

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

	
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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
RONGO UNIVERSITY

FOR THE YEAR
ENDED 30 JUNE 2018



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RONGO UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2018

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

Rongo University
Reports and Financial Statements
For the year ended June 30, 2018

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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 awarded Charter by the President of Republic of Kenya, His Excellency Uhuru Kenyatta On 7th October 2016.

(b) Principal Activity

The principal activity of Rongo University is to provide high quality education through teaching, research, 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, 2018 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	Mr. John Oluoch
6.	Legal Officer	Mr. Francis Ndar Omollo

(e) Fiduciary Oversight Arrangements

Name of the Committee	Members
Human Resource, Finance & Resource Mobilization Committee (HFRC)	1. Dr. George Ochiri - Chairperson 2. Mr. Ezra Magati - Member 3. Ms. Catherine N. Mputhia -Member 4. Mr. Kenneth K. Kiprono - Member 5. Prof. Samuel Gudu - Secretary
Academic Affairs & Appeals Committee (AAC)	1. Dr. David L Mshila - Chairperson 2. Ms. Catherine .N. Mputhia -Member 3. Dr. George O. Ochiri -Member 4. Mr. Ezra Magati -Member 5. Prof. Samuel Gudu - Secretary
Risk & Audit Committee (RAC)	1. Mr. William Omoding - Chairperson 2. Mr. David L. Mshila -Member 3. Mr. Shem Nyakutu -Member 4. Mr. Geoffrey manduku - Member
Strategy Committee (EC)	1. Mr. Kenneth Kiprono -Chairperson 2. Mr. Shem Nyakutu -Member 3. Mr. William. B. Omoding -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

National Bank of Kenya
P. O. Box 200
Sare - Awendo

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

Cooperative Bank of Kenya
P. O. Box 40560 - 40404
Rongo

Equity Bank
Off Awendo- Migori Road
P.O.Box 84-40405
Sare- Awendo

(i) Independent Auditors

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

(j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

2. COUNCIL MEMBERS

Member	Details
Dr. Joyce Mwikali Mutinda 	Date of Birth: 28th April, 1956 Qualification and Experience Dr. Joyce Mutinda has a PhD degree in Educational Management with over 37 years working experience in various capacities within the public sector Commission for University Education, Ministry of Education, Ministry of Reclamation & Development of Arid, Semi-Arid Areas & Wastelands. Currently she is the Chairperson Rongo University Council.
Dr. George Onyango Ochiri 	Date of Birth: 22nd August, 1975 Qualification and Experience Dr. Ochiri has a PhD degree in Supply Chain Management with over 18 years working experience in different capacities and organizations including; Safaricom, Longhorn Kenya Ltd and Maisha Bora Sacco. Currently a member of Council, Rongo University.
Mr. William Bill Omoding 	Date of Birth: 25th November, 1953 Qualification and Experience Mr. Omoding has a Masters Degree in Development studies with over 35 years working experience in various capacities and in different institutions including; Central Bank of Kenya, Standard Chartered, and Lake Basin Development Authority and Currently a member of Council, Rongo University.

Mr. Shem Nyakutu 	Date of Birth: 1967 Qualification & Experience Mr. Shem Nyakutu has a Master of Science Degree in Finance. He has worked in the Public Service for over 23 years at the Ministry of Lands and The National Treasury in different capacities including, Director of Pensions at the National Treasury . He is the Representative of the CS, National Treasury to the Pwani University College Council and Rongo University Council.
Mr. David Lusoka Mshila 	Date of Birth: 1949 Qualification and Experience Mr. Mshila has a Master of Science Degree in Urban Social & Environmental Programs with over 40 years working experience in urban, regional & rural development in Kenya for the Government of Kenya, German International Cooperation (GIZ) & the community in both rural & urban areas. Currently he is a member of Rongo University Council.
Ms. Catherine Nkirote Mputhia 	Date of Birth: 13th July, 1980 Qualification and Experience Ms. Nkirote has a Masters in Strategic Management and LLB. She is a Lawyer at the High Court of Kenya with over 13 years working experience at Mputhia Advocates and African Investment Bank Capital Ltd. Currently she is a member of Rongo University Council.

Mr. Kenneth Kipsang Kiprono 	Date of Birth: 1964 Qualification and Experience Mr. Kiprono has MBA Degree in Management Information System (MIS) with over 15 years working experience in different capacities and in various institutions including Kenya Commercial Bank, Jacca Consulting TE Ltd and Council Member, Embu University College. Currently he is a member of Rongo University Council.
Mr. Ezra O. Magati 	Date of Birth: 10th October, 1963 Qualification and Experience Mr. Magati has a Masters of Arts Degree in Commerce and Business Administration with over 15 years working experience as a Senior Finance Officer in the former Local Government Ministry & East African Community, Commerce and Tourism, Trade Ministries. Currently works with Ministry of Education in the State Department for University Education. He is the Representative of PS. to the Rongo University Council.
Prof. Samuel Gudu 	Date of Birth: 16th August, 1956 Qualification and Experience Prof. Samuel Gudu holds a PhD Degree in Plant Genetics. He has over 30 years work experience in university education. He has served as Deputy Vice Chancellor, Moi University, and Principal Rongo University College, now Vice Chancellor Rongo University and Secretary to Council.

3. MANAGEMENT TEAM

MEMBER	RESPONSIBILITY
 Prof. Samuel Gudu PhD (Plant Genetics and Biotechnology), MSc (Genetics and Plant Breeding), BSc (Agriculture) Member of Plant Breeders Association of Kenya.	Vice Chancellor Provides innovative and visionary leadership; Creates and sustains highly motivated and participatory management team; Coordinates the implementation of Council strategies; Promotes academic excellence and efficient administrative and governance practices; Maintains public relations, international linkages and image of the university among others.
 Prof. Stanley Shitote PhD (Civil Eng.), MSc (Civil Eng.), BSc (Civil Eng.), Member of the Institution of Engineers of Kenya (MIEK), Registered Engineer (R.Eng), Member of the Kenya Institute of Management (MKIM)	Deputy Vice Chancellor (Administration, Finance and Planning) The office coordinates all financial, administrative and planning functions as well as Development and refurbishment of physical infrastructure and Human Resource of the University.



3. Prof. Augustino Onkware

PhD (Plant Physiology)

MSc (Botany, Plant Physiology and Biochemistry)

BSc (Biology)

Deputy Vice Chancellor (Academic and Students Affairs)

Coordinates all academic and student affairs; Research and Extension functions of the university and is the secretary of senate.



4. CPA Janet Chumba

MBA (Finance),

BBA (Accounting)

CPA (K)

Member of Institute of Chartered Public

Accountants (ICPAK)

Member of Institute of Certified Investment &

Financial Analyst (ICIFA)

Finance Officer

Organizing the accounting and heads finance Department.

Develops and implements adequate accounting systems and controls and manages operation and supervision of finance function in the university.

Maintains accounting standards and ensures Compliance with statutory obligations



5. Mr. John Oluoch

MPhil.(Communication Studies),
PG. Diploma (Public Relations),
B.Ed. (Hons),
MPRSK

Director, Privately Sponsored Students Program

The office Ensures steady growth and sustainability of the Privately Sponsored Student Programme; initiates the development of policies and Strategic Plans for the management of Privately Sponsored Student Programme.

Facilitates admission of students in liaison with Ag. DVC-(ASA) and Deans of Schools.

Provides regular briefs to the Vice Chancellor on Privately Sponsored Student Programme issues.



6.Francis Omollo Ndar

LL.B
Post graduate diploma in Law
Member of Law Society of Kenya (LSK)

Legal Officer

Facilitates the development and implementation of University policies

Attends to all matters that require legal input by the university and ensures compliance with the university legal instruments as well as national laws and Statutes.

4. CHAIRPERSON'S STATEMENT

I wish to take this opportunity to present the Annual Reports and Financial Statements of Rongo University for the financial year ended 30th June, 2018. The report gives a true reflection of the performance of Rongo University over the period, July, 2017 to June, 2018. It also clarifies the successes and challenges encountered by the institution over the same period of time. Below is the overall performance

In the financial year 2017/2018 the University realized an increase in net assets from Ksh 1.5 Billion to Ksh 1.7 Billion and an increase in recurrent income from Ksh 766 Million to Ksh 956 Million respectively. To further increase Recurrent income, the University embarked on developing demand driven programmes, recruitment of quality staff, expansion of infrastructure and enhancing institutional governance.

During the period, the University developed a five year Strategic Plan that will guide the growth and development of the University up to the year 2022. The Council also approved several policies, including Rules and Regulations governing Undergraduate and Post graduate Studies among others.

The University continued to improve its infrastructure to meet the needs of its growing population of staff and students and in this regard, significant attention was focused on the expansion of lecture halls and associated facilities, water treatment plant, improvement of internet connectivity and construction of kitchen and dining facilities, among others. These facilities will be completed in the next financial year.

The Chancellor of Rongo University, Prof. Yusuf Ahmed Elmi presided over the 2nd University Graduation Ceremony where a total of 1,073 graduands were awarded various degrees and diplomas, out of which 5 students graduated with PhD degrees. Despite the significant successes over the period, the University faced several challenges including insufficient funding, inadequate infrastructure and staff. The funding limitation prevented the university from recruiting senior administrative and academic staff.

