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REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF MOI UNIVERSITY PENSIONS SCHEME FOR THE YEAR ENDED
30 JUNE 1996

KENYA NATIONAL ASSEMBLY
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MOI UNIVERSITY PENSIONS SCHEME

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BOARD OF TRUSTEES

AS AT 30TH JUNE, 1996

Mr. E.K. Arap Bii, B.A., (Hons) Econ. & Gov't, (Nairobi).
Honorary Treasurer to Council and
Chairman to the Board of Trustees.

Prof. J. Irina, B.Sc., (London), M.Sc., (St. F. Xavier), Ph.D. (Nairobi).

Prof. D.K. Some, B.Sc., (Hons) Agric. Eng. (Newcastle-Upon Tyne),
M.Sc. (Cranfield), Ph.D. (Newcastle-Upon Tyne).

Dr. J.K. Sang, B.A., (Iowa), M.Sc. (Illinois), M.A., Ph.D. (Ohio).

Mr. C.S. Nyameino

Prof. J.J. Okumu, B.A. (Grinnell College), M.A. (UCLA) Ph.D. (UCLA).

Mr. L.K. Cheptoo

Mr. J. Mbai Azihemba, Cert. in Computer Programming,
Diploma in (Computer) AIDPM (U.K).

Mr. L.A. Okudo

Mr. Isaac M. Kithyo, B.ED. (New Brunswick), M.ED. (British Columbia).

Mr. Duncan N. Njoroge, B.A. (Hons), M.A., (Nairobi).

Ag. Secretary

Mrs. M.L. Akutekha, B.Com. (Hons), (Nairobi).

Bankers:

National Bank of Kenya Ltd.

Auditors:

Auditor General (Corporations).

REPORT OF THE CHAIRMAN, BOARD OF TRUSTEES

FOR THE YEAR ENDED 30TH JUNE, 1996

It is with great pleasure that we present our 5th Annual Report and Accounts for the year ended 30th June, 1996. The main highlights are as below:-

MEMBERSHIP

The Scheme started the year with 821 members. In the course of the year 88 members joined the Scheme, 32 members resigned from the Scheme and 3 died leaving a number of 874 at the end of the year. Currently there are two pensioners and two eligible widows.

FINANCIAL PERFORMANCE AND INVESTMENT POLICY

During the year, the Board of Trustees continued to pursue an aggressive investment policy, although the interest rates took a nosedive in the last half of the year.

The pensions fund rose from Kshs.99,161,203.90 at the beginning of the year to Kshs.139,720,883.25 at the end of the year. The growth was therefore 41% as compared with 50% in the previous year.

The rates of interest on certificates of deposits dropped from 28% p.a. to 22% p.a. while those on fixed deposits dropped from 22% to as low as 18% p.a. This fall affected our income negatively.

A policy of investing in shares was pursued in the course of the year. At the end of the year, 7% of the total funds was in the form of shares as compared to 1% in the previous year.

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At the end of the year, about 5% of the total funds was tied up in Kenya National Assurance Ltd., which has now been wound up. We have lodged a claim for recovery of the same as creditors.

The net income for year was Kshs.20,601,339.90 representing 16.15% return on deposits. The rate of return on stocks was 7.5%.

There was no arrears from the University in terms of member's contributions. Our investments with various financial institutions rose from 79.2 million to 123 million. One of the institutions Kenya Finance Bank Ltd., holding about 12% of the total deposits, proved not to be very stable and has since been placed under the management of Central Bank of Kenya.

The Board of Trustees acquired more shares in National Bank Ltd., at a cost of Kshs.4,500,000.00. Shares were also acquired from Kenya Airways at a cost of Kshs.1,643,085.00. The market values of these shares was Kshs.5,100,000.00 and Kshs.1,759,926.60 respectively.

ACTUARIAL VALUATION

The actuarial valuation of the scheme as at 31st March, 1996, was finalised. The actuary recommended that although the scheme was not underfunded it was necessary to revise the employer's contribution from 15% to 20%. This is yet to be effected.

BOARD OF TRUSTEES

There were a few changes in the membership of the Board of Trustees. Mr. D. Nandwa resigned from the Board membership and was replaced by Mr. D.N. Njoroge.

The Secretary Mr. M.T. Chepkwony proceeded on a one-year study leave in the course of the year. During his absence the acting Secretary was Mrs. M.L. Akutekha. Mr. C.S. Nyameino represented Mr. H. Kipkemboi who was also away on a one-year study leave.

