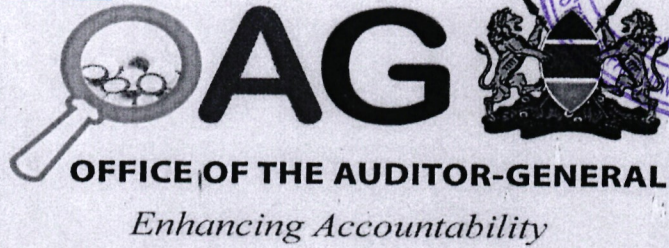


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REPORT

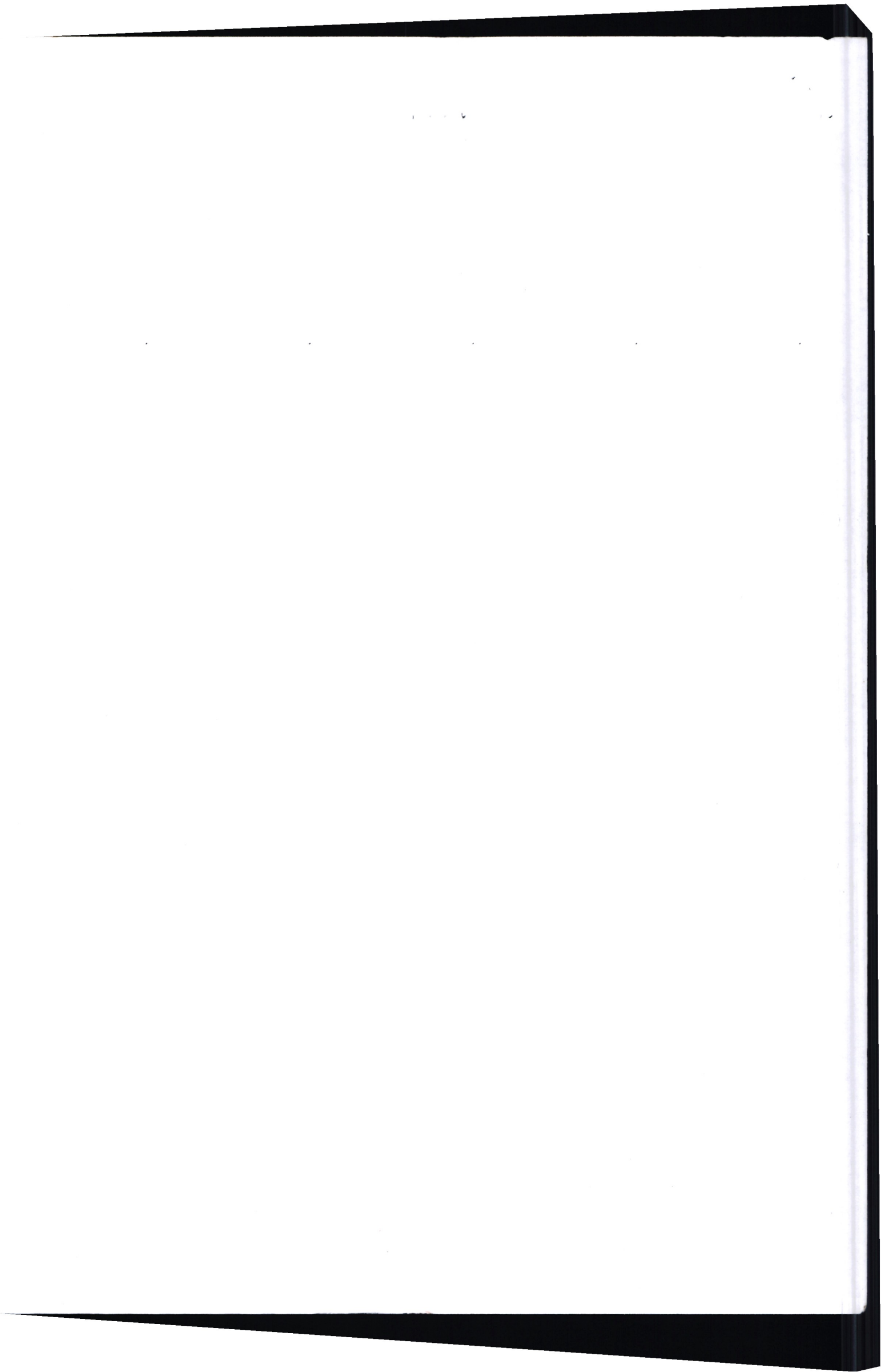
OF

THE AUDITOR-GENERAL

ON

RONGO UNIVERSITY

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





RONGO UNIVERSITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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



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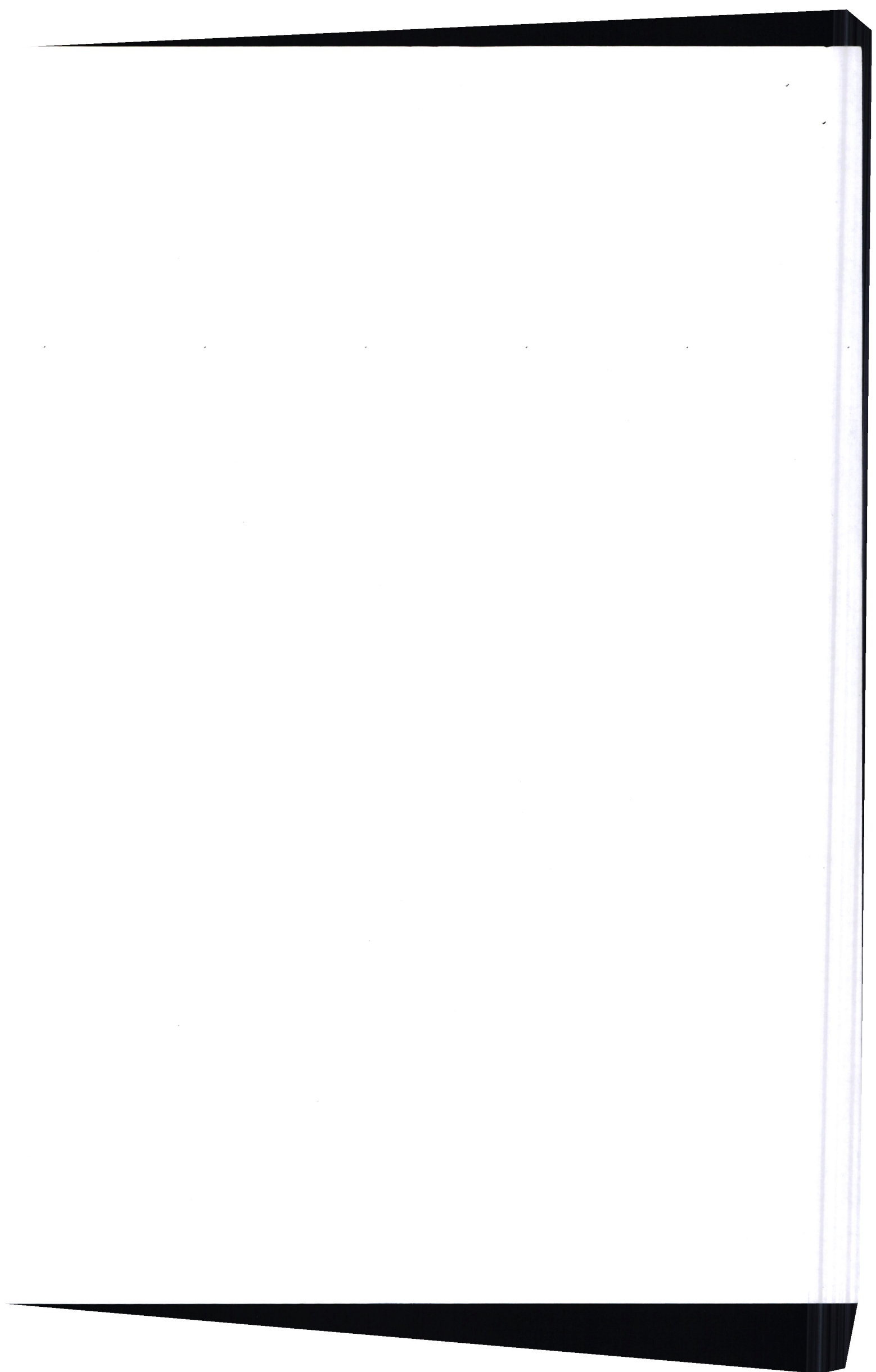
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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Rongo University is a predecessor to Rongo University College which was initially established by the Government of Kenya through legal notice No.70, Kenya Gazette Supplement No.51, on 17th June 2011 as a Constituent College of Moi University by upgrading Moi Institute of Technology (MIT). The Institute was handed over to Rongo University College on 23rd June, 2012. Pursuant to the Universities Act 2012 and Universities Regulations (2014), the University College was chartered by the President of Republic of Kenya, His Excellency Uhuru Kenyatta On 7th October 2016. The University has since established six schools as follows:

- a) School of Agriculture, Natural Resource and Environmental Science
- b) School of Business and Human Resource Development
- c) School of Arts and Social Sciences
- d) School of Science Technology and Engineering
- e) School of Information, Communication and Media Studies
- f) School of Education

The six Schools offer various programs ranging from Certificate to Post graduate.

(b) Principal Activity

The principal activity of Rongo University is to provide high quality education through teaching, research and community service in order to produce innovative graduates who meet the demands of the labour market.

Vision

A world class technology driven University in learning and practice.

Mission

To provide quality and innovative higher education through teaching, research and community service

Core Values

In her commitment to realizing her vision and mission, RU is guided by the following core values:

- 1) Integrity
- 2) Professionalism
- 3) Innovation
- 4) Equity
- 5) Social responsibility

(c) Key Management

The Rongo University governance is under the following key organs:

- 1) Chancellor
- 2) Council
- 3) Senate
- 4) Management Board
- 5) School Boards
- 6) Departmental Boards

(d) Fiduciary Management

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

No.	Designation	Name
1.	Vice Chancellor	Prof. Samuel Gudu
2.	Deputy Vice Chancellor (AFP)	Prof. Stanley Muse Shitote
3.	Deputy Vice Chancellor (ASA)	Prof. Augustino Osoro Onkware
4.	Finance Officer	CPA Janet Chumba
5.	Director PSSP	Dr. John Oluoch

(e) Fiduciary Oversight Arrangements

The Council members who provided oversight during the financial year ended 30th June, 2020 and who had responsibility in various committees were:

Name of the Committee	Members
Human Resource, Finance & Resource Mobilization Committee (HRFRMC)	<ol style="list-style-type: none"> 1. Dr George Ochiri - Chairperson 2. Mr. Evans Atambo - Member 3. Ms. Catherine N. Mputhia -Member 4. Mr. Kenneth Kiprono -Member 5. Prof. Samuel Gudu -Secretary
Academic Affairs & Appeals Committee (AAAC)	<ol style="list-style-type: none"> 1. Mr. David L Mshila -Chairperson 2. Dr George O. Ochiri - Member 3. Mr. Evans Atambo - Member 4. Mr. William Omoding - Member 5. Prof. Samuel Gudu -Secretary
Audit Committee (AC)	<ol style="list-style-type: none"> 1. Mr. William Omoding -Chairperson 2. Mr. David L. Mshila -Member 3. Ms. Dorcas Wasike -Member 4. Internal Auditor -Secretary
Strategy & Risk Committee (SRC)	<ol style="list-style-type: none"> 1. Mr. Kenneth Kiprono -Chairperson 2. Ms. Dorcas Wasike -Member 3. Ms. Catherine N. Mputhia -Member 4. Prof. Samuel Gudu -Secretary

(f) Rongo University Headquarters

Rongo University
Off Rongo- Migori Road
P. O. Box 103-40404
Rongo

(g) Rongo University Contacts

Telephone :(254) 770308253
E-mail: vc@rongovarsity.ac.ke
Website: www.rongovarsity.ac.ke

(h) Entity Bankers

Kenya Commercial Bank
P. O. Box 266-40404,
Rongo

Cooperative Bank of Kenya
P. O. Box40560 - 40404
Rongo

Equity Bank
Off Awendo- Migori Road
P.O.Box84-40405
Sare- Awendo

(i) Independent Auditors

Office of the Auditor General
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

2. COUNCIL MEMBERS



DR. RACHAEL MSAKE

Chairperson

Key area of specialty- Immunoparasitology

Member of Council since -2018

Dr Rachel Masake was born on 5th November, 1945. She has a PhD in Immunoparasitology/ Immunopathology from Washington State University. Dr Masake was appointed Chairperson of Rongo University Council on the 6th of September, 2018. She has over 30 years' experience in research, majorly in Livestock Management, Animal Health and Community Development. She is a Corporate Governance expert and External Independent Reviewer of Policies. Dr Rachael is a consultant in the field of food security and Livestock based livelihoods. She has been instrumental in the governance, coordination and implementation of the University Strategic Plan 2017-2021.

COUNCIL MEMBERS CONT.



DR. GEORGE O. OCHIRI

Independent Council Member

Key area of specialty- Supply Chain Management

Dr Ochiri was born on 22nd August, 1975. He holds a PhD in Supply Chain Management. He is the current CEO of Harambee Sacco Society. He previously worked for various organizations in different capacities including; Safaricom, Longhorn Kenya Ltd and Maisha Bora Sacco. He Was appointed to Rongo University Council in 2017. He is the Chairman of Rongo University Human Resource, Finance & Resource Mobilization Committee of Council.



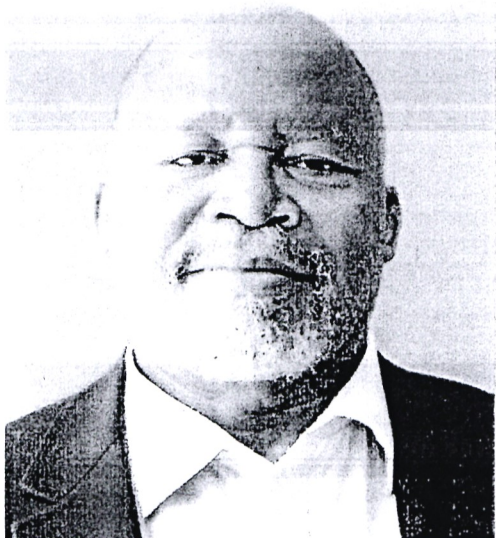
MR. WILLIAM BILL OMODING

Independent Council Member

Key area of specialty- Development Studies

Mr. Omoding was born on 25th November, 1953. He holds a Master's Degree in Development Studies. He previously worked in both the Public and private sector in various institutions including; Central Bank of Kenya, Standard Chartered Bank and Lake Basin Development Authority. He was appointed to Rongo University Council in 2017. He is the Chairperson of Rongo University Audit Committee of Council.

COUNCIL MEMBERS CONT.



MR. DAVID LUSOKA. MSHILA
Independent Council Member
Key area of specialty- Urban & Social
Environmental Programs.

Mr. Mshila was born in 1949. He holds Master's Degree in Urban, Social & Environmental Programs. He has over 40 years of working experience in urban, regional and rural development in Kenya for the Kenya Government, German International Cooperation (GIZ) as well as in rural and urban areas. He was appointed to Rongo University Council in 2017. He is the Chairman of Rongo University Academic and Appeals Committee of Council.