I remain positive, that going forward, the University will receive adequate government capitation and generate resources by attracting external grants, increasing students enrollment among other endeavors necessary to support efficient service delivery. Further, the University will continue implementing various austerity measures to monitor and rationalize its financial expenditures.

Lastly, I take this opportunity to appreciate the Government, the Chancellor, the University Council, various organs of the University, staff and students for their continued support and cooperation.

Thank you.



Dr. Rachael Masake

CHAIRPERSON OF RONGO UNIVERSITY COUNCIL.

5. REPORT OF THE VICE CHANCELLOR

It is my great pleasure to present the Annual Report and Financial Statements for the year ended 30th June, 2018 whose details are given below.

In the financial year 2017/18, Rongo University started the financial year with a cash balance of Ksh. 3,422,700 and received Ksh 646,334,417 from the Government as recurrent income, and Kshs 68,151,487 as development income. The institution also received Kshs 21,424,525 from State dept of vocational Training for Mabera TTI. The University managed to collect Kshs. 208,407,760 from tuition and other charges, Kshs. 28,722,161 from research grants and Kshs 8,677,162 from small income generating activities. In total therefore, the University had Kshs 985,140,212, 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.

After the award of Charter, the University is currently revising new policies including Rules and Regulations governing Undergraduate and Post graduate programs, Finance Management Policy, Human Resources Manual among other Policies. The University is also considering introducing new demand driven programs, developing new curricular and revising existing programs particularly those that will support the Big Four National Agenda namely, Affordable Housing, Health Care, Food Security and Manufacturing. The University staff also developed several proposals to attract external grants to support the Big Four development agenda. In terms of partnership, the University continues to engage in expanding partnership and collaboration with other institutions to enhance its resources; and to benchmark with the best global practices in its governance

The University conducted its 2nd graduation in December, 2017. The occasion was presided over by the Chancellor of the University, Prof. Mohammed Yusuf Elmi. During the occasion, a total of 1,073 students graduated, out of which 5 students graduated with PhD degrees. The University continues expanding opportunities for staff to enhance their skills and knowledge. During this period, the University celebrated a Cultural week where students from various communities participated, thereby enhancing National Cohesion and Integration. Further, the University donated 64,000 books to primary and secondary schools in Migori and Homa Bay counties as part of its Cooperate Social Responsibilities (CSR). This was a joint effort between Rongo University and two NGOs namely Africa Library Project and Project

Humanity. The University also undertook a number of Environmental Sustainability initiatives which included Pollution Control, Climate Change Mitigation and Adaptation Initiatives and Environmental Ecological Control which included creating awareness on solid waste management, effluent discharge; and noise and air control measures. In addition, the University conducted Environmental Impact Assessments (EIA) for new projects, planted trees and restored degraded sites as part of Environmental Ecological Enhancement.

The University conducted various outreach activities including distribution of improved sorghum and cassava varieties to famers to enhance food security particularly in dry land regions of Western Kenya.

Finally, I express my gratitude to the government of Kenya, the Chancellor, and the University Council, staff and students and all stakeholders for supporting the University.



Prof. Samuel Gudu

VICE CHANCELLOR

6. CORPORATE GOVERNANCE STATEMENT

The Council Charter and Governance Principles

The University has developed the Council Charter which, together with other legal instruments, provides legal framework and guidelines for good governance and management of the University. They define the roles of various University organs including the Chancellor, Senate, Management and various Boards within the University. The Charter and the Statutes are used together with various relevant Acts and regulations including Universities Act, State Corporation's Act, Public Finance Management Act, and Mwongozo Code of Governance for State Corporations, among others to provide useful guidelines for corporate governance in the University.

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 embracing the following principles:

1. Adhering to high standards of ethical and moral behavior.
2. Acting in the best interests of the organization.
3. Acting transparently and show fair administrative actions.
4. Recognizing the legitimate interests of all stakeholders.
5. Ensuring that the University acts as a good corporate citizen.

Composition of the Council

During the 2017/2018 FY (on 1st August, 2017), the then Cabinet Secretary, Ministry of Education, Dr. Fred Matiang'i, appointed a new Council for Rongo University comprising 9 members with various skills and competencies to direct the governance, policies and strategies of the University. These members included:

- 1) The Chairperson of Council.
- 2) 5 individual members
- 3) One representative of the Principal Secretary in-charge of University Education, Ministry of Education (Rep. PS, MoE).
- 4) One representative of the Cabinet Secretary, The National Treasury (CS, TNT).
- 5) The Vice-Chancellor and Secretary to Council.

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 Committee: Academic Affairs & Appeals Committee and Risk & Audit Committee.



Photo: Current Council Members (2017-2020)

Functions of the Council

The University Council has been bestowed with the following roles and functions:

- i. Determine the University mission, vision, purpose and core values;
- ii. Review, evaluate and approve, on a regular basis, long-term plans for the University;
- iii. Review, evaluate and approve the University budget and financial forecasts;
- iv. Review, evaluate and approve major resource allocations and capital investments;
- v. Ensure that the procurement process is cost- effective and delivers value for money;
- vi. Review and approve the operating and financial results of the University;
- vii. Ensure effective, accurate, timely and transparent disclosure of pertinent information on the University operations and performance;
- viii. Ensure that effective processes and systems of risk management and internal controls are in place;
- ix. Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession;
- x. Review, evaluate and approve the remuneration structure of the University.
- xi. Adopt, implement and monitor compliance with the organization's code of conduct and ethics;
- xii. Review on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the Government of Kenya;
- xiii. Review periodically the University strategic objectives and policies relating to sustainability and social responsibility/investment;
- xiv. Protect the rights of stakeholders and optimize shareholder value;
- xv. Enhance the University public image and ensure engagement with stakeholders through effective communication;
- xvi. Monitor compliance with the Constitution, all applicable laws, regulations and standard; and
- xvii. Review, monitor and ensure that the organization is effectively and consistently delivering on its mandate.

Council Meetings and Practices

During the 2017/2018 FY, Rongo University Council held a total of 27 Council meetings including committee meetings, regular and special meetings. All members had more than 98% attendance for all meetings and quorum was obtained in all meetings. Conflicts of interest were declared and recorded in all meetings of Council and its committees. All Council members undertook their functions in accordance with the code of conduct and ethics for Council members, while keeping in tandem with the provisions of good governance.

Performance Evaluation, Governance Audit, Induction and Training

The Council conducts annual performance evaluation with the guidance of State Corporations Advisory Committee (SCAC). Based on such evaluation, competence needs assessment is carried out periodically and annual development plan prepared to address identified skills gaps. Performance evaluation for 2017/2018 FY will be conducted within the first quarter of 2018/2019 FY. In addition, Council has put in place mechanisms to conduct annual governance audit to assess its governance mechanisms and ensure compliance with good corporate governance practices.

An induction was organized for the new Council members to familiarize them with their roles and responsibilities. The induction covered general principles of corporate governance and Council practices. The 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

Council Remuneration

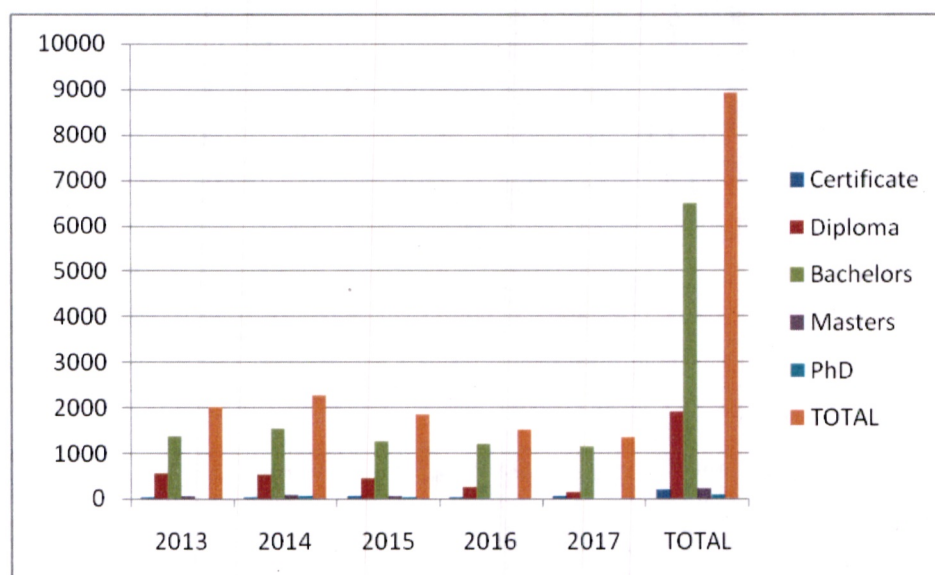
The University Council members, except for the Vice-Chancellor, are not paid salary. However, their remuneration includes sitting and subsistence allowances whenever they attend Council meetings at the government approved rates.

