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REPORT

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CLERK-AT
THE-TABLE:

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
RONGO UNIVERSITY**

**FOR THE YEAR ENDED
30 JUNE 2017**





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RONGO UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2017

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

Table of Content	Page
1. KEY ENTITY INFORMATION AND MANAGEMENT	1
2. COUNCIL MEMBERS	6
3. MANAGEMENT TEAM	9
4. CHAIRPERSON'S STATEMENT	12
5. REPORT OF THE VICE CHANCELLOR	14
6. CORPORATE GOVERNANCE STATEMENT	17
7. MANAGEMENT DISCUSSION AND ANALYSIS	22
8. CORPORATE SOCIAL RESPONSIBILITY	30
9. REPORT OF COUNCIL	35
10. STATEMENT OF COUNCILS' RESPONSIBILITIES	36
11. REPORT OF INDEPENDENT AUDITORS ON RONGO UNIVERSITY	38
12. STATEMENT OF FINANCIAL PERFORMANCE	39
13. STATEMENT OF FINANCIAL POSITION	40
14. STATEMENT OF CHANGES IN NET ASSETS	42
15. STATEMENT OF CASHFLOW	43
16. STATEMENT OF BUDGET AND ACTUAL COMPARISON	44
17. NOTES TO THE FINANCIAL STATEMENTS	45
18. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	73
Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY	75
Appendix 2: INTER-ENTITY TRANSFERS	77

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 (2013), 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

To be a world class technology driven University in learning and practice

Mission

To provide high quality education through teaching, research, community service and nurturing innovative graduates

Core Values

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

- 1) Promoting integrity and quality
- 2) Upholding professionalism and ethical codes in her operations
- 3) Encouraging innovation and adaptability in her Programmes and operations
- 4) Striving to promote equity and teamwork
- 5) Championing 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, 2017 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
Strategy Committee (SC)	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. Box40560 - 40404
Rongo

Equity Bank
Off Awendo- Migori Road
P.O.Box84-40405
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
<p>Dr. Joyce Mwikali Mutinda</p> 	<p>Date of Birth: 28th April, 1956</p> <p>Qualification and Experience</p> <p>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.</p>
<p>Dr. George Onyango Ochiri</p> 	<p>Date of Birth: 22nd August, 1975</p> <p>Qualification and Experience</p> <p>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.</p>
<p>Mr. William Bill Omoding</p> 	<p>Date of Birth: 25th November, 1953</p> <p>Qualification and Experience</p> <p>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.</p>

<p>Mr. Shem Nyakutu</p>  <p>A portrait of Mr. Shem Nyakutu, a middle-aged man with glasses, wearing a dark suit, white shirt, and patterned tie.</p>	<p>Date of Birth: 1967</p> <p>Qualification & Experience</p> <p>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.</p>
<p>Mr. David Lusoka Mshila</p>  <p>A portrait of Mr. David Lusoka Mshila, a middle-aged man with a beard, wearing a dark suit, white shirt, and red tie.</p>	<p>Date of Birth: 1949</p> <p>Qualification and Experience</p> <p>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.</p>
<p>Ms. Catherine Nkirote Mputhia</p>  <p>A portrait of Ms. Catherine Nkirote Mputhia, a woman with long dark hair, wearing a blue blazer, sitting in a black chair.</p>	<p>Date of Birth: 13th July, 1980</p> <p>Qualification and Experience</p> <p>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.</p>

<p>Mr. Kenneth Kipsang Kiprono</p> 	<p>Date of Birth: 1964</p> <p>Qualification and Experience</p> <p>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.</p>
<p>Mr. Ezra O. Magati</p> 	<p>Date of Birth: 10th October, 1963</p> <p>Qualification and Experience</p> <p>Mr. Magati has a Masters of Commerce Degree in Business Administration with over 25 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.</p>
<p>Prof. Samuel Gudu</p> 	<p>Date of Birth: 16th August, 1956</p> <p>Qualification and Experience</p> <p>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 Council Secretary.</p>

3. MANAGEMENT TEAM

MEMBER	RESPONSIBILITY
 <p>Prof. Samuel Gudu PhD (Plant Genetics and Biotechnology), MSc (Genetics and Plant Breeding), BSc (Agriculture) Member of Plant Breeders Association of Kenya.</p>	<p>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.</p>
 <p>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)</p>	<p>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.</p>

 <p>3. Prof. Augustino Onkware PhD (Plant Physiology) MSc (Botany, Plant Physiology and Biochemistry) BSc (Biology)</p>	<p>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.</p>
 <p>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)</p>	<p>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</p>



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

It is my humble privilege to present to our stakeholders the Annual Reports and Financial Statements of Rongo University for the financial year ended 30th June, 2017. This report gives a true reflection of the performance of Rongo University over the period, July, 2016 to June, 2017. The document illustrates the successes and challenges the institution encountered over the period.

Overall University Performance

The financial year 2016/2017 marked a notable increase in net assets from Ksh 928 Million to Ksh 1.4 Billion and a drop in recurrent income from Ksh 722 Million to Ksh 766 Million respectively.

The Council and Management embarked on ambitious programs to improve service delivery during the financial year. Their efforts saw enhancement in key activities in the academic programs, transition to full University status, human resource recruitment and development, infrastructural expansion and enhanced governance.

During the period, the University was awarded Charter by H.E. President Uhuru Kenyatta on 7th October, 2016, bringing into fruition the University's concerted efforts towards achieving transition into a fully-fledged University. The Council also developed the new University Statutes and aligned university governance structures to match the new University legal requirements.

The University continued to improve its infrastructure to meet the growing population of staff and student. Significant attention was focused on the expansion of lecture halls and associated facilities, water treatment, improvement of internet connectivity and construction of kitchen and dining facilities, among others.

The first Chancellor of Rongo University, Prof. Yusuf Ahmed Elmi was also inaugurated and a new Council was appointed to continue steering the University towards further success. The financial year also witnessed the first graduation ceremony of Rongo University, during which various degrees were conferred and diplomas awarded to 983 graduands. In addition, 38 students graduated with certificates but were not part of the congregation. Despite the significant successes over the period, the University continued to face challenges including insufficient funding, inadequate infrastructure and staff. Funding limitation prevented the university from recruiting senior administrative and academic staff.

Rongo university

Reports and Financial Statements

For the year ended June 30, 2017

I remain positive, that going forward, the University will receive adequate government capitation and use it to mobilize requisite resources. Further, the University will continue implementing various austerity measures to monitor and rationalize its financial expenditures. In addition, the Council remains committed to offering competitive terms of service to attract and retain qualified academic and administrative staff. The Council will progressively enhance the University annual budget and make provisions to recruit additional staff to bridge the gaps that currently exist.

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

Thank you.



Dr. Rachel 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, 2017. This has been a year of new challenges but also a year when the University achieved significant milestones.

In 2016/17, the Rongo University started the financial year a cash balance of Ksh. 23,738,001 and received Ksh 420,453,850 from the Government as recurrent income, and Kshs 171,943,594 as development income. The institution also received Kshs 2,100,000 from Rongo CDF and Kshs 7,000,000 from Kuria East CDF. The University managed to collect Kshs. 276,651,229 in tuition and other charges and Kshs. 7,425,000 from research grants and Kshs 7,296,672 from small income generating activities. In total therefore, the University had Kshs 916,608,346 at its disposal. This saw the University achieve several milestones including enhancement in infrastructural development, academic activities and refurbishment of its facilities. This will allow admission of more students into the university which supports the government goal of expanding access to university education.

I am happy to report that the University was awarded charter and assumed full University status on 7th October, 2016 by His Excellency the President of the Republic of Kenya, Hon Uhuru Kenyatta at State House in Nairobi. The name then changed from Rongo University College to Rongo University.

After the award of charter, the University governance structures changed as clearly defined by the University Statutes. The Chancellor was appointed by the President and the new members of the University Council were appointed. We now have an acting Vice Chancellor and two Deputy Vice Chancellors who are supported by Deans of Schools, Directors, Finance Officer, Heads of Departments / Sections and the rest of staff.

The University developed new Rules and Regulations governing admission of new students which are consistent with Commission of University Education (CUE) requirements. Only students who meet these requirements are admitted to the programs. New policies including rules and regulations governing undergraduate and postgraduate students, finance management policy, human resource manual among other policies were developed. During the year, the University developed six new programmes namely Bachelor of Arts General (BA), Bachelor of Arts in International Relations, Bachelor of Science in Health Systems Management (BSc. HSM), Bachelor of Science in Health Records and Information Management (BSc. HRIM), Bachelor of Science in Fashion Design and Textile Technology (BSc. FDTT) and Bachelor of Science in Agribusiness.

In terms of partnerships, the University established four (4) MoU's during the year with Northern Illinois University (USA), Rutgers, WUHAN University (China), State University of New Jersey (USA) and Ministry of East Africa Labour and Social Protection to support student's activities and staff exchange programs. The University also developed three several Research Proposals to be seek research grants from funding agencies including National Research Fund (NRF).