MR. KENNETH KIPSANG KIPRONO
Independent Council Member
Key area of specialty- Management
Information Systems

Mr. Kiprono was born in 1964. He holds a Master's Degree in Management Information System (MIS). He has over 15 years' experience in different capacities and in various institutions including; Kenya Commercial Bank, Jacca Consulting TE Ltd. Previously he was a Council Member for Embu University College. He was appointed to Rongo University Council in 2017. He is the chairman for Risk & Strategy Committee of Council.

COUNCIL MEMBERS CONT.



MS. CATHERINE NKIROTE MPUTHIA
Independent Council Member
Key area of specialty- Law & Strategic Management
Member of Council since 2017

Ms. Mputhia was born on 13th July, 1980. She is a holder of Masters in Strategic Management and LLB. Ms. Mputhia has over 15 years work experience. She is an advocate of the High Court of Kenya and currently working at Mputhia Advocates. She previously worked at African Investment Bank Capital Ltd. She was appointed to Rongo University Council in 2017. She is a member of Human Resource, Finance and Resource Mobilization Committee and Risk and Strategy Committees of Council



MR. EVANS ATAMBO
Representative of PS Ministry of Education to Council
Key area of specialty- Education Management

Mr. Atambo has a Master of Philosophy in Curriculum Development. He has over 20 years working experience in Education Management. Currently he is a Principal Education officer at the Ministry of education. Mr. Atambo is the representative of P.S State department of Higher Education & Research at Rongo University Council.



PROF. SAMUEL GUDU
Secretary to Council
Key area of specialty- Professor of Plant Genetics

Prof Gudu was born in 1956. He holds a PhD in Plant Genetics. Prof. Gudu is the Vice Chancellor Rongo University and Secretary to Council. He has worked for many years in the University Sector. He previously worked for Moi University as Deputy Vice Chancellor Administration, Finance & Planning and later as Principal Rongo University.



MS. DORCAS WASIKE
Representative of PS National Treasury to Council
Key area of specialty- Finance

Dorcas holds a Bachelor of Commerce Degree in finance and is a member of ICPAK. She has over ten years' experience in the accounting field in the public service having served in various capacities in the Ministry of Education and the National Treasury, currently serving as Principal Accountant in the Public Debt Management Office of the National Treasury. Dorcas is the representative of the Principal Secretary, National Treasury and Planning to the Rongo University Council.

III. MANAGEMENT TEAM



PROF. SAMUEL GUNDI
PhD (Plant Genetics)
Vice Chancellor



PROF. WILLIAM SHITOF
PhD (Civil Engineering)
Deputy Vice Chancellor
(Administration, Finance
& Planning)



PROF. A. KIBINDI MWANGI
PhD (Plant Physiology)
Deputy Vice Chancellor (Academic
& Student Affairs)

MANAGEMENT TEAM CONT.



PAULINE K. MUMBA
MBA (Finance)
Finance Officer



PHILIP M. MUMBA
PhD (Communication Studies)
(Director PSSP & Ag. Dean School
of INFOCOMS)

4. CHAIRPERSON'S STATEMENT

It is my humble privilege to present to our stakeholders the Annual Report and Financial Statements of Rongo University for the financial year ended 30th June, 2020. This report gives a true reflection of the performance of Rongo University over the financial year ended 30th June, 2020. The report highlights key activities the University carried out during the year. It also illustrates the successes and challenges the institution encountered over the period.

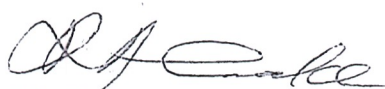
The financial year 2019/2020 marked a notable increase in net assets from Ksh 2.02 Billion to Ksh 2.24 Billion and an increase in recurrent income from Ksh. 948 Million to Ksh 953 Million respectively. Despite the financial challenges experienced during the period, the Council and Management completed some key development projects including extension of the Administration Block, construction of Kitchen and Cold Room, construction of Ramps as well as construction of Overhead Power Distribution to improve service delivery. Other major development projects are also in progress to meet the growing staff and student population including the construction of the 5-Storey Tuition Block, construction of a 2000-Seater Library and construction of Water Treatment Plant.

In order to streamline operations, the University also embarked on review and harmonization of its academic programs to improve on quality. Additional staff had also been recruited to meet the increasing demand for a competent faculty and support staff. A number of collaborations and linkages with various institutions were also established to improve research and innovation, exchange programs, scholarship, curriculum development, infrastructural development and general service to staff and students.

Despite the significant successes over the period, the University continued to face challenges including insufficient funding, inadequate infrastructure and staff. To improve its financial position, the University continues to implement various austerity measures to monitor and rationalize its financial expenditures, as well, a number of income generating activities were launched during the year to boost the institution's finances.

Finally, I wish to thank the Government of Kenya for the continued support as well as all the stakeholders who have contributed to the successes of the University this far. My utmost appreciation to the previous Council, development partners that funded various research projects, University Management Board, the entire staff and students of the University for steadfast and unrelenting effort to sustain the growth of Rongo University. These healthy Collaborations are a reflection of the culture of team work and commitment that fit well into the fabric of our value system as a public university.

Thank you.



DR. RACHAEL MASAKE
CHAIRPERSON OF RONGO UNIVERSITY COUNCIL.

REPORT OF THE VICE CHANCELLOR

It is my great pleasure to present the Annual Report and Financial Statements for the year ended 30th June, 2020. This has been a year of new challenges brought about by Covid-19 pandemic but also a year when the University achieved significant milestones.

Strategic Review

Rongo University adopted Strategic Reporting in 2013 and has since reviewed its Strategic Plan for 2017-2021. The University has in the last three years incorporated the strategic plan objectives into its Integrated Reporting framework. This has shaped the way the institution describes what it does, and it has reinforced conversations and discussions within and among departments and with stakeholders about the University purpose and plans for the short, mid, and even long-term. The framework has also increased transparency in reporting, has ensured closer monitoring of the University activities to measure with the impact of its actions in the environment through performance contract targets. The Management analysis (on page 24) of the external environment as well as our vision and strategy, risks and opportunities and the interdependencies among other key resources explain their influence to the strategic direction of the University. The allocation to various resources/capital include human resource capital; financial; and social relationship capital has shaped the growth of the University

Based on the University's fast growth in staff and student population within a span of about 8 years, the institution understands the significant impact and role of each capital in value creation and sustainability of the University. The adoption of integrated reporting has ensured that everyone in the University is constantly thinking holistically taking into account the interdependence and hence the need for information sharing across all levels. The achievements in 2019/2020 FY were slowed down by the Covid-19 pandemic as a result of scaled down operations in the second half of the year. However, some of the key achievements in the year are as follows:

5.1 Governance

The University ensured staff and students participation in governance through representation in Senate and Senate Committees; Students Disciplinary Committee; bursary awards, work-study, cultural celebrations, and graduations. Students and staff have also been allowed to freely participate in all aspects of governance such as election of their leaders and representatives, complaints and grievance handling, participation in games among other activities.

5.2 Academic Matters

In 2019/2020 FY, there were 5,720 students enrolled in various undergraduate and postgraduate degree programs in the six Schools. This number is expected to rise to about 8,470 in 2020/2021 FY following the placement of 2750 government sponsored students to the University.

Within the year, the University reviewed and developed a total of 6 academic programmes and implemented harmonized curricular.

In compliance with the Presidential Directive of 15th March 2020 to suspend learning in all education institutions to contain the spread of Covid-19, the University indefinitely suspended academic and other student related activities on-campus. The suspension mainly affected teaching of undergraduate and diploma/certificate level students but not postgraduate students since their teaching and supervision continued online.

5.3. Student Affairs

In 2019/20 FY, The University implemented several programs aimed at improving student academic outcomes and social wellbeing. Some of the programs include:

5.3.1 Students Association

The University conducted an induction training and team-building exercise for all the elected student leaders. Subsequent elections for the leadership of 2020/21 Academic year were partially done in March 2020. Due to the COVID-19 pandemic, the student elections were postponed to a later date.

5.3.2 Co-curriculum Activities

Students were supported to participate in co-curricular activities such as games and sports (scrabble, handball, darts, hockey, karate, football, and athletics), music and drama, and cultural events as shown below:

a) Drama Festivals

The University hosted regional drama festivals organized by the Kenya Universities Performing Arts and Film Festivals on 26-27 Feb 2020. The University obtained position 1 in modern dance, stand-up comedy and shadow play and 2nd position overall in music English play. Rongo University was the only institution that performed this new and unique genre, shadow play and puppetry. See Figure 5.1 (a) and (b) below.

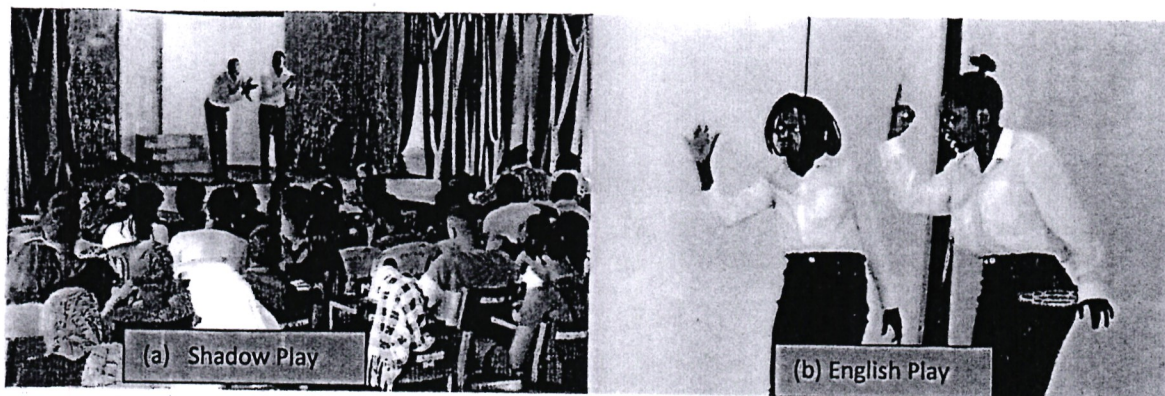


FIGURE 5.1 (A) AND (B): RONGO UNIVERSITY STUDENTS DISPLAYING THEIR SKILLS IN SHADOW PLAY (A) AND ENGLISH PLAY (B)

b) Music Festivals

The University Choir participated at the National Music Festivals held at Kabarak University on 8th – 13th August 2019 and won accolades and trophies as shown below:

- i. A winner's trophy at the music festivals for the traditional folk song (Orutu instruments – Luo/Luhya category)
- ii. Runners up (2nd position) in each i.e., folk sacred, a song from the Turkana/Pokot category and English choral poem
- iii. Merit certificate to Rongo University for presenting teams at the national music festivals and individual certificates of participation to the 62 students who participated in Music Festivals.

c) Sports and Games

The University games and sports teams took part in various events and achieved the following results:

- i. In the zonal athletics, the University team won three trophies in scrabble, women athletics and tug of war (women). 6 gold, 1 bronze and 4 silver medals were also won.
- ii. Two trophies in Hockey (men) in position one and karate (men) position two.

- iii. Netball (women) and taekwondo (women) obtained position three overall and were each awarded a trophy as the 2nd runners up.
- iv. One student won the individual trophy in the public speaking category, and the University was awarded a certificate for participation.

The University also hosted a Western regional sports competition for handball (women), basketball (women), netball (men) and cross country for both men and women. The University obtained 2nd position trophies in handball (women) and cross country events. See Figure 5.2 (a), (b) and (c).

At the Annual Women Championships games held at the African Nazarene University on 6-8 March 2020, the University women soccer team reached the quarterfinal stage.

FIGURE 5.2 (a)

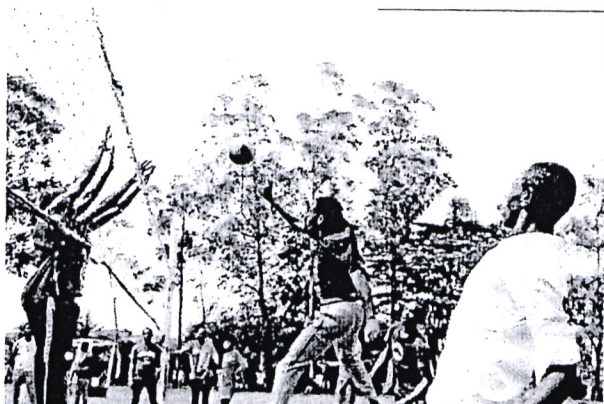


FIGURE 5.2 (b)



FIGURE 5.2 (c)



Rongo University students show their might in (a) volleyball, (b) rugby and (c) soccer

d) Cultural Week

The university held a successful cultural week activity on 10-14 March 2020 where all cultures were exhibited. The theme of the event was *'Building bridges through cultural integration'*. There were cultural presentations in the form of dances. During this event, students and staff took part in charity by visiting and making donations to Nyamarambe Children's home in Kisii County and undertook donations of clothes and foodstuffs to the orphanage. At the grand finale, two students were crowned

MR and MISS Rongo University for the period 2019/20 academic year. These two students also received cash awards from Equity Bank. See Figure 5.3 (a) and (b).



FIGURE 5.3 (A) AND (B): STUDENTS PERFORMING MAASAI CULTURAL DANCE (A) AND CROWNING OF THE WINNER OF BEAUTY PAGEANT (B)

5.3.3 Bursaries

The University awarded KES One million (1,000,000) only tuition bursary for the 2019/20 academic year. The bursaries comprised KES Eight Hundred Thousand (800,000.00), from Rattansi Educational Trust and KES Two Hundred Thousand (200,000.00) from Prof. Florence Odera of Rongo University. The latter fund was for “*needy female students taking education as a course*” at Rongo University. The University also negotiated with National Government Constituency Development Funds including Awendo, Nyatike and Rongo Constituencies to support students’ education through NG-CDF Fund. Nyatike Constituency NG-CDF sponsored the highest number of students.

5.3.4 Work-Study Programme

One hundred twenty-four (124) needy students were supported by the University through Work-Study Program by the Placement Committee on 28/10/2019. The students remained on the work-study programme till 16th March 2020 when learning activities were suspended following COVID-19 pandemic in the country.

5.3.5 Careers services

Several careers program were undertaken as outlined below:

- i. A public talk on investment was conducted to students at the Main Campus on 25th January 2020. Over 300 students attended the talk which was delivered by the Wanafunzi Investment Trust Fund (WITF) officials. The Chairperson of the University Council graced the occasion. See Figure 5.4 (a) and (b) below.