7. MANAGEMENT DISCUSSION AND ANALYSIS

7.1. Enrolment Statistics

Rongo University registered the highest number of student admission in the year 2014, with Bachelors and Diploma programs posting significant numbers. Thereafter, there has been a decline in admission of new students. Management is assessing the reasons for the decline so as to come up with strategies that will address further decline. The statistics are as shown :

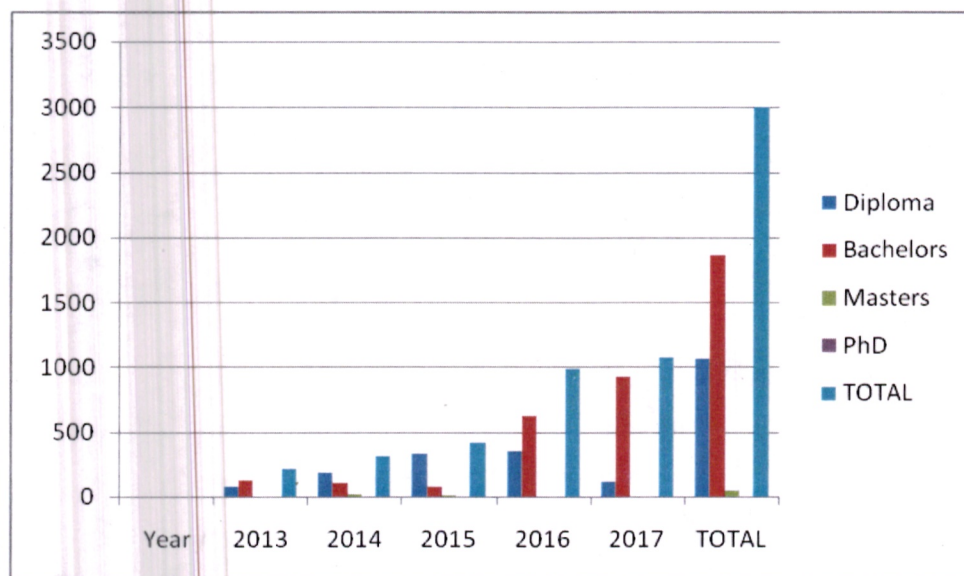
	2013	2014	2015	2016	2017	TOTAL
Certificate	33	41	51	31	44	200
Diploma	555	528	435	248	136	1902
Bachelors	1351	1530	1251	1207	1146	6485
Masters	65	87	67	9	4	232
PhD	0	58	21	11	4	94
TOTAL	2004	2244	1825	1506	1334	8913



7.2. Graduation statistics

The University conducted its second graduation for the conferment of Degrees and award of Diplomas to its graduates on Friday 15th December, 2017. The occasion was presided over by the Chancellor of the University, Prof. Mohammed Yusuf Elmi. During the occasion, a total of 1,073 students graduated, with 5 Graduating with PhD, 6 graduating with Masters, 922 students receiving Degrees, 140 students were awarded Diplomas and 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:

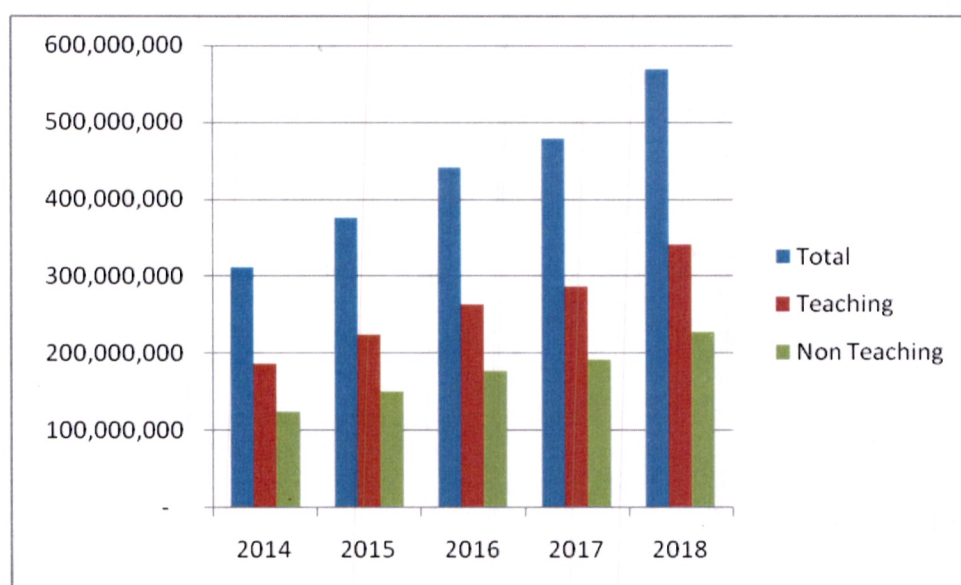
Year	Cert	Diploma	Bachelors	Masters	PhD	TOTAL
2013	-	80	129	5	0	214
2014	-	182	110	22	0	314
2015	-	329	76	12	0	417
2016	-	354	628	4	0	986
2017	24	116	922	6	5	1073
TOTAL	24	1061	1865	49	5	3004



7.3 Statistics on Employee Cost

The University started with a wage bill of Ksh 108M. This has steadily increased with teaching staff and non teaching staff accounting for 50% each on average as at 30th June 2018. The statistics are as shown below:

Year	Total	Teaching	Non Teaching
2014	310,958,138	186,574,883	124,383,255
2015	375,286,000	225,171,600	150,114,400
2016	440,735,224	264,441,134	176,294,090
2017	478,110,363	286,866,218	191,244,145
2018	568,740,926	341,244,556	227,496,370



Over the years, the current ratio has been > 1. This implies that the University has been sufficiently able to meet its short term obligations. The improvement in the current ratio is as a result of the increased capitation in financial year 2016/2017.

The University has had a debt ratio that is below 1 over the years. This is an indication that the University is stronger in its equity position.

RONGO UNIVERSITY					
STATEMENT OF FINANCIAL POSITION					
7.4	2014	2015	2016	2017	2018
ASSETS	Ksh	Ksh	Ksh	Ksh	Ksh
Current Assets					
Cash & Equivalent	-3,852,106	25,268,179	23,738,001	3,422,700	47,857,1
Receivables from Exchange Transactions	115,327,610	101,156,078	141,967,130	200,706,813	80,121,3
Receivables from Non-Exchange Transactions	-	20,537,821	-	22,588,987	
Biological Assets	578,800	326,700	816,720	1,010,000	1,095,0
Inventories	7,670,683	9,197,733	11,286,896	7,869,296	11,632,6
Total Current Assets	119,724,987	156,486,511	177,808,747	235,597,796	140,706,0
Non-Current Assets					
Intangible Assets	1,550,400	2,787,600	9,617,164	8,250,531	6,600,4
P.P.E	485,460,118	644,261,479	740,872,441	1,298,141,910	1,596,119,7
Total Non-Current Assets	487,010,518	647,049,079	750,489,605	1,306,392,441	1,602,720,1
Total assets	606,735,505	803,535,590	928,298,352	1,541,990,237	1,743,426,2
LIABILITIES					
Payables from Exchange Transactions	52,079,543	75,900,206	73,594,407	82,682,390	177,375,9
Provisions	2,451,684	1,000,000	690,000	696,000	696,0
Student Advances	10,055,680	1,017,293	46,384,591	39,294,494	42,513,0
Bank Loan	-	11,965,224	4,657,235	-	
Deferred Income Liability		-	7,421,535	-	
Total Current Liabilities	64,586,907	89,882,723	132,747,768	122,672,884	220,584,9
Non- Current Liabilities					
Retention Fees	8,948,112	10,136,401	26,644,723	43,948,490	55,638,6
Total Non- Current Liabilities	8,948,112	10,136,401	26,644,723	43,948,490	55,638,6
Total Liabilities	73,535,019	100,019,124	159,392,491	166,621,374	276,223,6
NET ASSETS					
Reserve	487,310,177	725,547,819	771,324,395	1,324,085,787	1,288,496,5
Accumulated Surplus	45,890,308	-22,031,352	-2,118,535	51,283,076	178,705,9
Total Net Assets	533,200,485	703,516,467	769,205,860	1,375,368,863	1,467,202,5
Total Net Assets & Liabilities	606,735,504	803,535,591	928,598,351	1,541,990,237	1,743,426,1
Ratios:					
Current ratio	1.85	1.74	1.34	2	
Debt ratio	0.1	0.1	0.2	0	

7.4.1 Movement in Total Assets

Assets in millions	Assets in millions	Assets in millions	Assets in millions	Assets in millions
607	804	929	1,542	1,743
2014	2015	2016	2017	2018

The growth in Assets is mainly due to revaluation and additions over the years.