The University conducted its first graduation on Wednesday 14th December, 2016. The occasion was presided over by the Chancellor of the University, Prof. Mohammed Yusuf Elmi. During the occasion, a total of 983 students graduated. 561 students were conferred with Degrees while 422 students were awarded Diplomas. As part of staff development, the University provided partial funding to three (2 masters and 1 PhD) undertaking postgraduate programs. Each master and PhD student received Ksh 50,000 and Ksh 100,000 respectively. WUHAN University China awarded two partial scholarships to two members of staff to study Computer Science and Textile Technology respectively. During this financial year, the university sponsored 46 members of staff to different Conferences, workshops and Seminars. In addition, the University organized internal training for staff on Gender Mainstreaming, Disability Mainstreaming, National Cohesion and Values and Safety and Security measures. The University also invited speakers to talk to staff on Pensions, Anti-Corruption and Anti-terrorism among others.

The University undertook a number of Environmental sustainability initiatives which included Pollution Control, Climate Change Mitigation and Adaptation Initiatives, Environmental Ecological Enhancement, Environmental Education and Awareness, Promotion of Environmental Protection and Conservation through partnership with stakeholders. Notable activities included reconstituting Environmental Sustainability Committee, developing Draft Environmental Policy, carrying out pollution control activities which involved creating awareness on solid waste management, effluent discharge, and noise and air pollution control measures. The University also purchased and installed energy saving bulbs, gutters for water harvesting and water tanks. In addition, the University conducted Environmental Impact Assessments (EIA) for new projects, planted trees and restored degraded sites as part of Environmental Ecological Enhancement.

In terms of Environmental Education and Awareness, the University Sensitized staff and the public on Environmental sustainability and also participated in joint events with communities and schools. The

University also promoted environmental protection and conservation through partnership with stakeholders by conducting joint environmental activities with Sony Sugar and Oyani farm, cleaned an orphanage in Nyabigege and also educated the Rongo Community on Environmental health as part of CSR activities.

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

Prof. Samuel Gudu

VICE CHANCELLOR

6. CORPORATE GOVERNANCE STATEMENT

The Council Charter and Governance Principles

The Charter and Statutes were developed in 2016/17 financial year to provide legal instruments 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 including Universities Act, State Corporation's Act, Public Finance Management Act and others together with Mwongozo Code of Governance for state corporations to provide useful guidelines for the management of the University and provide conducive work environment.

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. Adherence 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 2016/2017 FY, Rongo University Council had 8 members with various skills and competencies that directed the governance and strategies of the University. The members were appointed by the Cabinet Secretary Ministry of Education and comprised the following:

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

The Council members together with all stakeholders worked tirelessly to guide the University College to attain the university status.

Rongo university

Reports and Financial Statements

For the year ended June 30, 2017

Rongo University was awarded a charter on 7th October, 2016 that saw the appointment and inauguration of the first Chancellor, Prof. Mohammed Yusuf Elmi. The Chairperson of the current third Council of Rongo University is Dr. Joyce B. M. Mutinda. The new Council was appointed on 1st August, 2017 for a three year term. It is composed of nine Council members including five independent members, one representative of the Cabinet Secretary to National the Treasury, one representative of the Principal Secretary State department of University education. 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 2016/2017 FY, Rongo University Council held a total of 26 Council meetings including committee meetings, regular and special meetings. All members had more than 95% attendance for all meetings and quorum was obtained in all meetings. Conflict of interest was 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 second Council registered commendable performance with an average of 88% overall Council performance and 90% individual Council performance between 2013/2014 FY to 2015/2016 FY. The Council performance for the period 2016/2017 FY was already evaluated and awaiting results from SCAC.

Orientation was organized for members of the Third Council, in addition government, through State Corporation Advisory Committee (SCAC) provided new members with an effective induction program in order to familiarize them with their responsibilities as Council members. 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.

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.

Council has put in place mechanisms to conduct annual governance audit to assess its governance mechanisms and ensure compliance with good corporate governance practices. The University has thus engaged the services of governance audit experts to conduct governance audit and a report will be presented and analyzed by the Council to identify areas for improvement.

Council Remuneration

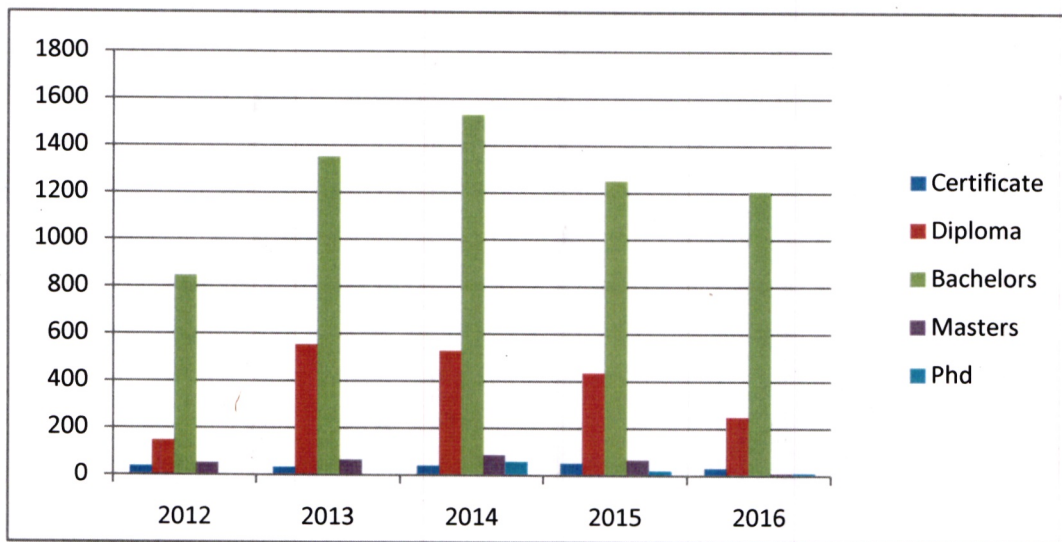
The University Council members, except for the Vice-Chancellor, are not paid salary. However, their remuneration include sitting and subsistence allowances whenever they attend Council meetings at the government approved rates.

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 :

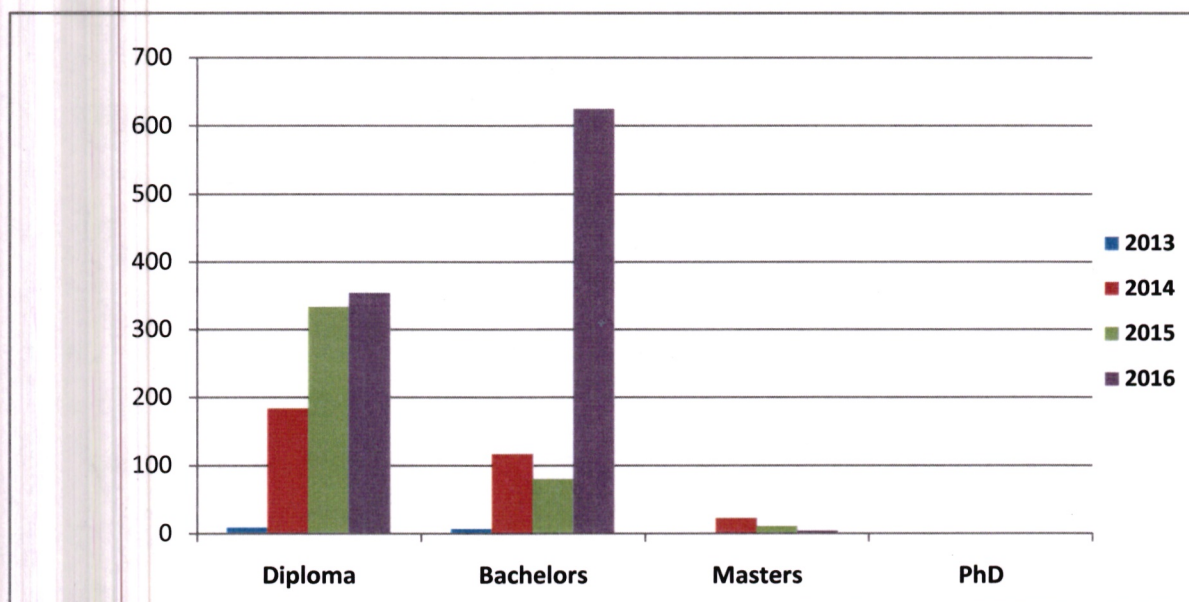
	2012	2013	2014	2015	2016	TOTAL
Certificate	37	33	41	51	31	193
Diploma	148	555	528	435	248	1914
Bachelors	846	1351	1530	1251	1207	6185
Masters	51	65	87	67	9	279
PhD	0	0	58	21	11	90
TOTAL	1082	2004	2244	1825	1506	8661

