during the year- Moi University	428,065	-		428,065
Rivatex	276,670	-		276,670
Balance as at 30 June 2016	6,667,353	(894,774)		5,772,579
Balance as at 1 July 2016	6,667,353	(894,774)		5,772,579
Deficit for the year	-	(431,592)		(431,592)
Transfers of assets to Karatina University	(172,231)	-		(175,231)
Rivatex capital grants	610,000	-		610,000
Capital grants received during the year – Moi Univ	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

Capital Reserves relates to revaluation surplus on revaluation of fixed assets and capital development grants received from the Government. The University revalued motor vehicles in June 2017, resulting in a revaluation surplus of Kshs. 44,702,000.

The University transferred the following assets to Karatina University during the year:

- Land and buildings Kshs. 168,528,000
- Furniture, plant and equipment Kshs. 5,500,000
- Motor Vehicle Kshs. 1,203,000

Karatina University was formerly a campus of Moi University and the assets were transferred pursuant to its gazettelement as a University.

**XIV. CONSOLIDATED STATEMENT OF CASHFLOWS
AS AT 30 JUNE 2017**

		2016-2017	2015-2016
		Kshs'000	Kshs'000
Deficit for the year		(431,592)	(194,733)
Adjustments for:			
Depreciation		116,956	119,467
Interest income		(30,799)	(7,205)
Provision for audit fees		3,730	3,730
Increase in provision for doubtful debts		16,434	16,236
Operating deficit before working capital changes		(325,271)	(62,505)
Increase in inventories		(56,814)	(95,700)
(Increase)/decrease in biological assets		(16)	833
Increase in trade and other payables		1,044,505	194,162
Decrease in related company balances		-	2,366
Provision for audit fees		(3,730)	(3,730)
Increase in provision for doubtful debts		(16,434)	(16,236)
(Increase)/decrease in trade and other receivables		(554,577)	258,368
		412,934	340,063
Total cash generated from operating activities		87,663	277,558
Cash flows from investing activities			
Purchase of property, plant and equipment		(837,297)	(560,692)
Transfer of assets to Karatina University		(175,231)	-
Revaluation of fixed assets		44,702	-
Transfers		131,638	(408,331)
Interest received		30,799	7,205
Net cash flows from investing activities		(805,389)	(961,818)
Cash flows from financing activities			
Capital grants from GoK		1,144,934	1,113,065
Net cash flows used in financing activities		1,304,934	1,113,065
Net increase/(decrease)in cash and cash equivalents		427,208	428,805
Cash and cash equivalents at 1July	15	592,527	163,722
Cash and cash equivalents at 30 June	15	1,019,735	592,527

**KV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2017**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	%
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Exchequer grants	2,766,458,900	-	2,766,458,900	2,766,458,900	-	
Tuition and related charges	568,418,534	-	568,418,534	482,573,100	(85,845,434)	(15)
Privately Sponsored Students Fess	2,751,940,196	-	2,751,940,196	1,592,910,490	(1,159,029,706)	(42) (a)
Students Accommodation Fees	59,599,000	-	59,599,000	83,439,401	23,840,401	40(b)
Students' Field Trips/Courses	202,738,800	-	202,738,800	112,885,849	(89,852,951)	44(c)
Students' Activities	52,388,000	-	52,388,000	21,781,000	(30,607,000)	58(d)
Research Funds	36,105,799	-	36,105,799	230,016,167	193,910,368	537(e)
Farm income	4,753,971	-	4,753,971	16,904,662	12,150,691	255
Rental income	1,451,525	-	1,451,525	4,122,304	2,670,779	183
Other income	71,158,677	26,951,708	98,110,385	133,192,497	35,082,112	35
Digital Literacy programme	-	992,039,485	992,039,485	758,606,780	(233,432,705)	(23)(f)
Total income	6,515,013,402	1,018,991,193	7,534,004,595	6,202,891,150	(1,331,113,445)	18
Expenses						
Personal emoluments						
Basic salaries	2,346,294,809	-	2,346,294,809	2,387,485,200	(41,190,391)	(1.8)
Gratuity and pension contribution	486,703,089	-	486,703,089	269,726,000	216,977,089	44
House allowance	1,125,941,345	-	1,125,941,345	1,112,353,200	(13,588,145)	(1.2)
Other personal allowance	347,025,110	-	347,025,110	355,026,225	(8,001,115)	(2.3)
House to office allowance	369,851,134	-	369,851,134	367,851,019	2,000,115	0.5
Passage and leave allowance	18,741,000	-	18,741,000	15,828,420	2,912,580	15
Sub-total	4,694,555,487	-	4,694,555,487	4,508,270,064	186,285,423	4
Operations and maintenance						
Medical expenses	54,442,494	-	54,442,494	53,472,788	969,706	1.7
Transport operating expenses	7,509,650	1,960,905	9,470,555	7,454,235	2,016,320	21(g)
Travelling and accommodation expenses	8,062,931	13,282,012	21,344,943	8,933,420	12,411,523	58(h)