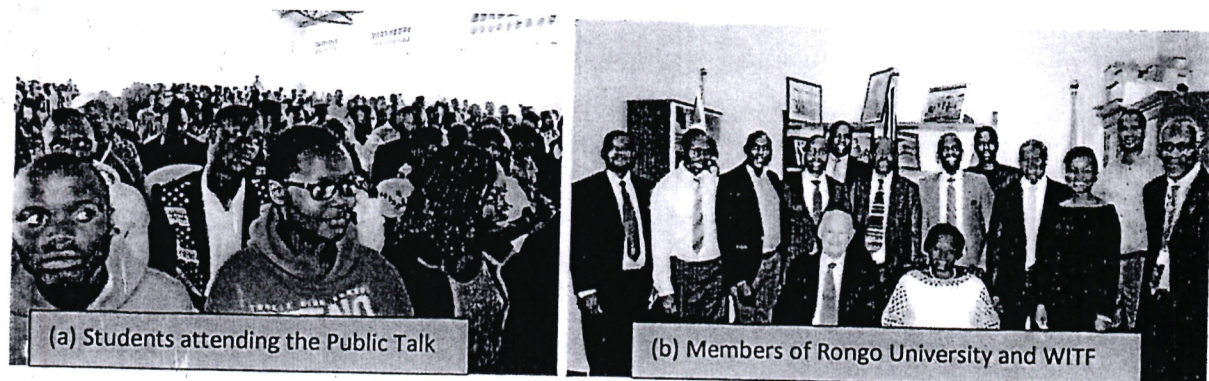


FIGURE 5.4 (A) AND (B): PUBLIC LECTURE BY WANAFUNZI INVESTMENT TRUST FUND

- ii. On 1.2.2020 the University hosted a delegation from the Embassy of Japan in Nairobi. The team was led by Mr. Hiroyuki Futaki. The purpose of the visit was to provide information to students on scholarship opportunities provided by the government of Japan. See Figure 5.5 (a) and (b).

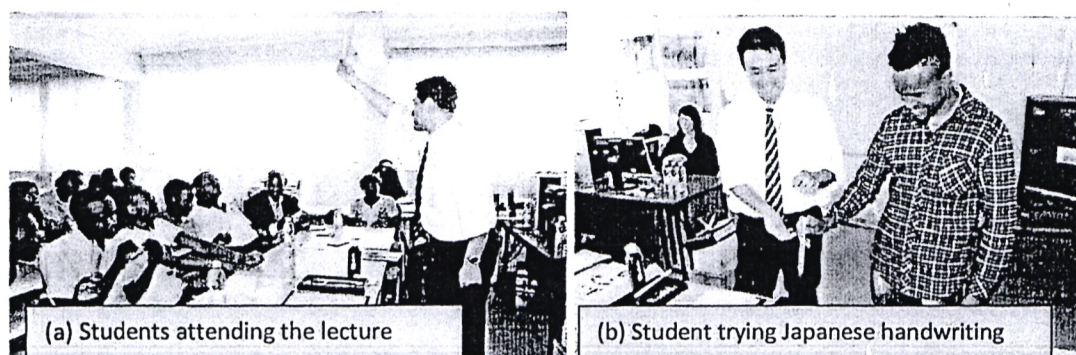


FIGURE 5. 5 (A) AND (B): MR. HIROYUKI TRAINING STUDENTS (A) AND A STUDENT TRYING THE JAPANESE HANDWRITING (B)

- iii. A skills training of 60 students was conducted on *Ajira digital* online job opportunities between 2nd and 6th March 2020. The focus of the training is to give students skills and information on carrying out online jobs which they can undertake while in campus or after completion of studies
- iv. On 12-15 March twenty student-scouts took part in the County scouts' camp where they obtained a Preliminary Training Course in scouting. This course covers basic first-aid, other scouts preparatory skills training such as drills, knots and environment management.
- v. During the period two new students clubs were registered. These are the Rotaract Club and Equity Leadership Clubs.
- vi. Conducted boot camps and workshops involving Intel University program (Intel Kenya) and IBM on current trends on Artificial Intelligence (AI), Machine Learning (ML), Data Science, web/mobile development, design thinking, IoT, and API developments.
- vii. One student, Jane Waitara (BSc. Computer Science), represented Kenya in Accra Ghana and Lagos, Nigeria on international conferences sponsored by Google.
- viii. Scholarship awards to two students- Jane Waitara (BSc. Computer Science) and Susan Wangari (BSc. Information Science) - from Google Africa for android mentors with Andela, Google and Plural sight. They will lead in mentoring other students across Africa.

5.4 Collaborations & Linkages

To improve research and innovation, exchange programmes, scholarship, curriculum development, infrastructural development and general service to staff and students, the University has established partnerships with several institutions including: (i) Migori County Government and Wuhan Textile University, China: 1 staff is on full scholarship at Wuhan Textile University; (ii) Seeding labs, USA: Donation of capital Molecular Biology and Biotechnology equipment; (iii) UNESCO: Community radio for agricultural education; (iv) Nyatike NG-Constituency Development Fund Committee and Nyatike Community Development Initiative- construction of ODeL Centre at Macalder in Nyatike Sub-County; (v) Wilfrid Laurier University-Laurier Centre for Sustainable Food Systems, Canada - promoting best agroecology practices through a community radio platform; (vi) The Centre for Health Services Studies at the University of Kent, UK – jointly developed proposals for funding.

5.5 Research Activities

The University staff actively conducted various research activities aimed at developing new technologies and providing solutions to challenges faced by society in the areas of health, food and nutrition security. This led to the University being awarded Centre of excellence status in food and nutrition security by the Lake Region Economic Bloc. Some of the ongoing research projects include: (i) Sorghum Project funded by McKnight Foundation, (ii) Post-harvest handling project funded by National Research Fund, (iii) Aflatoxins Research project funded by National Research Fund and (iv) Sorghum breeding project funded by Global Crop Trust, (v) Digital Dairy-ICT Advisory funded by KCSAP-World Bank, and (viii) Climate-Smart technologies funded by KCSAP-World Bank. The ongoing projects are funded at about Ksh. 28 million. In this financial year, we also developed about 20 research proposals which were submitted to various funding agencies. See Figure 5.6 A.



FIGURE 5. 6 (A): PROF. SAMUEL GUDU AND DR. EVANS OUMA INSPECT SORGHUM ON-FARM DEMONSTRATION IN MIGORI COUNTY. THE PROJECT WAS SPONSORED BY MCKNIGHT FOUNDATION USA

5.6 Outreach and Extension Services

The University engaged the community in the following activities aimed at enhancing their livelihoods: released new resilient sorghum and cassava varieties to farmers; conducted training of farmers on value additions and best agronomic practices; conducted sanitization of gold miners; and held several peace caravans within the neighboring communities.

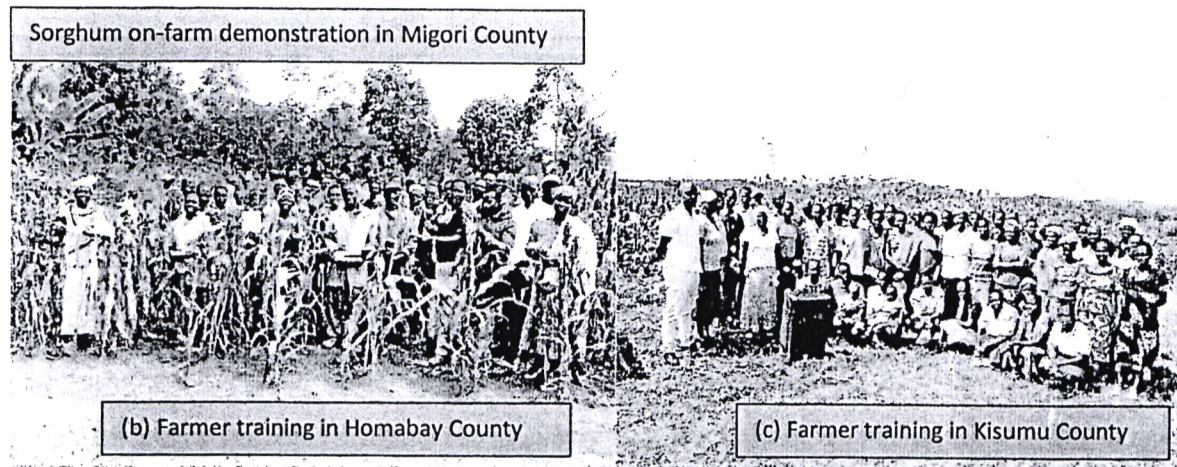


FIGURE 5.2(B) AND (C): SORGHUM FARMERS ATTENDED AWARENESS AND TRAINING IN HOMABAY (B) AND MIGORI (C) COUNTIES

5.7 Publication and Conference

To enhance scholarship, the University organized the 2nd International Multidisciplinary Conference which brought together scholars to share research findings and experiences. Similarly, staff published over 48 research output in refereed journals which have been deposited in the University repository. In the continued effort to encourage invention/innovation, the University provided an enabling environment to nurture and incubate viable innovation or invention. To this end, in FY 2019/20, staff and students developed the following inventions which are being tested as possible intellectual properties: System tracking drug administration; and RITSURVE system for Covid 19 tracking and surveillance.

5.8 Human Resource Matters

The University undertook several staff welfare matters within the year as shown below:

5.8.1 Employee Medical cover

The University implemented N.H.I.F Comprehensive Medical Cover, Group Life and Last Expense for the period 19th August 2019 to 19th August 2020 to provide enhanced medical care to staff.

5.8.2 Pension Scheme

The Trust Deed and Rules for the proposed Rongo University Pension Scheme has been developed and approved by the Council. The University is now on the process of registering the Scheme with the Retirement Benefits Authority.

5.8.3 COVID -19

In line with the Government directive on response to COVID-19, the University scaled-down provision of services. During this period some staff worked from home while others took their annual leave to reduce interactions' and minimize chances of infection.

The University took the following measures to contain the spread as per the Ministry of Health directive

- a) Procuring for and ensuring all staff on duty have face masks.
- b) Daily screening of staff and visitors at all University entry points. See Figure 5.7 (a) and (b)
- c) Transportation of staff to and from work.

The University also invited staff to participate in the Voluntary contribution towards the Emergency COVID-19 National Fund.

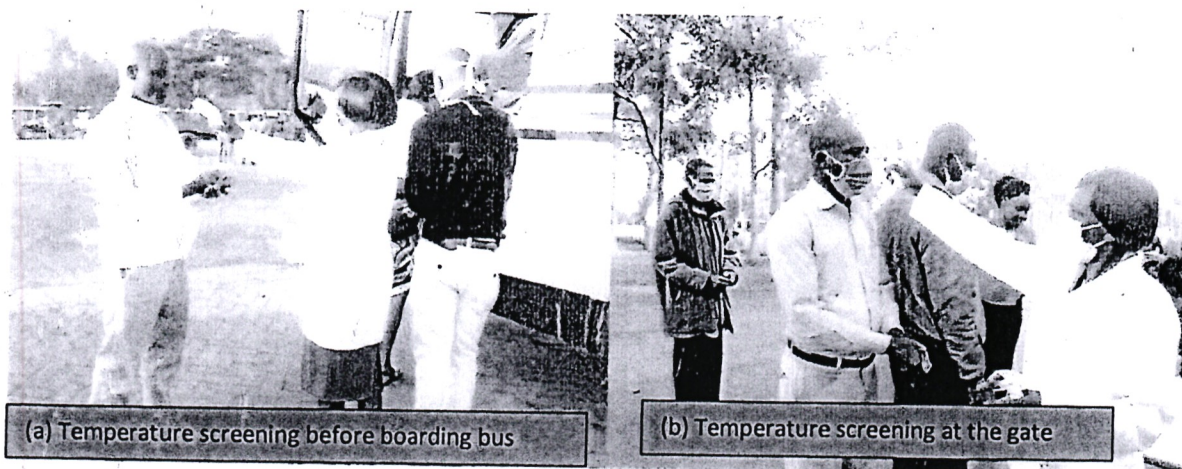


FIGURE 5.3 (A) AND (B): STAFF TEMPERATURE SCREENING BEFORE BOARDING UNIVERSITY BUS (A) AND AT THE GATE (B)

5.8.4 Staff Wellness

A staff wellness exercise was organized by the Human Resource Department in conjunction with the health services subsection and Rongo University Aids Control Unit, in partnership with Royal Medical Centre, offered screening services for Hypertension, Diabetes, HIV, Nutritional status, dental and eyes. See Figure 5.8 (a) and (b).

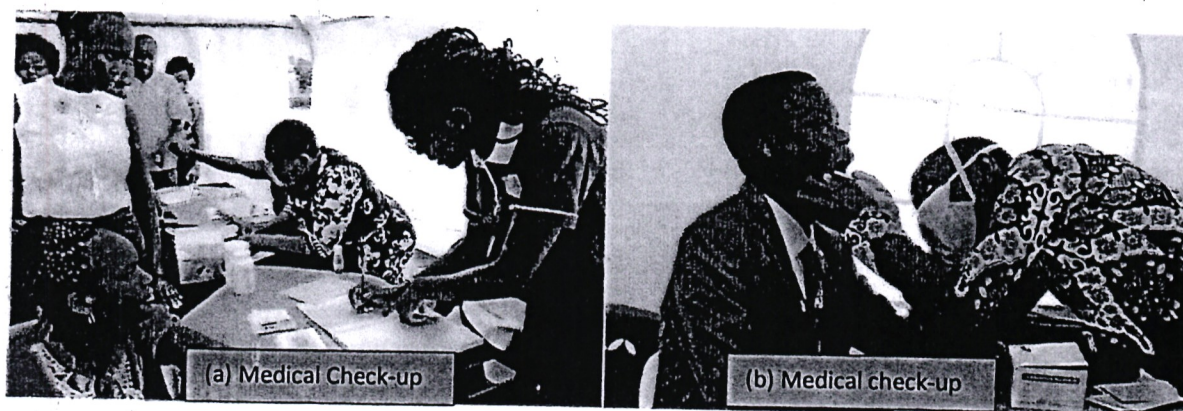


FIGURE 5.4 (A) AND (B): RONGO UNIVERSITY STAFF UNDERTOOK MEDICAL CHECK-UP

5.8.5 Collective Bargaining Agreement

The University finalized and signed the 2013-2017 internal CBA with Kenya Union of Domestic, Hotels, Educational Institutions, Hospitals and Allied Workers (KUDHEIHA) Union. The CBA was processed through SRC and is now in the process of registration in the Industrial and Labour Relations Court. CBA Negotiations with UASU and KUSU will resume when University operations normalize.

5.8.6 Staff Training and Development

In the interest of employee professional development and growth, the University facilitated both academic and administrative staff for conferences, workshops, trainings and further studies whenever possible.

- a) **Scholarship:** The collaboration with Wuhan Textile University – China, necessitated the University to offer a partial scholarship to one staff to pursue Masters in Software Engineering.

- b) **Study Leave:** To facilitate employee professional growth, the University was able to grant study leave to two (2) members of staff- Mr. Richard Odol and Mr. Stephen Momanyi.
- c) **Workshops and Conferences:** To facilitate continuous development several staff members were facilitated to attend workshops and seminars in various disciplines.

5.8.7 Annual Staff Open Day

The University organized an annual staff Open Day where several recreational activities were undertaken to improve employee wellness and morale. See Figure 5.9.



FIGURE 5. 5: RONGO UNIVERSITY STAFF TAKING PART IN VARIOUS SPORTING ACTIVITIES DURING THE ANNUAL OPEN DAYS

5.9 Security

The University has constructed a gate and planned to construct a perimeter wall to secure the University boundary. The National Police Service has also deployed police officers to the newly constructed Police Station on the University land. The County and Sub-County security system have also continued to respond to security emergencies within the University.