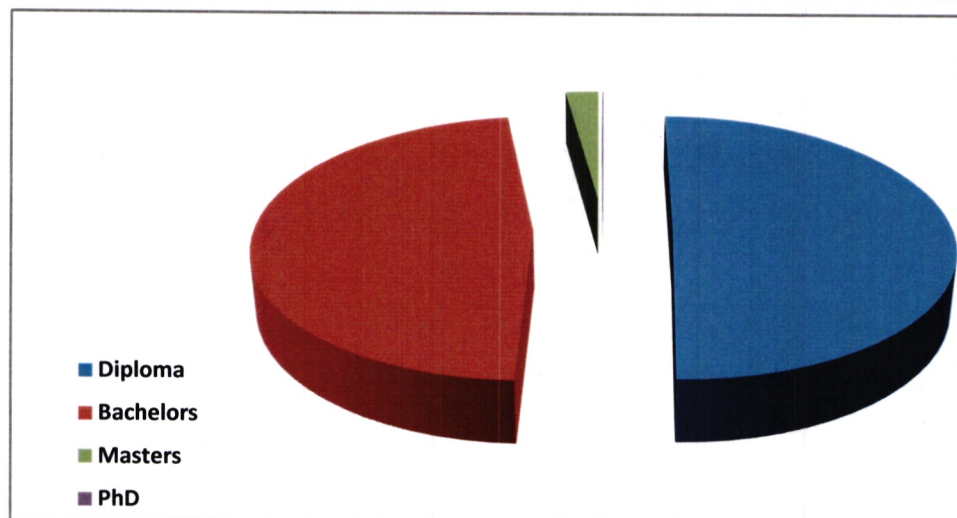


7.2. Graduation statistics

The University conducted its first graduation for the conferment of Degrees and award of Diplomas to its graduates on Wednesday 14th December, 2016. The occasion was presided over by the Chancellor of the University, Prof. Mohammed Yusuf Elmi. During the occasion, a total of 983 students graduated, with 561 students receiving Degrees while 418 students were awarded Diplomas. It's important to note that the number of graduating students is increasing as the years go by. Below is the graduation statistics:

Year	Diploma	Bachelors	Masters	PhD	TOTAL
2013	9	7	0	0	16
2014	184	117	23	0	324
2015	333	80	11	1	425
2016	354	625	4	0	983
TOTAL	880	829	38	1	1748

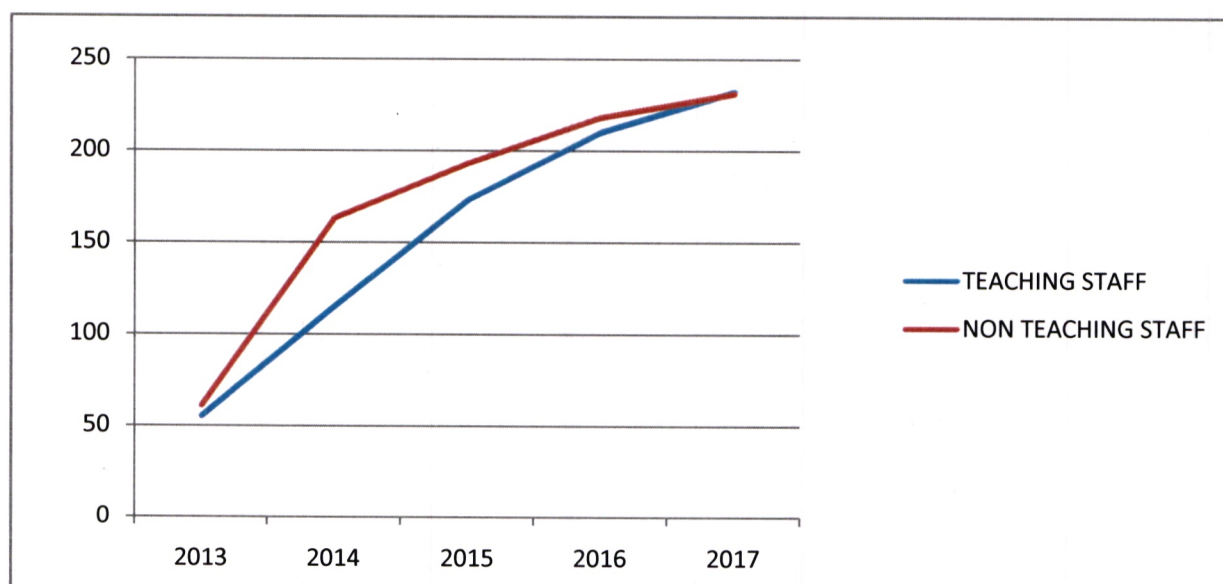




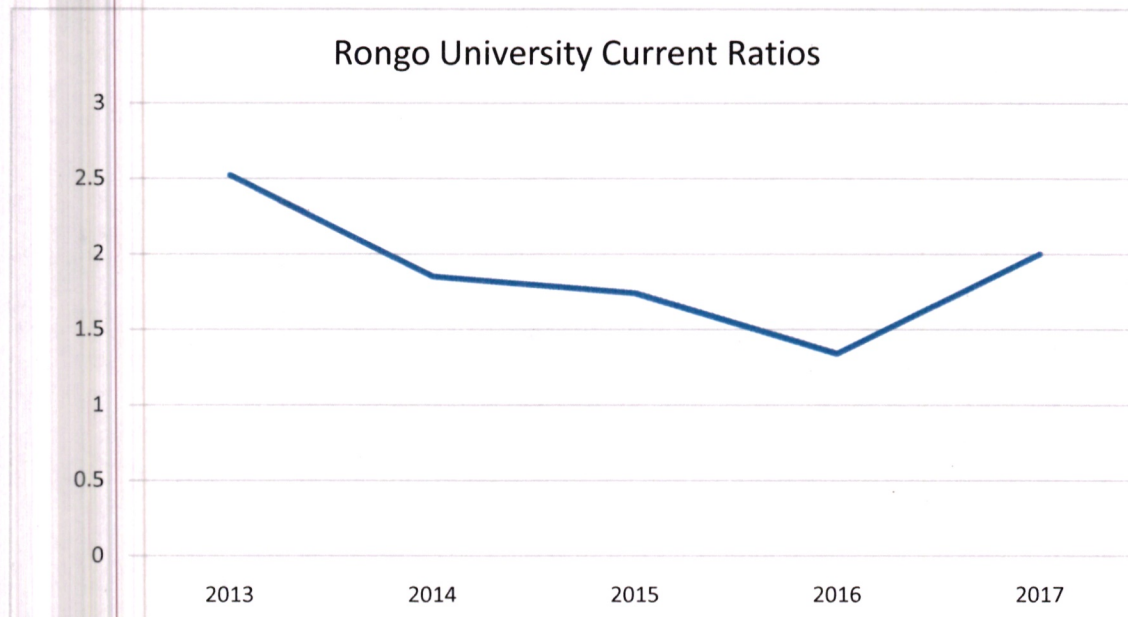
7.3 Statistics on Employee Cost

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 2017. The statistics are as shown below:

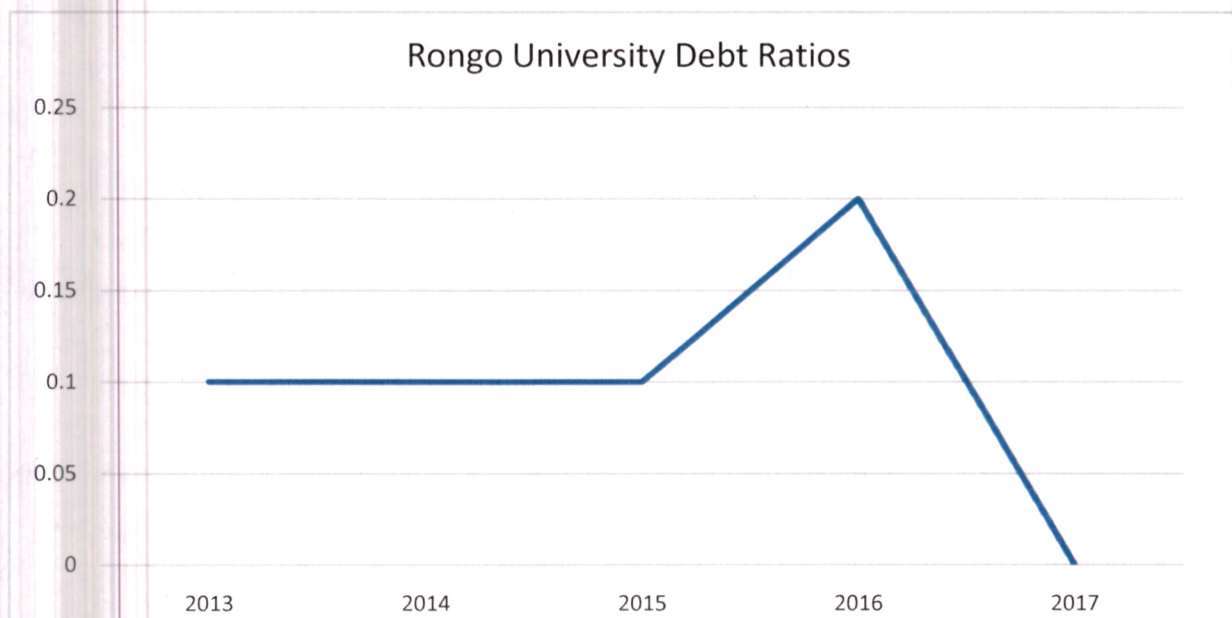
YEARS	Employee Cost In Ksh(Millions)				
	2013	2014	2015	2016	2017
Teaching Staff	55	115	173	210	232
Non Teaching Staff	61	163	193	218	231
TOTAL	116	278	366	428	463



7.4.1 Current Ratios



7.4.2 Debt Ratios



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.

