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REPORT

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OF

THE AUDITOR-GENERAL

ON

RONGO UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2019**

1920



RONGO UNIVERSITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

- a) Agriculture & Natural Resources
- b) Business
- c) Arts and Social Sciences
- d) Science Technology & Engineering
- e) Information & Communication Studies
- f) Education

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

(b) Principal Activity

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

Vision

A world class technology driven University in learning and practice.

Mission

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

Core Values

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

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

(c) Key Management

The Rongo University governance organs include:

- 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, 2019 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

(e) Fiduciary Oversight Arrangements

Name of the Committee	Members		
Human Resource, Finance & Resource Mobilization Committee (HFRC)	<ol style="list-style-type: none"> 1. 2. 3. 4. 5. 	Dr. George Ochiri Mr. Ezra Magati Ms. Catherine N. Mpathia Mr. Kenneth K. Kiprono Prof. Samuel Gudu	- Chairperson - Member -Member - Member - Secretary
Academic Affairs & Appeals Committee (AAC)	<ol style="list-style-type: none"> 1. 2. 3. 4. 5. 	Mr. David L Mshila Dr. George O. Ochiri Mr. Ezra Magati Mr. William Omoding Prof. Samuel Gudu	-Chairperson -Member -Member -Member - Secretary
Audit Committee (RAC)	<ol style="list-style-type: none"> 1. 2. 3. 4. 	Mr. William Omoding Mr. David L. Mshila Mr. Shem Nyakutu Mr. Geoffrey Manduku	- Chairperson -Member -Member -Member
Strategy & Risk Committee (SRC)	<ol style="list-style-type: none"> 1. 2. 3. 4. 	Mr. Kenneth Kiprono Mr. Shem Nyakutu Ms. Catherine Mpathia Prof. Samuel Gudu	-Chairperson -Member -Member -Secretary

(f) Rongo University Headquarters

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

(g) Rongo University Contacts

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

(h) Entity Bankers

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

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

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

(i) Independent Auditors

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



DR. RACHAEL MASAKE

Chairperson

Key area of specialty- Immunoparasitology

Member of Council since -2018

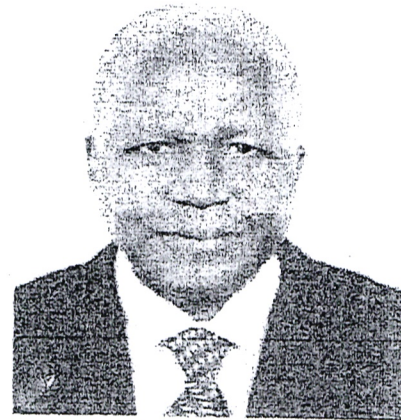
Dr. Rachel Masake was born on 5th November, 1945. She has a PhD in Immunoparasitology/ Immunopathology from Washington State University. Dr. Masake was appointed Chairperson of Rongo University Council on the 6th of September, 2018. She has over 30 years' experience in research, majorly in Livestock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

COUNCIL MEMBERS CONT.



DR. GEORGE O. OCHIRI
Independent Council Member
Key area of specialty- Supply Chain
Management
Member of Council since-2017

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



MR. WILLIAM BILL OMODING
Independent Council Member
Key area of specialty- Development Studies
Member of Council since-2017

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



MR. DAVID LUSOKA. MSHILA
Independent Council Member
Key area of specialty- Urban & Social
Environmental Programs.
Member of Council since-2017

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



MR. KENNETH KIPSANG KIPRONO
Independent Council Member
Key area of specialty- Management
Information Systems
Member of Council since-2017

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

COUNCIL MEMBERS CONT.



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

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



MR. EZRA O. MAGATI
Representative of PS Ministry of Education to
Council
Key area of specialty- Business
Administration
Member of Council since-2017

Mr. Magati was born on 10th October, 1963. He holds a Master of Commerce Degree in Business Administration. Mr. Magati works as a Senior Finance Officer, Ministry of Education, State Department for Higher Education. He has over 27 years' experience in the public service. Previously he worked in the former Local Government Ministry & East African Community. He is currently the PS. Representative in the Rongo University Council. Mr. Magati is a member of Human Resource, Finance and Resource Mobilization and Academic & Appeals Committees of Council.

COUNCIL MEMBERS CONT.



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

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



MR. SHEM NYAKUTU
Representative of PS National Treasury
to Council
Key area of specialty- Public Finance
Management

Mr. Nyakutu was born in 1967. He holds a Master of Science Degree in Public Finance. Mr. Nyakutu works as Director of Pensions, National Treasury. He has over 27 years' experience in the public service. Previously he worked at the Ministry of Lands in various capacity. He is currently the PS. Representative in the Rongo University Council. He is a member of Audit and Strategy & Risk Committees of Council.

3. MANAGEMENT BOARD MEMBERS

In Financial year 2018/19, the legal officer only worked for nine months to March, 2019 and resigned.



PROF. SAMUEL GUDU
PhD (Plant Genetics)
Vice Chancellor



PROF. STANLEY SHITOTE
PhD (Civil Engineering)
Deputy Vice Chancellor
(Administration, Finance & Planning)



PROF. AUGUSTINO
ONKWARE
PhD (Plant Physiology)
Deputy Vice Chancellor
(Academic & Student Affairs)

MANAGEMENT BOARD MEMBERS CONT.



CPA JANET CHUMBA
MBA (Finance)
Finance Officer



DR. JOHN OLUOCH
PhD (Communication Studies)
(Director PSSP & Ag. Dean
School of INFOCOMS)



MR. FRANCIS OMOLLO
NDIAK
LL.B
Legal Officer

4. CHAIRLADY'S STATEMENT

It is my privilege to present to our stakeholders the Annual Reports and Financial Statements of Rongo University for the financial year ended 30th June, 2019. This report gives a true reflection of the performance of Rongo University over the period, July, 2018 to June, 2019. The report highlights key activities the University carried out during the year. It also illustrates the successes and challenges the institution encountered over the period.

The financial year 2018/2019 marked a notable increase in net assets from Ksh 1.7 Billion to Ksh 2.06 Billion and a drop in recurrent income from Ksh. 956 Million to Ksh 948 Million respectively. Despite the financial challenges experienced during the period, the Council and Management undertook a number of key development projects to improve service delivery. Notably, the University completed the EPZ-technology-based construction of tuition blocks in Rongo Annex to expand learning facilities; extension of the administration block to increase office spaces and enhance sporting facilities for students and staff. Some key development projects were also being carried out to meet the growing staff and student population including the construction of the 5-storey tuition block, a 2000-seater library, water treatment and supply plant, kitchen and cold room and a police post.

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

Despite the significant successes over the period, the University continued to face challenges including insufficient funding, inadequate infrastructure and staff. Funding limitation prevented the University from recruiting senior administrative and academic staff. To improve its financial position, the University has embarked on implementing various austerity measures to monitor and rationalize its financial expenditures, as well, initiating three of income generating activities during the year to boost the institution's finances.

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

Thank you.



DR. RACHAEL MASAKE

CHAIRPERSON OF RONGO UNIVERSITY COUNCIL.

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, 2019. This has been a year of new challenges but also a year when the University achieved significant milestones.