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External travel and accommodation	4,975,536	1,500,000	6,475,536	2,972,756	3,502,780	54(i)
External examiners expenses	10,452,375	2,400,000	12,852,375	17,368,932	(4,516,557)	(35)(i)
Postal expenses	813,719	-	813,719	687,362	126,357	15
Telephone expenses	1,238,688	-	1,238,688	670,470	568,218	46
Internet expenses	28,725,000	-	28,725,000	24,791,504	3,933,496	(14)(k)
Official entertainment	89,569	-	89,569	-	89,569	
Deans and senate committee expenses	7,284,395	731,273	8,015,668	6,728,670	1,286,998	16(i)
Council expenses	35,347,770	1,810,040	37,157,810	35,409,681	1,748,129	5
Staff welfare support and funeral expenses	1,339,035	138,250	1,477,285	751,800	725,485	49
Graduation expenses	20,509,242	8,805,161	29,314,403	2,739,400	26,575,003	90
Electricity, water and conservancy	146,424,779	-	146,424,779	146,391,321	33,458	02
Teaching materials	18,240,161	2,874,923	21,115,084	20,021,100	1,093,984	5
Publishing and printing expenses	621,519	595,000	1,216,519	406,000	810,519	66
Purchase of uniforms and clothing	2,934,445	(38,351)	2,896,094	728,000	2,168,094	75
Library expenses	5,161,443	(87,853)	5,073,590	2,898,051	2,175,539	43
Purchase of stationery	17,572,997	198,946	17,771,943	17,429,300	342,643	1.9
Advertising and publicity	12,077,956	(2,175,000)	9,902,956	7,387,220	2,515,736	25
Show expenses	500,278	(470,810)	29,468	-	29,468	
Audit fees and expenses	4,963,680	13,600	4,977,280	4,878,360	98,920	2
Payment of rent and rates	43,220,635	-	43,220,635	32,220,748	10,999,887	25
Computer expenses	830,369	-	830,369	292,386	537,983	65
Insurance expenses	28,990,291	-	28,990,291	21,046,195	7,944,096	27
Legal expenses	6,240,795	-	6,240,795	5,957,526	283,269	4.5
Cleaning materials and detergents	2,808,484	-	2,808,484	1,177,511	1,630,973	58
Farm expenses	3,063,234	45,000	3,108,234	2,671,234	437,000	14
Training expenses	8,632,576	-	8,632,576	8,582,400	50,176	0.58
Post graduate programme	1,302,200	-	1,302,200	1,301,853	347	0.02
University research programme	1,988,518	-	1,988,518	1,325,180	663,338	33
Purchase of motor vehicles	-	24,190,000	24,190,000	-	24,190,000	
Purchase of plant and equipment	10,373,336	14,569,628	24,942,964	25,049,850	(106,886)	(0.42)
Inter-university games	1,029,978	-	1,029,978	988,782	41,196	4