7.4.3 Movement in Total Assets

Assets in millions	Assets in millions	Assets in millions	Assets in millions	Assets in millions
486	607	804	929	1,362
2013	2014	2015	2016	2017

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

7.6. Key Projects**7.6.1 Construction of Tuition Block**

This project was started in May 2013. It is a five storey block which comprises lecture halls and offices. The ground floor which was done in phase one is complete. Erection of upper floors is complete and the Contractor is currently fixing the roof and doing finishes works. This building has ten lecture halls and fifty offices. Construction works is expected to be complete in October 2017.

7.6.2 Water Project

The University completed the first phase of the project in the year 2014. This phase involved installation of a water pump with a discharge capacity of 35 cubic meters per hour over a distance of 1.83km, a vertical head of 210 meters and construction of a pump house. It also included installation of a 135 KVA generator set and construction of the pipeline.

Currently we are completing the second phase that comprises construction of a conventional water treatment plant, storage tanks, supply mains, chemical house, attendant's house, administration block, and accessories, construction of supply and distribution mains, construction of ground storage, and construction of elevated distribution tank. The clear water storage tanks capacity is 350m³ and the elevated distribution tank is 175m³. This project is at the final stage and is expected to be complete within this financial year.

7.6.3 Administration Block.

This building has been given a complete overhaul: The asbestos roof covering has been replaced with G30 Pre- painted G.I Sheets, the floors have been given both ceramic and granite tile, washrooms facilities have been provided, the ceiling board is re-done. The doors are replaced and thorough painting done.

In order to accommodate the new governance structure, this building is being extended to provide extra office spaces and to improve on its aesthetics value at the frontage. This is expected to be completed by second quarter of this year.

7.6.4 Construction of ramps

RU is complying with Persons with Disability Act of 2013 by constructing ramps to ease access to upper floors. Construction is ongoing and planned to complete by end of September 2017

7.6.5 Student Hostel/Tuition Block

Since the demands for boarding facilities has reduced and that of teaching and office spaces increased, Council approved change of user from hostel to tuition block. The process of identifying a contractor is ongoing.

7.6.6 Construction of Kitchen

The University is putting up a larger kitchen that will have a cold room and cooking gas installations. Works are at the roofing stage. Completion date is end of September 2017.

7.6.7 Construction of Main gate

Rongo University is planning to construct the main gate within this financial year but is awaiting the outcome of a litigation process that was occasioned by an unsatisfied bidder. The construction will involve building the gate and security house.

7.6.8 Lecture halls in Town

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 September 2017. In addition a bore hole has been sunk and water pump installed on the plot.

7.6.9 Technical Training Institute Projects

Rongo University was mandated to mentor three Technical Training Institutes by the Ministry of Education. 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 side. 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. We are in the processes of engaging another contractor to complete the remaining works.

ii) Kendege Technical Training Institute

The project was started in Feb. 2015 with a planned completion date of Feb.2016. To date the works are still ongoing because of delays caused by the Contractor despite efforts of the University and the Site Management Team. Finishes works are ongoing.

iii) Mabera Technical Training Institute

Construction works commenced in Nov.2017 and was planned to be completed in Nov. 2017. 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. Works are at advance stage of completion and the Contractor is doing final finishes.

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 2016/17, the following Corporate Social Responsibilities were undertaken:

8.1 Visits to an Orphanage

About 150 students from the School of Information Communication and Media Studies visited St. Carls Home of Champions orphanage at Nyabigege Shopping Centre, Kisii County and gave donations of food items, detergents and sanitary items. In addition, the team conducted cleaning exercise at the orphanage and also delivered motivational talks



to orphans.

8.2 Healthcare Services

The Health Services Sections in collaboration with Ministry of Health (Rongo Sub-County Hospital) and Marie-Stopes Kenya conducted 4 reproductive health outreach services at Rongo, Toku, Winyo and Nyakweri Primary Schools in May, June and July 2017. The services targeted majorly women of reproductive age and included: dissemination of health messages majorly on reproductive health and HIV & AIDS; family planning services; pre-exposure prophylaxis; Cervical Cancer screening, STI screening and referrals for appropriate treatment. A total of 185 clients were served.

8.3 Establishment of School Libraries



Rongo University partnered with a US based Non-Governmental Organizations, Project Humanity (PH) and African Library Project (ALP) to establish 30 small sustainable school libraries in Migori and Homabay Counties. The goal of the project is: a) to empower the children and communities through education by providing reading materials; and b) to enhance reading culture at early stages of their life. The University planned to pay custom clearance and forwarding charges from Mombasa to RU; create awareness; mobilize the schools to establish the libraries; offer training to staff managing school libraries and monitor usage. The selected schools are expected to provide

adequate library space and shelves.

Consequently, book drives were organized by ALP in the United States of America. The books were then shipped and received by Rongo University in April 2017 as phase one. Thereafter, approximately 1000 books were dispatched to each of the selected 30 schools. The University then trained the School Librarians. The applications for the expanded second phase were received and submitted to ALP in August 2017.

8.4 Financial Support

Rongo University has offered financial support to various public functions and activities including: Labour Day and Madaraka Day celebrations and funds drive at Kanga High School for the construction of a dormitory.

8.5 Research Outreach



The University through donor grants and in collaboration with various NGOs including REFSO, AGRISS, CARD, and the Catholic Dioceses of Homabay has conducted several field days and extension services to sorghum farmers in Migori, Homabay, Siaya and Busia Counties. The exercise was aimed towards enhancing the skills and knowledge of farmers on better agronomic practices for improved

farm productivity. In addition, the extension services were intended to introduce farmers to diversified sorghum value added products for improved nutrition and market access leading to improved livelihoods of the communities in Western Kenya region.

8.6 Environmental Sustainability

In the FY 2016/17, the University conducted the following environmental sustainable activities:

- a) Held a workshop to create awareness on management of solid waste. 3 additional waste receptors and waste segregation bins were purchased and installed.
- b) Installed rain water harvesting gutters together with 4 tanks as water conservation measure. A license for sewage facility was also obtained.
- c) 1500 trees were planted to control air and noise pollution, greenhouse gasses and degraded lands. This activity was conducted jointly with Sony Sugar Company and Oyani Farm.
- d) Equipment and vehicles were maintained in accordance with the Maintenance Schedule
- e) The University has partnered with NEMA to monitor and inspect compliance with environmental legislation

8.7 Employee Relation

a) Collective Bargaining Agreement with UASU, KUSU and KUDHEIHA

In FY 2016/17 staff went on strike to demand for the negotiation and implementation of 2013 – 2017 CBAs for UASU, KUSU and KUDHEIHA staff unions. The CBAs were later negotiated and signed. The arrears arising from the implementation of the CBAs have since been paid.

b) Job Evaluation Exercise

The Job Evaluation exercise was conducted by the Salaries and Remuneration Commission and the results received.

c) Staff Training and Development

In 2016/2017, through a collaboration between Rongo University and Wuhan Textile University, two (2) members of staff were awarded partial scholarship to Wuhan Textile University, China to pursue Masters Programs.

8.8 Games, Sports, Music and Drama



Music:

a) Kenya Music Festivals - Kasarani, Nairobi on 12th -16th August 2017. Won five trophies and merit certificates.

b) Mashujaa Day Celebrations at Machakos County on 20th October 2016.

c) Madaraka Day Celebrations at Opapo Primary School - Rongo in Migori County on 1st June 2017

Drama:

- a) Regional Drama for Nyanza and Western Inter-universities festivals was held in Jaramogi Oginga Odinga University of Science and Technology - Bondo from 17th-18th March 2017. Rongo University was the overall winner.
- b) National Drama Festivals held in Kisumu from 8th-16th April 2017 at Nyamasaria Primary and Lions High School halls. Rongo University took the third position in Choral verse, two trophies and six merit certificates.

Games and Sports: The University was represented in a number of games activities including: East African Sports in Jomo Kenyatta University of Science and Technology), and Kenyatta University between 15th -21st December 2016 where a total of 57 students participated; The KUSA Western Games held tournaments in Masinde Muliro University of Science and Technology on 4th - 5th February 2017 in Volleyball (W), football (W), Handball, (M) Table Tennis (M/W); and Kibabii University from 13th-14th May 2017. Mr. Daniel Munguti participated in the Kenya Universities Athletic Championship on 9th-10th June 2017 at Kenyatta University. The University won several trophies and certificates.

8.9 Bursaries

In FY 2016/17, 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.

8.10 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, 2017 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, 2017 are set out on pages 39 to 79

Directors

The members of the University Council, who held office during the year and to 30th June, 2017 were:

- | | |
|----------------------------------|-----------------------------|
| a) Mr. Julius. K. Kolil | - Chair |
| b) Mrs. Beatrice Muthoni Mwaniki | - Member |
| c) Dr. Nathan Psiwa Kitio | - Member |
| d) Mrs. Jacinta Aluoch Odhiambo | - Member |
| e) Mrs. Anna Ngibuini Mwaure | - Member |
| f) Mr. Ezra Magati | - Rep.PS. MoEST |
| g) Mr. Shem Nyakutu | -Rep.PS. National Treasury |
| h) 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, 2017. 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, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2017, 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.