Strategic Review

Rongo University adopted integrated Strategic Reporting framework in 2013. This effort reinforced conversations and discussions within departments and with stakeholders about achievement of the short, medium and the long-term objectives of the University Strategic plan 2017-2021. The integrated reporting framework increased transparency in reporting, ensured closer monitoring of activities, made it easy to measure the impact of the actions and achievement of performance targets. The various milestones obtained depended mainly on the rapid response to internal and external factors, strategies, risks and opportunities and the interdependencies of human and intellectual, financial, social and relationship capital.

The University has 117 academic staff, 155 administrative staff and 285 support staff supporting 6302 students. We understand the significance of our impact on the different capitals and their role in value creation and continuity of our institution. The integrated reporting ensures that all in the University are constantly sharing information at all levels.

Some of the key achievements

The University Statutes

In 2018/19 FY, The University Statutes were approved by Council and to Ministry of Education for gazette. The approval of the Statutes has strengthened the University legal and corporate governance standing.

Student and Academic Matters

There were 6302 students enrolled in various undergraduate and postgraduate degree programs in the six Schools. This number is expected to rise in 2019/2020 FY following the placement of 1929 government sponsored students to the University.

Quality Education

University has reviewed, harmonized and developed new academic programmes in line with CUE recommendations. In this financial year, 5 new academic programmes were developed and submitted to CUE for evaluation and processing for accreditation. All the existing programmes have also been reviewed, harmonized and subjected to the internal quality assurance and control systems.

Governance

The University has ensured that staff and students participate in University governance through representation in Senate; Students Disciplinary Committee; committees such as Bursary awards,

REPORT OF THE VICE CHANCELLOR CONT.

Work-study, cultural celebrations, and graduations. Students have also been facilitated with appropriate communication channels which include elected students leaders; complaints or compliments registers/boxes.

Co-curriculum Activities

Students have been supported to participate in co-curricular activities such as games and sports (scrabble, handball, darts, hockey, karate, football, and athletics), music, drama festivals and cultural week.

Student support services

The University awarded bursaries from Rattansi, CDFs and staff. Other services include; counselling services; medical care; work-study programme among others.

Collaborations & Linkages

To improve research and innovation, exchange programmes, scholarship, curriculum development, infrastructural development and general service to staff and students, the University has partnered with several institutions with similar interests including: (i) University of Brighton, UK: Received Media lab equipment, working on developing community radio. Some of radio equipment have been received. (ii) Migori County and Wuhan Textile University, China: 1 staff is on full scholarship at Wuhan Textile University.

Research Activities

The University staff developed about 20 research proposals which were submitted to various donors out of which five (5) have been funded namely: (i) the McKnight Foundation Sorghum Project (Ksh 14.7m), (ii) National Research Fund Soil Analysis Laboratory (Ksh 23.8 million), (iii) National Research Fund Mitigating the Adverse Health Effects of Aflatoxins (Ksh. 0.46 million), and (iv) Global crop. (Ksh 2.6 million) and (v) Norwegian Development Corporation (Ksh 5 million).

Outreach and Extension Services

The University engaged the community in the following activities aimed at enhancing their livelihoods: released new resilient sorghum and cassava varieties to farmers; conducted training of farmers on value additions and best agronomic practices; conducted sensitization of gold miners; and held several peace caravans within the neighboring communities. The University also undertook Corporate Social Responsibility activities including: cleaning public utilities; planting trees; health awareness and training; donation of 64,000 books to schools and a community library; and internship and industrial attachment programs.

To enhance scholarship, the University organized the 1st International Multidisciplinary Conference which brought together scholars to share research findings and experiences.

Similarly, staff published over 30 research output in refereed journals which have been deposited in the University repository.

REPORT OF THE VICE CHANCELLOR CONT.

In the continued effort to encourage invention/innovation, the University provided enabling environment for staff and students who come up with viable innovation or invention. To this end, in FY 2018/19, staff and students developed the following inventions which are being tested as possible intellectual properties: the production of fuel from potato; and production of sorghum cultivars which are resistant to diseases and drought tolerant; resilient cassava varieties released.

Human Resource Matters

The University was able to re-designate 15 administrative staff to various academic positions and recruit a research Assistant for the office of the Vice Chancellor. In addition, the university is processing appointments for various positions including Registrars'. The University appointed six (6) Deans, three (3) Directors, 16 Heads of Departments and one (1) coordinator. One (1) position of Dean, School of Information, Communication and Media is on acting capacity. Also, twelve (12) academic staff were reviewed and promoted. The review for administrative staff is on-going.

In the interest of employee development, the University has continued to facilitate both academic and administrative staff going for conferences, workshops, trainings and even further studies whenever possible.

Security

To enhance security, the University has been supported by Ministry of Energy to install street lighting system within the University major pathways. In addition, Rongo NG-CDF has supported the construction of a police post within the University. The County and Sub-County security system have also continued to respond to security emergencies within the University.

Higher Education Funding

In the 2018/2019, the University faced the challenge of inadequate financial resources. To improve on financial resources, Council approved seed money to initiate various income generating units to enable the University raise additional funding to supplement government capitation which has remained a major source of funding to the Institution.

Financial Performance Review

Rongo University started the 2018/2019 financial year with a cash balance of Ksh. 47,857,118. RU received Ksh 538,018,688 from the Government as recurrent income, and Kshs 317,731,778 as development income and collected Kshs. 347,638,945 from A-I-A. In total, the University had Kshs 1,251,246,529 at its disposal. This enabled it to achieve several milestones including enhancement of infrastructural facilities and human resource skills, undertake various academic activities, and refurbishment of its facilities as this will allow admission of more students into the university to supports the government goal of expanding access to university education.



Prof. Samuel Gudu

VICE CHANCELLOR

6. CORPORATE GOVERNANCE STATEMENT

Council Meetings and Conflict of Interest.

Rongo University Council has four committees of Council and normally holds regular Full Board and Committee meetings. During the year under consideration, the Council held a total of 25 meetings comprising of 8 meetings of the full Board, and 17 Committee Meetings during which sufficient quorum was attained for all meetings. The attendance of all members to these meetings was above 95%, except for Dr. Joyce Mutinda who attended only 2 of the 11 full Council meetings and Dr. Rachael Masake, who also attended 7 full council meetings and 2 various Committee meetings as the new Chairperson of Council replacing Dr. Joyce Mutinda. Conflict of interest was declared and recorded in all Committee and Full Board meetings, the declaration of which is embedded into the agenda items. A conflict of interest register is kept and signed by each Council member declaring any existing conflict or lack of the same at all meetings.