7.5

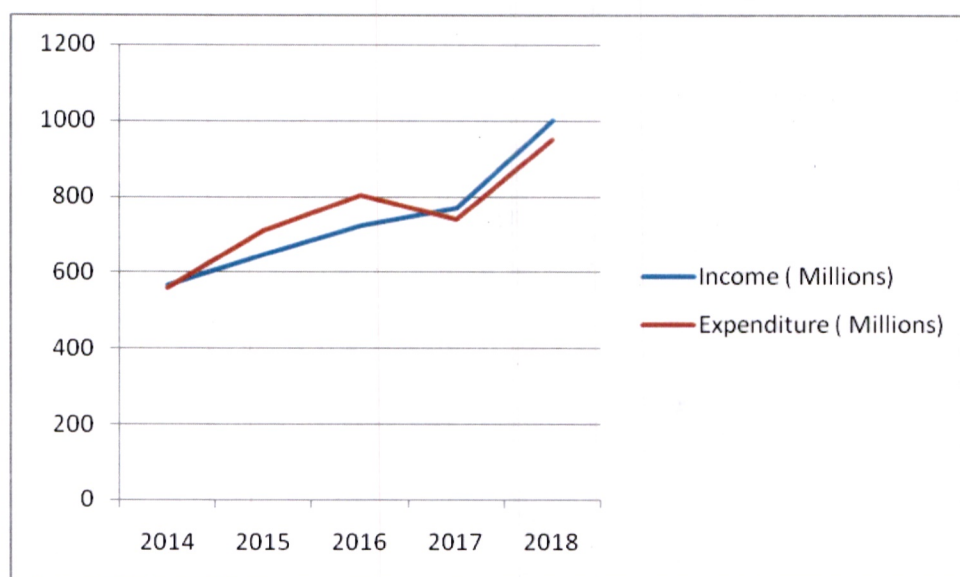
RONGO UNIVERSITY
STATEMENT OF FINANCIAL PERFORMANCE

REVENUE FROM:	2014	2015	2016	2017	2018
	Ksh	Ksh	Ksh	Ksh	Ksh
Non-Exchange Transactions	260,845,383	246,453,851	281,345,012	420,453,850	646,334,417
Exchange Transactions	305,153,689	399,983,375	441,052,859	346,147,580	309,669,194
Total revenue	565,999,072	646,437,226	722,397,871	766,601,430	956,003,611
EXPENSES					
Employee Costs	310,958,138	375,286,000	440,735,224	478,110,363	568,740,926
Depreciation & Amortization cost	40,564,668	65,175,650	76,435,075	19,046,125	101,976,255
Repairs & Maintenance	3,102,526	19,051,195	30,898,535	14,490,084	16,224,264
General Expenses as restated	110,510,846	136,576,916	116,678,464	110,705,327	96,098,950
Council Expenses	11,864,028	18,374,909	16,950,319	15,196,505	15,130,834
Academic Expenses as restated	82,643,066	97,344,641	121,805,746	101,200,400	127,743,226
Total Expenses	559,643,272	711,809,311	803,503,363	738,748,804	925,914,455
Gross Deficit	6,355,800	-65,372,085	-81,105,492	27,852,626	30,089,156
Gain on Revaluation of Biological	-	-	-257,720	-193,280	-85000
Provision for Doubtful Debts	-1,951,684	-1,549,575	-3,282,886	-4,521,583	-3861482
Provision for Audit fees	-500	-1,000,000	-690,000	-696,000	-696000
Net Deficit	4,403,616	-67,921,660	-85,336,098	22,441,763	25,446,674

7.5.1 Movement in Total Incomes in (Ksh Millions)

	2014	2015	2016	2017	2018
Income (Millions)	565	646	722	767	956
Expenditure (Millions)	560	712	804	739	926

7.5.2. Income & Expenditure



The University has registered growth in incomes over the years from government capitation and appropriations.

7.6. Key projects and investment decisions that Rongo University is Planning/ Implementing

7.6.1. Construction of Tuition Block

The tuition block is a five storey building which comprises eight large lecture halls, eight tutorial rooms and fifty offices. The project is expected to be complete in the first half of the next financial year. Delay in completing the project was occasioned by budget cuts in FY 2017/2018.

7.6.2. Water Project

In this quarter, there were minimal activities in this project. This was occasioned by pending approval of the extra works and subsequent inclusion in the 2018/19 budget. The contractor is currently with the remaining works including, elevated back wash tanks, distribution tanks, water testing lab, attendants' house and rising main. This project is expected to be complete in the first quarter of FY 2018/19.

7.6.3. Administration Block and Ramps

This building is under refurbishment to provide extra office space. Also, in compliance with *Persons with Disability Act of 2013*, this project includes construction of 4No. Ramps to ease access to upper floors of the Library, Academic block A and B and the administration block. Construction is ongoing and planned to be completed by end of August 2018.

7.6.4 Construction of Kitchen & Cold room

The University is putting up a larger kitchen that will have a cold room and cooking gas installations. This project is funded by the government and will be completed in financial year 2018/19, when the remaining funds are received.

7.6.5 Lecture Halls in RongoTown

The University acquired a 0.6 hectares Plot in Rongo town. A two lecture halls block is being constructed in EPS technology on the plot. Construction is at the finishing stage and will be completed by end of Sept 2018.

7.6.7 Technical Training Institute Projects

Rongo University is mentoring three Technical Training Institutes by the Ministry of Education, funded by State Department of Vocational and Technical Training. Construction works of Twin-Workshops, Classrooms and Office Block are ongoing and are at different stages of completion at each institute as follows:

i) Kakrao Technical Training Institute

Construction works started in Nov.2014 and was planned to be completed in Nov. 2015.However, the Contractor did not complete on time mainly because of limited finances on his part. A lot of effort was put in by the University and the Project Management Team to assist the Contractor in completing the project but he eventually absconded from the contract in May 2017 after achieving 80% of the works. The university is in the process of engaging another contractor to complete the remaining works. The project certificates have been paid up to 90% of the contract sum and the outstanding 10% is still with Migori County government. Currently, there are no pending certificates for this project.

ii) Kendege Technical Training Institute

The project was started in Feb. 2015 with a planned completion date of Feb.2016. The project is nearly complete and management is discussing with the contractor to provide enough resources to complete the project. The project has been funded up to 90% of the contract sum and the outstanding 10% is still with Kuria West CDF. The project is expected to be completed in this financial year, 2018/19.

iii) Mabera Technical Training Institute

Construction works commenced in Nov.2015 and was planned to be completed in Nov. 2016. This project progressed well in terms of adhering to timelines but the Contractor's speed was slowed down by delays in disbursement of funds by the Ministry. The ministry has since released the funding and the contractor is back on site. The project has been fully funded and currently there are no unpaid certificates from the contractor. The project is expected to be completed in the first quarter of financial year 2018/19.

7.7. Major potential risks

- 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) Strikes and/or go slows by students and staff, disrupting service delivery.
- e) Non-compliance with legal and regulatory obligations
- f) Weak internal controls that may lead to corruption, fraud, theft and other unethical practices.
- g) Failure to establish effective continuity arrangements in the event of disaster
- h) Failure of information technology systems including ERP, server, networks, etc.
- i) Competition from similar Universities that offer similar programs, hence affecting attraction of students.
- j) New government regulations that affect the intake of privately sponsored students
- k) Political risks
- l) 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

Most of the arrears in part time and payroll deductions are as a result of brought forward balances from previous financial years.

8. CORPORATE SOCIAL RESPONSIBILITY

Rongo University Corporate Social Responsibility (CSR) programs reflect the University commitment to operate in an environmentally sustainable and socially responsible manner. The programs support the University strategic vision and reassures that its activities are carried out ethically, sustainably and for the public benefit. The University aim to make a significant contribution to the communities and society as a whole through research, education and a wide range of activities undertaken by staff, students and alumni.

Over the year the students and staff at Rongo University have actively participated in outreach program initiatives where they contribute their knowledge, skills, and technical expertise to make a positive difference to the livelihood of the community. At the same time, the University also has supported the program activities of several Government institutions and NGO's operating within the community.

In the FY 2017/18, the following Corporate Social Responsibilities were undertaken:

8.1 Environmental Sustainability:

To ensure Environmental sustainability, the University has appointed an Environmental Sustainability Committee, developed Environmental Policy and carried out Environmental Audit. From the Environmental Audit, an Action plan for achieving sustainability was developed.

Through the action plan, the University was able to put in place measures to control pollution which included contracting NEMA certified waste handlers, installation of 16 waste receptors and 25 segregation bins to manage solid wastes. Further, the university connected effluents to sewer lines to manage liquid wastes. The University also planted 6, 500 trees during the year as part of efforts toward ecological enhancement, controlling greenhouses gases and conserving degraded environments.

Other measures to guarantee Environmental Sustainability were in form of Environmental Awareness and Education. In this regard, RU sensitized 80 members of staff and 70 members of the public on Environmental Health and Safety during the financial year. The University also participated in joint Environmental events with Sony Sugar and Migori County Government. The University further implemented measures which contributed towards promoting Environmental Protection and

Conservation through Partnership with Stakeholders. This involved signing of MoUs, developing Joint Action Plan and Conducting CSR initiatives.

The University intends to continue implementing activities that guarantee environmental sustainability through Pollution Control Measures, Climate Change Mitigation and Adaptation initiatives, Environmental Education and Awareness, Ecological Enhancement and Partnerships with Environmental bodies.

8.2 Medical Service

The University implemented a Medical Scheme that caters for staff and their immediate dependants. Medical care was provided to employees, their spouse(s) and registered children under 21- years. Registered children above 21 years and not more than 25 years were required to produce proof of studentship to access this service. The University had a dispensary that catered for minor ailments for both students and staff. For referral cases, the University had established MoUs with Christamarian Hospital in Kisii and Mediheal Hospital and fertility Centre in Eldoret.

The University completed Maisha1 Programme on HIV/AIDs prevention and embarked on Implementation of Maisha 2 Programme. Under this programme, the University developed an annual work plan and allocated Ksh. 500,000 towards HIV/AIDs activities and programmes, sensitized 900 students on condom use and distributed 3,000 condoms to students. In addition, the University offered counseling and testing services to 600 students during the financial year. The University staff contributed to the National Hospital Insurance Fund (NHIF) which catered for both inpatient and outpatient services. In the last financial year, the University paid a total of Ksh7, 288,500 as staff contribution to NHIF. In the next financial year, the University has opted for a Comprehensive Medical Cover for its entire staff and their departments.