CONCLUSION

Finally on behalf of the Board of Trustees, I wish to extend my sincere gratitude to the University Council, and the University Management for the support given to me personally and the Scheme as a whole. I also thank the entire staff of the Pensions Scheme for their contribution to the success of the Scheme.



MR. E.K. ARAP BII
C H A I R M A N
BOARD OF TRUSTEES.

REPORT OF THE AUDITOR-GENERAL (CORPORATIONS) ON THE ACCOUNTS
OF MOI UNIVERSITY PENSIONS SCHEME FOR THE YEAR ENDED
30 JUNE 1996

I have examined the accounts of Moi University Pensions Scheme for the year ended 30 June 1996. I have obtained all the information and explanations which were considered necessary for the purpose of the audit. Proper books of account have been maintained and the accounts which have been prepared under the historical cost convention are in agreement therewith and comply with the terms of the Trust Deed and Rules.

Except for the reservation referred to herebelow, the accounts when read together with the notes thereon, present a true and fair view of the financial position of the Scheme as at 30 June 1996 and of its surplus and the statement of changes in the financial position for the year then ended.

INVESTMENTS AND DEPOSITS

As indicated in Note 1(ii) to the accounts, Kenya National Assurance Company Limited was put under receivership in July 1996. Consequently the position with regard to the Balance Sheet Kenya National Assurance Company Ltd Investment figure of Kshs.7,186,593 arrived at as per Note 9 to the accounts could not be ascertained. Also not possible to ascertain was the position with regard to another deposit of Kshs.16,742,561 included in the Balance Fixed Deposits figure of Kshs.123,054,729 because Kenya Finance Bank Ltd was put under receivership in October 1996. The University has in February 1997 informed me it is making efforts to recover the investments from the two Institutions.



W.K. KEMEI
AUDITOR-GENERAL (CORPORATIONS)

4 April 1997

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MOI UNIVERSITY PENSIONS SCHEME

BALANCE SHEET FOR THE
YEAR ENDED 30TH JUNE, 1996

	<u>NOTE</u>	1995/96	1994/95
		<u>KSHS.</u>	<u>KSHS.</u>
<u>MEMBERS FUNDS</u>			
Members Contributions	11	91,767,890.80	68,771,553.70
Reserve Funds	10	50,228,220.10	29,626,880.20
		<u>141,996,110.90</u>	<u>98,398,433.90</u>
 <u>CURRENT LIABILITIES</u>			
Payables	12	581,752.20	762,770.05
		<u>142,577,863.10</u>	<u>99,161,203.95</u>
 <u>REPRESENTED BY</u>			
<u>INVESTMENTS & DEPOSITS</u>			
Kenya National Assurance Co. Ltd.	9	7,186,592.60	6,195,338.45
Fixed Deposits	8	123,054,729.15	79,222,039.45
Investment in Shares	13	9,143,085.00	1,000,000.00
 <u>CURRENT ASSETS</u>			
Receiveables	7	2,851,329.35	10,808,576.90
Bank		342,127.00	1,935,249.15
		<u>142,577,863.10</u>	<u>99,161,203.95</u>

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Anna))
Dhuta Jome))
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Trustees

.....))
Dhuta Jome))
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Secretary

MOI UNIVERSITY PENSIONS SCHEME
INCOME AND EXPENDITURE FOR THE YEAR ENDED
30TH JUNE, 1996

	1995/96	1994/95
<u>INCOME</u>	<u>KSHS:</u>	<u>KSHS:</u>
Income from Investments	20,616,781.70	13,123,882.90
Dividend Income	150,000.00	-
Other Income	6,526.90	-
	<u>20,773,308.60</u>	<u>13,123,882.90</u>
 <u>EXPENDITURE</u>		
Bank Charges	50,989.20	8,760.50
Lump Sum Payments	-	55,568.30
Interest on Refunds	104,461.50	35,205.95
Pension Payments	16,518.00	16,518.00
<u>NET INVESTMENT INCOME</u>	<u>20,601,339.90</u>	<u>13,007,830.15</u>