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Purchase of medical equipment	3,063,234	(1,600,000)	1,463,234	1,386,467	76,767	5
Maintenance of plant and equipment	4,376,355	-	4,376,355	4,212,807	163,558	4
Maintenance of computers	908,728	(500,000)	408,728	-	408,728	
Maintenance of buildings	7,309,119	700,000	8,009,119	6,526,536	1,482,583	19
Maintenance of catering and hostels	17,164,941	(6,550,000)	10,614,941	10,534,634	80,307	0.75
Maintenance of water supplies	4,777,842	800,000	5,577,842	5,809,537	(231,695)	(4)
Maintenance of playgrounds	1,549,393	200,000	1,749,393	1,344,844	404,549	23
ICT infrastructure	3,027,615	(1,100,000)	1,927,615	1,568,008	359,607	19
FMS final phase and ERP system	6,000,000	(5,000,000)	1,000,000	-	1,000,000	
Directorate of open and distance learning	1,119,892	-	1,119,892	1,098,800	21,092	1.9
Development of academic information system	3,707,249	(3,000,000)	707,249	-	707,249	
Payment of outstanding debts	109,283,810	-	109,283,810	75,028,141	34,255,669	31
Contract services and subscriptions	14,949,473	-	14,949,473	10,855,404	4,094,069	27
PSSP disbursements and costs	930,382,780	-	930,382,780	918,550,862	62,952,918	7
Research funds disbursements	29,316,581	-	29,316,581	80,873,420	(11,831,918)	(40) (h)
Students' field trips/courses	97,978,300	-	97,978,300	95,778,300	2,200,000	2
Students' activities	39,171,708	-	39,171,708	32,392,432	6,779,276	17
Contingent liabilities	16,456,779	(14,053,616)	2,403,463	2,383,722	19,741	0.82
Loan repayment	4,883,250	(4,300,000)	583,250	-	583,250	
Other campuses expenses	1,967,088	212,300	2,179,388	1,966,974	212,414	10
ISO and ISO related expenses	9,500,000	(900,000)	8,600,000	6,959,400	1,640,600	19
Strategic plan implementation and monitoring	6,204,626	(1,500,000)	4,704,626	2,555,372	2,149,254	46
Performance contracting	2,559,952	-	2,559,952	2,634,111	(74,159)	(3)
Digital Literacy Programme	-	992,039,785	992,030,785	114,721,000	877,318,785	88
Revaluation of fixed assets	7,030,122	(6,800,000)	230,122	213,300	16,822	7
CUE Quality charges	-	-	-	51,684,200	(51,684,200)	
Total expenditure	6,515,013,402	1,018,991,193	7,534,004,595	6,382,670,499	1,151,334,096	
Surplus for the period	-	-	-	(179,779,349)	179,779,349	

Budget notes on variances

- (a) Reduction mainly due to decrease in the number of students qualifying to join university as a result of the 2016 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) Decrease due to disruption of academic programmes due the industrial action by lecturers and decrease in the number of PSSP students
- (e) Increase due to receipt of research funds for ACEII and other projects
- (f) Slow progress of commissioning of installed schools leading to decreased pace of installation
- (g) – (l) Reduction due to austerity measures taken to reduce planned activities in view of reduced income from PSSP students
- (h) The increase in research funds disbursements was because of the number of activities planned for the higher funds received during the year.

XVI. 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

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

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The University adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the University.
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

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Standard	Impact
	The University is a parent entity and has prepared consolidated financial statements and therefore the standard does not apply.
IPSAS 35: Consolidated Financial Statements	Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following: - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35. The University has prepared consolidated financial statements with the entity it controls.
IPSAS 36: Investments in Associates and Joint Ventures	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The University does not have investments in associates or joint ventures.
IPSAS 37: Joint Arrangements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The University does not have an interest in a joint arrangement and therefore the standard does not apply.
IPSAS 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and

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Standard	Impact
	associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. The entity has an interest in other entities that are consolidated in these financial statements and the following is the impact of application of the new standard IPSAS 38:

ii. New and amended standards and interpretations in issue but not yet effective in 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.