5.10 Income generating activities

Increasingly, universities in Kenya are finding themselves underfunded. While the government has continued to be the major source of funding, it is clear that the University must strategize on how to raise additional funds. The University has established the following income generating activities: Hass Avocado Farm, Apiary, and Fashion and Textile (See Figure 5.10 (a) and (b)). Textile Unit is involved in making medical protective uniforms and masks in the control of the spread of Covid-19. The construction of fish ponds for aquaculture is ongoing and the University also plans to start bottling of potable water for sale.

The University also developed an Endowment Policy which will be launched to supplement the other income generating activities. This will go a long way in supporting academic activities as well as the recurrent activities of the University.

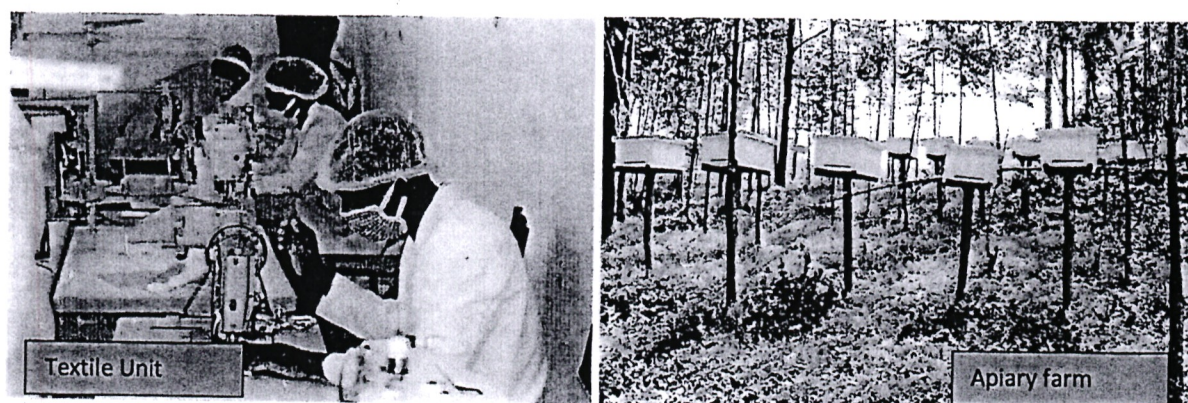


FIGURE 5. 6 (A) AND (B): RESOURCE MOBILIZATION ACTIVITIES- (A) TEXTILE UNIT AND (B) APIARY

5.11 Alumni Association

During the period under review, the Constitution for the Rongo University Alumni Association was approved by the University Senate and Council.

5.12 Attachment

In the 2019/2020 FY the university offered industrial attachment to a total of 75 attachees.

5.13 Financial Performance Review

In the financial year 2019/20, Rongo University started the financial year with a cash balance of Ksh. 41,448,066 and received Ksh 623,990,117 from the Government as recurrent income, and Kshs 319,220,073 as development income. The University managed to collect Kshs. 252,026,340 from A-I-A. In total therefore, the University had Kshs 1,236,684,596 at its disposal. This enabled the University to achieve several milestones including enhancement in infrastructural development, academic activities and refurbishment of its facilities. The expansion of infrastructure will allow admission of more students into the university which supports the government goal of expanding access to university education.

As we are all aware, the world is now experiencing its greatest crisis in generations as a result of the COVID-19 pandemic, it is affecting every aspect of our daily lives in one way or another. The University has swiftly moved to remote learning delivery for our students and majority of staff have transitioned to working from home. The University continues to comply with World Health Organization requirements as it positions itself to ensure that staff and students stay safe both at home and at work place.

Rongo University students are graduating in record levels, and we are constantly striving to maximize educational experience. Facilities such as the new Tuition Block and the upcoming Library, Innovation Center, Radio Station and the well-equipped Science Laboratories will provide space for students and faculty to interact in new, meaningful ways. We continue to promote active learning, while also expanding support for under-served students.

We have greatly increased our institution's capacity for virtual learning by enhancing ICT infrastructure to support research, innovative learning and community service in the year, and even more is planned for the near future.

As I reflect on what the University has accomplished in the past year and look toward the infinite possibilities ahead, I can say with confidence that the future of RU has never been brighter. From our growing research to our valuable community service, this institution is reaching unprecedented heights from this part of the country, thanks to our outstanding faculty, staff, students, alumni and friends.

In view of the above, I am pleased to share this annual report of our achievements with you and look forward to reporting next year on milestones we will have marked together at the conclusion of the commitments to the University. Thank you for all you are doing to help Rongo University open doors for our students, enhance our learning environment, and solve challenges for our nation and the world.

Sincerely,



Prof. Samuel Gudu
VICE CHANCELLOR

6. CORPORATE GOVERNANCE STATEMENT
Council Meetings and Conflict of Interest

Rongo University Council normally holds Full Board and Committee meetings. The Council has a total of four Council Committees. During the year under consideration, the Council held a total of 34 meetings; being 10 meetings of the full Board, and 24 Committee Meetings during which sufficient quorum was attained for all meetings. The attendance of all members to these meetings was above 95%. Conflict of interest was declared and recorded in all Committee and Full Board meetings, the declaration of which is embedded into the agenda items. A conflict of interest register is kept and signed by each Council member declaring any existing conflict or lack of the same at all meetings.

Summary of Council meetings 2019/2020 FY

HUMAN RESOURCE, FINANCE AND RESOURCE MOBILIZATION COMMITTEE OF COUNCIL (HRFRMC)												TOTAL
	09/07/2019	19/09/2019 Special	10/10/2019	19/11/2019 (Appt.)	19/11/2019 (Appt.)	19/11/2019 (Appt.)	19/11/2019 (Appt.)	13/01/2020	30/01/2020 Special	08/04/2020		
Dr. George Ochiri	✓	✓	✓	✓					✓	✓		9/10
Mr. Kenneth Kiprono	✓	✓	✓	✓			✗		✓	✓		10/10
Ms. Catherine Mpuuthia	✓	✓	✓	✓			✓		✓			10/10
Mr. Ezra Magati	✓	✓	✓	✓			✓					9/10
Mr. Evans Atambo	✓	✓	✓	✓			✓			✓		1/10
Prof. Samuel Gudu	✓	✓	✓	✓			✓		✓	✓		10/10
RISK AND AUDIT COMMITTEE OF COUNCIL (RAC)												
Mr. William Omoding	✓	10/10/2019	13/01/2020	08/04/2020								
Mr. Shem Nyakutu	✓	✓	✓									4/4
Mr. David Mshila	✓	✓	✓	✗								3/4
Ms. Dorcas Nabalayo W.												4/4
												1/4
FULL COUNCIL												
Dr. Rachel Masake	✓	11/7/2019	19/09/2019 Special	11/10/2019	20/11/2019 Special	05/12/2019 Special	06/12/2019 (Graduation)	15/01/2020	30/01/2020 Special	09/04/2020	25/06/2020 Special	11/11

Appointment and Removal of Council Members

The appointment and removal of University Council members is guided by the provisions of the Universities Act, 2012. Currently, Rongo University has a total of 9 Council members comprising the Chairperson of Council, 5 independent members, and 2 representatives of the relevant Principal Secretaries in the Ministries of Education and The National Treasury, as well as the Vice-Chancellor, who is the Secretary to Council. The independent Council members and the Chairperson are appointed by the Cabinet Secretary, Ministry of Education, while the 2 representatives are seconded to the Council by their respective Principal Secretaries.

The Council Charter and Governance Principles

Rongo University has a Council Charter which, together with the University Statutes and other relevant regulations, provides legal instruments for good governance and management of the University. The Charter defines the roles of the Council, various Council Committees, as well as the individual and collective responsibilities of Council members. It is used together with *Mwongozo* Code of Conduct for Board Members and other relevant regulations. The University has adopted high standards and best corporate practices in management of its day to day activities. As part of this commitment, the Council and Management adhere to good corporate governance by ensuring adherence to high standards of ethical and moral behavior; acting in the best interest of the University and with transparency. The Council has also developed and signed the Code of Conduct and Ethics for Council members that defines the ethical bounds of Council members in the conduct of their duties. The Council has also developed a number of policies that offer specific guidelines and benchmarks for the management of various University operations.

Composition and Roles of the Council

During the 2019/2020 FY, a total of 12 Council members served in Rongo University Council bringing in a variety of skills and competencies for strategic guidance of the University. This number consisted of the Chairpersons of Council, five independent members, and two representatives of the relevant Principal Secretaries in the Ministries of Education and The National Treasury (who were both replaced by new representatives mid-way before the end of the financial year), and the Vice-Chancellor. The Council has established four Committees with specific terms of reference and requisite skills to undertake various functions on behalf of the Council, while regularly reporting their deliberations to the Council. These Committees include Human Resource, Finance & Resource Mobilization Committee; Strategy and Risk Management Committee; Academic Affairs & Appeals Committee and Audit Committee. The University Council has been bestowed with the following roles and responsibilities:

- i. Determining the University mission, vision, purpose and core values;
- ii. Reviewing, evaluating and approving, on a regular basis, long-term plans for the University;
- iii. Reviewing, evaluating and approving the University budget and financial forecasts;
- iv. Reviewing, evaluating and approving major resource allocations and capital investments;
- v. Ensuring that the procurement process is cost- effective and delivers value for money;

- vi. Reviewing, evaluating and approving the operating and financial results of the University;
- vii. Ensuring effective, accurate, timely and transparent disclosure of pertinent information on the University operations and performance;
- viii. Ensuring that effective processes and systems of risk management and internal controls are in place;
- ix. Reviewing, evaluating and approving the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession;
- x. Reviewing, evaluating and approving the remuneration structure of the University.
- xi. Adopting, implementing and monitoring compliance with the organization's code of conduct and ethics;
- xii. Reviewing on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the Government of Kenya;
- xiii. Reviewing periodically the University strategic objectives and policies relating to sustainability and social responsibility/investment;
- xiv. Protecting the rights of stakeholders and optimizing shareholder value;
- xv. Enhancing the University public image and ensuring engagement with stakeholders through effective communication;
- xvi. Monitoring compliance with the Constitution, all applicable laws, regulations and standard; and
- xvii. Reviewing, monitoring and ensuring that the organization is effectively and consistently delivering on its mandate.

Performance Evaluation, Governance Audit, Remuneration, Induction and Training

The current Council members were inducted into office in July, 2017 during which officers from State Corporations Advisory Committee (SCAC) provided the new members with an effective induction program to familiarize them with their duties and responsibilities as Council members. Council members also participated in another induction program on *Mwongozo* in March, 2019. SCAC has also been conducting Council evaluation annually for the Council members. Based on such evaluation, competence needs assessment is carried out periodically and annual development plan prepared to address identified skills gaps through relevant training or induction programs. The performance evaluation for the year just ended, 2019/2020 FY has been scheduled for 17th July, 2019. Council is adequately inducted and trained on matters corporate governance, with an orientation of the organization, strategic plans, financial status and policies, risk management, compliance programs and the Code of Conduct and Ethics. In September, 2018, the Council members attended Governance Training at the Kenya School of Government. The University has built sufficient capacity of its internal staff to facilitate the conduct of annual governance audit that would assess the University's governance framework and ensure compliance with good corporate governance practices.

In terms of Council Remuneration, the Council members, except for the Vice-Chancellor, are not paid salary. However, their remuneration include sitting and subsistence allowances whenever they attend Council meetings at the government approved rates and honoraria for the Chair of

Rongo University council- 2019/2020



7. MANAGEMENT DISCUSSION AND ANALYSIS

7.1. General Statistics

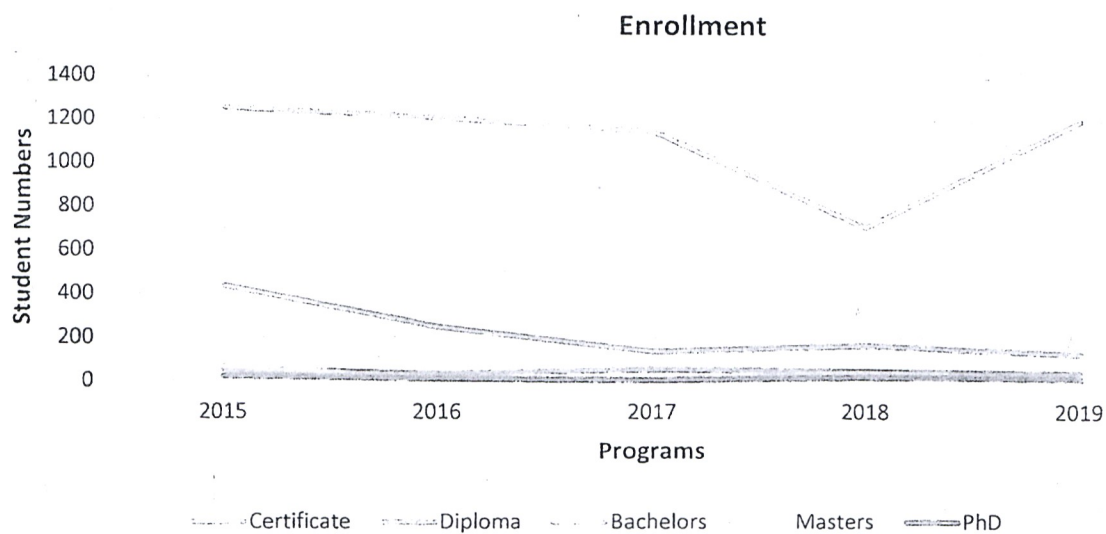
7.1.1 Student Enrollment

Rongo University started experiencing a reduction in the number of student admission after the year 2015. Subsequently, there has been a continuous reduction especially the number of privately sponsored students. Some of the reasons include low numbers from high school following changes in admission cut off point by government. Management is reviewing the programs offered as well as other reasons that may be the cause for the decline in student enrollment so as to come up with strategies that will address any further decline. In the year 2018/19 only 969 students were admitted to various programs, this was a 35% drop from the previous year. The statistics are as shown below:

Table 1: Student Enrollment Statistics

	2015	2016	2017	2018	2019	TOTAL
Certificate	51	31	54	44	38	218
Diploma	435	248	136	164	127	1110
Bachelors	1251	1207	1146	706	1199	5509
Masters	67	9	4	37	10	127
PhD	21	11	4	18	15	69
TOTAL	1825	1506	1344	969	1389	7033

Diagram: 1 Student Enrollment



MANAGEMENT DISCUSSION AND ANALYSIS CONT.