8.3 Community Service

Rongo University has a steady Community Service programmes which aims at achieving one of its core Mandates. The University through its departments carried out a number of activities towards community service. These included, sensitization of 41 gold miners around Kitere on Occupational Risks and Hazards, donating 64,000 books to 40 Primary schools, 23 Secondary schools and one community library in Homa Bay and Migori Counties and also allowed community members to use the library for their research work.

The University also visited Nyamware Orphanage in Migori County where they donated assorted food stuffs and encouraged the orphans. The University also absorbed 26 Youths into the University

Internship and Industrial Attachment program, planted trees to conserve the environment, undertook joint sporting activities with community members, organized a cultural week and participated in cleaning of Awendo and Rongo town Centers during the World Environment day. In addition the University together with selected farmers in the Community developed 4 varieties of sorghum namely, Nyadundo 1, Nyadundo 2, C26 and N68. These varieties will be distributed to seven counties of Western Kenya in the next financial year as part of efforts towards improved food security.

8.4 Employee Relations

Collective Bargain Agreements (CBAs)

Rongo University implemented the 2013/2017 National CBA as was negotiated. The University sought SRC's advice in respect of the local CBAs and had already initiated negotiations with UASU, KUSU and KUDHEIHA.

The Unions called their members to strike as follows:

- i. UASU 1st March, 2018
- ii. KUSU 2nd March, 2018
- iii. KUDHEIHA 5th March, 2018

However, a resolution was later reached and a return to work formula arrived at.

Staff Training and Development

The University in collaboration with Wuhan Textile University awarded two of her employees' partial scholarship to pursue Masters in Software Engineering at Wuhan Textile University in China. The two reported back on 4th August, 2018 having completed their courses and graduated.

One other employee has been awarded a similar scholarship at the same University. The course commences in October, 2018.

The University sponsored a number of employees to attend trainings, conferences and workshops organized by a range of professional and academic agencies. A number of in-house trainings were also conducted. Notable trainings/ workshops that were organized by the University, but facilitated by experts drawn externally include:

- i. Workshop by the Retirement Benefits Authority
- ii. Anti-terrorism Training
- iii. Training on Alcohol, Drug and Substance Abuse.

8.5 Co-curricular activities

8.5.1 Games and sports 2017/2018

362 students participated in the following Games and Sports: Soccer, basketball, hockey, Athletics, tug of war, netball, volley ball, handball in door games Badminton, scrabble, table tennis, and darts.

Notably the sports and games team won trophies in the following categories:

- Scrabble (Men and Women)
- Handball (Men)
- Darts (Men)
- Hockey (Men)
- Karate (Men)

In Athletics two students: Kimtai Ruto Boas ESC/024/2015 and Daniel K. Munguti Reg. MAT/013/2014 participated in the African championship and Daniel Munguti won in 800m, in the 1500m and inter- University cross country championship he qualified for the African Championship in Bekele University Ethiopia and world cross country championship in Switzerland.

8.5.2 Cultural week 2018

The Cultural Week was held in March 21st -25th 2018 where all cultures were celebrated and exhibited.

8.5.3 Drama

Regional drama festivals

Rongo University was the host of the Nyanza/Western region regional Drama festivals that took place on 17th-18th March 2018

The drama team of 62 students presented a total of 7 items namely solo verse, play, modern dance, choral verse, comedy, mime and narrative. In solo verse and modern dance, the team took position one, choral verse comedy and mime position 2, play and narrative position 3

National Drama Festivals

The drama team represented the Nyanza/ Western region in the National Drama Festivals that took place in Nairobi- Moi girls High School and scooped meritorious awards.

8.5.4 Music 2017/2018

Mashujaa Day

The choir participated in the 2017 Mashujaa day that took place at Kitere Primary School.

Kenya Music Festivals

The 2017 National Music Festival took place in Masinde Muliro University of Science and Technology where our best position was one and a trophy with a number of meritorious certificates.

The 2018 National Music festivals took place in Dedan Kimathi University of Technology, Nyeri County. Our team of 60 students presented a total of 10 items (Choral Music, Classical solos, Verses in Kiswahili and English and African Music) The team scooped position one with a trophy in the African sacred, position 3 in Zilizopendwa Kenyan, composition and African folk music.

8.6 Bursaries

In FY 2017/18, The University awarded bursaries to students through the support of Rattansi Foundation, United States of America (for the support of girl child education) and various Constituency Development Funds including Awendo and Rongo Constituencies.

8.7 Work Study Programme

The University has implemented Work Study programme to support students from the humble background to afford meals and other personal items.

9. REPORT OF COUNCIL

Council submits their report together with the audited financial statements for the year ended June 30, 2018 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 June 30, 2018 are set out on pages 39 to 78

Directors

The members of the University Council, who held office during the year and to 30th June, 2018 were:

- | | |
|----------------------------------|-----------------------------|
| a) Dr. Joyce Mwikali Mutinda | - Chair |
| b) Ms. Catherine Nkirote Mputhia | - 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 |
| h) Mr. Shem Nyakutu | -Rep.PS. National Treasury |
| i) 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 Section 7 of the 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, 2018. 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 the Rongo University for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 the Rongo University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

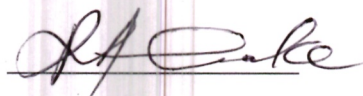
The Council accepts responsibility for the Rongo University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Universities Act, 2012. The Council are of the opinion that the 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, 2018, and of the Rongo University's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the Rongo University, which have been relied upon in the preparation of the 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 27th September, 2018.

Signed on its behalf by:



Chair of Council



Vice Chancellor

11. REPORT OF OFFICE OF AUDITOR GENERAL ON RONGO UNIVERSITY

The report of office of the Auditor general on Rongo University financial Statements for Financial Year 2016/2017 is yet to be received.

REPUBLIC OF KENYA

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Rongo University set out on pages 39 to 77, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Rongo University as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Receivable from Exchange Transaction

1.1 Staff Debtors

Included in receivable from exchange transactions balance of Kshs.85,365,707 as disclosed in Note 12 to the financial statements is an amount of Kshs.11,997,554 relating to staff debtors. The amount in turn includes Kshs.6,753,179 reflected as outstanding imprests. However, the records provided for audit revealed that the same imprests were expensed against various expenditure components, an indication that the University lacks a clear policy on recognition or surrender of outstanding imprests. Consequently, the accuracy of staff debtors balance of Kshs.11,997,554 could not be confirmed.

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

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections, I have determined that there are no key audit matters to communicate in my report.

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 Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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. Consultancy Services on Assets Tagging

The general expenses of Kshs.95,102,511 disclosed in Note 8 to the financial statements includes consultancy services expenditure of Kshs.1,598,200. The amount was paid to an advocate for the services relating to asset tagging. However, according to the letter of notification of award, the initial contract price for the services was Kshs.995,000. The payment to the advocate was in excess of the original contract price by Kshs.603,200 or 61% and the upwards variation was done within one year after award of the contract. The management, therefore, contravened Section 139 of the Public Procurement and Asset Disposal Act, 2015.

2. Repairs and Maintenances

The repairs and maintenance expenses of Kshs.12,242,662 disclosed in Note 7 to the financial statements includes an amount of Kshs.1,371,376 issued as imprests to various officers to procure building materials and payment of casuals engaged in the repair works. The management similarly contravened Sections 107 and 108 of the Public Procurement and Asset Disposal Act, 2015 by purporting to use low-value procurement procedure as regards the foregoing matter.

3. Hire of Casual Employees

Included in the employees costs of Kshs.572,884,626 under Note 5 to the financial statements are salaries and wages totalling Kshs.302,542,471. The latter in turn includes Kshs.15,967,108 paid to ninety-four casual employees. Examination of personnel records revealed that the casual employees have been in employment for more than three months contrary to Section 37 of the Employment Act, 2007.

4. Ethnic Composition of Staff

During the year under review, the University hired twelve new employees. However, examination of records revealed that one dominant community comprised the bulk of the new staff who were hired. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishment shall seek to represent the diversity of the people of Kenya in employment of staff.

5. Failure to Comply with a Third Net Salary Rule

Examination of the University's payroll for the month of June 2018 revealed that several officers earned salaries which were less than a third of their respective basic salaries. This is contrary to Section 19(3) of the Employment Act, 2007 which states that, "without prejudice to any right of recovery of any debt due, and notwithstanding any written law, the total amount of deductions which under the provision of sub-section (1) may be made by the employer from the wages of his employees shall not exceed two thirds of such wages."

6. Imprests Management

During the year under review the management approved and issued multiple imprests totalling Kshs.2,768,264 to various officers contrary to regulation 93(4)(b) of the Public Finance Management(National Government)Regulations, 2015 which prohibits issuance of additional imprests to the officers with outstanding imprests.

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

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not operating effectively.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the ability of Rongo University to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance 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 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.