iii. Early adoption of standards

The University did not early – adopt any new or amended standards in year 2017.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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 2016-2017 was approved by the University Council on 13th July 2016. 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 2016-2017 budget following the University Council's approval.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Taxes

Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred tax (continued)

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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) 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.

g) Intangible assets

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

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

i) Research and development costs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Research and development costs (Continued)

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.

h) 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 defaults)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

h) Financial instruments (Continued)

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

i) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) 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.

k) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

The University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

n) Employee benefits

Retirement benefit plans

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

o) Foreign currency transactions

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

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Related parties

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

r) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

s) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and 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 Mpesa at the end of the financial year.

t) 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 amounts of assets and liabilities within the next financial year, are described below. The University based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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, 2017.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1) Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2015-2016
			KShs	KShs	KShs
Ministry of Education	2,766,459	-	694,934	3,461,393	3,900,811
Total	2,766,459	-	694,934	3,461,393	3,900,811

(The details of the reconciliation have been included under appendix ii)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Tuition and related charges

Description	2016-2017	2015-2016
	KShs'000	KSh'000s
Tuition fees	1,936,830	3,192,618
Registration fees	13,479	9,895
Students' ID fees	2,479	5,284
Examination fees	33,360	80,528
Medical fees	37,445	80,835
Activity fees	21,781	48,446
Application fees	7,549	10,888
Workshop/attachment fees	112,886	233,481
Amenity fees	22,260	49,309
Total revenue from tuition services	2,188,369	3,711,284

3. Rivatex gross profit

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Turnover:		
Printed fabrics	45,668	38,529
Dyed	22,363	16,429
Cloth (Grey)	3,766	2,805
Bleached	5,297	3,902
Garments	39,783	35,903
Waste	589	428
Others	236	176
Total sales	117,702	98,172
Cost of sales:		
Direct costs		
Opening stocks	111,873	114,150
Purchases	20,033	38,990
Closing stocks	(94,663)	(111,873)
	37,243	41,267
Direct labour	22,657	18,312
Electricity	22,982	24,257
Water	5,657	5,371
	88,539	89,207
Indirect costs		
Firewood	4,700	4,216
Salaries and wages	37,158	30,032
Packaging materials	586	397
Designs and screens	860	144
Lubricants and oils	2,988	1,499
Staff uniforms and consumables	1,503	-
Spares and consumables	5,130	3,456

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Other indirect costs	-	2,991
Tailoring consumables	6,260	1,018
Depreciation	30,246	22,294
	89,431	66,047
	177,970	155,254
Add: Opening Work in progress	224,980	246,559
Closing Work in progress	(245,854)	(224,980)
Opening Finished goods	42,206	20,265
Closing Finished goods	(45,352)	(42,206)
	153,950	154,892
Gross profit	(36,248)	(56,720)

4. Other services rendered

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Bookshop sales	8,397	8,393
Accommodation and catering services	83,439	104,217
Digital Literacy Programme*	758,606	-
Rental income	4,122	3,217
Total other services rendered	854,564	115,827

*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.

5. Sundry income

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Sale of tender documents	68	-
Water sales	459	316
Graduation fees	19,059	28,802
Interest income	30,799	7,205
Parking fees	9,205	6,201
Research grants	230,016	80,162
Other income – Rivatex	1,200	1,200
Fines	3,726	1,044
Miscellaneous	75,352	28,030
Total sundry income	369,884	152,960

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. University Farm revenue account

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Farm sales	24,815	10,838
Less:		
Opening stocks	10,655	11,150
Farm expenses	23,115	17,284
	33,770	28,434
Personnel costs	11,030	10,885
Closing stocks	(8,862)	(10,655)
	35,938	28,664
Deficit for the year	(11,123)	(17,826)