Summary of Council meetings

HUMAN RESOURCE, FINANCE AND RESOURCE MOBILIZATION COMMITTEE OF COUNCIL(HRFRMC)									TOTAL
	10/7/2018	11/9/2018 Special	11/10/2018	14/01/2019 Special	15/01/2019 Appointments	16/01/2019	29/01/2019	11/4/2019	
Dr. George Ochiri	✓	✓	✓	✓	✓	✓	✓	✓	8/8
Mr. Kenneth Kiprono	✓	✓	✓	✓	✓	✓	✓	✓	8/8
Ms. Catherine Mputhia	✓	✓	✓	✓	✓	✓	✓	✓	8/8
Mr. Ezra Magati	✗	✓	✓	✓	✓	✓	✓	✓	7/8
Dr. Rachel Masake			✓						1/8
Prof. Samuel Gudu	✓	✓	✓	✓	✓	✓	✓	✓	8/8
RISK AND AUDIT COMMITTEE OF COUNCIL(RAC)									
	10/07/2018	11/10/2018	29/01/2019	11/4/2019					
Mr. William Omoding	✓	✓	✓	✓					4/4
Mr. Shem Nyakutu	✓	✓	✓	✓					4/4
	✓	✓	✓	✓					4/4

Rongo University Report and Financial Statements for the year ended 30th June 2019

FULL COUNCIL												
	11/7/2018	11/09/2018 Special	12/13/09.2018(Govern ance Training)	14/09/2018(sp) -Evaluation	12/10/2018	30/11/201 8 Special	6/12/2018 Special	14/12/2018 (graduation)	28/01/201 9	30/01/201 9	12/4/2 019	
Dr. Joyce Mutinda	✓	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	2/11
Dr. Rachel Masake							✓	✓	✓	✓	✓	8/11
Mr. William Omoding	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Mr. David Mshila	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Dr. George Ochiri	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Ms. Catherine Mpuuthia	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Mr. Kenneth Kiprono	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/11
Mr. Shem Nyakutu	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/11
Mr. Ezra Magati	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Prof. Samuel Gudu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
ACADEMIC AFFAIRS AND APPEALS COMMITTEE OF COUNCIL(AAAC)												
	10/10/2018	30/11/2018	29/01/2019	10/4/2019	29/04/2019							5/5
Mr. David Mshila	✓	✓	✓	✓	✓							4/5
Dr. George Ochiri	✓	✓	✓	✗	✓							4/5
Ms. Catherine Nkirote	✓	✓	✓	✓	✗							5/5
Mr. Ezra Magati	✓	✓	✓	✓	✓							1/5
Dr. Rachel Masake	✓	✓	✓	✓	✓							5/5
Prof. Samuel Gudu	✓	✓	✓	✓	✓							

CORPORATE GOVERNANCE STATEMENT CONT.

Appointment and Removal of Chancellor

Rongo University Chancellor is appointed by the Head of State for a period of 5 years, renewable once. The Chancellor may be removed from the office by the appointing authority.

Appointment and Removal of Council Members

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

The Council Charter and Governance Principles

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

Composition and Roles of the Council

During the 2018/2019 FY, a total of 10 Council members served in Rongo University Council bringing in a variety of skills and competencies for strategic guidance of the University. The member's skills include an advocate of the High Court of Kenya to advise Council on legal matters, a retired banker, and business management specialists to advise on financial matters, supply chain management expert to advise on procurement matters and expert on governance matters. This number consisted of two Chairpersons serving for different durations. For instance Dr. Joyce Mutinda served until 20th August, 2018 and was replaced by Dr. Rachael Masake who was appointed on 6th September, 2018, five independent members, and two representatives of the relevant Principal Secretaries in the Ministries of Education and The National Treasury and the Vice-Chancellor. The Council has established four Committees with specific terms of reference and requisite skills to undertake various functions on behalf of the Council, while

CORPORATE GOVERNANCE STATEMENT CONT.

regularly reporting their deliberations to the Council. These Committees include Human Resource, Finance & Resource

Mobilization Committee; Strategy and Risk Management Committee; Academic Affairs & Appeals Committee and Audit Committee. The University Council has been bestowed with the following roles and responsibilities:

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

Performance Evaluation, Governance Audit, Remuneration, Induction and Training

The current Council members were inducted into office in July, 2017 during which officers from State Corporations Advisory Committee (SCAC) provided the new members with an effective induction program to familiarize them with their duties and responsibilities as Council members.

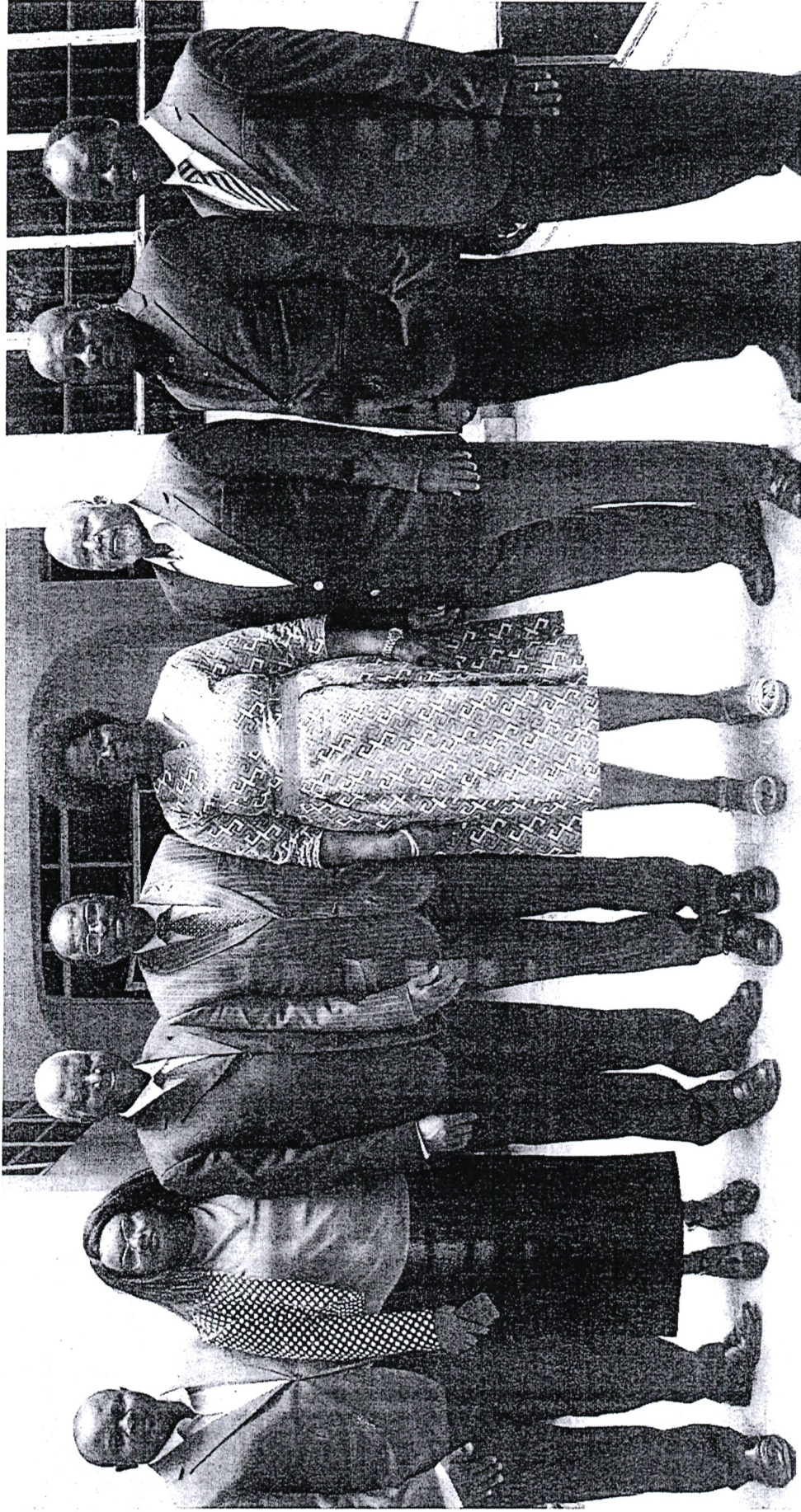
CORPORATE GOVERNANCE STATEMENT CONT.