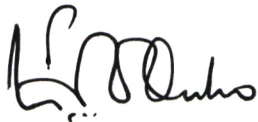
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Rongo University 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 sustaining 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 Rongo University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

27 February 2019

**12. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018**

REVENUE FROM	NOTES	2018	2017
		Kshs	Kshs
Non-Exchange Transactions	3	646,334,406	420,453,850
Exchange Transactions	4	309,669,194	346,147,580
Total revenue		956,003,600	766,601,430
EXPENSES			
Employee Costs	5	568,740,926	478,110,363
Depreciation & Amortization cost	6	101,976,255	19,046,125
Repairs & Maintenance	7	16,224,264	14,490,084
General Expenses	8	96,098,950	110,705,327
Council Expenses	9	15,130,834	15,196,505
Academic Expenses	10	127,743,226	101,200,400
Total Expenses		925,914,455	738,748,802
Gross Deficit		30,089,145	27,852,628
Gain on Revaluation of Biological Assets	14	85,000	193,280
Provision for Doubtful Debts	20	3,861,482	4,521,583
Provision for Audit fees	20	696,000	696,000
Net Surplus		25,446,663	22,441,765

The notes set out on pages 45 to 78 form an integral part of these Financial Statements

13. STATEMENT OF FINANCIAL POSITION**FOR THE YEAR ENDED 30 JUNE 2018**

ASSETS	NOTES	2018 Ksh	2017 Ksh
Current Assets			
Cash & Equivalent	11	47,857,118	3,422,700
Receivables from Exchange Transactions	12	80,121,332	200,706,813
Receivables from Non-Exchange Transactions	13	-	22,588,987
Biological Assets	14	1,095,000	1,010,000
Inventories	15	11,632,604	7,869,296
Total Current Assets		140,706,053	235,597,796
Non-Current Assets			
Intangible Assets	16	6,600,425	8,250,531
Property, Plant & Equipment	17	1,596,119,721	1,298,141,910
Total Non-Current Assets		1,602,720,146	1,306,392,442
Total assets		1,743,426,199	1,541,990,238
LIABILITIES			
Current Liabilities			
Payables from Exchange Transactions	19	177,375,922	82,682,390
Provisions	20	696,000	696,000
Student Advances	21	42,513,033	39,294,494
Borrowings	22	-	-
Total Current Liabilities		220,584,955	122,672,884
Non- Current Liabilities			
Retention Fees	23	55,638,692	43,948,490
Total Non- Current Liabilities		55,638,692	43,948,490
NET ASSETS			
Capital Investment Fund		768,831,601	702,444,576
Revaluation Reserve		519,664,956	621,641,211
Accumulated Surplus		178,705,994	51,283,077
Total Net Assets		1,467,202,551	1,375,368,863
Total Net Assets & Liabilities		1,743,426,199	1,541,990,238

The Financial Statements set out on pages 45 to 78 were signed on behalf of Council by:

Vice Chancellor

Head of Finance

Chairperson of Council

Name: *Prof Samuel Gudu* Name: *Mr JOEL CHUMBA*

Name: *Rachael Masole*

Sign: *[Signature]*

ICPAK Member Number: 10479

Sign: *[Signature]*

Date: *27-09-2018*

Date: *27-09-2018*

Date: *27-09-2018*

14. STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2018

	Capital Investment Fund Kshs	Accumulated Surplus Kshs	Revaluation Surplus Kshs	Total Kshs
Balance at 30th June 2016	521,400,982	28,776,450	219,028,428	769,205,860
Development Income Govt Grants	153,314,231	-	-	153,314,231
Devp Grant- Rongo CDF	2,100,000	-	-	2,100,000
Development Income TTIS	25,629,363	-	-	25,629,363
Surplus for the year	-	22,506,627	-	22,506,627
Current year depreciation on revaluation	-	-	-	-
Revaluation Surplus	-	-	402,612,783	402,612,783
Balance at 30th June 2017	702,444,576	51,283,077	621,641,211	1,375,368,863
Development Income Govt Grants	45,562,500	-	-	45,562,500
Development Income TTIS	20,824,525	-	-	20,824,525
Surplus for the year	-	25,446,663	-	25,446,663
Current year depreciation on revaluation	-	101,976,255	(101,976,255)	-
Balance at 30th June 2018	768,831,601	178,705,994	519,664,956	1,467,202,551

**15. STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 30 JUNE 2018**

Cash Generated From Operations	NOTES	2018 Ksh	2017 Ksh
Receipts			
Revenue from Non-Exchange Transactions	3	646,334,406	420,453,850
Revenue from Exchange Transactions	4	245,807,083	289,893,789
Total Revenue		892,141,489	710,347,639
Payments			
Employee Costs	5	556,585,313	519,409,436
Repairs & Maintenance	7	16,224,264	14,490,084
General Expenses	8	96,098,950	127,127,377
Council Expenses	9	15,130,834	15,196,505
Academic Expenses	10	127,743,226	107,140,313
Total Payment		811,782,588	783,363,714
Net Cash flow From Operating Activities	25	80,358,901	(73,016,075)
Cash flow from Investing Activities			
Purchase of Intangible asset	16	-	(696,000)
Purchase of Non Current asset	17	(25,664,297)	(10,388,452)
Development Expense	17	(83,367,939)	(54,548,064)
Devp Expense- TTI	17	(15,868,259)	(35,464,082)
Net cash flow From Investing Activities		(124,900,495)	(101,096,598)
Cash flow from Financing Activities			
Repayment of Borrowings		-	(4,657,235)
Development Grant		68,151,487	132,825,244
Development Grant - TTI		20,824,525	25,629,363
Net cash flow from Financing Activities		88,976,012	153,797,372
Net increase/(decrease) in cash in hand and bank		44,434,418	(20,315,301)
Cash and Bank Balance B/f	11	3,422,700	23,738,001
Cash and Bank Balance C/f	11	47,857,118	3,422,700

16. STATEMENT OF BUDGET AND ACTUAL COMPARISON FOR FY 2017/18

	Budget	Actual	Variance	%
	Ksh	Ksh	Ksh	variance
Income	991,179,292	956,003,600	(35,175,692)	-3.55
Expenses				
Employee Costs	587,932,225	568,740,926	19,191,299	3.26
General Expenses	238,196,979	198,075,205	40,121,774	16.84
Council Expenses	18,000,000	15,130,834	2,869,166	15.94
Academic Costs	128,583,588	127,743,226	840,362	0.65
Repairs and Maintenance	18,469,500	16,224,264	2,245,236	12.16
Total	991,182,292	925,914,455		

BUDGET EXPLANATORY NOTES

General Expenses: This expense vote was affected by the strikes that took place in the financial year under review various austerity measures put in place to curb expense.

Council Expense: This expense vote was under spent as some activities scheduled for the financial year under review were pushed to the next financial year e.g.) Council Evaluation

Repairs & Maintenance Costs: This expense vote was under spent as a result of the strikes that hampered operations in the University.

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 entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

17.3 ADOPTION OF NEW AND REVISED STANDARDS

i. **Relevant new standards and amendments to published standards effective for the year ended 30 June 2018**

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

Standard	Impact
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
IPSAS 35: Consolidated Financial Statements	Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following: - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35. The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
IPSAS 36: Investments in Associates and Joint Ventures	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements

Standard**Impact**

for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.

The entity does not have any associates or joint ventures and therefore does not have investments and neither does the standard apply.

IPSAS 37:

(Effective for annual periods beginning on or January 1, 2017)

Joint Arrangements

In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.

The entity does not have an interest in a joint arrangement and therefore the standard does not apply.

IPSAS 38:

(Effective for annual periods beginning on or January 1, 2017)

**Disclosure of
Interests in Other
Entities**

In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.

The entity does not have an interests in other entities and therefore the standard does not apply

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard**Effective date and impact:****IPSAS 39:**

Applicable: 1st January 2018

Employee Benefits

The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of

Standard**Effective date and impact:**

IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

IPSAS 40:**Applicable: 1st January 2019:**

**Public Sector
Combinations**

The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

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

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.

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 2017-2018 was approved by the National Assembly. 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 straight line basis. Subsequent expenditures on intangible assets shall be recognized as an expense for the period that it is incurred.

g) 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 asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the 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 a 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

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

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

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. The Finance Officer shall review all outstanding debts which are under dispute, on a monthly basis before any bad debt provisions are made. For individuals whose debts

are in excess of Kshs 50,000 the 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 University after steps have been taken to recover the debt the University is satisfied that;

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

In the financial year under consideration, Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 20.

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.

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.

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. IPSAS 1.140

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, 2018.

	KSH 2018	KSH 2017
3 Revenue from Non-Exchange Transaction		
Recurrent Received	646,334,417	420,453,850
Recurrent Accrued	-	-
Total Revenue from Non Exchange Transaction	646,334,417	420,453,850

Revenue from Non-exchange transactions refers to Recurrent Capitation from the Central Government. In the current financial year under review, the University Received Ksh 646,334,417. Included in this amount is Ksh 111,066,412 received for payment of salary arrears, accruing from the 2013/2017 CBA negotiations.

	KSH 2018	KSH 2017
4 Revenue from Exchange Transaction		
Fees & Related Charges Received	208,407,760	274,555,581
Fees & Related Charges Accrued	63,862,111	56,253,791
Tender Incomes	4,000	7,000
Cafeteria Charges	5,437,964	6,947,922
Research Income	28,722,161	7,425,000
Rental Income	366,500	602,493
Other Incomes	2,868,698	355,793
Total Revenue from Exchange Transaction	309,669,194	346,147,580

Revenue from Exchange Transactions reduced as a result of low PSSP student admissions as a result of the low cut-off points and industrial strikes that kept students off campus for the better part of the year, and hence, low revenue collection.