7. Academic departments expenses

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Personal emoluments	1,774,677	2,429,607
House allowance	704,875	692,297
Responsibility allowance	269,421	263,641
Car allowance	140,898	129,328
Entertainment allowance	16,891	16,834
Commuting allowance	45,326	48,685
Gratuity and retirement benefits	180,655	174,575
Teaching and office expenses	21,188	29,647
Travelling and accommodation expenses	3,737	2,037
Stationery	1,705	4,497
Purchase of uniforms	-	169
Vehicle running expenses	36	73
Staff development	7,634	3,760
University research programme	24,776	3,859
Field courses	95,778	29,170
CUE Quality charges	51,684	-
Special grants research expenses	73,549	85,309
Books and journals	466	801
Total academic departments expenses	3,413,296	3,914,289

8. Administration and central expenses

	2016-2017	2015-2016
	KShs'000	KShs'000
Personal emoluments	814,822	718,682
House allowance	338,286	356,256
Responsibility allowance	58,660	27,856

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Car allowance	67,820	65,104
Entertainment allowance	5,646	7,409
Commuting allowance	86,479	93,963
Advertisement and publicity	41,642	44,548
Gratuity and retirement benefits	72,812	74,040
Office expenses	14,557	12,085
Travelling and accommodation	5,196	15,145
Telephone and internet expenses	19,459	26,971
Purchase of uniforms	728	20
Vehicle running expenses	7,418	8,647
Insurance and legal expenses	52,778	56,418
Council and senate expenses	47,594	50,240
Passage and baggage	342	801
Publishing and printing expenses	406	2,906
Ceremonial and funeral expenses	751	154
Provision for audit fees	3,730	3,730
Bookshop expenditure	28,261	25,642
Books and journals	60	108
Increase in provision for doubtful debts	16,434	16,236
Rivatex administrative expenses	40,146	32,817
Rivatex sales and marketing expenses	9,699	8,497
Rivatex personnel expenses	40,818	30,343
Miscellaneous expenses	11,702	14,586
ISO and ISO related expenses	12,148	12,552
Depreciation	83,349	94,697
Digital Literacy Programme expenses	96,292	29,282
Postal and telegram	687	921
Total administration and central services	1,978,722	1,830,656

9(a).Academic Services Expenses

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Personal emoluments	113,841	61,011
House allowance	67,215	39,489
Responsibility allowance	3,410	1,040
Car allowance	14,106	6,961
Entertainment allowance	960	570
Commuting allowance	12,622	9,741
Gratuity and retirement benefits	15,840	8,554
Office expenses	197	321
Library books	19,157	24,480
Books and periodicals	-	67
	247,348	152,234

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9(b) Computer services expenses

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Personal emoluments	2,924	24,033
House allowance	1,977	16,027
Responsibility allowance	38	143
Car allowance	180	2,723
Commuting allowance	420	2,916
Gratuity and retirement benefits	419	3,374
Office expenses	10	21
	5,968	49,237
Total academic and computer services	253,316	201,471

10. General Educational services expenses

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Graduation expenses	2,739	5,782
Students' admission and examination	9,433	17,439
External examiners' expenses	17,368	19,295
Staff development – non academic	948	517
External travel and accommodation	2,972	1,668
Conferences and seminars	3,341	1,080
Total general educational services	36,801	45,781

11. Maintenance of premises

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Rent and rates	254,188	264,520
Electricity, water and conservancy	227,009	256,056
Maintenance of buildings	11,224	10,201
Total maintenance of premises	492,421	530,777

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Staff and students' welfare

Description	2016-2017	2015-2016
	KShs'000	KShs'000
University medical scheme	217,820	205,239
Recruitment expenses	528	561
Passage and leave	15,486	15,350
Hotel accommodation and hospitality	123	202
Students' accommodation and catering	21,154	26,705
Students' welfare services	32,392	38,022
Total staff and students' welfare	287,503	286,079

13. Miscellaneous expenses

Description	2016-2017	2015-2016
	KShs'000	KShs'000
ASK Show	-	186
Maintenance of plant and equipment	7,324	23,483
Others	94,114	55,282
Total miscellaneous expenses	101,438	78,951