Council members also participated in another induction program on *Mwongozo* in March, 2019. SCAC has also been conducting Council evaluation annually for the Council members.

Based on such evaluation, competence needs assessment is carried out periodically and annual development plan prepared to address identified skills gaps through relevant training or induction programs. The performance evaluation for the year just ended, 2018/2019 FY was undertaken on the 21st August, 2019. Council is adequately inducted and trained on matters corporate governance, with an orientation of the organization, strategic plans, financial status and policies, risk management, compliance programs and the Code of Conduct and Ethics. In September, 2018, the Council members attended Governance Training at the Kenya School of Government. The University is planning to build internal capacity of its staff to facilitate conducting of annual governance audit that would assess the University's governance framework and ensure compliance with good corporate governance practices.

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

Rongo University Report and Financial Statements for the year ended 30th June 2019



Rongo University council

7. MANAGEMENT DISCUSSION AND ANALYSIS

7.1. General Statistics

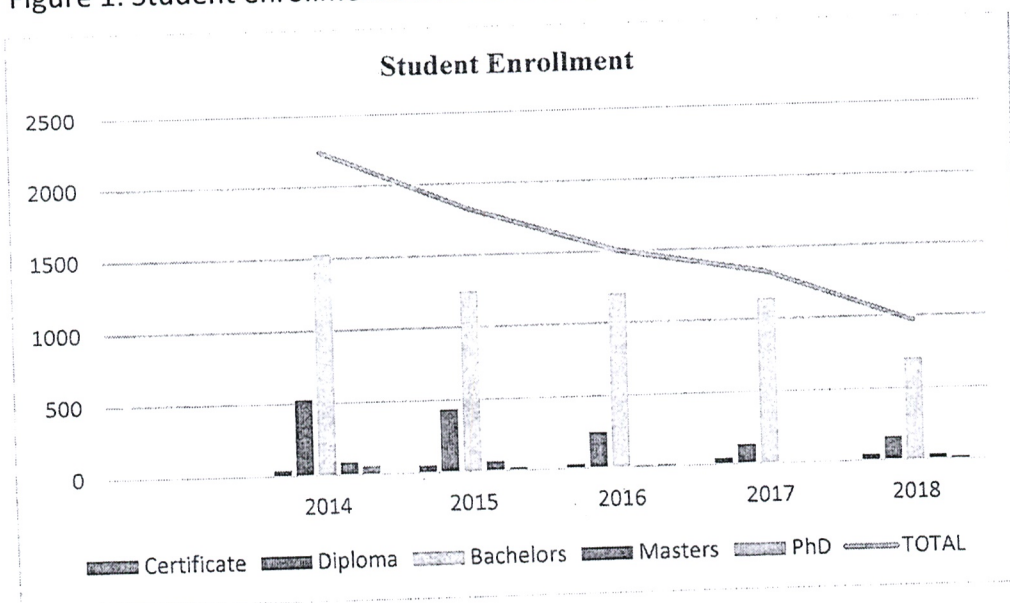
7.1.1 Student Enrollment

Rongo University registered the highest number of student admission in the year 2014, with bachelor's and Diploma programs posting significant numbers. Thereafter, there has been a decline in admission of new students. Some of the reasons include low numbers from high school following changes in admission cut off point by government. Management is reviewing the programs offered as well as address the other reasons that may cause decline in student enrollment. In the year 2018/19 only 969 students were admitted to various programs, this was a 35% drop from the previous year. The statistics are as shown in Table 1 below:

Table 1: student population growth for the University

	2014	2015	2016	2017	2018	TOTAL
Certificate	41	51	31	54	44	221
Diploma	528	435	248	136	164	1511
Bachelors	1530	1251	1207	1146	706	5840
Masters	87	67	9	4	37	204
PhD	58	21	11	4	18	112
TOTAL	2244	1825	1506	1344	969	7888

Figure 1: Student enrollment statistics over the years



MANAGEMENT DISCUSSION AND ANALYSIS CONT.

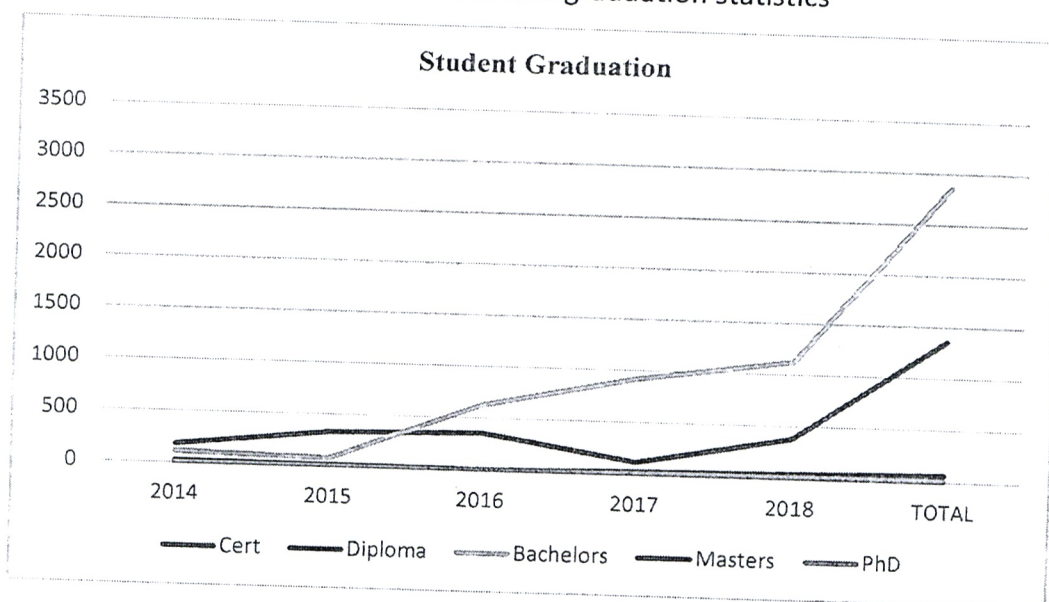
7.1.2. Student Graduation

The University conducted its third graduation for the conferment of Degrees and award of Diplomas to its graduates on Friday 15th December, 2018. The occasion was presided over by the Chancellor of the University, Prof. Mohammed Yusuf Elmi. During the occasion, a total of 1,563 students graduated, with 4 Graduating with PhD, 19 graduating with Masters, 1122 students conferred with Degrees, 375 students were awarded Diplomas and 43 graduated with Certificates in various fields. It's important to note that the number of graduating students is increasing as the years go by. Table 2 below is the graduation statistics:

Table 2: Trend analysis of Student graduation statistics

Year	Cert	Diploma	Bachelors	Masters	PhD	Total
2014	0	182	110	22	0	314
2015	0	329	76	12	0	417
2016	0	354	628	4	0	986
2017	24	116	922	6	5	1073
2018	43	375	1122	19	4	1563
TOTAL	67	1356	2858	63	9	4353

Figure 2: Graphical illustration of student graduation statistics

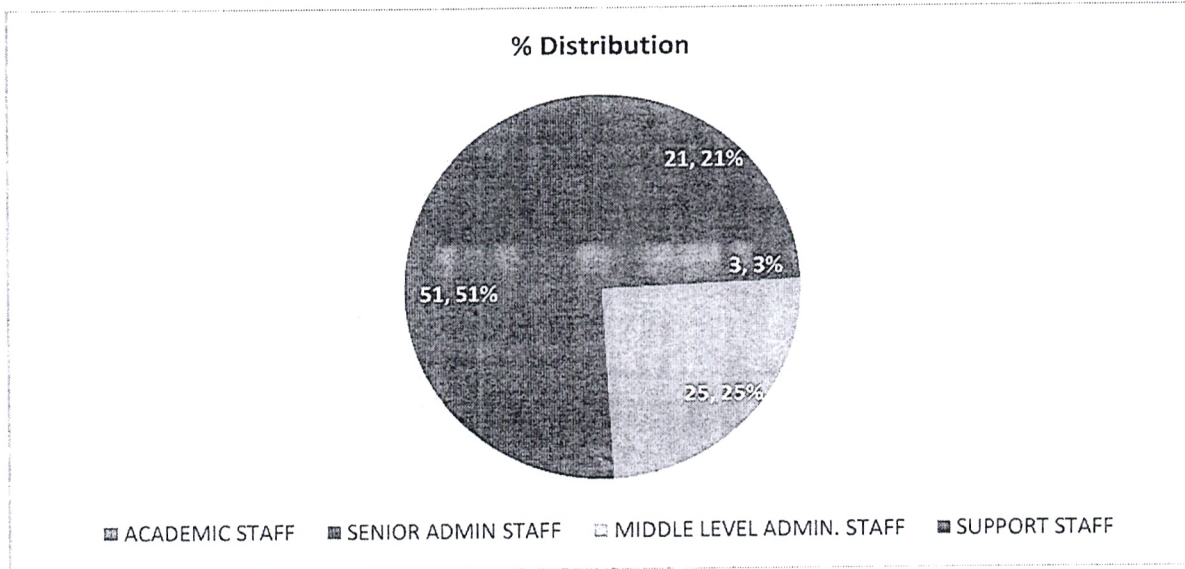


MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.1.3 Employee Statistics

a) Employee Distribution

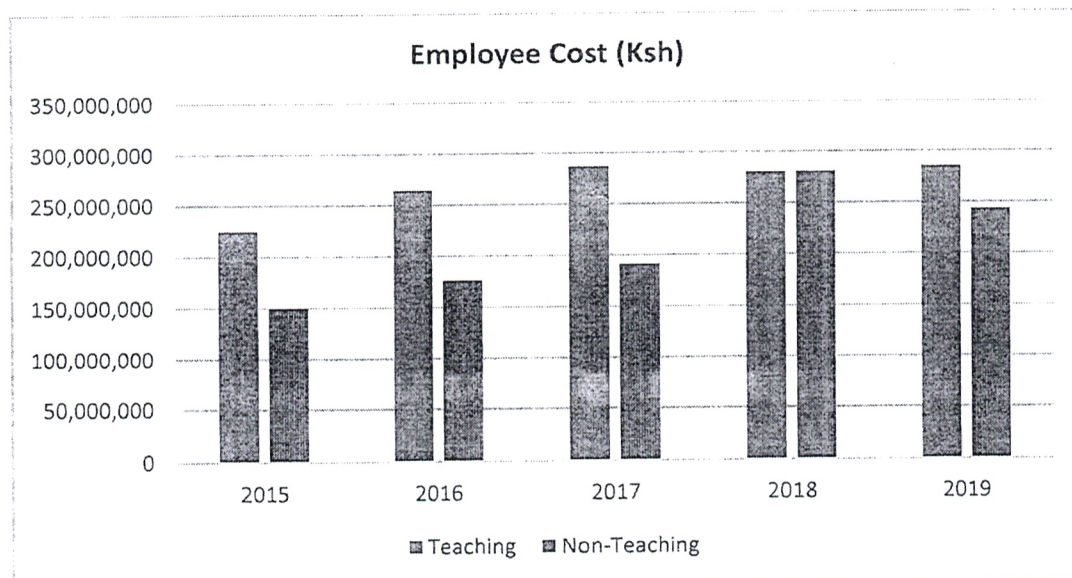
The University has a total staff population of 557 comprised of 117 Teaching staff, 440 Administrative and support staff. See Figure 3 below.



b) Employee Cost

The University wage bill is currently Ksh 577 M. This has steadily increased with teaching staff and non-teaching staff accounting for 51% and 49% respectively, on average as at 30th June 2019. The statistics are as shown in Figure 3 below:

Figure 4. Employee cost of teaching and non-teaching staff



MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.2. Operational and Financial Performance Highlights for 2018/19

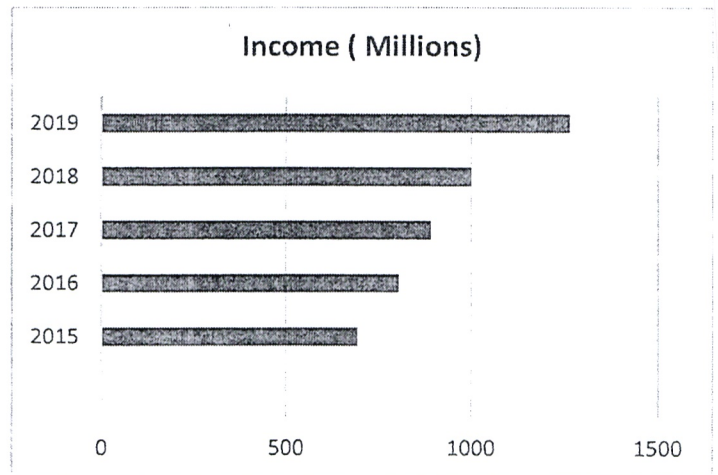
7.2.1 Movement in Total Incomes & Assets in (Ksh Millions)

The University has witnessed growth in both the income and Assets between 2015 and 2019 (Table 3). Graphical illustration (Figure 5) shows about 18% growth in the University assets over a four-year period. *This year saw our Income grow by over 200 M, backed by a solid asset base of Ksh 2,063 Million which form an integral part in driving our strategy and creating an enabling Environment for achievement of our goals.*

Table 3: Growth of income and Asset of the University over the years

	2015	2016	2017	2018	2019
Income (Millions)	694	807	892	1,001	1,266
Assets (Millions)	804	929	1,542	1,743	2,063