Rongo university

Reports and Financial Statements

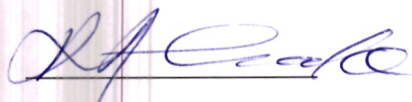
For the year ended June 30, 2017

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 30th September 2017.

Signed on its behalf by:



Chair of Council



Vice Chancellor

11. REPORT OF INDEPENDENT AUDITORS ON RONGO UNIVERSITY

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Rongo University set out on pages 39 to 78, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and summary 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Rongo University as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012.

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

Basis for Qualified Opinion

1.0 Statement of Comparison of Budget and Actual Amounts

Included in the statement of comparison of budget and actual amounts are adjustments amounting to Kshs.345,119,892 on income and Kshs.327,766,763 on expenditure which have not been explained by management. Explanations for material variances have also not been documented as required by International Public Sector Accounting Standards 24. The actuals are also at variance with the figures in the statement of financial performance as shown below:

Report of the Auditor-General on the Financial Statements of Rongo University for the year ended 30 June 2017

Item	Statement of Budget and Actual (Kshs)	Statement of Financial Performance (Kshs)	Variance (Kshs)
Income	768,080,541	766,601,430	1,479,111
Employee costs	479,238,608	478,110,363	1,128,245
General expenses	111,727,621	111,027,025	700,596
Council expenses	16,934,542	15,196,505	1,738,037
Academic costs	103,960,761	101,200,400	2,760,361
Repairs and maintenance	17,104,548	14,490,084	2,614,464

The percentage variances are also not correct.

Consequently, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

2.0 Statement of Cash flows

A review of the statement of cash flows revealed the following anomalies:

- i) The figure for purchase of intangible asset indicated as Kshs.696,000 differs with the figure in note 16 to the financial statements shown as Kshs.660,000.
- ii) The sum of purchase of non-current asset, development expense, development expenses TTI and retention fees paid is Kshs.160,252,945 which differs with the additions of Kshs.189,122,412 in note 17 to the financial statement resulting in an unexplained difference of Kshs.28,869,467.
- iii) The net cash flow from operating activities is indicated as Kshs.10,533,395 which differs with the amount of Kshs.21,622,951 in note 25 to the financial statements.

Consequently, the accuracy and completeness of the statement of cash flows could not be confirmed.

3.0 Revaluation Surplus

The statement of net assets indicates that the revaluation surplus was Kshs.403,576,915. However, a computation of the expected revaluation surplus for the year based on the asset valuation report indicates a different figure as shown below:

	Kshs.
Revaluation balance as per the valuation report for all assets	766,407,057
Less: the opening net book value (as at 30 June 2016)	(391,618,339)
Expected valuation surplus	374,788,718
Reported valuation surplus	403,576,915
Variance	28,788,197

The above variance has not been explained.

In addition, a transfer from the revaluation surplus to accumulated surplus has not been done in the current year for consistency with the treatment in previous years. Consequently, the accuracy of the revaluation surplus of Kshs.403,576,915 could not be confirmed.

4.0 Caution Money

Note 19 to the financial statements indicates that caution money as at 30 June 2017 amounted to Kshs.5,800,000. However no schedule of the students and amounts due to them has been provided for audit review.

Consequently, the accuracy of the caution money totaling Kshs.5,800,000 could not be confirmed.

5.0 Student Debtors

5.1 Note 12 to the financial statements indicates that student debtors as at 30 June 2016 totaled Kshs.200,119,936. However, the aged analysis of the debtors provided to support the amount had credit balances amounting to Kshs.28,815,308. Further, a provision for doubtful debts of Kshs.4,521,583 was not supported by workings based on the university's debtor's policy. The ledger amounts also indicates the student debtors as totaling Kshs.131,842,174 resulting in an unexplained variance of Kshs.68,277,762.

Consequently, the accuracy of the student debtors brought forward figure of Kshs.200,119,936 could not be confirmed.

5.2 Staff Debtors

Note 12 to the financial statements indicates that staff debtors as at 30 June 2017 totaled Kshs.4,898,916. These were amounts that had been issued as imprests and not accounted for as at the year end as per the requirements of the Public Finance Management Act, National Government Regulations 2015 section 93 (4) (b). In

addition, staff were issued with multiple imprests contrary to section 93 (5) of the same Act. Consequently, the University was in breach of the law.

6.0 General Expenses and Repairs and Maintenance Costs

for the year ended 30 June 2017. However, payment vouchers totaling Kshs.3,162,002 relating to these two expense items were not availed for audit review. Consequently, the propriety of the expenditure amounting to Kshs.3,162,002 could not be confirmed.

7.0 Employee Costs

Note 5 to the financial statements indicates employee costs as Kshs.478,110,363 for the year under review. However, there were variances between the ledger amounts and the financial statement figures for three components that make up the employee costs as shown below.

Employee cost component	Financial Statement Figure (Kshs)	Ledger Amounts (Kshs)	Variance (Kshs)
Salaries & wages	235,246,194	233,044,046	2,202,148
Pension and provident	36,845,920	35,376,886	1,469,034
Other Allowances	30,124,033	30,366,866	(242,833)
Total			3,428,349

Consequently, the accuracy of employee costs of Kshs.478,110,363 could not be confirmed.

8.0 Academic Costs

Included in the statement of financial performance is academic costs amounting to Kshs.101,200,400. However, the supporting ledgers indicated a figure of Kshs.89,997,825 resulting in an unexplained variance of Kshs.12,202,575. Consequently, the accuracy of academic expenses of Kshs.101,200,400 could not be confirmed.

9.0 Property, Plant and Equipment

The statement of financial position indicates the value of property, plant and equipment as at 30 June 2017 amounting to Kshs.1,299,106,042. A review of the supporting documentation relating to this component revealed the following:

- i) A borehole valued at Kshs.1,371,882 was classified as a building instead of an infrastructure asset contrary to IPSAS 17.

- ii) The asset valuation report as at 30 June 2017 showed a total value of Kshs.766,407,057 for all asset categories. However, the figures used in the financial statements under note 17 differs with the amounts in the valuation report.

Consequently, the accuracy of property, plant and equipment figure of Kshs.1,299,106,042 as at 30 June 2017 could not be confirmed.

10.0 Statement of Changes in Net Assets

During the year under review, adjusting journals amounting to Kshs.50,370,130 affecting various items of assets and expenditure on one hand and the accumulated surplus on the other were done. However, this amount has not been reflected in the statement of changes in net assets.

Consequently, the accuracy of the statement of changes in net assets could not be confirmed.

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 matter described in Basis of Qualified Opinion and Other Matter sections of my reports, I have determined that there are no Key Audit Matters to communicate in my report.

1. Budget Performance Analysis

A comparison of budget and actual figures revealed variances as detailed below;

Item	Budget (Kshs)	Actual Amounts (Kshs)	Variance (Kshs)	Variance (%)
Income	742,880,212	766,601,430	(25,200,329)	-3%
Employee costs	478,669,839	478,110,363	559,476	0%
General expenses	119,060,168	111,027,025	8,033,143	7%
Council expenses	17,000,000	15,196,505	1,803,495	11%
Academic costs	110,844,163	101,200,400	9,643,763	9%

Repairs and maintenance	17,306,042	14,490,084	2,815,958	16%
Total	742,880,212	720,024,377	22,855,835	
Capital grant	153,987,000	139,788,896	14,198,104	9%

Analysis of the University's budget against the actual figures revealed that there was under-expenditure in general expenses, academic costs, repairs and maintenance as well as repairs and maintenance. The underutilization of capital funds of 9% meant that the projects would not be completed on time and thus value for money may not have been realized.

2. Failure to Open an Account for Research Funds

During the year under review, Rongo University received research grants from McKnight Foundation amounting to Kshs.7,425,000 for improving food and livelihood security in East Africa using multiple stress tolerant sorghum cultivars project. However, the funds were controlled through the Rongo University PSSP KCB current account number 1130114511 and not a separate Institutional Bank account as per the grant agreement paragraph eight (8).

3. Stalled Project

Included in work-in-progress amount are payments totaling Kshs.18,311,762 made to a contractor for the construction of a hostel block. The contract sum for the project was Kshs.95,571,019 awarded on 18 May 2015. However, on 28 July 2015 after commencement of the initial works, the National Construction Authority (NCA) suspended the works due to lack of a compliance certificate. The works resumed on 17 November 2015 after the contractor had incurred additional costs due to idle labour and equipment. The contract was subsequently terminated in July 2016 due to employer's failure to honor payment certificates issued for work done as at that time. This discontinuation of the works meant that the project has not realized its objectives and there was no value for money.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters

related to sustainability of services and using the going concern basis of accounting unless the management either to liquidate the university or cease operations.

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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.