14. Bookshop revenue account

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Sales	8,397	8,393
Less: Cost of sales		
Opening stocks	10,905	13,336
Purchases	14,935	8,450
	25,840	21,786
Closing stocks	(10,742)	(10,905)
	15,098	10,881
Gross surplus	(6,701)	(2,488)
Salaries and wages	13,163	14,761
Deficit for the year	(19,864)	(17,249)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Cash and cash equivalents

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Current accounts	521,513	488,195
Fixed deposits accounts	488,760	104,505
Mpesa/cash at hand	2,028	-
Total cash and cash equivalents	1,012,301	592,700

15(a). Detailed analysis of the cash and cash equivalents

	2016-2017	2015-2016
Financial institution	KShs'000	KShs'000
a) Current account		
Kenya Commercial Bank	242,873	31,272
Equity Bank	9,325	68,813
National Bank of Kenya	223,954	326,906
Standard Chartered Bank	3,300	14,648
Barclays Bank of Kenya	35,752	13,120
Co-operative Bank	887	18,918
Trans-National Bank	14,593	14,518
Sub- total	530,684	488,195
b) Fixed deposits account		
National Bank of Kenya	300,000	-
Housing Finance	188,760	104,505
Sub- total	488,760	104,505
c) Others		
Mpesa	1,914	-
Cash at hand	114	-
Sub- total	2,028	-
Grand total	1,021,472	592,700

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Receivables from exchange transactions

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Current receivables		
Students' fees debtors	669,809	608,466
Other debtors	39,108	9,895
ICT Authority (DLP debtors)	478,607	-
Rivatex receivables	36,469	38,095
Farm debtors	3,917	443
Other PSSP debtors	800	800
	1,228,710	657,699
Less: impairment allowance	(168,551)	(152,117)
Total receivables	1,060,159	505,582

16(b) Rivatex receivables

The receivables for Rivatex E.A Ltd is made up as follows:

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Current receivables		
Trade receivables	21,986	23,612
Prepayments	14,103	14,103
Utilities deposits	380	380
Total Rivatex receivables	36,469	38,095
Prepayments:		
Manawa Gineries	13,979	13,979
Seragraphics Ltd	124	124
	14,103	14,103

17. Inventories

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Main	37,301	50,091
Catering	1,569	1,161
Rivatex inventories	664,336	593,106
Farm	338	2,271
Bookshop	10,742	10,843
Total inventories at the lower of cost and net realizable value	714,286	657,472

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Biological assets

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Livestock	5,363	7,752
Sub- total	5,363	7,752
Crops in the field	3,161	756
Sub- total	3,161	756
Total biological assets	8,524	8,508

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Property, plant and equipment

	Land	Buildings	WIP	Furniture, plant and equipment	Computers, copiers and printers	Motor vehicles and aeroplanes	Total
Cost/valuation	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 July 2015	766,565	3,712,524	771,799	856,231	401,179	350,922	6,859,220
Additions	-	-	6,830	4,413	10,205	-	21,448
Rivalex	-	-	407,776	126,822	4,646	-	539,244
At 30 June 2016	766,565	3,712,524	1,186,405	987,466	416,030	350,922	7,419,912
Additions	-	-	148,512	11,706	7,963	-	168,181
Rivalex	-	-	454,987	207,066	1,547	114	663,714
Revaluation of motor vehicles	-	-	-	-	-	44,702	44,702
Assets in transit	-	-	5,402	-	-	-	5,402
Assets transferred to Karatina University	(168,528)	-	-	(5,500)	-	(1,203)	(175,231)
At 30 June 2017	598,038	3,712,524	1,795,306	1,200,738	425,540	394,535	8,126,680
Depreciation							
At 1 July 2015	(33,240)	(819,608)	-	(414,490)	(335,867)	(241,811)	(1,845,016)
Charge for the year	-	(58,631)	-	(12,532)	(18,453)	(1,988)	(91,604)
Rivalex	(751)	(2,847)	-	(11,980)	(3,771)	(5,421)	(24,770)
Amortization	(3,093)	-	-	-	-	-	(3,093)
At 30 June 2016	(37,084)	(881,086)	-	(439,002)	(359,091)	(249,220)	(1,964,483)
Depreciation	-	(58,953)	-	(8,223)	(13,313)	(2,420)	(82,909)
Amortization	(440)	-	-	-	-	-	(440)
Rivalex	(751)	(2,847)	-	(20,069)	(4,505)	(5,435)	(33,607)
Assets transferred to Karatina University	-	-	-	688	-	1,203	1,891
At 30 th June 2017	(38,275)	(942,886)	-	(466,606)	(375,909)	(255,873)	(2,079,548)
Net book values							