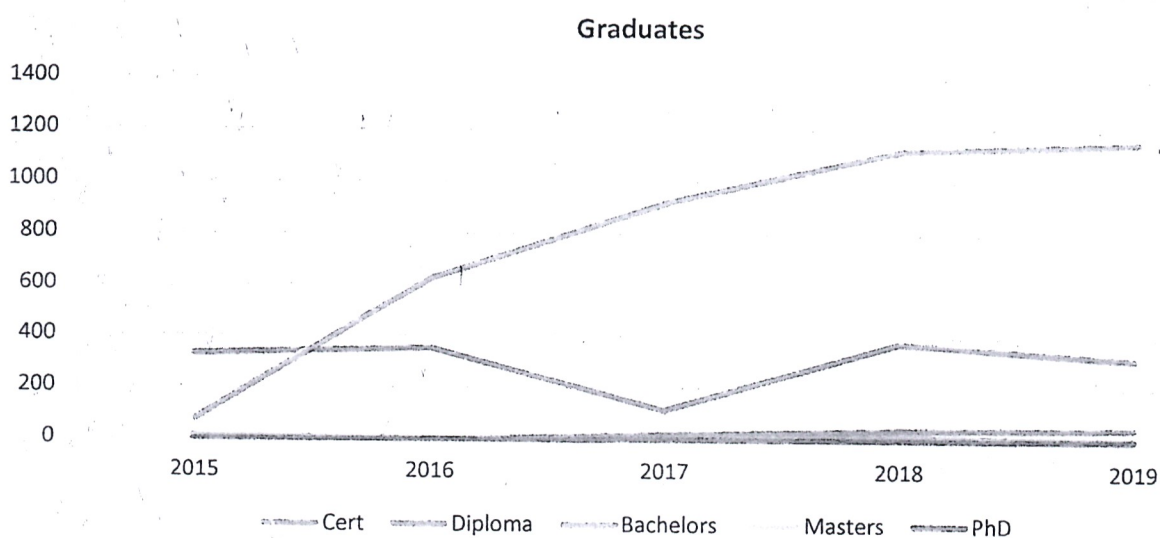
7.1.2. Student Graduation

The University conducted its fourth graduation for the conferment of Degrees and award of Diplomas to its graduates on Friday 15th December, 2019. The occasion was presided over by the Chancellor of the University, Prof. Mohammed Yusuf Elmi. During the occasion, a total of 1,539 students graduated, with 6 Graduating with PhD, 10 graduating with Masters, 1155 students receiving Degrees, 316 students were awarded Diplomas and 52 graduating with Certificates. It's important to note that the number of graduating students is increasing as the years go by. Below is the graduation statistics:

Table 2: Graduation Statistics

Year	Cert	Diploma	Bachelors	Masters	PhD	Total
2015	0	329	76	12	0	417
2016	0	354	628	4	0	986
2017	24	116	922	6	5	1073
2018	43	375	1122	19	4	1563
2019	52	316	1155	10	6	1539
TOTAL	119	1490	3903	51	15	5578

Diagram 2: Graduation



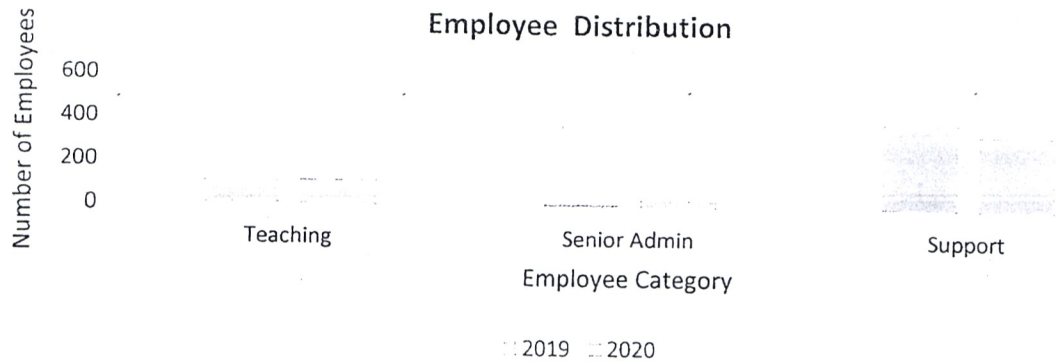
MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.1.3 Employee Statistics

a) Employee Distribution

The University has a total staff population of 511 comprised of 121 Teaching staff, 39 Senior Admin Staff and 352 support staff.

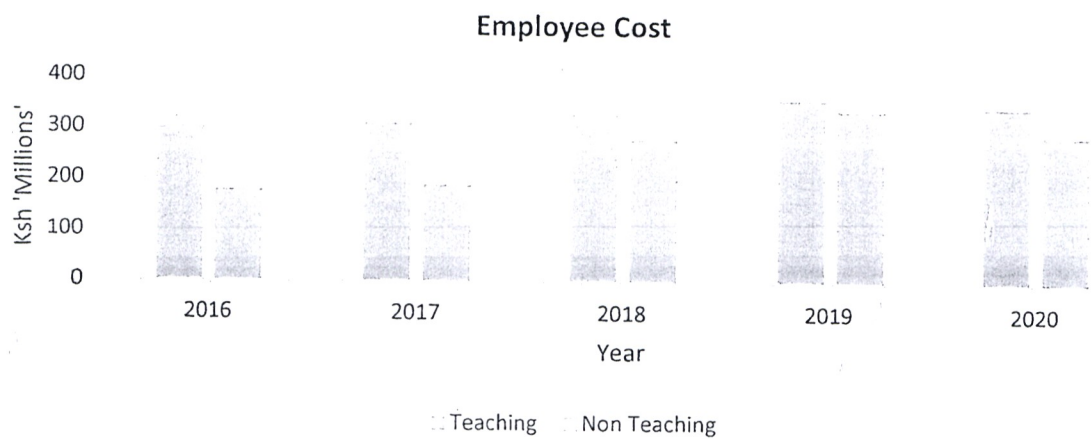
Diagram 3: Employee Distribution



b) Employee Cost

The University wage bill as at 30th June, 2020 was Ksh 689 M. This has steadily increased with teaching staff and non-teaching staff accounting for 54% and 46% each on average. The statistics are as shown below:

Diagram 4.

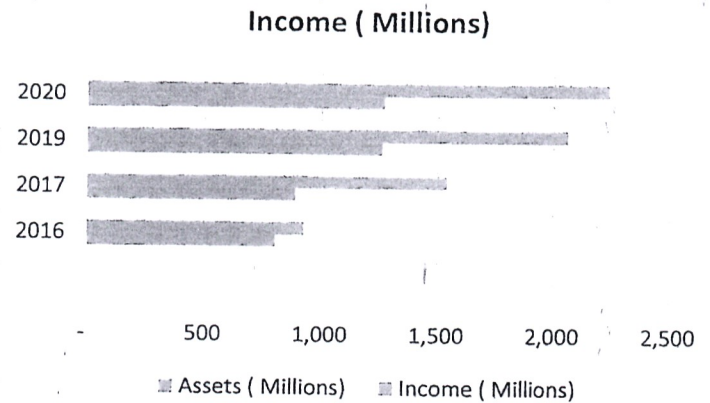
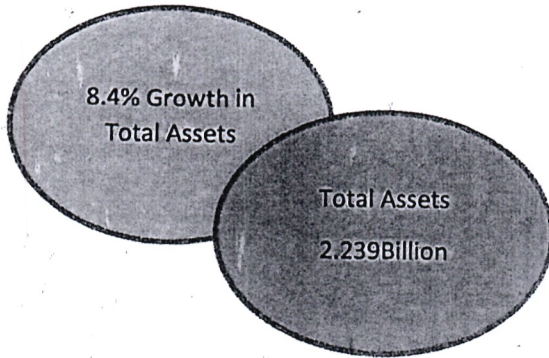


MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.2. Operational and Financial Performance Highlights for 2019/20

7.2.1 Movement in Total Incomes & Total Assets in (Ksh Millions)

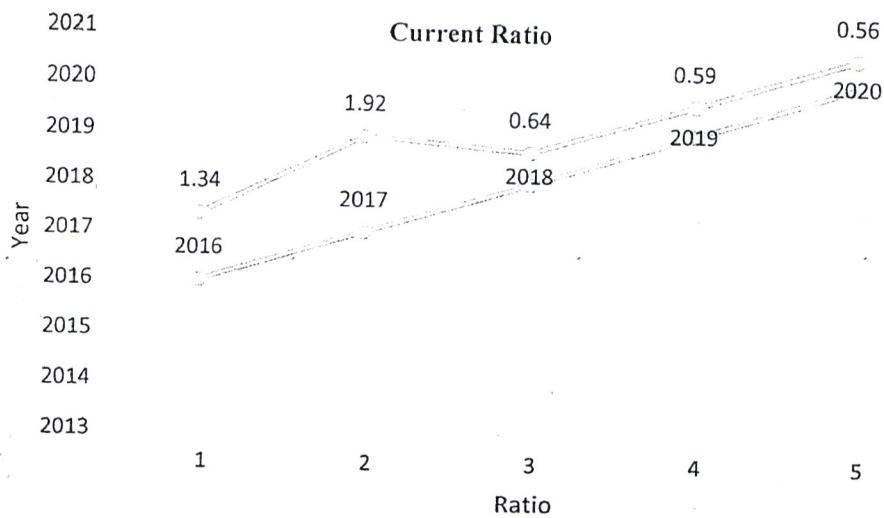
	2016	2017	2019	2020
Income (Millions)	807	892	1,266	1,272
Assets (Millions)	929	1,542	2,063	2,239



"This year saw our income grow by 176 M. backed by a solid asset base of Ksh 2.239 Billion which form an integral part in driving our strategy and create an enabling Environment for achievement of our goals."

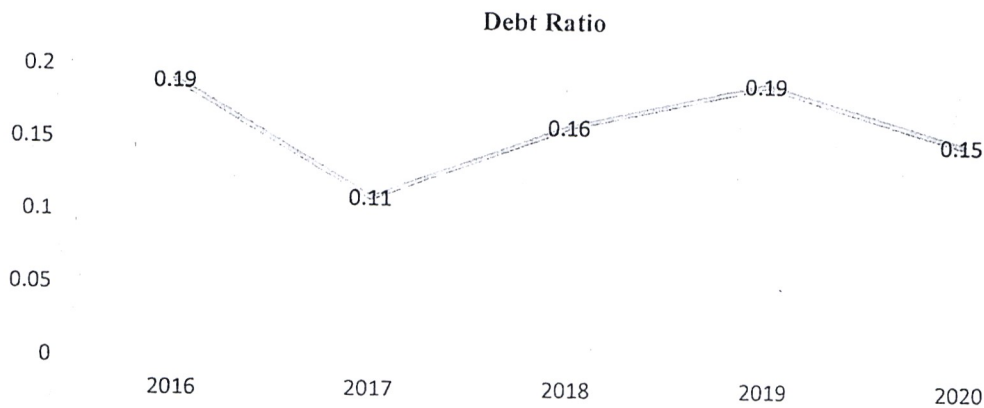
MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.2.2 Liquidity Ratio



The drop in current ratio for the year ended 2020 was occasioned by a significant drop in both current assets and current liabilities majorly reduction in receivables.

7.2.3 Debt Ratio



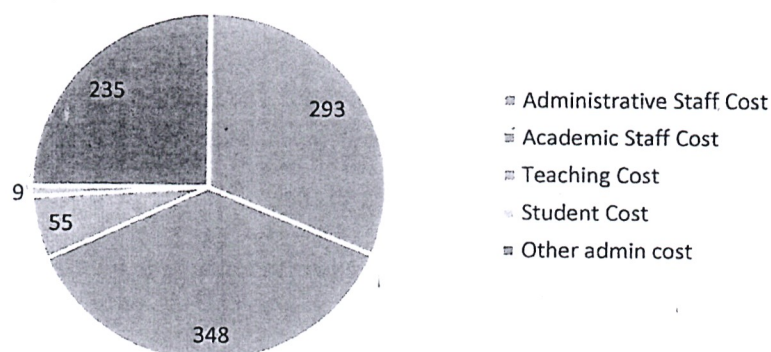
The debt ratio is a financial leverage ratio that measures the portion of University resources that is funded by debt. For the last 5 years, the University has maintained a debt ratio of less than 1.

MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.2.4 Percentage Distribution of Expenditure

In financial Year 2019/20, the University cost was distributed as below:

Distribution of Total Expenditure



7.3 Key Projects that the University is implementing

In the financial year under review, the University was implementing eight projects, some of which are now complete. Below are the projects status:

7.3.1. Construction of Tuition Block

Work on this project is at the finishing stage. Key activities currently ongoing include painting, floor tiling, fixing electrical fittings, fixing plumbing appliances, aluminum partitioning, and external works (land scaping). The prevailing countrywide restrictions on working and traveling has slowed progress. However, it is expected that the building will be ready for occupation in September 2020. The outstanding budget to complete the project is Ksh 53.7 Million.

7.3.2. Water Project

Ongoing works include assembly of the 175m³ elevated water tank which is at 80% completion. Upon completion, the rising main will be tested and the treatment process commissioned. An inspection is planned for 7th August 2020 to assess progress.

MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.3.3. Administration Block and Ramps

This building has been refurbished to provide extra office space. Also, in compliance with *Persons with Disability Act of 2013*, this project included construction of 4No. Ramps to ease access to upper floors of the Library, Academic Blocks A and B and the Administration Block. Construction of all the works is complete.

7.3.4 Construction of Kitchen & Cold Room

The University constructed a larger kitchen with cold room and cooking gas installations. This project was funded by the government; the project is complete and in use.

7.3.5 Construction of Main Gate & Gate House

This project is to provide the main entrance to the University. Construction commenced on 30th October 2019 and was expected to end by end of February 2020. The timeline has not been met because of the complexity of the canopy and the spherical features that made it difficult to get specialist sub-contractors. The Contractor has since mobilized a team of specialists and the canopy casing is ongoing.

7.3.6 Overhead Power Distribution Project

This project is practically completed. The contractor has installed the low voltage overhead system and the switch gear and is completing terminations and decommissioning of old meters. Kenya Power has connected into the new system and the standby generator has been commissioned.

7.3.7 Construction of Library

Construction commenced in January 2019. The substructure is complete. Progress on the super structure has advanced to concreting second floor columns to block B and steel fixing to third floor slab of block A. Due to challenges of procuring steel in bulk and the current Covid 19 mitigation measures that restricts mobilization of workers in big numbers, the project is now three months behind schedule.

7.3.8 Construction of Fish Ponds.

The project commenced on 2nd April 2020 and was planned to end on 30th June 2020. However, the prevailing Covid-19 mitigation measures has slowed down progress and, consequently, the Contractor has requested extension of contract period.

The project involves construction of 15No. Lined fish ponds and 1 No. water reservoir. Earth works for all the ponds are complete. Construction of the reservoir is ongoing.

MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.3.9 Technical Training Institute Projects

Rongo University is mentoring three Technical Training Institutes established by the Ministry of Education, funded by State Department of Vocational and Technical Training. Construction works of Twin-Workshops, Classrooms and Office Block are complete for Kendege and Mabera projects. Kakrao Technical Training Institute project has had some challenges and the work resumed after a long stoppage due to delayed payment from Migori County government and initial contractor abandoning the site. The contractor was finally terminated because of breach of contract. The University has executed partial completion of the pending works to enable the delivery of equipment using Ksh.5million that had been retained in the project account at the time of termination. The ground floor is completed and is in a position to securely hold training equipment even as the other aspect of completion is being awaited.

7.5 Compliance with Statutory Requirements

The University complied with other statutory deductions except Pension at Ksh 124 Million. The University has put in place arrangements to clear the outstanding amounts in the new financial year when learning resumes.

7.6. Major potential risks that the University may face

- a) Insufficient funding due to inadequate allocation and low revenue collection.
- b) Inadequate infrastructure to support increasing number of students.
- c) Inability to recruit and retain competent teaching staff due to low funding.
- d) Non-compliance with legal and regulatory obligations
- e) Weak internal controls that may lead to corruption, fraud, theft and other unethical practices.
- f) Failure to establish effective continuity arrangements in the event of a disaster
- g) Failure of information technology systems including ERP, server, networks, etc.
- h) Competition from Universities that offer similar programs, hence affecting attraction of students.
- i) New government regulations that affect the intake of privately sponsored students
- j) Political risks
- k) Economic risks such as inflation

7.8. Material arrears in Statutory & Financial Obligations

The University had material arrears in statutory & financial obligations as follows:

- a. Payroll deductions
- b. Part time payments
- c. Sundry creditors

MANAGEMENT DISCUSSION AND ANALYSIS CONT.