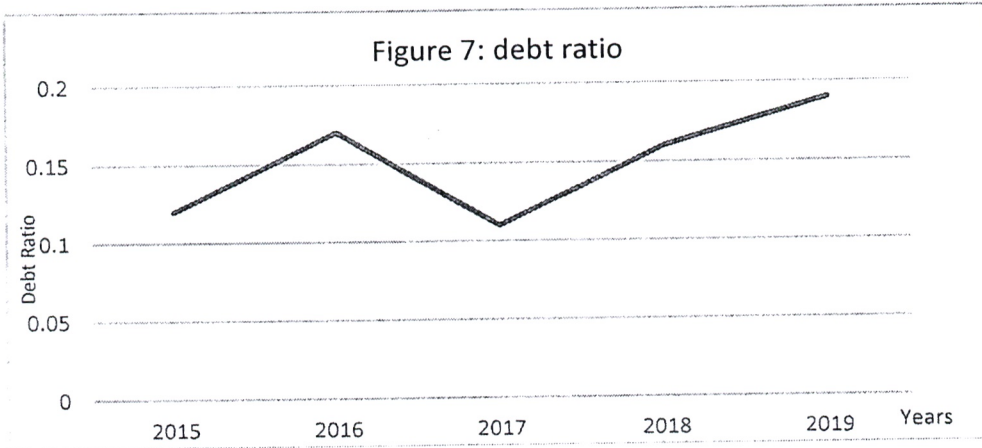
Figure 5: Graphical illustrations of the increase of assets as compared with the income of the University.



MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.2.2 Debt Ratio

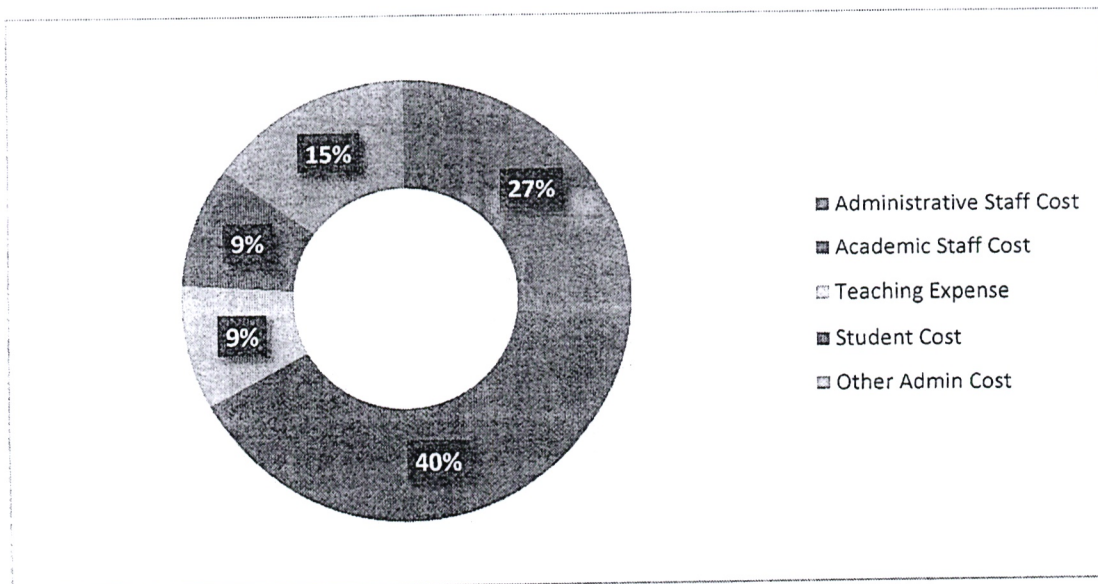
The debt ratio (Figure 7) is a financial leverage ratio that measures the portion of University resources that is funded by debt. For the last 5 years, the University has maintained a debt ratio of less than 1. This shows a healthy state for the University.



7.2.3 Percentage Distribution of Expenditure

In Financial Year 2018/19, the University spent a total of Ksh 963. 9 million on recurrent expense. Other than administrative and academic staff cost, teaching and student cost, other admin cost relate to general operational costs. The expenditure is distributed as shown in (Figure 8) below.

Figure 8: Distribution of expenditure among University activities.



MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.3 Key Projects that the University is implementing

7.3.1. Construction of Tuition Block

The tuition block is a five storey building which comprises eight large lecture halls, eight tutorial rooms and fifty offices. The project is expected to be complete in 2019/2020 financial year. Delay in completing the project was occasioned by budget cuts in previous financial years. The project has progressed to 75% overall completion. Remaining ongoing works include construction of ramp is 75% complete, external painting (30%), electrical works (50%) and plumbing works (60%).

7.3.2. Water Project

The project is at 92% complete. Concreting the tank base is complete, the contractor is currently with the remaining works including; elevation of distribution tanks. All materials required for completion are on site and, this project is expected to be complete in the second quarter of FY 2019/2020.

7.3.3. Administration Block and Ramps

This building has been refurbishment to provide extra office spaces. Also, in compliance with *Persons with Disability Act of 2013*, this project included construction of 4No. Ramps to ease access to upper

floors of the Library, Academic blocks A and B and the administration block. Construction is 87 % complete, minor corrections are being done on the ramps.

7.3.4 Construction of Kitchen & Cold room

The University constructed a larger kitchen with cold room and cooking gas installations. This project was funded by the government and will be completed in financial year 2019/2020, when the remaining funds are received from the Government. The project is 97% complete.

7.3.5 Lecture Halls in Rongo Town

The University acquired a 0.6 hectares Plot in Rongo town, where a two lecture halls block has been constructed in EPS technology. Construction is complete and the students are already using it. The project was funded by Council through appropriation-in aid (A-I-A).

7.3.6 Overhead Power Distribution Project

The University is constructing power head distribution to power the generators and improve the overall power distribution within the university.

The contractor has erected concrete poles, fabrication of switchboard switch board and construction of power house is ongoing. The project will be completed by September 2019 and is funded by Council through A-I-A.

MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.3.7 Construction of Library

Construction of Library commenced in January 2019. The substructure work is complete. Progress on the superstructure has advanced to concreting of 1st floor columns at block A and shuttering of 2nd floor is commencing. At block B, concreting of first floor columns is at 70% completion and shuttering of 2nd floor slab is at 21% completion. The contractor is on schedule. It is hoped that with adequate funding, the building will be completed in the next 2 years.

7.3.8 Technical Training Institute Projects

Rongo University is mentoring three Technical Training Institutes. The University was given a chance to mentor the institutes by the Ministry of Education, funded by State Department of Vocational and Technical Training. Construction works of Twin-Workshops, Classrooms and Office Block are complete for two projects and one is ongoing. The status of the projects are as follows:

a) 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 owing to limited finances on his part. The University terminated the services of the contractor and has since then obtained another contractor to use the Remaining funds, but this will not be able to complete the building. We expect the Ministry of Education to inject a little more funds since only part of the funds that were to be received from Migori County was not availed.

The University intends to complete the project with the support of Suna East Constituency through NG-CDF. However, if the University fails to get funds from the Constituency funds, then the Ministry of Education will be asked to complete the project. The latter has been adequately informed.

b) Kendege Technical Training Institute

The project was started in Feb. 2015 with a planned completion date of Feb.2016. The project was completed and partial handing over done to allow admission of students.

c) Maberu Technical Training Institute

Construction works commenced in Nov.2015 and was planned to be completed in Nov. 2016. The project was completed and partial handing over done to allow admission of students.