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

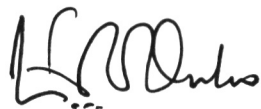
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue offering services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the

related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the university to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

17 September 2018

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

REVENUE FROM	NOTES	2017	2016
		Kshs	Kshs
Non-Exchange Transactions	3	420,453,850	281,345,012
Exchange Transactions	4	346,147,580	441,052,859
Total revenue		766,601,430	722,397,871
EXPENSES			
Employee Costs	5	478,110,363	440,735,224
Depreciation & Amortization cost	6	19,046,125	76,435,075
Repairs & Maintenance	7	14,490,084	30,898,535
General Expenses	8	111,027,025	116,678,464
Council Expenses	9	15,196,505	16,950,319
Academic Expenses	10	101,200,400	121,805,746
Total Expenses		739,070,500	803,503,363
Gross Deficit		27,530,930	(81,105,493)
Gain on Revaluation of Biological Assets	14	193,280	257,720
Provision for Doubtful Debts	20	(4,521,583)	(3,282,886)
Provision for Audit fees	20	(696,000)	(690,000)
Net Deficit		22,506,627	(84,820,659)

The notes set out on pages 39 to 78 form an integral part of these Financial Statements

**13. STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2017**

ASSETS	NOTES	2017 Ksh	2016 Ksh
Current Assets			
Cash & Equivalent	11	3,422,700	23,738,001
Receivables from Exchange Transactions	12	200,706,813	141,967,130
Receivables from Non-Exchange Transactions	13	22,588,987	-
Biological Assets	14	1,010,000	816,720
Inventories	15	7,869,296	11,286,896
Total Current Assets		235,597,796	177,808,747
Non-Current Assets			
Intangible Assets	16	8,250,531	9,617,164
Property, Plant & Equipment	17	1,299,106,042	740,872,441
Total Non-Current Assets		1,307,356,574	750,489,605
Total Assets		1,542,954,370	928,298,352
LIABILITIES			
Current Liabilities			
Payables from Exchange Transactions	19	82,682,390	73,594,407
Provisions	20	696,000	690,000
Student Advances	21	39,294,494	46,384,591
Borrowings	22	-	4,657,235
Deferred Income Liability	23	-	7,421,535
Total Current Liabilities		123,672,884	132,747,768
Non- Current Liabilities			
Retention Fees	24	43,948,490	26,344,723
Total Non- Current Liabilities		43,948,490	26,344,723
NET ASSETS			
Capital Investment Fund		702,444,576	521,400,982
Revaluation Reserve		622,605,343	219,028,428
Accumulated Surplus		51,283,077	28,776,450
Total Net Assets		1,376,332,995	769,205,860
Total Net Assets & Liabilities		1,542,954,370	928,298,351

The Financial Statements set out on pages 39 to 78 were signed on behalf of Council by:

Rongo university

Reports and Financial Statements

For the year ended June 30, 2017

Vice Chancellor

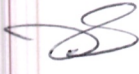
Head of Finance

Chairperson of Council

Name: *Prof. Samuel Gudy*

Name: *JANEI CHIRBA*
(P.S.)

Name: *Dr. Richard Masak*

Sign: 

ICPAK Member Number: 10479

Sign: 

Date.....

Date.....

Date.....

14. STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2017

	Capital Investment Fund Kshs	Accumulate d Surplus Kshs	Revaluation Surplus Kshs	Total Kshs
Balance at 30th June 2015	370,890,930	(22,031,352)	354,656,889	703,516,466
Development Income Govt Grants	100,480,121	-	-	100,480,121
Devp Grant- Rongo CDF	2,000,000	-	-	2,000,000
Development Income TTIS	48,029,931	-	-	48,029,931
Deficit for the year	-	(84,820,659)	-	(84,820,659)
Prior Years depreciation on revaluation	-	101,721,346	(101,721,346)	-
Current year depreciation on revaluation	-	33,907,115	(33,907,115)	-
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

**15. STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 30 JUNE 2017**

Cash Generated From Operations	NOTES	2017 Ksh	2016 Ksh
Receipts			
Revenue from Non-Exchange Transactions	3	420,453,850	281,345,012
Revenue from Exchange Transactions	4	289,893,789	441,052,859
Total Revenue		<u>710,347,639</u>	<u>722,397,871</u>
Payments			
Employee Costs	5	519,409,436	411,702,302
Repairs & Maintenance	7	14,490,084	30,898,535
General Expenses	8	127,127,377	116,678,464
Council Expenses	9	15,196,505	16,950,319
Academic Expenses	10	107,140,313	121,805,746
Total Payment		<u>783,363,714</u>	<u>698,035,367</u>
Net Cash flow From Operating Activities	25	<u>(73,016,075)</u>	<u>24,362,504</u>
Cash flow from Investing Activities			
Purchase of Intangible asset	16	(696,000)	(1,453,000)
Purchase of Non Current asset	34	(10,388,452)	-
Development Expense	35	(54,548,064)	(119,571,447)
Devp Expense- TTI	36	(35,464,082)	(48,070,298)
Net cash flow From Investing Activities		<u>(101,096,598)</u>	<u>(169,094,745)</u>
Cash flow from Financing Activities			
Borrowings	23	-	5,454,405
Repayment of Borrowings	23	(4,657,235)	(12,762,394)
Development Grant	33	132,825,244	102,480,121
Development Grant - TTI	33	25,629,363	48,029,931
Net cash flow from Financing Activities		<u>153,797,372</u>	<u>143,202,063</u>
Net increase/(decrease) in cash in hand and bank		(20,315,301)	(1,530,178)
Cash and Bank Balance B/f	11	<u>23,738,001</u>	<u>25,268,179</u>
Cash and Bank Balance C/f	11	<u>3,422,700</u>	<u>23,738,001</u>

**16. STATEMENT OF BUDGET AND ACTUAL COMPARISON
FOR FINANCIAL YEAR 2016/17**

Description	Budgeted Ksh	Actual Ksh	Variance Ksh	% Variance
Income	742,880,212	766,601,430	23,721,218	3
Expenses				
Employee Costs	478,669,839	478,110,363	559,477	0
General Expenses	119,060,168	111,027,025	8,033,143	7
Council Expenses	17,000,000	15,196,505	1,803,495	11
Academic Costs	110,844,163	101,200,400	9,643,763	9
Repairs and Maintenance	17,306,042	14,490,084	2,815,958	16
Total	742,880,212	720,024,376	22,855,836	
Capital Grant	153,987,000	90,012,146	63,974,854	42

Budget Explanatory Notes

The initial budget was revised by the Ministry of Education. Subsequently, Rongo University Council revised its budget on 19th January 2016 in line with the allocation.

Council Expense:

Council expenditure was reduced as per the almanac that put a ceiling on the number of council meetings for financial year 2016/2017.

Repairs & Maintenance:

This expenditure was reduced as a result of regular maintenance done on various categories of assets 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 2017**

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The 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

Standard	Impact
IPSAS 34: Separate Financial Statements	<p>entity.</p> <p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>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.</p> <p>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
IPSAS 35: Consolidated Financial Statements	<p>Effective for annual periods beginning on or January 1, 2017)</p> <p>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:</p> <ul style="list-style-type: none">- 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. <p>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.</p> <p>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>

Standard	Impact
IPSAS 36: Investments in Associates and Joint Ventures	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p>The entity does not have any associates or joint ventures and therefore does not have investments and neither does the standard apply.</p>
IPSAS 37: Joint Arrangements	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>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.</p> <p>The entity does not have an interest in a joint arrangement and therefore the standard does not apply.</p>
IPSAS 38: Disclosure of Interests in Other Entities	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>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.</p> <p>The entity does not have an interests in other entities and therefore the standard does not apply</p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

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

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 2016-2017 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. Accordingly, the University recorded additional appropriations of Ksh. 286,025,651 on the 2016-2017 budgets following the Councils' approval.

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

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

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 there placement 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.

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, 2017.

Rongo University**Reports and Financial Statements****For the year ended June 30, 2017**

	KSH	KSH
	2017	2016
3 Revenue from Non-Exchange Transaction		
Recurrent Received	420,453,850	281,345,012
Recurrent Accrued	-	-
Total Revenue from Non Exchange Transaction	420,453,850	281,345,012

Revenue from Non-exchange transactions refers to Recurrent Capitation from the Central Government. In the Financial year under review, The University Received Ksh 420,453,850 as had been allocated.

	KSH	KSH
	2017	2016
4 Revenue from Exchange Transaction		
Fees & Related Charges Received	274,555,581	346,184,104
Fees & Related Charges Accrued	56,253,791	65,657,713
Tender Incomes	7,000	26,000
Cafeteria Charges	6,947,922	6,789,315
Research Income	7,425,000	22,271,535
Rental Income	602,493	30,300
Other Incomes	355,793	93,891
Total Revenue from Exchange Transaction	346,147,580	441,052,859

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	KSH
	2017	2016
5 Employee costs		
Salaries & Wages	235,246,194	215,747,708
Pension and Provident	36,845,920	26,399,412
Commuter Allowance	44,218,210	43,562,581
Housing Allowance	128,552,506	123,405,676
Locum	3,123,500	1,888,000
Other Allowances	30,124,033	29,731,847
Employee costs	478,110,363	440,735,224

Employee cost increased as a result of new recruitment of academic and a few administrative staff.