Most of the arrears in part time and payroll deductions are as a result of brought forward balances from previous financial years, with the highest being unremitted pension deductions. The issue of pension is historical. The university has been using internally generated funds to clear the pending deductions on pension. However, the closure of the university due to COVID 19 pandemic has caused a setback in revenue collection, and hence the pending bills.

8. CORPORATE SOCIAL RESPONSIBILITY

Rongo University Corporate Social Responsibility (CSR) programs reflect the University commitment to operate responsibly within the environment and social set-up. The programs support the University strategic vision and reassure the public that its activities are carried out ethically, sustainably and for the public good. The University's aim is to make a significant contribution to the communities and society through research, education and a wide range of activities undertaken by staff, students and alumni. Some of the activities undertaken are as follows:

8.1 Health Care

The University conducted 6 reproductive health outreaches in Rongo Town where we reached 198 women of reproductive age. Services offered include health education on reproductive health and HIV; family planning; cervical cancer screening and HIV counseling and testing. We also conducted one HIV & AIDs sensitization activity to BODA BODA motorists at Kanga Centre on the 29th November 2019. 65 motorists were reached. Services offered include: Health messages on HIV transmission and prevention; distribution of condoms and VCT services.

In the fight against the Covid-19 pandemic, the University has been conducting temperature screening of the community and staff accessing the University. 5,000 masks have also been donated to the Migori County Government (See Figure 8.1). Further, through the Textile Unit, affordable masks are being produced and sold to the community.

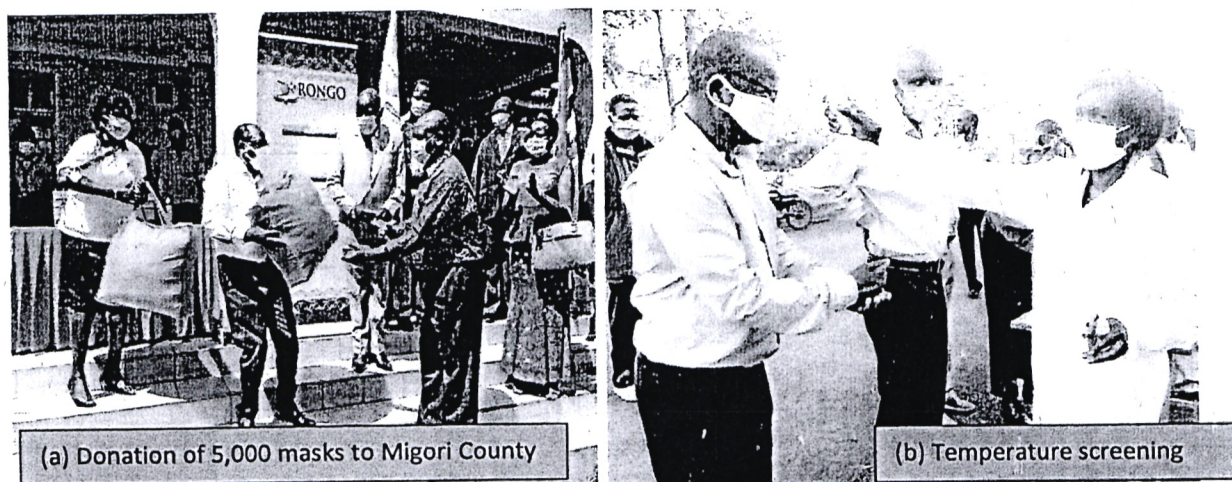


FIGURE 8. 1 (A) AND (B): RONGO UNIVERSITY DONATING 5,000 MASKS TO MIGORI COUNTY AND (B) TEMPERATURE SCREENING OF THE COMMUNITY

8.2 Environmental Sustainability

In pursuit of its commitment to environmental sustainability, the University in 2019/2020 undertook a number of environmental conservation activities. The University partnered with Kenya Commercial Bank, Rongo Branch and the local administration to plant over 500 trees within the University. See Figure 8.2.



FIGURE 8. 2: TREE PLANTING EXERCISE

8.3 Donation of Books

Rongo University has partnered with African Library Project and Kibabii University to establish small sustainable school and community libraries in Migori, Homabay and Bungoma counties. So far, over 164,000 books have been distributed to schools/community and university libraries. See Figure 8.3.

A one day seminar for teacher Librarians from thirty one (31) schools was held and given library management manuals to assist them to manage their school libraries. The main objective of the training was to build capacity and inspire literacy champions in our schools. The university is committed to continue changing lives one book at a time with the mantra, "*A reading nation is a peaceful nation*".



FIGURE 8. 3 (A) AND (B): RONGO UNIVERSITY DONATED BOOKS TO PRIMARY SCHOOLS (A) AND 31 TEACHER LIBRARIANS TRAINED (B)



FIGURE 8. 4 TRAINING OF RONGO SUB COUNTY CHIEFS ON COMPUTER LITERACY

The University in delivering community service, trained Rongo Sub County Chiefs on the use of Computers.

9. REPORT OF COUNCIL

Council submits their report together with the audited financial statements for the year ended June 30th June, 2020 which show the state of Rongo University affairs.

Principal activity

The principal activity of Rongo University continues to be the provision of higher education.

Results

The results of the entity for the year ended 30th June, 2020 are set out on pages 30 to 74

Directors

The members of the University Council, who held office during the year end to 30th June, 2020 were:

- | | |
|----------------------------------|--|
| a) Dr. Rachael Masake | - Chair |
| b) Ms. Catherine Nkirote Mpathia | - Member |
| c) Dr. George Onyango Ochiri | - Member |
| d) Mr. William Bill Omoding | - Member |
| e) Mr. David Lusoka Mshila | - Member |
| f) Mr. Kenneth Kipsang Kiprono | - Member |
| g) Mr. Ezra Magati | - Rep PS. MoEST(Left on 20 th February 2020) |
| h) Mr. Evans Atambo | - Rep.PS. MoEST(Appointed on 20 th February 2020) |
| i) Mr. Shem Nyakutu | - Rep PS. National Treasury(Left on 30 th Sept 2019) |
| j) Ms. Dorcas Wasike | -Rep.PS. National Treasury(Appointed on 30 th Sept 2019) |
| k) Prof. Samuel Gudu | -Vice-Chancellor/Secretary |

Auditors

The Auditor general is responsible for the statutory audit of Rongo University in accordance with the provisions of Article 229 of the Constitution and Public Audit Act, 2015.

By order of the University Council.

10. STATEMENT OF COUNCILS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 47 of the Universities Act, 2012 require Council to prepare financial statements in respect of Rongo 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 year ended 30th June, 2020. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the Rongo University.

The Council is responsible for the preparation and presentation of the Rongo University's financial statements, which give a true and fair view of the state of affairs of Rongo University for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Rongo University; (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 Rongo University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

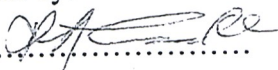
The Council accepts responsibility for Rongo University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Universities Act, 2012. The Council are of the opinion that Rongo University's financial statements give a true and fair view of the state of Rongo University's transactions during the financial year ended June 30, 2019, and of the Rongo University's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for Rongo University, which have been relied upon in the preparation of Rongo 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 to indicate that the Rongo 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 Rongo University financial statements were approved by Council on 25th September, 2020.

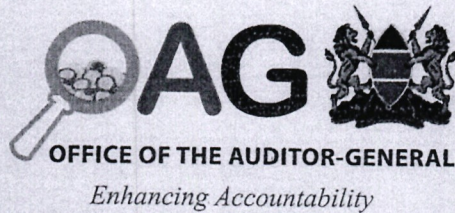
Signed on its behalf by:

Chair of Council.....

Vice-Chancellor.....

REPUBLIC OF KENYA

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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Rongo University set out on pages 43 to 74, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Rongo University as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the University Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Undisclosed Material Uncertainty in Relation to Sustainability of Service

The statement of financial performance reflects a deficit of Kshs.76,349,784 during the year and accumulated surplus of Kshs.184,420,092 as at 30 June, 2020. In addition, the University's current liabilities totalling to Kshs.306,228,030 exceeds its current assets totalling to Kshs.179,320,444 resulting to a negative working capital amounting to Kshs.126,907,586. These conditions indicate the existence of a material uncertainty, which may cast significant doubt on the University's ability to continue to sustain services.

However, this material uncertainty in relation to sustainability of service and any mitigating measures put in place by the Management to reverse the undesirable precarious financial position have not been disclosed in the financial statements.

Under the circumstances, the financial statements have been prepared on the assumption that the University will continue to receive financial support from the Government and its creditors.

2. Unsupported Council Expenses

As disclosed in Note 9 to the financial statements, the statement of financial performance reflects council expenses totalling to Kshs.10,867,066. The balance includes transport allowances, taxi allowances and air travel costs amount of Kshs.429,000 paid to Council Members. However, the expenditures were not supported by taxi receipts and air tickets.

Consequently, accuracy, completeness and validity of council expenses totalling to Kshs.429,000 for the year ended 30 June, 2020 could not be confirmed.

3. Payables from Exchange Transactions- Payroll Creditors

As disclosed in Note 19 to the financial statements, the statement of financial position reflects trade and other payables totalling to Kshs.271,234,494. The balance includes payroll creditors amounting to Kshs.143,791,501. These deductions had not been remitted to the relevant bodies. The balance also includes other statutory deductions as follows: Pension Fund - Kshs.124,578,903 and Provident Fund- Kshs.799,212 all totalling to Kshs.125,378,115 which have been outstanding for a long time. Non-remittance of the statutory deductions is a breach of the law and attract heavy penalties and interests for non-compliance which have not been provided in these financial statements.

Consequently, the accuracy, completeness and validity of trade and other payables balance totalling to Kshs.271,234,494 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rongo University Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere

to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-compliance with the Public Sector Accounting Standards Board Requirements

The statement of net assets indicates the header "as at" 30 June, 2020 instead of year ended 30 June, 2020, the statement of financial performance in Note 25 reflects gain on disposal of motor vehicles amount of Kshs.506,500 which differs to the respective Note 25 which reflects litigations, the statement of financial position reflects cash & equivalent instead of cash and cash equivalents. This is contrary to Public Sector Accounting Standards Board (PSASB) reporting template issued for the year ended 30 June, 2020.

In the circumstances, the presentation of the financial statements for the year under review is not in accordance with the prescribed PSASB format.

2. Non-payment of Part Time Lecturers

As disclosed in Note 19 to the financial statements, the statement of financial position reflects payables from exchange transactions totalling to Kshs.271,234,494. The balance includes an amount of Kshs.60,812,755 owed to part time lecturers out of which an amount of Kshs.10,852,360 has been outstanding since 2013. This is contrary to Employment Act, 2007 (17) which requires that an employer pays the entire amount of the wages earned by or payable to an employee in respect of work done by the employee.

Consequently, the Management is in breach of the law.

3. Non-compliance with the Law on Academic Expenses

As disclosed Note 10 to the financial statements, the statement of financial performance reflects academic expenses totalling to Kshs.64,042,389. The balance includes graduation expenses cash purchases amounting to Kshs.2,128,743. This is contrary to section 106(2)(b) of Public Procurement and Asset Disposal Act, 2015 which states that the Accounting Officer of a procuring entity to ensure that request to quotation is given to

as many persons as necessary to ensure effective competition and shall be given to at least three persons, unless that is not possible.

Consequently, the Management is in breach of the law.

4. Non-Compliance with Law on Ethnic Composition

The University's staff database as at 30 June, 2020 had five hundred and forty-two (542) out of which three hundred and seventy-nine (379) translating or 70% were from the dominant ethnic community in the County. This was contrary to provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires that, in selecting candidates for appointment, there is need to ensure that at least thirty percent (30%) of the vacant positions are filled by candidates who are not from the dominant ethnic community.

Consequently, Management is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the University Council

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

In preparing the financial statements, Management is responsible for assessing the University's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the University or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The University Council is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the University monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of

the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 February, 2022



**12. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020**

REVENUE FROM	NOTES	2020 Kshs	2019 Kshs
Non-Exchange Transactions	3	623,990,117	538,018,688
Exchange Transactions	4	329,047,820	410,395,906
Total revenue		953,037,937	948,414,594
EXPENSES			
Employee Costs	5	730,404,084	653,018,521
Depreciation & Amortization cost	6	110,936,675	104,075,508
Repairs & Maintenance	7	13,344,869	7,815,476
General Expenses	8	101,951,488	104,474,978
Council Expenses	9	10,867,066	15,485,833
Academic Expenses	10	64,042,389	79,127,181
Total Expenses		1,031,546,571	963,997,497
Gross Surplus/(Deficit)		(78,508,634)	(15,582,903)
Other gains/ (Losses)			
Gain on Revaluation of Biological Assets	14	5,000	45,000
Provision for Doubtful Debts	20	2,343,350	4,367,639
Provision for Audit fees	20	696,000	696,000
Gain on Disposal of motor vehicles	25	506,500	-
Net Surplus/(Deficit)		(76,349,784)	(20,691,542)

The notes set out on pages 48-76 form an integral part of these Financial Statements

**13. STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2020**

ASSETS	NOTES	2020 Ksh	2019 Ksh
Current Assets			
Cash & Equivalent	11	3,714,312	41,448,065
Receivables from Exchange Transactions	12	83,989,565	101,598,106
Receivables from Non-Exchange Transactions	13	83,360,248	166,661,941
Biological Assets	14	776,000	1,146,000
Inventories	15	7,480,319	8,252,996
Total Current Assets		179,320,444	319,107,108
Non-Current Assets			
Intangible Assets	16	6,881,200	5,280,340
Property, Plant & Equipment	17	2,055,826,948	1,738,975,929
Total Non-Current Assets		2,062,708,149	1,744,256,270
Total assets		2,242,028,593	2,063,363,377
LIABILITIES			
Current Liabilities			
Payables from Exchange Transactions	19	271,234,494	333,004,482
Provisions	20	3,039,350	696,000
Student Advances	21	31,954,186	33,106,589
Total Current Liabilities		306,228,030	366,807,071
Non- Current Liabilities			
Retention Fees	22	29,473,856	33,099,888
Total Non- Current Liabilities		29,473,853	33,099,888
NET ASSETS			
Capital Investment Fund		1,304,997,082	985,777,009
Revaluation Reserve		416,909,534	416,909,534
Accumulated Surplus		184,420,092	260,769,876
Total Net Assets		1,906,326,709	1,663,456,418
Total Net Assets & Liabilities		2,242,028,593	2,063,363,378

The Financial Statements set out on pages 43-47 were signed on behalf of Council by:

Vice Chancellor

Head of Finance

Chairperson of Council

Name: Prof. Samuel Gudu

Name: Cpk Janet Chuma

Name: Rachael Masalce

Sign:



ICPAK Member Number: 10479

Sign: JAC

Date: 30/09/2020

Sign: [Signature] Date: 30-09-2020

Date: 30-09-2020

**14. STATEMENT OF CHANGES IN NET ASSETS
AS AT 30TH JUNE 2020**

	Capital Investment Fund Kshs	Accumulated Surplus Kshs	Revaluation Reserve Kshs	Total Kshs
Balance at 30th June 2018	768,831,601	178,705,994	519,664,957	1,467,202,552
Development Income Govt Grants	317,731,778	-	-	317,731,778
Development Income TTIS	(100,786,370)	-	-	(100,786,370)
Deficit for the year	-	(20,691,542)	-	(20,692,192)
Excess Depreciation on Revaluation	-	102,755,423	(102,755,423)	-
Balance at 30th June 2019	985,777,009	260,769,876	416,909,534	1,663,455,768
Development Income Govt Grants	319,220,073	-	-	319,220,073
Development Income TTIS	-	-	-	-
Deficit for the year	-	(76,349,784)	-	(76,349,784)
Balance at 30th June 2020	1,304,997,082	184,420,092	416,909,534	1,906,326,057

**15. STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2020**

Cash Generated From Operations	NOTES	2020	2019
		Ksh	Ksh
Receipts			
Revenue from Non-Exchange Transactions		601,512,727	477,135,830
Revenue from Exchange Transactions		251,119,840	343,244,046
Total Revenue		<u>852,632,567</u>	<u>820,379,876</u>
Payments			
Employee Costs		586,612,582	581,761,794
Repairs & Maintenance		16,344,869	7,815,476
General Expenses		89,832,911	104,474,978
Council Expenses		10,575,225	15,485,833
Academic Expenses		81,839,151	79,127,181
Total Payment		<u>785,204,739</u>	<u>788,665,261</u>
Net Cash flow From Operating Activities	24	67,427,828	31,714,615
Cash flow from Investing Activities			
Purchase of Intangible asset		(4,227,010)	-
Purchase of Non-Current asset		(20,466,101)	(14,770,140)
Development Expense		(387,060,619)	(327,780,510)
Devp Expense- TTI		(4,914,746)	(3,653,013)
Retention Fees Paid		(8,618,378)	(9,651,783)
Net cash flow From Investing Activities		<u>(425,286,853)</u>	<u>(355,855,446)</u>
Cash flow from Financing Activities			
Development Grant		319,220,073	317,731,778
Development Grant - TTI		-	-
Disposal Income		906,500	-
Net cash flow from Financing Activities		<u>320,126,573</u>	<u>317,731,778</u>
Net increase/(decrease) in cash in hand and bank		(37,733,103)	(6,409,704)
Cash and Bank Balance B/f	11	41,448,065	47,857,119
Cash and Bank Balance C/f	11	<u>3,714,312</u>	<u>41,448,065</u>

16. STATEMENT OF BUDGET AND ACTUAL COMPARISON FOR THE YEAR ENDED 30TH JUNE 2020

	Original Budget Ksh	Adjustments Ksh	Final Budget Ksh	Actual Expense Ksh	Performance Difference Ksh	% variance
Income	1,273,742,194	63,360,248	1,337,102,442	1,272,258,010	(64,844,432)	-5
Expenses						
Employee Costs	611,640,590	110,063,995	721,704,585	730,404,084	(8,699,499)	-1
General Expenses	218,794,820	(54,785,017)	164,009,803	101,951,488	62,058,315	37
Council Expenses	16,000,000	(2,000,000)	14,000,000	10,867,066	3,132,934	22
Academic Costs	70,617,000	(8,461,239)	62,155,761	64,042,389	(1,886,628)	-3
Repairs and Maintenance	9,969,711	3,560,289	13,530,000	13,344,869	185,131	1
Devp Expense	346,720,073	14,982,220	361,702,293	389,718,154	(28,015,861)	-8
Total	1,273,742,194	63,360,248	1,337,102,442	1,310,328,050	26,774,392	

BUDGET EXPLANATORY NOTES

- 1) Explanation of differences between budget and actual amounts (10% over/under)
 - a) **General Expenses:** This expense vote was affected by COVID 19 pandemic, hence most of the planned activities were not undertaken.
 - b) **Council expenses:** The under expenditure was as result of virtual meetings as opposed to face to face meetings.
- 2) The changes between original and final budget is as a result of government supplementary budget and CBA arrears recognized in June 2020.
- 3) Reconciliation of difference between financial performance and budget comparison figure is as below:

Balance as per financial performance	1,031,546,571
Less: Depreciation Expense	(110,936,675)
Add: Development Expense	389,718,154
balance as per budget comparison	<u>1,310,328,050</u>

17. NOTES TO THE FINANCIAL STATEMENTS

17.1 GENERAL INFORMATION

Rongo University is established by Rongo University Charter of 7th October 2016 and derives its authority and accountability from the Universities Act 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide high quality education through teaching, research, community service and nurture innovative graduates

17.2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 17.5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Rongo University.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

17.3 ADOPTION OF NEW AND REVISED STANDARDS

- i. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

(The University is still assessing the impact of adoption of the standard.)

IPSAS 42: Social Benefits **Applicable: 1st January 2022**

The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:

- a) The nature of such social benefits provided by the entity;
- b) The key features of the operation of those social benefit schemes; and
- c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

(The University is still assessing the impact of adoption of the standard.)

ii. Early adoption of standards

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

17.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Capitation

Non-exchange revenues are recognized on accrual basis when it is probable that the future economic benefits or service potential associated with the asset will flow to the University

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and

realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Tuition fees

Revenue from tuition fees are accounted for over the period in which they relate and a fee paid in advance is carried forward under trade and other payables.

Donations

Donations received are recognized as and when they are received and utilized. Unutilized donations are treated as payable since they are tied to a specific purpose.

Capital donations are recognized over the useful life of the asset they relate to and the portion not due is accounted for under non-current liability.

Research grants

Research grants are recognized when received.

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.

Rental income

Rental income arising from operating leases on rented properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly in April, 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the University upon receiving the respective approvals in order to conclude the final budget.

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

c) Leases

A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership of an asset are passed to the lessee. All other leases are classified as operating leases. The University shall charge all the payments on operating leases to the surplus or deficit on a straight line basis over the period of the lease.

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 30-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 initially stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the items and bringing it into usable condition. Subsequently, land and buildings are shown at fair value based on periodic valuations by external independent valuer, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalue amount of the asset.

Subsequent cost are included in the assets carrying amount or recognized as a separate asset as appropriate only when it's probable that the future economic benefits associated with the item will flow to the university and the cost of the item can be measured reliably.

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. The carrying amount of the replaced part is derecognized. 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. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increase in the carrying amount arising on revaluation of land and buildings are credited to comprehensive income and shown as revaluation reserve in the statement of net assets.

Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve; all other decreases are charged to the income statement.

Each year, the difference between depreciation based on the revalued carrying amount of the asset (Depreciation charged to the income statement), and depreciation based on the assets original cost is transferred from the revaluation reserve to accumulated surplus.

Fixed assets have been depreciated on straight line method to write off the costs of the assets over their useful lives at the following rates:

Land	NIL
Building	2.5%
Tractor	37.5%
Motor Vehicle	25%
Computer	30%
Plant and machinery	12.5%
Furniture and Fittings	12.5%
Library books	20%

The assets residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

f) 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 cost of intangible assets acquired in an-exchange transaction is their fair value at the date of the exchange .The useful life of the intangible assets is assessed as either finite or indefinite. Such Intangible assets shall be amortized over their useful life on a reducing balance. Subsequent expenditures on intangible assets shall be recognized as an expense for the period that it is incurred.

f) Research and development costs

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

- The technical feasibility of completing the project 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 project

- 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 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 as appropriate. The University determines the classification of its financial assets at initial recognition.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset 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 are experiencing significant financial difficulty
- Default
- The probability that debtors will be unable to pay
- Observable data indicates a measurable decrease in estimated future cash flows

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 as permitted by the standards.

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.

After initial recognition, inventory is measured at the lower of cost and net realizable value. 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.

Cost is determined by the first-in, first-out (FIFO) method. Net realizable value represents the cost the entity would incur to acquire the asset on the reporting date.

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value represents the cost the entity would incur to acquire the asset on the reporting date. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity

j) Provisions

i. Provision for bad debt

Provisions for bad debts shall be recognized when RU has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Bad debts should only be written off on the authority of the Council. Other bad debts below this amount will only be written off by the RUMB after steps have been taken to recover the debt and RUMB is satisfied that

1. All legal and other measures have been exhausted , but there is still a balance of the debt remaining and;
2. Recovery of the debt would be uneconomical on its part.

ii. Provision for doubtful debt

Management shall review provisions at each reporting date to establish and adjust where necessary changes to reflect the current best estimate. The provision is an estimate of a possible liability that may arise rather than that of a certain nature.

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.

k) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. The University maintains:

- i) Capital Investment Fund: Relates to items of property, plant and equipment developed from capital grants received from national government, other development partners and transfers from revenue reserves on purchase of additional assets.
- ii) Accumulated Surplus: This relates to surplus/deficit accrued by the University over time.
- iii) Revaluation Reserve: This relates to items of property plant and Equipment revalued as per Rongo University finance Policy.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The University provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the University pays fixed contributions into Moi University Pension Scheme, 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.

The University also contributes to National Social Security Fund (NSSF) a statutory defined contribution scheme registered under the NSSF Act 2013.

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when

construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

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

q) 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 the University's various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprest to authorized staff which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

s) Part Time expenses recognition

All part time claims will be accrued in the year they were incurred. All part time claims that were omitted in the previous years will be recognized in the year the claims are submitted.

t) Biological assets are initially measured at cost and subsequently measured at fair market values. Additions that are born are measured at fair market value estimates.

17.5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the University 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.

a) 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 Entity 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.

b) 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 University

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

c) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

3 Revenue from Non-Exchange Transaction	KSH	KSH
	2020	2019
Recurrent Received	540,629,869	477,135,830
Recurrent Accrued	83,360,248	60,882,858
Total Revenue from Non Exchange Transaction	623,990,117	538,018,688

Revenue from Non-exchange transactions refers to Recurrent Capitation from the Central Government. In the year under review, the University Received Ksh 623,990,117. Included in this amount is Ksh 83,360,248 received as recurrent capitation for payment of salary arrears, originating from the 2017-2021 CBA negotiations, for the period 2017-2020. This accrued amount was received in July 2020.

4 Revenue from Exchange Transaction	KSH	KSH
	2020	2019
Fees & Related Charges Received	227,378,545	297,392,030
Fees & Related Charges Accrued	77,021,480	62,759,811
Tender Incomes	45,900	3,000
Cafeteria Charges	3,710,759	2,939,026
Research Income	18,020,934	46,797,979
Rental Income	384,221	-
Other Incomes	2,485,981	504,060
Total Revenue from Exchange Transaction	329,047,820	410,395,906

Revenue from Exchange Transactions reduced as a result of interrupted learning and subsequent closure of the University.

5 Employee costs	KSH	KSH
	2020	2019
Basic Salaries & Wages	393,387,438	307,789,277
Pension and Provident	58,283,574	46,736,828
Commuter Allowance	45,822,340	45,473,868
Housing Allowance	146,719,121	139,371,442
Other Allowances	41,205,711	37,975,805
Locum	2,160,000	2,454,000
Part-time Lecturers	42,825,900	73,217,300
Employee costs	730,404,084	653,018,521

Employee cost increased as a result of salary arrears.

6 Depreciation and amortization expense	KSH	KSH
	2020	2019
Property, plant and equipment	109,216,374	102,755,423
Intangible assets	1,720,300	1,320,085
Total depreciation and amortization	110,936,675	104,075,508

Depreciation increase was occasioned by depreciation of new assets that were purchased during the year.

7 Repairs and maintenance	KSH 2020	KSH 2019
Water & Sewer	288,700	638,240
Plant & Equipment	647,000	257,180
Computers	108,605	1,145,231
Catering & Hostels	1,512,275	1,530,241
Buildings	269,410	773,480
Motor Vehicle	2,892,069	2,520,414
Minor Works	3,720,932	950,690
Computer Expenses	3,782,778	-
Grounds & Parks	123,100	-
Total repairs and maintenance	13,344,869	7,815,476

The increase in this vote is a result of expenses incurred in preparation for re-opening.

8 General expenses	KSH 2020	KSH 2019
Advertising & Publicity	1,578,306	1,513,190
Travel & Accommodation	7,950,005	12,025,551
External Travel	269,461	873,645
Internet Communication	8,440,138	7,168,491
Open & Cultural Expense	610,000	-
Audit Expenses	-	696,000
Library Books and Journals	369,782	713,120
Bank Charges	1,235,882	1,037,810
Committee Expenses	1,322,885	1,412,946
Computer expenses	-	2,768,919
Medical Expenses	1,790,974	2,064,146
Subscriptions	189,650	648,850
Electricity, Water & Conservancy	7,426,003	7,543,429
Transport Operating Expenses	3,379,013	3,023,584
Cooking Fuel and oil	909,100	1,688,100
Catering Expense	8,355,242	9,106,957
Insurance	31,696,278	25,869,395
Legal expenses	1,820,915	669,253
Strategic Planning Expenses	2,493,035	4,982,935
ICT Infrastructure	2,159,732	483,240
CSR	269,040	82,850
Farm Expenses	566,980	460,600
Performance Contract	664,550	1,756,809
Postal and courier	170,522	407,555
Stationery	2,990,420	4,546,513
Public Celebrations	35,300	50,000
Cleaning Materials	1,621,436	3,085,253
Recruitment Expenses	370,340	259,900
Gender Mainstreaming	-	31,000
Safety & Disability	33,000	58,000

Purchase of Security Equipment	23,190	-
National Values & Cohesion	119,600	88,600
Drug and Alcohol Abuse	-	100,000
Uniform & Clothing	972,000	1,122,370
Telephone & Communication	1,056,000	907,000
Environmental Awareness	156,200	-
Staff welfare	1,462,200	-
Sanitary Expenses	518,324	-
Training	1,756,907	2,397,515
Office Entertainment	1,091,266	1,274,059
IGU	3,261,827	1,520,092
Seminars & Conference Expenses	2,815,986	2,037,950
Total general expenses	101,951,488	104,474,978

For environmental awareness and staff welfare, there was no expenditure in the previous year while sanitary expenses was curved out of cleaning materials vote on Council recommendation.

9 Council Expenses	KSH	KSH
	2020	2019
Sitting Allowance	4,140,000	4,502,094
Subsistence Expenses	3,815,550	6,163,097
Travel & Related Expenses	1,368,400	2,294,670
Other Expenses	1,543,116	2,525,973
Total Council Expense	10,867,066	15,485,833

10 Academic Costs	KSH	KSH
	2020	2019
University Publications	310,200	49,000
Student Activities	2,596,390	2,762,315
Teaching Practice & Attachments	7,118,071	13,955,770
Graduation Expenses	6,578,926	7,937,590
Admissions Expense	4,985,610	4,360,710
Examination Expense	3,729,520	3,885,057
Rental	7,094,896	6,934,416
Purchase of Games Equipment	56,000	226,347
Collaboration & Linkages	1,061,900	1,080,465
RUSA	2,737,300	1,688,275
Teaching Materials	5,158,631	3,749,168
Inter-university Games	3,930,560	3,706,105
Curriculum Development	1,219,580	491,076
National Shows & Exhibitions	818,920	1,540,711
Research Expenses	14,295,550	25,811,251
KUCCPS & CUE	2,280,000	580,245
Work Study	70,335	368,680
Total Academic Costs	64,042,389	79,127,181

Academic expense reduced as result of closure of the university.