7.4 Planned Projects

7.4.1 Construction Main Gate

The University has for the last two years made attempts to have the Ministry fund the gate project. Due to funding challenges, Council has approved a nominal amount of fund to start off the project using A-I-A in the financial year 2019/20.

MANAGEMENT DISCUSSION AND ANALYSIS CONT.

7.5 Compliance with Statutory Requirements

The University complied with other statutory deductions (NHIF, NSSF, NITA, HELB, Loans) except for PAYE at Ksh 9 Million (which has since then been cleared) and Pension at Ksh 60 Million. The University has put in place arrangements to clear the outstanding amounts in the new financial year (2019/2020).

7.6. Major potential risks that may face the University

- a) Unexpected budget cuts in capitation by the Government,
- b) Litigation by suppliers and Contractors due to non-payment,
- c) Non-compliance with legal and regulatory obligations
- d) Fraud and Thefts due to weak internal controls.
- e) Natural disasters
- f) Loss of data due to failure of information technology systems including ERP, server, networks, etc.
- g) Competition from Universities that offer similar programs, hence affecting attraction of students.
- h) Abrupt policy changes by the Government,
- i) Political risks
- j) Economic risks such as inflation

It is important to note that the University has put mitigating measures to counter any of these risks should any of them appear in any of its operations.

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 balances brought forward from previous financial years. The University has put in place arrangements to enhance its financial base including reduction of student debtors to settle these obligations.

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 efforts support the University strategic vision and reassures that its activities are carried out ethically, sustainably and for the public good. The University aim to make a significant contribution to the communities and society through research, education and a wide range of activities undertaken by staff, students and alumni to support communities that are in its vicinity.

MANAGEMENT DISCUSSION AND ANALYSIS CONT.

In the FY 2018/19, the following Corporate Social Responsibility activities were undertaken:

8.1 Health Care

In the financial year 2018/19, the University enrolled all staff to NHIF medical Scheme; registered its Clinic with the Kenya Medical Practitioners and Dentist Board (KMPDB), and obtained Certification for its medical laboratory by the Kenya Medical Laboratory Technologists and Technicians Board (KMLTTB); and got the Clinic accredited by the National Hospital Insurance Fund (NHIF).

Also, the University partnered with MoH, *Afya Halisi* and Marie Stopes to conduct 6 health outreach services in Rongo Market and offered reproductive and HIV/AIDS prevention services to over 200 community members. The University also partnered with *Jilinde* to conduct a health in-reach service during cultural week and sensitized students on HIV prevention. Thirty per cent (30 %) peer educators were also trained on a wide spectrum of topics such as drug & substance abuse, reproductive health and life skills.

8.2 Research Programmes

In FY 2018/19, the University implemented the following research projects:

- i. *Enhancing livelihoods of smallholder farmers in Western and Eastern Kenya through Agro-ecological intensification with sorghum-based interventions* funded by McKnight Foundation, USA.

The following activities were undertaken:

- a) Farmers trained on best agronomic practices and sensitized to enhance their knowledge on sorghum value chain
- b) Seed multiplication and distribution of the Rongo University improved sorghum varieties (registered by KEPHIS) undertaken in Migori, Homa Bay, Kisumu, Vihiga, Siaya, Tharaka Nithi, Kitui and Machakos Counties.
- c) 6 Scholarships from the McKnight Project awarded to postgraduate (MSc. /PhD) students.
- d) Diversification of diets through utilization of sorghum among children aged below 5 is ongoing in Matayos, Busia County and will be replicated in Migori County.
- e) Poultry interventions for improved nutrition was carried out in western Kenya and the activities are ongoing in 2019/2020.
- f) Breeding for disease resistant and drought tolerant sorghum varieties for the sorghum growing regions of Kenya is ongoing in Kibos, Kisumu County.

MANAGEMENT DISCUSSION AND ANALYSIS CONT.

ii) Sustainable Post-Harvest and Agro-Processing Technologies for Improved Livelihoods among Rural Communities in Kerio Valley-Elgeyo Marakwet County, Kenya, Funded by the National Research Fund (NRF), Kenya

- a) Baseline Survey Conducted in three sub counties namely: - Keiyo North, Keiyo South and Marakwet West.
- b) Strengthened of institutional and human capacity through training of women and youths at the incubation centre.
- c) Development of cottage-level agro-processing of composite prototype, recipes formulated and the products tested.
- d) Establishing and strengthening of partnership by signing MoU between Rongo University and University of Eldoret.

8.3 Collaborations and Linkages

The University was involved in more than twelve (12) active linkages and collaborations with universities, other academic or similar institutions. The Table 4 below presents some of the institutions and achievements:

Table 4: Collaboration and linkages

Name of Institution	Achievements
Africa Library Project, USA	<ol style="list-style-type: none"> a) 64,000 books were donated to 40 Primary schools, 23 Secondary schools and one community libraries b) Application for the second consignment of books received and submitted to ALP
University of Nairobi and USAID and Migori County Government-Department of Health	<ol style="list-style-type: none"> a) Students' internship after the successful hackathon program. Specific deliverables: MoH training inventory system (100% complete) and patient referral system (90% complete) b) Joint development of County Health Informatics research problems that are currently under investigations. c) Participated in the national stakeholder's consultative review and validation meetings for national research for health (R4H) policy and priorities draft document d) ToT trainings successfully completed at Kabianga University. e) HealthIT and proximate universities conducted 1 week training for MoH on eLearning for HIS systems successfully at MMUST.
University of Brighton, UK	<ol style="list-style-type: none"> a) Received Media lab equipment for establishing community radio. b) Developed material on HIV and AIDs for dissemination through community radio and youth empowerment. c) Received book donation d) Students and staff exchange conducted

Wuhan University, China	Textile (WTU),	<ul style="list-style-type: none"> a) A lecturer was sponsored by WTU to undertake three (3) months training and research in 3D CAD/CAM at WTU. b) 2 staff have been trained at master’s level at WTU. c) 1 staff is currently on scholarship at WTU for Master of Engineering in Software Engineering d) Mulberry and silkworm rearing ongoing. e) 5 scholarship at masters level for the year 2019 has been announced and applications received and submitted to WTU
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8.4 Environmental Sustainability

In pursuit of its commitment to environmental sustainability, the University in 2018/2019 has been in the forefront to lead at all levels, local, national, regional and international community in demand driven environmental technology development, best practices and innovations. The University undertook the following activities:

Partnered with Migori County Government to plant over 5,000 trees within the University, established a bamboo gene bank and participated at the International Day of Forests and World Environment Day (Figure 9).