MOI UNIVERSITY PENSIONS SCHEME
STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE
YEAR ENDED 30TH JUNE, 1996

	1995/96	1994/95
<u>SOURCE OF FUNDS</u>	<u>KSHS:</u>	<u>KSHS:</u>
Surplus for the year	20,601,339.90	13,007,830.15
Prior Year Adjustment	-	784,306.00
 <u>OTHER SOURCES</u>		
Members Contributions	22,996,337.10	18,312,669.15
	<u>43,597,677.00</u>	<u>32,104,805.30</u>
 <u>APPLICATION OF FUNDS</u>		
Purchase of Shares	8,143,085.00	1,000,000.00
Increase in funds	<u>35,454,592.00</u> =====	<u>31,104,805.30</u> =====
 <u>CHANGES IN WORKING CAPITAL</u>		
Increase in deposits	43,832,689.70	32,697,830.75
Decrease in receiveables	(6,965,993.40)	(2,248,509.50)
Decrease (Increase) in payables	181,017.85	(80,987.45)
(Decrease) Increase in cash	<u>(1,593,122.15)</u>	<u>736,471.50</u>
Increase in working capital	<u>35,454,592.00</u> =====	<u>31,104,805.30</u> =====

MOI UNIVERSITY PENSIONS SCHEME

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 30TH JUNE, 1996

1. PRINCIPAL ACCOUNTING POLICIES

The accounts are prepared in accordance with historical cost convention. The following is a summary of the more important policies used:-

(i) INCOME

Income from investments represents amounts receiveable and received during the year.

(ii) MEMBERS FUND:

This represents the transfer values from Kenya National Assurance Company at the commencement of the Scheme plus the cumulative total of employer's and staff contributions for the employee in membership as at 30th June, 1996. The portion with Kenya National Assurance had not been transferred to the Scheme as at 30th June, 1996, but continued to attract interest at 16% p.a. on a Deposit Administration Scheme with them. However, the company has been put under liquidation and we expect to know the position very soon.

2. MANAGEMENT OF THE SCHEME

Moi University Pensions Scheme is a defined benefit Scheme, self funded and managed by a board of Trustees.

3. MEMBERSHIP AND CONTRIBUTION

Employees on Senior and Middle level serving on permanent terms are eligible to be members. The Scheme is contributory where the employer contributes 15% of the basic salary of an employee and the employee contributes 5% of the same.

4. ADMINISTRATION EXPENSES

All administration overheads are fully borne by the University.

5. WITH-HOLDING TAX

The Scheme is exempted from paying with-holding tax.

6. ACTUARIAL VALUATION

The Actuarial Valuation of the Scheme was completed as at 31.3.1996. The Actuary recommended the employer's contribution to be increased to 20% while the employees' contribution remains at 5%.

	1995/96	1994/95
	<u>KSHS.</u>	<u>KSHS.</u>
7. <u>ACCRUED INCOME</u>		
National Industrial Credit Ltd.	-	48,934.60
Kenya Finance Bank Ltd.	111,685.25	181,510.55
Housing Finance Co. of Kenya Ltd.	684,506.75	399,746.40
National Bank of Kenya Ltd.	567,899.30	327,657.60
Kenya Commercial Bank Ltd. (CDs)	198,283.70	-
Kenya Commercial Finance Co.	<u>652,315.55</u>	<u>419,186.85</u>
	<u>2,214,690.55</u>	<u>1,377,036.00</u>

This represents accrued interest
receivable from investments as
at 30.6.96

RECEIVABLES

Moi University	34,813.20	8,541,573.00
Others	601,825.60	889,967.00
	<u>2,851,329.35</u>	<u>10,808,576.00</u>
	=====	=====

<u>INSTITUTION</u>	<u>AMOUNT INVESTED</u> <u>KSHS.</u>	<u>PAR VALUE</u> <u>OF SHARES</u> <u>KSHS.</u>	<u>MARKET VALUE</u> <u>KSHS.</u>
1. National Bank of Kenya	1,000,000.00	5.00	1,705,000.00
2. National Bank of Kenya	4,500,000.00	5.00	5,115,000.00
3. Kenya Airways	1,643,085.00	5.00	1,635,782.40
4. Barclays Bank	1,000,000.00	-	916,630.00
5. Kenya Commercial Bank	1,000,000.00	-	958,352.50
TOTAL IN KSHS.	<u>9,143,085.00</u> =====		<u>10,330,764.90</u> =====

The value of investment in shares as reflected in the Balance Sheet is based on cost price.