11	Cash and cash equivalents	KSH	KSH
		2020	2019
	KCB PSSP- 1130114511	1,503,293	693,788
	KCB GSSP -1139740229	676,542	39,625,175
	KCB DEVP -1139740091	136,464	82,849
	CO-OP PSSP -01129477027400	927,553	502,874
	EQUITY A/C NO 1430270413535	112	150,593

Mentoring Institution Accounts

MABERA TTI KCB -1177876752	96,175	16,864
KAKRAO TTI KCB -1159020558	63,958	68,998
KENDEGE TTI CO-OP -01120477027400	302,192	306,512
Cash on Hand	8,023	412
Cash and Cash Equivalent	3,714,312	41,448,066

12	Receivables from exchange contracts	KSH	KSH
	Current receivables	2020	2019
	Staff Debtors/ Imprest	6,968,085	3,514,568
	Student Debtors	77,021,480	102,451,177
	Provision for Doubtful Debts	-	(4,367,639)
	Total Net Receivables	83,989,565	101,598,106

Staff debtors refers to Imprest advanced to staff that remained Unsurrendered at the end of the financial year under review. These amounts relate to research which are surrendered within six months. Most of it were taken just around the financial year end for research activities.

	Receivables from Non- Exchange Transactions	KSH	KSH
13		2020	2019
	Capitation Grant- Income	83,360,248	60,882,858
	Capitation Grant Devp	-	105,779,083
	Total Receivables from Non-exchange Transaction	83,360,248	166,661,941

Capitation grant income recognized in the current year refers to income received from central government in the month of July, to cater for salary arrears for July 2013- June 2020.

14	Biological Assets	KSH	KSH
		2020	2019
	Initial Cost	1,146,000	1,095,000

Additions\ (Disposals)	(375,000)	6,000
Valuation gain\ (Loss)	5,000	45,000
Biological Assets	776,000	1,146,000

Biological assets refers to farm animals that have been reared for educational purposes. In the year under review, the University lost 2 animals due to death and disposed 1. These assets are valued at the prevailing market price as at end of the year.

15 Inventories	KSH 2020	KSH 2019
Consumable stores	4,755,169	5,313,964
Medical supplies	339,653	1,145,595
Spare parts and meters	2,034,935	933,083
Catering	350,562	860,354
Total inventories	7,480,319	8,252,996

Inventory refers to items available at the University stores as at 30th June, 2020.

These items are valued at cost.

16 Intangible Assets	KSH 2020 20%	KSH 2019 20%
Opening balance	5,280,340	6,600,426
Additions	3,321,160	-
Total	8,601,500	6,600,426
Amortization	1,720,300	1,320,085
Closing balance	6,881,200	5,280,340

Intangible asset is made up of computer software used for various purposes at the University.

In 2019/20 the University procured a finance Management System which is still under implementation and hence the additions.

Rongo University Report and Financial Statements for the year ended 30th June 2020

17 Properties, Plant & Equipment

Cost	Land		Buildings		Borehole		Motor Vehicles		WIP- RU		WIP-TTI		Computers & Accessories		Plant & Machinery		Furniture & Fittings		Library Books		Total	
	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%
At 30 June 2018	72,400,000	0%	595,125,215	2.50%	1,407,058	2.50%	107,811,380	25%	486,011,521	0%	144,155,315	0%	70,554,573	30%	79,233,646	12.50%	83,055,597	12.50%	56,691,564	30%	1,696,445,869	
Additions	-	-	-	-	-	-	-	-	327,780,510	-	3,882,665	-	4,516,903	-	7,317,564	-	2,245,425	-	690,111	-	346,433,178	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	24,866,767	-	-	-	-	-	(24,866,767)	-	(100,786,370)	-	-	-	-	-	-	-	-	-	(100,786,370)	-
At 30 June 2019	72,400,000	-	619,991,982	-	1,407,058	-	107,811,380	-	788,925,264	-	47,251,610	-	75,071,476	-	86,551,210	-	85,301,022	-	57,381,675	-	1,942,092,677	-
Additions	-	-	-	-	-	-	5,463,000	-	384,803,408	-	4,914,746	-	1,469,495	-	26,221,345	-	3,297,900	-	804,000	-	426,973,894	-
Disposals	-	-	-	-	-	-	(906,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	(906,500)	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2020	72,400,000	-	619,991,982	-	1,407,058	-	112,367,880	-	1,173,728,672	-	52,166,356	-	76,540,971	-	112,772,555	-	88,598,922	-	58,185,675	-	2,368,160,071	-
Depreciation and impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2018	-	-	14,878,130	35.176	35,176	35.176	26,952,845	26.952845	-	-	-	-	21,166,372	21.166372	9,904,206	9.904206	10,381,950	10.381950	17,007,469	17.007469	100,326,148	100.326148
Depreciation	-	-	15,499,800	35.176	35,176	35.176	26,952,845	26.952845	-	-	-	-	22,521,443	22.521443	9,904,206	9.904206	10,662,628	10.662628	17,214,502	17.214502	102,755,423	102.755423
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2019	-	-	30,377,930	70.353	70,353	70.353	53,905,690	53.905690	-	-	-	-	43,687,815	43.687815	19,808,412	19.808412	21,044,578	21.044578	34,221,971	34.221971	203,116,748	203.116748
Depreciation	-	-	15,499,800	35.176	35,176	35.176	28,091,970	28.091970	-	-	-	-	22,962,291	22.962291	14,096,569	14.096569	11,074,865	11.074865	17,455,702	17.455702	109,216,374	109.216374
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2020	-	-	45,877,729	105.529	105,529	105.529	81,997,660	81.997660	-	-	-	-	66,650,106	66.650106	33,904,981	33.904981	32,119,443	32.119443	51,677,674	51.677674	312,333,122	312.333122
Net book values	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2020	72,400,000	-	574,114,253	-	1,301,529	-	30,370,220	-	1,173,728,672	-	52,166,356	-	9,890,865	-	78,867,574	-	56,479,479	-	6,508,001	-	2,055,826,948	-
At 30 June 2019	72,400,000	-	589,614,052	-	1,336,705	-	53,905,690	-	788,925,264	-	47,251,610	-	31,383,661	-	66,742,799	-	64,256,444	-	23,159,703	-	1,738,975,929	-

18 Work - in- Progress	KSH 2020	KSH 2019
Tuition Block Phase 1	63,282,387	63,282,387
Tuition Block Phase 2	305,427,395	282,707,180
Water Treatment Plant	100,380,611	99,344,454
Hostel	18,311,762	18,311,762
Gate & Gate House	19,733,425	-
Overhead power distribution	12,972,917	-
Fishpond	2,368,589	-
Ramps	11,236,726	8,475,000
Kitchen & Cold room	23,364,865	21,908,865
Library	611,729,771	288,519,393
Kakrao TTI	44,981,695	53,627,833
Kendege TTI	-	-
Mabera TTI	-	-
Balance C/F	1,213,790,144	836,176,874

19 Payables From exchange Transactions	KSH 2020	KSH 2019
Payroll Creditors	143,791,501	135,163,786
Part time Creditors	60,812,755	116,708,967
Sundry Creditors	58,766,238	74,829,729
Caution Money	7,864,000	6,302,000
Total trade and other payables	271,234,494	333,004,482

20 Provision	KSH 2020	KSH 2019
Audit Fees	696,000	696,000
Doubtful Debts	2,343,350	-
Total	3,039,350	696,000

Provision for audit fee relates to 2018/2019 audit whose invoice was not received.
 Provision for doubtful debt was estimated from student debtors that have been outstanding for over 5 years and there is no reasonable assurance that they will be recovered within the next 12 months.

21	Payments received in advance	KSH	KSH
		2020	2019
	School of Education	15,781,104	15,595,247
	School of Science	2,919,798	3,650,330
	School of Agriculture	1,746,700	1,727,218
	School of Business	4,499,584	4,696,097
	School of Inforcoms	3,690,138	3,873,784
	School of Arts	3,316,863	3,563,913
	Total	31,954,186	33,106,589
22	Retention Fees	KSH	KSH
		2020	2019
	Tuition Block	14,703,524	14,703,524
	Water Treatment Plant	4,931,989	4,931,989
	Hostel	1,831,177	1,831,177
	Kitchen & Cold room	-	2,126,886
	Gate & Gate House	3,069,690	
	Overhead power distribution	763,923	
	Fishpond	166,859	
	Ramps	-	810,499
	Kakrao TTI	4,006,694	4,006,694
	Kendege TTI	-	1,977,424
	Mabera TTI	-	2,711,695
	Total	29,473,856	33,099,888

23 Transfers from Ministries, Depts. and Agencies

Name of Entity sending grant	Amount Recognized in Statement of Comprehensive Income	Amount recognized in Capital Fund	Total income during the year	2019/2020
	Ksh	Ksh	Ksh	Ksh
State Dept. Of Uni Education & Research	623,990,117	319,220,073	943,210,190	943,210,190
Total	623,990,117	319,220,073	943,210,190	943,210,190

24 Cash generated from operations	KSH	KSH
	2020	2019
Surplus/Deficit for the year before tax	(76,349,784)	(20,692,192)
Adjusted for:		
Depreciation	110,936,675	104,075,508
Contribution to provisions	(3,039,350)	(5,063,639)
Working capital adjustments:		
(Increase) Decrease in inventory	772,677	3,380,258
(Increase)Decrease in receivables	103,253,578	(188,138,716)
Increase(decrease) in payables	(62,922,391)	158,379,315
Increase(decrease) in retention fee	(5,223,582)	(20,225,921)
Net cash flows from operating activities	67,427,823	31,714,615

25 Litigations

The following two land matters are under litigation:

- a) Kamagambo/Kanyajuok/1753
Access Road Dispute between Rongo University and the immediate community

- b) Kamagambo/Kanyajuok/1004
Completion of the pending suit on land Parcel

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. 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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The University's financial risk management objectives and policies are detailed below:

26.1 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.

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 Council. The amounts presented in the statement of financial position are net of allowances for doubtful debts as estimated by the 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	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Receivables from exchange transactions	81,646,215	81,646,215	-	-
Receivables from non-exchange transactions	83,360,248	83,360,248	-	-
Total	165,006,463	165,006,463	-	-
At 30 June 2019				
Receivables from exchange transactions	101,598,106	101,598,106	-	-
Receivables from non-exchange transactions	166,661,941	166,661,941	-	-
Total	268,260,047	268,260,047	-	-

26.2 Credit risk (Continued)

The students under the fully performing category are paying their debts as they continue learning. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the University has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from students.

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

26.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council, who has 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 entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the University under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	over 5 months	Total
	Ksh	Ksh	Ksh	Ksh
At 30th June, 2020				
Trade Payables	66,540,399	71,912,756	132,691,501	271,144,655
Provisions	-	-	3,039,350	3,039,350
Total	66,540,399	71,912,756	129,652,151	268,105,305
At 30th June, 2019				
Trade Payables	52,084,261	67,611,863	213,308,358	333,004,482
Provisions	-	-	5,063,639	5,063,639
Total	52,084,261	67,611,863	208,244,719	327,940,843

26.4 Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the University's income. The objective of market risk management is to manage and control market risk exposures within

Financial Risk Management (Continued)

acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The University analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. Using the end of the year figures, the sensitivity analysis indicates no impact on the statement of financial performance; this is due to the fact that at the end of the financial year there were no investment that would be affected by interest rate fluctuations.

26.5 Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	416,909,534	416,909,534
Accumulated Surplus	187,048,972	260,769,876
Capital Investment Fund	1,304,997,082	985,777,009
Total funds	1,908,955,587	1,663,456,418
Total borrowings	-	-
Less: cash and bank balances	3,714,312	41,453,799
Net debt/(excess cash and cash equivalents)	3,714,312	41,453,799
Gearing	0.15	0.19

27. Related Party Balances

27.1 Nature of related party relationships

University's related parties are those 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) Key management
- iv) Council

	2020 Ksh	2019 Ksh
Transactions with related parties		
a. Grants from the Govt		
Grants from the Govt	943,210,189	855,750,466
b. Key Mgt Compensation		
Compensation to the CEO	21,268,867	21,342,091
Compensation to Key Mgt	32,045,951	31,431,503
Total	<u>53,314,818</u>	<u>52,773,594</u>

28. Events after the reporting period

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

29. Ultimate and Holding Entity

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

30. Currency

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

31. Revaluation of Assets

Rongo University has a revaluation policy of every 3 years. The last valuation of fixed assets was done in June, 2017 by:

Syagga and Associate Limited Research and Development Consultants

P. O. Box 26060-00504

NAIROBI

Appendix I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The audit report for 2018/2019 is yet to be received.

Appendix II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects: There were no new projects implemented by Rongo University, funded by development partners.

Appendix III: Status of Project Completion

	Project	Total Project Cost	Total Expended to date	Completion % to Date	Budget 2020/21	Sources of funds
1	University Projects:					
2	Tuition Block	378,584,087	318,511,344	84	22,513,000	GoK
3	Water Treatment Plant	108,790,054	103,618,799	95		GoK
4	Extension of Admin Block & Ramps	19,055,564	19,055,560	100		GoK
5	Kitchen, Cold room & LPG Tank	22,694,825	22,694,865	100		GoK
7	Library	1,358,342,492	443,168,398	33	102,513,000	GoK
8	Overhead Power Dist.	15,562,128	12,856,920	83		AIA
9	Construction of Main Gate	22,482,220	19,733,425	88		AIA
10	Sub Total	1,925,511,370	939,639,311		125,026,000	
11	Technical Training Institutions:					
12	Kakrao	53,627,833	46,214,053	86		CDF/GOK
13	Sub Total	53,627,833	46,214,053			
14	Grand Total	1,979,139,203	985,853,364		125,026,000	

Appendix III: INTER-ENTITY TRANSFERS

Rongo University				
Breakdown of Transfers from State Department of University Education & Research				
	FY 18/19			
a.	Recurrent Grants	Bank Statement Date	Amount	Relating FY
		9/7/2019	60,882,858	2018/2019
		8/7/2019	45,052,489	2019/2020
		29/08/2019	45,052,489	2019/2020
		27/09/2019	45,052,489	2019/2020
		1/11/2019	45,052,489	2019/2020
		29/11/2019	45,052,489	2019/2020
		29/12/2019	45,052,489	2019/2020
		4/2/2020	45,052,489	2019/2020
		2/3/2020	45,052,489	2019/2020
		2/4/2020	45,052,489	2019/2020
		8/5/2020	45,052,489	2019/2020
		5/6/2020	45,052,489	2019/2020
		26/06/2020	45,052,489	2019/2020
	Sub Total		601,512,726	
b.	Development			
		21/11/2019	118,264,029	2019/2020
		12/3/2020	52,550,919	2019/2020
		13/03/2020	148,405,125	2019/2020
	Sub Total		319,220,073	
	Total		920,732,799	2019/2020

Note:

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

Finance Officer
Rongo University

Head of Accounting Unit
Ministry of Education

Sign  -----

Sign-----