	KSH 2018	KSH 2017
5 Employee costs		
Salaries & Wages	298,398,771	235,246,194
Pension and Provident	43,133,171	36,845,920
Commuter Allowance	45,861,274	44,218,210
Housing Allowance	140,357,267	128,552,506
Locum	3,814,000	3,123,500
Other Allowances	37,176,444	30,124,033
Employee costs	568,740,926	478,110,363

Employee cost increased as a result of salary arrears arising out of the 2013/2017 CBA negotiations and of the negotiated basic and housing allowances.

		KSH	KSH
		2018	2017
6	Depreciation and amortization expense		
	Property, plant and equipment	100,326,148	16,983,492
	Intangible assets	1,650,106	2,062,633
	Total depreciation and amortization	101,976,255	19,046,125

		KSH	KSH
		2018	2017
7	Repairs and maintenance		
	Property	6,949,527	9,053,442
	Equipment	422,170	365,181
	Vehicles	2,088,722	1,972,193
	Minor Works	537,140	-
	Computer	6,226,705	3,099,268
	Total repairs and maintenance	16,224,264	14,490,084

		KSH	KSH
		2018	2017
8	General expenses		
	Advertising & Publicity	1,556,629	6,989,519
	Travel & Accommodation	10,455,231	11,885,124
	External Travel	538,312	1,077,581
	Internet Communication	7,652,203	7,869,305
	Open & Cultural Expense	563,700	250,000
	Audit Expenses	652,524	972,769
	Library Books and Journals	775,674	695,285
	Bank Charges	1,117,791	1,660,943
	Committee & Seminar Expenses	5,403,754	5,266,404
	Medical Expenses	16,596,023	16,233,220
	Subscriptions	246,600	236,950
	Electricity. Water & Conservancy	7,375,710	8,506,747
	Transport Operating Expenses	4,157,733	4,806,215
	Cooking Fuel and oil	1,580,246	2,223,350
	Catering Expense	12,193,134	17,357,567
	Insurance	4,019,987	4,459,746
	Legal expenses	149,370	2,739,582
	Strategic Planning Expenses	768,300	-
	ICT Infrastructure	1,502,660	-
	CSR	108,265	382,019
	Hire Expenses	-	13,450
	Farm Expenses	419,700	521,870
	Performance Contract	935,309	559,800
	Postage	68,590	255,598
	Stationery	6,387,823	5,455,632
	Public Celebrations	87,550	182,600

Tender Expenses	-	202,400
Cleaning Materials	2,203,380	1,740,391
Recruitment Expenses	127,600	285,500
Gender & Mainstreaming	259,500	-
Safety and Disability	73,400	-
Security Equipment	33,600	-
National Cohesion	63,800	-
Drug and Alcohol Abuse	45,000	-
Uniform & Clothing	564,685	1,287,485
Telephone & Communication	2,089,000	2,037,064
Consultancy Services	1,598,200	-
Training	1,785,536	2,260,447
Official Entertainment	1,942,432	2,273,164
Environmental awareness	-	17,600
Total general expenses	96,098,950	110,705,327

General expenditure reduced due to the revised budget and austerity measures to control costs.

	KSH	KSH
9 Council Expenses	2018	2017
Sitting Allowance		3,460,000
Subsistence Expenses		5,729,200
Travel & Accommodation Expenses		3,452,533
Other Expenses		2,554,772
Total Council Expense	15,130,834	15,196,505

	KSH	KSH
10 ACADEMIC COSTS	2018	2017
Publishing & Printing Expense	-	204,918
Student Activities	2,744,831	1,607,235
Teaching Practice & Attachments	10,904,815	3,035,130
Part-time Lecturers	61,928,500	37,774,059
Graduation Expenses	10,987,084	7,540,450
Admissions Expense	3,821,900	4,302,436
External Examiners	2,071,390	916,695
Rental	7,823,508	9,607,200
Purchase of Games Equipment	390,700	332,966
Collaboration & Linkages	757,386	792,620
Conversion to University Status	-	4,966,500
RUSA	2,058,760	3,315,908
Teaching Materials	961,200	1,563,635
Inter-university Games	1,474,105	3,317,544
Curriculum Development	1,846,550	457,700
National Shows & Exhibitions	1,638,110	1,262,290
Research Expenses	17,748,982	15,678,819
KUCCPS & CUE	442,350	4,452,745
Work Study	143,055	71,550
Total Academic Costs	127,743,226	101,200,400

	KSH	KSH
	2018	2017
11 Cash and cash equivalents		
KCB PSSP- 1130114511	1,152,373	24,106
KCB GSSP -1139740229	44,829,938	148,276
KCB CDF -1160299625	-	236,716
KCB DEVP -1139740091	83,095	42,968
NBK MAIN -01021047041000	0	409,793
NBK PSSP- 01020047041000	(100)	390,461
CO-OP PSSP -01694477027400	159,607	507,931
CO-OP GSSP- 01693477027401	-	1,094,258
EQUITY A/C NO 1430270413535	1,756,242	182,204
Mentoring Institution Accounts		
MABERA TTI KCB -1173876752	(395,535)	104,640
KAKRAO TTI KCB -1159020558	71,104	74,710
KENDEGE TTI CO-OP -01120477027400	191,921	200,574
Cash on Hand	8,472	6,063
Cash and Cash Equivalent	47,857,118	3,422,700
12 Receivables from exchange contracts	KSH	KSH
Current receivables	2018	2017
Staff Debtors	6,753,179	4,898,916
Prepaid Expenses	-	209,544
Student Debtors	77,229,634	200,119,936
Provision for Doubtful Debts	(3,861,482)	(4,521,583)
Total Net Receivables	80,121,332	200,706,813
13 Receivables from Non- Exchange Transactions	KSH	KSH
	2018	2017
Capitation Grant-Devp Income	-	22,588,987
Total Receivables from Non exchange Transaction	-	22,588,987
14 Biological Assets	KSH	KSH
	2018	2017
Initial Cost	1,010,000	816,720
Additions	-	-
Valuation	85,000	193,280
Biological Assets	1,095,000	1,010,000

	KSH	KSH
15 Inventories	2018	2017
Consumable stores	8,736,174	4,930,256
Medical supplies	985,174	669,461
Spare parts and meters	1,083,760	1,568,582
Catering	827,496	700,997
Total inventories	11,632,604	7,869,296

	KSH	KSH
16 Intangible Assets	2018	2017
	20%	20%
Opening balance	8,250,531	9,617,164
Additions	-	696,000
Total	8,250,531	10,313,164
Amortization	(1,650,106)	(2,062,633)
Closing balance	6,600,425	8,250,531

17 Properties, Plant & Equipment

	Land	Buildings	Borehole	Motor Vehicles	Work In Progress	WIP-TTI	Computers & Accessories	Plant & Machinery	Furniture & Fittings	Library Books	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
	0%	2.50%	2.50%	25%	0%	0%	30%	12.50%	12.50%	30%	
At 30 June 2016	67,358,508	218,084,190	1,407,058	80,834,304	280,283,802	68,970,298	48,002,857	61,970,045	74,502,229	56,253,048	957,666,339
Additions					139,788,896	59,316,758				358,591	199,464,245
Disposals	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment		27,824,065			(27,824,065)						-
Revaluation Surplus	5,041,492	349,216,960	-	18,425,076	-	-	19,720,656	5,524,237	6,091,420	-	404,019,841
At 30 June 2017	72,400,000	595,125,215	1,407,058	99,259,380	392,248,633	128,287,056	67,723,513	67,494,282	80,593,649	56,611,639	1,561,150,425
Additions	-	-		8,552,000	93,762,888	15,868,259	2,831,060	11,739,364	2,461,948	79,925	135,295,444
Disposals	-	-		-	-	-	-	-	-	-	-
Transfer/adjustment	-	-		-	-	-	-	-	-	-	-
At 30 June 2018	72,400,000	595,125,215	1,407,058	107,811,380	486,011,521	144,155,315	70,554,573	79,233,646	83,055,597	56,691,564	1,696,445,869
Depreciation and impairment											
At 30 June 2016	-	19,995,974		65,294,380	-	-	39,651,362	28,405,398	31,346,924	32,064,686	216,758,724
Depreciation	-	14,878,130	35,176	24,814,845	-	-	20,317,054	8,436,785	10,074,206	16,983,491.70	95,539,689
Disposals	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2017	-	14,878,130	35,176	24,814,845	-	-	20,317,054	8,436,785	10,074,206	16,983,491.70	95,539,689
Depreciation	-	14,878,130	35,176	26,952,845	-	-	21,166,372	9,904,206	10,381,950	17,007,469	100,326,148
Disposals	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-

At 30 June 2018	-	14,878,130	35,176	26,952,845	-	-	21,166,372	9,904,206	10,381,950	17,007,469	100,326,148
Net book values											
At 30 June 2018	72,400,000	580,247,085	1,371,882	80,858,535	486,011,521	144,155,315	49,388,201	69,329,440	72,673,647	39,684,095	1,596,119,721
At 30 June 2017	72,400,000	595,125,215	1,407,058	99,259,380	392,248,633	128,287,056	67,723,513	67,494,282	80,593,649	56,611,639	1,561,150,425