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At 30 th June 2017	559,762	2,769,638	1,795,306	734,132	49,631	138,663	6,047,132
At 30 th June 2016	729,481	2,831,438	1,186,405	548,464	57,939	101,702	5,455,429

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Trade and other payables from exchange transactions

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Recurrent and capital creditors	1,988,748	1,135,204
Students' holding accounts	46,419	22,118
Rivatex E.A Ltd trade creditors	217,817	51,157
Total trade and other payables	2,252,984	1,208,479

21. Other liabilities and provisions

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Provision for audit fees	6,960	6,960
Provision for audit fees - Rivatex	250	250
Total other liabilities and provisions	7,210	7,210

22. Debit bank balance

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Moi University	-	173
Rivatex E.A Ltd	1,737	-
Total debit bank balance	1,737	173

23. Borrowings – GoK loan

Description	2016-2017	2015-2016
	KShs'000	KShs'000
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 domestics 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Trade and other payables from exchange transactions

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Recurrent and capital creditors	1,988,748	1,135,204
Students' holding accounts	46,419	22,118
Rivatex E.A Ltd trade creditors	217,817	51,157
Total trade and other payables	2,252,984	1,208,479

21. Other liabilities and provisions

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Provision for audit fees	6,960	6,960
Provision for audit fees - Rivatex	250	250
Total other liabilities and provisions	7,210	7,210

22. Debit bank balance

Description	2016-2017	2015-2016
	KShs'000	KShs'000
Moi University	-	173
Rivatex E.A Ltd	1,737	-
Total debit bank balance	1,737	173

23. Borrowings – GoK loan

Description	2016-2017	2015-2016
	KShs'000	KShs'000
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 gazette. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Financial Risk Management

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The 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 Kshs'000	Fully performing Kshs'000	Past due Kshs'000	Impaired Kshs'000
At 30 June 2017				
Receivables from exchange transactions	1,228,710	958,101	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
At 30 June 2016				
Receivables from exchange transactions	657,678	398,432	259,246	152,117
Receivables from non-exchange transactions	-	-	-	-
Bank balances	529,700	529,700	-	-
Total	1,187,378	928,132	259,246	152,117

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk (Continued)

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 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.

Financial Risk Management (Continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

Management of interest rate risk

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

25. 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

	2017	2016
	Kshs'000	Kshs'000
Transfers from related parties'	3,461,390	3,900,811
Transfers to related parties	160,000	685,000
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42. Related Party Balances (continued)

c) Key management remuneration

	2017	2016
	Kshs'000	Kshs'000
Council members'	35,409	39,054
Key management compensation	71,420	68,399
	=====	=====

d) Due from related parties

Due from Parent Ministry	-	-
Due from SAGA	-	-
	-----	-----
	-	-
	=====	=====

e) Due to related parties

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

26. Contingent assets and contingent liabilities

a) Litigation

i) A claim of Kshs 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) 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 advice the government on their settlement.

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

c) **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.