	2017	2016
6 Depreciation and amortization expense		
Property, plant and equipment	16,983,492	74,030,784
Intangible assets	2,062,633	2,404,291
Total depreciation and amortization	19,046,125	76,435,075

	KSH 2017	KSH 2016
7 Repairs and maintenance		
Property	9,053,442	22,728,275
Equipment	365,181	1,301,945
Vehicles	1,972,193	2,207,256
Computer	3,099,268	4,661,059
Total repairs and maintenance	14,490,084	30,898,535
	KSH 2017	KSH 2016
8 General expenses		
Advertising & Publicity	6,989,519	9,073,500
Travel & Accommodation	11,885,124	9,131,086
External Travel	1,077,581	2,298,720
Internet Communication	7,869,305	9,619,150
Open & Cultural Expense	250,000	647,300
Audit Expenses	972,769	1,392,000
Library Books and Journals	695,285	1,234,885
Bank Charges	1,660,943	2,838,185
Committee & Seminar Expenses	5,588,102	5,134,906
Medical Expenses	16,233,220	14,263,270
Subscriptions	236,950	573,940
Electricity. Water & Conservancy	8,506,747	7,566,872
Transport Operating Expenses	4,806,215	6,230,160
Cooking Fuel and oil	2,223,350	2,482,230
Catering Expense	17,357,567	18,477,786
Insurance	4,459,746	3,627,435
Legal expenses	2,739,582	414,307
Strategic Planning Expenses	-	108,750
ICT Infrastructure	-	281,000
CSR	382,019	479,500
Hire Expenses	13,450	477,000
Farm Expenses	521,870	950,380
Performance Contract	559,800	2,017,374
Postage	255,598	338,992
Stationery	5,455,632	3,868,047
Public Celebrations	182,600	366,490
Tender Expenses	202,400	542,100
Cleaning Materials	1,740,391	3,253,553
Recruitment Expenses	285,500	222,164
Uniform & Clothing	1,287,485	702,030
Telephone & Communication	2,037,064	2,139,610
Purchase of Medical Equipment	-	762,928
Training	2,260,447	3,195,820
Official Entertainment	2,273,164	1,966,994
Environmental awareness	17,600	-

Rongo University
Reports and Financial Statements
For the year ended June 30, 2017

Total general expenses

General expenditure reduced due to the revised budget, austerity measures to control costs and the strike that took place between January and June, 2017.

111,027,025 **116,678,464**

	KSH	KSH
	2017	2016
9 Council Expenses	3,460,000	3,420,000
Sitting Allowance	5,729,200	4,930,001
Subsistence Expenses	3,452,533	2,965,001
Travel & Accommodation Expenses	2,554,772	5,635,317
Other Expenses	15,196,505	16,950,319
Total Council Expense		

10 ACADEMIC COSTS

	KSH	KSH
	2017	2016
Publishing & Printing Expense	204,918	1,135,734
Student Activities	1,607,235	2,442,114
Field Trips & Attachments	3,035,130	19,413,828
Part-time Lecturers	37,774,059	32,292,578
Graduation Expenses	7,540,450	2,166,750
Admissions Expense	4,302,436	3,542,600
External Examiners	916,695	3,573,703
Rental	9,607,200	15,591,332
Purchase of Games Equipment	332,966	302,660
Collaboration & Linkages	792,620	1,067,178
Conversion to University Status	4,966,500	8,272,260
RUCSO	3,315,908	4,386,070
Teaching Materials	1,563,635	1,865,011
Inter-university Games	3,317,544	2,412,483
Curriculum Development	457,700	1,372,945
Shows & Exhibitions	1,262,290	1,943,155
Research Expenses	15,678,819	14,969,245
KUCCPS & CUE	4,452,745	5,056,100
Work Study	71,550	
Total Academic Costs	101,200,400	121,805,746

11 Cash and cash equivalents

	KSH	KSH
	2017	2016
KCB PSSP- 1130114511	24,106	265,537
KCB GSSP -1139740229	148,276	30,037
KCB CDF -1160299625	236,716	170,749
KCB DEVP -1139740091	42,968	-
NBK MAIN -01021047041000	409,793	122,754

Rongo University

Reports and Financial Statements

For the year ended June 30, 2017

	390,461	111,986
NBK PSSP- 01020047041000	-	25,192
NBK GSSP- 01020047041001	507,931	329,329
CO-OP PSSP -01694477027400	1,094,258	170,749
CO-OP GSSP- 01693477027401	182,204	
EQUITY A/C NO 1430270413535		
Mentoring Institution Accounts		
MABERA TTI KCB -1173876752	104,640	2,062,294
KAKRAO TTI KCB -1159020558	74,710	69,931
KENDEGE TTI CO-OP -01120477027400	200,574	574,202
Cash on Hand	6,063	1,075,444
Cash and Cash Equivalent	3,422,700	5,008,205
	KSH	KSH
	2017	2016
12 Receivables from exchange contracts	4,898,916	2,902,016
Current receivables	209,544	470,068
Staff Debtors	200,119,936	76,220,219
Prepaid Expenses	-	65,657,713
Student Debtors B/F	(4,521,583)	(3,282,886)
Student Debtors		
Provision for Doubtful Debts		
Total Net Receivables	200,706,813	141,967,130
	KSH	KSH
	2017	2016
13 Receivables from Non- Exchange Transactions	22,588,987	-
Capitation Grant-Devp Income`		
Total Receivables from Non exchange Transaction	22,588,987	-
	KSH	KSH
	2017	2016
14 Biological Assets	816,720	559,000
Initial Cost	-	-
Additions	193,280	257,720
Valuation		
Biological Assets	1,010,000	816,720
	KSH	KSH
	2017	2016
15 Inventories	4,930,256	2,925,652
Consumable stores	669,461	848,407
Medical supplies	1,568,582	6,779,565
Spare parts and meters	700,997	733,272
Catering		
Total inventories	7,869,296	11,286,896

	KSH	KSH
16 Intangible Assets	2017	2016
	20%	20%
Opening balance	9,617,164	2,787,600
Additions	660,000	9,233,855
Total	10,277,164	12,021,455
Amortization	(2,055,433)	(2,404,291)
Closing balance	8,221,731	9,617,164

17	Property, Plant & Equipment									
	Land	Buildings	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
	0%	2.50%	25%	0%	0%	30%	12.50%	12.50%	30%	
At 1 July 2015	67,358,508	219,456,072	80,834,304	280,283,802	68,970,298	48,002,857	61,970,045	74,502,229	56,253,048	957,631,163
Transfers from Work in Progress										
At 30 June 2016	67,358,508	219,456,072	80,834,304	280,283,802	68,970,298	48,002,857	61,970,045	74,502,229	56,253,048	957,631,163
Additions				139,788,896	59,316,758	7,366,306	1,379,511	2,573,005	358,591	189,122,412
Disposals										
Transfers from Work in Progress				-27,824,065						
At 30 June 2017	72,400,000	547,270,000	33,965,000	392,248,633	128,287,056	28,727,951	38,503,851	50,140,090	56,611,639	1,348,154,220
Depreciation and impairment										
At 1 July 2015	-	14,509,572	45,085,804	-	-	25,250,505	20,659,142	22,034,145	15,188,772	142,727,940
Depreciation	-	5,486,402	20,208,576	-	-	14,400,857	7,746,256	9,312,779	16,875,914	74,030,784
Impairment	-	-	-	-	-	-	-	-	-	-
At 30 June 2016	0	19,995,974	65,294,380	0	0	39,651,362	28,405,398	31,346,924	32,064,686	216,758,724
Depreciation	-	-	-	-	-	-	-	-	16,983,492	16,983,492
Disposals	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-19,995,974	65,294,380	0	0	-39,651,362	-28,405,398	-31,346,924		-
At 30 June 2017	-	-	-	-	-	-	-	-	499,048,178	499,048,178
Revaluation surplus	5,041,492	347,809,902	18,425,076			20,376,456	4,939,204	6,984,785		403,576,915
Net book values										
At 30 June 2017	72,400,000	547,270,000	33,965,000	392,248,633	128,287,056	28,727,951	38,503,851	50,140,090	7,563,461	1,299,106,042
At 30 June 2016	67,358,508	199,460,098	15,539,924	280,283,802	68,970,298	8,351,495	33,564,647	43,155,305	24,188,362	740,872,439

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	KSH 2017	KSH 2016
18 Work - in- Progress		
Tuition Block Phase 1	93,370,935	93,370,935
Tuition Block Phase 2	169,675,273	88,196,488
Water Treatment Plant	78,504,737	60,937,490
Dining Hall	-	14,600,000
Twin Science Lab	-	9,336,165
Hostel	18,311,762	12,757,823
Borehole	-	1,084,902
Lecture hall	10,657,185	-
Extension of Admin Blocks	3,280,682	-
Ramps	3,544,543	-
Kitchen & Cold room	5,876,514	-
Kakrao TTI	40,066,949	28,051,588
Kendege TTI	43,301,546	30,018,710
Mabera TTI	42,437,648	10,900,000
Balance C/F	509,027,775	349,254,100

Capitation Grants of TTI's relates to government development grants from state department of vocational training. These amounts are used for construction of Technical training Institutions at Kakrao, Mabera and Kendege all in Migori County. The projects are under the mentorship of Rongo University.