	KSH	KSH
	2018	2017
18 Work - in- Progress		
Tuition Block Phase 1	56,464,200.60	93,370,935
Tuition Block Phase 2	265,734,440.48	169,675,273
Water Treatment Plant	94,042,649.40	78,504,737
Hostel	18,311,762.20	18,311,762
Lecture hall	15,907,270.00	10,657,185
Extension of Admin Blocks	3,280,682.00	3,280,682
Ramps	3,914,543.00	3,544,543
Kitchen & Cold room	6,546,514.00	5,876,514
Kakrao TTI	40,066,949.00	40,066,949
Kendege TTI	48,969,805.00	43,301,546
Mabera TTI	52,637,648.00	42,437,648
Balance C/F	605,876,464	509,027,775

	KSH	KSH
	2018	2017
19 Payables From exchange Transactions		
Payroll Creditors	90,158,881	53,443,082
Part time creditors	41,497,390	7,638,269
Sundry creditors	39,536,651	15,801,039
Caution Money	6,183,000	5,800,000
Total trade and other payables	177,375,922	82,682,390

	KSH	KSH
	2018	2017
20 Provision		
Audit Fees	696,000	696,000
Doubtful Debts	3,861,482	4,521,583
Total	4,557,482	5,217,583

	KSH	KSH
	2018	2017
21 Payments received in advance		
School of Education	22,644,190	18,478,125
School of Science	2,482,141	2,894,751
School of Agriculture	2,653,562	3,254,786
School of Business	5,612,564	4,867,137
School of Inforcoms	3,897,136	8,541,217
School of Arts	5,223,440	1,258,478
Total	42,513,033	39,294,494

22 Borrowings	KSH	KSH
	2018	2017
Cooperative Bank Loan	-	-
Movement in Loan	2018	2017
At Start	-	4,657,235
Advanced in the Year	-	-
Repayment	-	(4,657,235)
At the end of the Year	-	-

23 Retention Fees	KSH	KSH
	2018	2017
Tuition Block	27,803,843	21,941,960
Water Treatment Plant	7,867,199	7,343,408
Kitchen & Cold room	1,345,651	945,651
Prefab Classrooms	1,541,727	1,065,719
Extension of Admin block	771,156	138,000
Hostels	1,831,177	1,831,177
Ramps	810,499	354,454
TTI's		
Kakrao	4,006,694	4,006,694
Kendege	4,396,981	4,030,155
Mabera	5,263,765	4,243,765
Total	55,638,692	45,900,983

24 Capital Commitment	KSH	KSH
Project	2018	2017
	Estimated Value	Estimated Value
Tuition Block	346,820,392	346,820,392
Water Treatment Plant	102,677,262	102,677,262
Dining Hall	14,600,000	14,600,000
Twin Science Lab	11,100,000	11,100,000
Hostel	75,254,921	75,254,921
Extension of Administration Block	9,055,563	9,055,563.00
Kitchen & Cold room	22,694,955	22,694,955.00
Ramps	10,000,000	10,000,000.00
lecture Hall in Rongo Town	15,417,264	15,417,264.00
Kakrao TTI	48,720,834	48,720,834
Kendege TTI	45,056,470	45,056,470
Mabera TTI	54,683,900	54,683,900
Total	756,081,561	756,081,561

25 Cash generated from operations	KSH 2018	KSH 2017
Surplus for the year before tax	25,446,663	22,506,627
Adjusted for:		
Depreciation	101,976,255	19,046,125
Contribution to provisions	(4,557,482)	(5,217,583)
Working capital adjustments:		
(Increase) Decrease in inventory	(3,763,308)	3,417,600
(Increase)Decrease in receivables	(143,174,468)	(81,328,670)
Increase(decrease) in payables	94,693,532	(49,043,940)
Increase(decrease) in retention fee	9,737,710	17,603,767
Net cash flows from operating activities	80,358,901	(73,016,075)

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 Kshs	Fully performing Kshs	Past due Kshs	Impair ed Kshs
At 30 June 2018				
Receivables from exchange transactions	80,121,332	80,121,332	-	-
Receivables from non exchange transactions	-	-	-	-
Total	80,121,332	80,121,332		
At 30 June 2017				
Receivables from exchange transactions	27,333,511	27,333,511	5,791,051	-
Receivables from non exchange transactions	22,588,987	22,588,987	-	-
Total	49,922,498	49,922,498	5,791,051	-

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

	2017-2018	2016-2017
	Kshs	Kshs
Revaluation reserve	621,641,211	621,641,211
Accumulated Surplus	95,378,723	51,283,077
Capital Investment Fund	768,831,601	702,444,576
Total funds	1,485,851,535	1,375,368,864
	-	-
Total borrowings		
Less: cash and bank balances	-47,857,118	3,422,700
Net debt/(excess cash and cash equivalents)	-47,857,118	-3,422,700
Gearing	-0.41	-0.41

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

	2018 Ksh	2017 Ksh
Transactions with related parties		
a. Grants from the Govt		
Grants from the Govt	692,496,906	573,768,081
Grants from CDF	-	2,100,000
b. key Mgt Compensation		
Compensation to the CEO	21,611,114	19,771,982
Compensation to Key Mgt	29,878,568	29,452,595
Total	743,986,588	625,092,658

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 Assets were revalued as at 30th 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

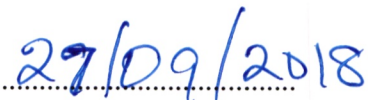
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

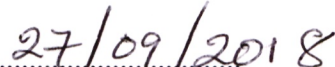
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Note: The audit report for financial year 2016/17 is not yet out.

Vice Chancellor.....

Chairperson of Council.....

Date.....

Date.....

Appendix II: PROJECTS IMPLEMENTED BY THE ENTITY

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

Status of Project Completion

	Projects	Total project Cost	Total expended to date	Completion % to date	Budget 17/18	Actual 17/18	Sources of funds
1	Water Treatment Plant	100,055,000	94,042,649	94	20,000,000	-	State Dept. Univ Edu
2	Tuition Block	376,145,208	265,734,440	71	155,000,000	37,437,500	State Dept. Univ Edu
3	Lecture Hall	15,417,265	15,907,270	103	15000000	-	State Dept. Univ Edu
4	Extension of Admin Block & Ramps	19,055,563	7,195,225	38	19000000	2,942,500	State Dept. Univ Edu
5	Kitchen & Cold room	20,579,710	6,546,514	32	23000000	4,688,124	State Dept. Univ Edu
6	Hostel	93,566,684	18,311,762	20	-	-	State Dept. Univ Edu
7	Kendege TTI	50,054,470	48,969,805	98	-	-	State Dept. Vocational Training
8	Mabera TTI	54,683,900	52,637,648	96	26,248,000	20,824,525	State Dept. Vocational Training
9	Kakrao TTI	53,720,833	40,066,949	75	-	-	State Dept. Vocational Training

Appendix III: INTER-ENTITY TRANSFERS

Rongo University				
Breakdown of Transfers from State Department of University Education & Research				
	FY 17/18			
a.	Recurrent Grants	Bank Statement Date	Amount	Relating FY
	Capitation	07/03/2017	53,034,211.70	13/17
	Capitation	07/19/2017	58,032,200.25	13/17
	Development Grants	07/07/2017	600,000.00	17/18
	Capitation	08/01/2017	39,446,061.00	17/18
	Capitation	09/04/2017	39,446,061.00	17/18
	Capitation	10/03/2017	39,446,050.00	17/18
	Capitation	11/03/2017	39,446,061.00	17/18
	Capitation	12/01/2017	39,446,061.00	17/18
	Capitation	12/01/2017	25,798,031.00	17/18
	Capitation	01/02/2018	5,159,606.00	17/18
	Capitation	01/02/2018	39,446,061.00	17/18
	Capitation	02/08/2018	5,159,606.00	17/18
	Capitation	02/08/2018	39,446,061.00	17/18
	Capitation	03/13/2018	5,159,606.00	17/18
	Capitation	03/13/2018	39,446,061.00	17/18
	Capitation	04/06/2018	5,159,606.00	17/18
	Capitation	04/06/2018	39,446,061.00	17/18
	Capitation	05/02/2018	5,159,606.00	17/18
	Capitation	05/02/2018	39,446,061.00	17/18
	Capitation	06/11/2018	5,159,606.00	17/18
	Capitation	06/11/2018	39,446,061.00	17/18
	Capitation	06/28/2018	5,159,606.00	17/18
	Capitation	06/28/2018	39,446,061.00	17/18
	TOTAL		646,934,405.95	
b.	Development Grants	Bank Statement Date	Amount	Relating FY
	Development Grants	07/03/2017	22,588,987.00	16/17
	Development Grants	10/12/2017	30,880,624.00	17/18
	Development Grants	04/17/2018	14,681,876.00	17/18
	TOTAL		68,151,487.00	
Breakdown of Transfers from State Department of Vocational Training				
c.	Development Grants	Bank Statement Date	Amount	Relating FY
	Development Grants	07/04/2017	5,000,000.00	17/18
	Development Grants	12/31/2017	15,824,525.00	17/18
	TOTAL		20,824,525.00	

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

Finance Officer

Head of Accounting Unit

Rongo University

Ministry of Education

Sign  -----

Sign-----