Events after the reporting period

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

27. Ultimate and Holding Entity

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

28. Currency

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

XVII. 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.

Referen ce 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	Unsupported expenditure – out of the total expenditure on the digital literacy programme amounting to Kshs. 29,282,000 supporting documents were provided for Kshs. 4,027,630 leaving a balance of Kshs. 25,254,370 unsupported.	The supporting documents relating to the expenditure on the digital literacy programme have since been provided to the auditors for verification.	Prof. Daniel Tarus DVC- Finance	Resolved	N/A
2.0	Irregular payment of Council allowances – included in Council and Senate expenses was Kshs. 2,066,227 paid to non-council members as allowances (Kshs. 80,800), Inspector-General (Corporations) staff (Kshs. 1,919,026) and University staff (Kshs. 66,400) contrary to the Office of the President Circular OP/CAB.9/1A dated 8 November 2013.	During the FY 2015/2016, the representative of the Inspector General (Corporations) was deemed to be in the University Council in an advisory capacity and not as a Council Member. He was therefore not paid any sitting allowances. The University only paid subsistence allowances when he attended meetings in Main Campus. The Auditor General has since clarified in a letter dated 4 July 2017 that the representative of the Inspector General (Corporations) should be treated as a Council	Petronila Chepkwony Corporation Secretary	Resolved	N/A

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Referen ce 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)
		member and is therefore entitled to sitting allowances paid to board members. The members of staff were not paid sitting allowances. The amounts indicated were subsistence allowances paid while attending meetings in Nairobi.			
3.0	Unsurrendered imprests – Kshs 8,156,598 in imprests had not been surrendered by year end.	All the imprests have since been duly surrendered and accounted for.	Prof. Daniel Tarus DVC- Finance	Resolved	N/A
4.0	Other PSSP debtors – Kshs 800,000 due from Moi University Secondary School has been outstanding for more than one year. Supporting documentation was also not availed for verification.	The supporting document has since been availed for verification. The University has again written to the School demanding repayment of the money that the University loaned to it.	Prof. Daniel Tarus DVC- Finance	Not resolved	30 June 2019

XVII. Appendix 1: PROJECTS IMPLEMENTED BY THE UNIVERSITY

Projects

Status of Projects completion

	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	37,976,376.76	33%		22,304,947.25	GOK
2	Construction of gate at Main Campus	4,818,250	2,013,000	41%		2,013,000	AIA
3	Construction of Perimeter Wall at Main Campus	15,856,257	5,449,050.30	34%		4,979,304	AIA
4	Installation of floodlights at Main Campus	20,982,500	10,300,000	49%		9,270,000	AIA
5	Library, Hostels, Dining, Multi-purpose hall and Lecture halls at Bomet	1,391,982,460	53,283,005	4%		47,954,704.58	GOK

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XIX. Appendix 2: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the State Department of University Education			
		FY 16/17		
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		8/10/2016	230,538,241	2016/2017
		8/26/2016	230,538,241	2016/2017
		9/30/2016	230,538,241	2016/2017
		11/10/2016	230,538,241	2016/2017
		12/13/2016	230,538,241	2016/2017
		12/30/2016	230,538,241	2016/2017
		2/9/2017	230,538,241	2016/2017
		3/15/2017	230,538,241	2016/2017
		4/7/2017	230,538,241	2016/2017
		5/2/2017	230,538,241	2016/2017
		6/2/2017	230,538,241	
		Total	2,766,458,892	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		11/18/2016	40,000,000	2016/2017
		12/7/2016	68,813,434	2016/2017
		12/21/2016	40,000,000	2016/2017
		2/13/2017	40,000,000	2016/2017
		3/15/2017	15,000,000	2016/2017
		4/3/2017	31,659,094	2016/2017
		3/29/2017	40,000,000	2016/2017
		4/3/2017	39,855,482	2016/2017
		4/18/2017	300,000,000	2016/2017
		5/2/2017	5,000,000	2016/2017
		5/18/2017	74,606,326	2016/2017
		Total	694,934,336	
		Total	3,461,393,228	

The above amounts have been communicated to the Parent Ministry

Finance Officer
Moi University

Head of Accounting Unit
Ministry of Education

Sign-----

Sign-----