	KSH 2017	KSH 2016
19 Payables From exchange Transactions		
Payroll Creditors	53,443,082	41,299,073
Part time creditors	7,638,269	5,939,913
Sundry creditors	15,801,039	20,855,421
Caution Money	5,800,000	5,500,000
Total trade and other payables	82,682,390	73,594,407

	KSH 2017	KSH 2016
20 Provision		
Audit Fees	696,000	690,000
Doubtful Debts	4,521,583	3,282,886
Total	5,217,583	3,972,886

	KSH 2017	KSH 2016
21 Payments received in advance		
Student Advances	39,294,494	46,384,591

Rongo University

Reports and Financial Statements

For the year ended June 30, 2017

22 Borrowings	KSH 2017	KSH 2016
Cooperative Bank Loan	-	4,657,235
Movement in Loan	2017	2016
At Start	4,657,235	11,965,224
Advanced in the Year	-	5,454,405
Repayment	(4,657,235)	(12,762,394)
At the end of the Year	-	4,657,235

23 DEFERRED INCOME	KSH 2017	KSH 2016
Deferred Income	-	7,421,535

24 Retention Fees	KSH 2017	KSH 2016
Retention Fees	43,948,490	26,344,723
Total	43,948,490	26,344,723

Value of W.I.P	465,787,900	346,254,100
Retention @ 10 %	46,578,790	34,625,410
Less Retention Paid In the Year	2,630,300	8,280,687
Balance C/f	43,948,490	26,344,723

25 Cash generated from operations	KSH 2017	KSH 2016
Deficit for the year	22,506,627	(84,820,659)
Adjusted for:		
Depreciation	19,046,125	76,435,075
Contribution to provisions	(5,217,583)	(3,972,886)
Working capital adjustments:		
(Increase) Decrease in inventory	3,417,600	(2,089,163)
(Increase)Decrease in receivables	(81,328,670)	(20,273,231)
Increase(decrease) in payables	(49,043,940)	42,875,046
Increase(decrease) in retention fee	17,603,767	16,208,322
Net cash flows from operating activities	(73,016,075)	24,362,504

Rongo University**Reports and Financial Statements****For the year ended June 30, 2017**

26 Related Party Disclosure	KSH 2017	KSH 2016
Key Management Emoluments	51,517,363	41,303,508
Council	17,041,363	16,950,319
Total	68,558,726	58,253,827

27 Capital Commitment Project	KSH 2017 Estimated Value	KSH 2016 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
Borehole	-	3,760,098
Extension of Administration Block	9,055,563	-
Kitchen & Cold room	22,694,955	-
Ramps	10,000,000	-
lecture Hall in Rongo Town	15,417,264	-
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	702,673,877

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. 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:

28.1 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:

Rongo University**Reports and Financial Statements****For the year ended June 30, 2017**

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
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	
At 30 June 2016				
Receivables from exchange transactions	141,967,130	141,967,130	76,220,219	-
Receivables from non exchange transactions	-	-	-	-
Total	141,967,130	141,967,130	76,220,219	-

28.2 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.

28.3 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)

28.4 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)

28.5 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:

	2016-2017	2015-2016
	Kshs	Kshs
Revaluation reserve	213,031,129	219,028,428
Accumulated Surplus	43,732,945	28,776,450
Capital Investment Fund	702,444,576	521,400,982
Total funds	959,208,650	769,205,860
Total borrowings	-	4,657,235
Less: cash and bank balances	3,925,128	23,738,001
	<hr/>	<hr/>
Net debt/(excess cash and cash equivalents)	(3,925,128)	(19,080,766)
	<hr/>	<hr/>
Gearing	(0.41)	(2.48)

29. Related Party Balances

29.1 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Events after the reporting period

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

32. 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.

33. Currency

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

34. Contingent liability

Rongo University College has litigation on land with a third party whose ruling is yet to be made. Management estimate of the land in the event of unfavorable ruling is Ksh 32,984,954.

35. 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

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18. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

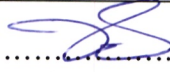
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

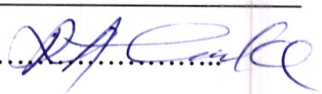
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Revenue from exchange transactions	The amount in question has been supported	Samuel Gudu C.E.O	Resolved	2017-2018
2	Receivables from exchange transactions	Debtors ageing schedule has been attached	Samuel Gudu C.E.O	Resolved	2017-2018
3	Payables from exchange transactions	The taxes have been remitted.	Samuel Gudu C.E.O	Resolved	2017-2018
4	Student Advances	The said amount has been supported.	Samuel Gudu C.E.O	Resolved	2017-2018
5	Retention Fees	The retention ledger has been provided.	Samuel Gudu C.E.O	Resolved	2017-2018
6	Restated balances in the statement of financial position	Journal entries have been provided.	Samuel Gudu C.E.O	Resolved	2017-2018

Rongo University

Reports and Financial Statements

For the year ended June 30, 2017

Vice Chancellor.....

Chairperson of Council.....

Date.....

Date.....

Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects Implemented by Rongo University Funded by Rongo CDF

Project Number	Project Title	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No) (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Twin Science Lab	Rongo CDF	2 Years	11,100,000	No	Yes

Rongo University

Reports and Financial Statements

For the year ended June 30, 2017

Status of Project Completion

	Projects	Total project Cost	Total expended to date	Completion % to date	Budget 16/17	Actual 16/17	Sources of funds
1	Twin Science Lab	11,100,000	11,100,000	100	2,100,000	2,100,000	Rongo CDF
2	Dining Hall	15,302,998	15,302,998	100	-	702,998	State Dept. Univ Edu
3	Borehole	1,371,882	1,371,882	100	-	286,980	State Dept. Univ Edu
4	Water Treatment Plant	80,388,340	78,504,737	98	13,987,000	17,567,247	State Dept. Univ Edu
5	Tuition Block	376,145,208	263,046,208	70	60,500,000	81,478,786	State Dept. Univ Edu
6	Lecture Hall	15,417,265	10,657,185	69	-	10,657,185	State Dept. Univ Edu
7	Extension of Admin Block & Ramps	17,777,127	6,825,171	39	-	6,825,171	State Dept. Univ Edu
8	Kitchen & Cold room	20,579,710	5,876,514	29	-	5,876,514	State Dept. Univ Edu
9	Hostel	93,566,684	18,311,762	20	79,500,000	5,553,939	State Dept. Univ Edu
10	Kendege TTI	45,650,000	43,301,546	95	13,282,836	13,282,836	State Dept. Vocational Training
11	Mabera TTI	54,683,900	42,437,648	78	31,537,648	31,537,648	State Dept. Vocational Training
12	Kakrao TTI	48,720,834	36,021,897	74	7,970,309	7,970,309	State Dept. Vocational Training

Council approved the above projects for financial year 16/17. The supplementary budget by the ministry removed some projects which had already been tendered for and awarded. At the time of the supplementary budget, projects number 6, 7 and 8 had started. However, the projects were reinstated in the financial year 2017/18 budget.

Appendix 2: INTER-ENTITY TRANSFERS

a) Transfers from Ministry of Education to Rongo University

Name of the Entity sending the grant	Amount recognized to statement of comprehensive income.	Amount deferred under deferred income	Amount recognized in capital fund	Total Grant Income during the year.	2016-2017
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Ministry of Education	420,453,849.60	22,588,987	171,944,072	592,397,921.6	592,397,921.6
Total	420,453,849.60	22,588,987	171,944,072	592,397,921.60	592,397,921.6

RONGO UNIVERSITY

Breakdown of Transfers from state Department of University Education

FY: 2016/2017

a)	Recurrent Grants	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate.
	Capitation grant	8/10/2016	35,037,820.80	2016/2017
	Capitation grant	8/26/2016	35,037,820.80	2016/2017
	Capitation grant	9/30/2016	35,037,820.00	2016/2017
	Capitation grant	11/9/2016	35,037,820.00	2016/2017
	Capitation grant	12/13/2016	35,037,820.00	2016/2017
	Capitation grant	12/30/2016	35,037,820.00	2016/2017
	Capitation grant	2/9/2017	35,037,820.00	2016/2017
	Capitation grant	3/15/2017	35,037,820.00	2016/2017
	Capitation grant	4/7/2017	35,037,820.00	2016/2017
	Capitation grant	5/2/2017	35,037,820.00	2016/2017
	Capitation grant	6/2/2017	35,037,820.80	2016/2017
	Capitation grant	6/27/2017	35,037,820.00	2016/2017
		Total	420,453,849.60	

Rongo University**Reports and Financial Statements****For the year ended June 30, 2017**

b)	Development Grants	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate.
	Development income	12/7/2016	78,971,931.00	2016/2017
	Development income	3/23/2017	4,834,221.00	2016/2017
	Development income	4/24/2017	40,379,785.00	2016/2017
	Development income	5/18/2017	6,539,785.00	2016/2017
	Development income	7/3/2017	22,588,987.00	2016/2017
Sub-Total		Total	153,314,709.00	

c) Breakdown of Transfers from state Department of Vocational Training				
	Kakrao TTI	7/5/2016	1,707,373.00	2016/2017
	Kendege TTI	7/5/2016	3,062,615.00	2016/2017
	Mabera T.T.I	11/25/2016	7,145,000.00	2016/2017
	Mabera T.T.I	3/23/2017	6,714,375.00	2016/2017
Sub-Total			18,629,363.00	
Grand Total			171,944,072.00	

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

Finance Officer

Rongo University

Sign -----

Head of Accounting Unit

Ministry of Education

Sign-----