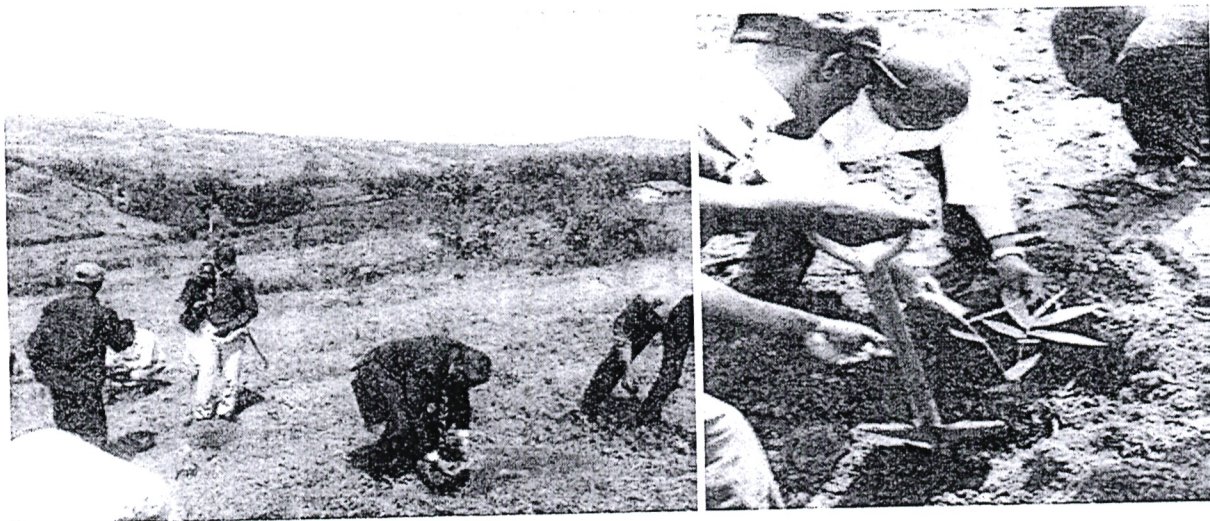


Figure 9: Tree planting during World Environmental day

8.5 Drama, Music, Games and Sport

8.5.1 Drama Festivals

The University students participated at the National Drama Music Festivals which took place at Kibabii University. The drama team showcased their talent in the following genres: play, solo verse, Modern dance, spoken word, mime, comedy mime and narrative. The students who participated were awarded certificates

MANAGEMENT DISCUSSION AND ANALYSIS CONT.

8.5.3 Music Festivals

The University students also participated at Music Festivals which took place in August 2018 at Dedan Kimathi University. The Music team won accolades and a trophy in Class 695- African sacred music.

8.5.4 Sports and Games

The University games and sports teams took part in the play offs of the Kenya University Sports Association (KUSA) games. The events were; soccer men, Hockey men, scrabble and Karate men.

At the national event karate team emerged 2nd overall and was awarded trophy. They will represent Kenya in the East African games later in the year.

8.6 Cultural Week

The Cultural Week was held in March 2019 where all cultures were celebrated and exhibited (Fig. 10)



Figure 10: University Cultural week activities

MANAGEMENT DISCUSSION AND ANALYSIS CONT.

8.7 Bursaries

In FY 2018/19, The University awarded bursaries to students through the support of Rattansi Foundation, United States of America (for the support of girl child education), the Jefferson's and various Constituency Development Funds including Awendo, Nyatike and Rongo Constituencies.

8.8 Work Study Programme

The University has implemented Work Study programme to support students from humble background to afford meals and other personal items. Seventy four students were supported in work-study programs.

8.9 Industrial Relations

8.9.1 Staff Training and Development

In the interest of employee development, the University has continued to facilitate both academic and administrative staff going for conferences, workshops, trainings and even further studies whenever possible. Fifty eight staff were sponsored for conferences, workshops and seminars. Besides, through collaboration and linkages one member is undergoing M.Sc. training in Wuhan University in China. In addition, four staff were granted study leave to undertake various studies.

8.9.2 Employees Relations

Rongo University has signed Recognition Agreements with three (3) unions namely; Kenya Union of Domestic, Hotels, Educational Institutions and Hospital Workers Allied (KUDHEIHA), Kenya Universities Staff Union (KUSU) and Universities Academic Staff Union UASU.

The Collective Bargaining Agreements for the period 2013-2017 are currently being negotiated with the three unions and are at different stages. The University is awaiting approval by Salaries and Remuneration Commission on the agreed items.

8.9.3 Employee Health, Safety and Welfare

- a) **Employee Health and Safety:** The University signed a contract with the National Hospital Insurance Fund for the Provision of a Comprehensive Medical Cover for the period 1st August, 2018 to 31st July, 2019.
- b) **Pension Scheme:** The appointment of a nine (9) member interim Board of Trustees' has been done. The Board was tasked to establish Rongo University Pension Scheme. The trustees are expected to commence work immediately and progress will be reported in the next quarter.

8.9.4 Attachment

In the period 1st July 2018 to 30th June 2019 the university offered industrial attachment to a total of 75 students in various Departments and sections to acquire practical training in various disciplines

9. REPORT OF COUNCIL

Council submits their report together with the audited financial statements for the year ended June 30, 2018 which show the state of Rongo University affairs.

Principal activity

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

Results

The results of the entity for the year ended June 30, 2019 are set out on pages 37 to 84

Directors

The members of the University Council, who held office during the year and to 30th June, 2019 were:

- | | |
|----------------------------------|-------------------------------------|
| a) Dr. Joyce Mwikali Mutinda | - Chair (Resigned on 20 Aug. 2018) |
| b) Dr. Rachael Masake | - Chair (Appointed on 6 Sept 2018) |
| c) Ms. Catherine Nkirote Mputhia | - Member |
| d) Dr. George Onyango Ochiri | - Member |
| e) Mr. William Bill Omoding | - Member |
| f) Mr. David Lusoka Mshila | - Member |
| g) Mr. Kenneth Kipsang Kiprono | - Member |
| h) Mr. Ezra Magati | - Rep.PS. MoEST |
| i) Mr. Shem Nyakutu | -Rep.PS. National Treasury |
| j) Prof. Samuel Gudu | -Vice-Chancellor/Secretary |

Auditors

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

10. STATEMENT OF COUNCILS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 47 of the Universities Act, 2012 require Council to prepare financial statements in respect of Rongo University, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for year ended 30th June, 2019. 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, 2019. 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, 2019, and of the Rongo University's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the Rongo University, which have been relied upon in the preparation of the Rongo University's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Rongo University financial statements were approved by Council on 19th September 2019.

Signed on its behalf by:



Chair of Council



Vice Chancellor

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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OFFICE OF THE AUDITOR GENERAL

Enhancing Accountability

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Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RONGO UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Rongo University set out on pages 37 to 78, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transactions of Kshs.410,395,906 which, as reflected under Note 4 to the financial statements, includes an amount of Kshs.62,759,811 representing accrued fees and other related charges. However, the amount was not adequately supported with details of students and respective amounts per student.

Consequently, the accuracy and completeness of accrued fees and other related charges amount of Kshs.62,759,811 could not be confirmed.

2. Staff Advances

As disclosed in Note 12 to the financial statements, included in the receivables from exchange transactions balance of Kshs.101,598,106 reflected in the statement of financial position is an amount of Kshs.3,514,568 relating to staff debtors. The amount,

however, excludes outstanding staff advances of Kshs.513,550 as at 30 June, 2019. No reason was provided for the omission.

Consequently, the accuracy and completeness of the staff debtors balance of Kshs.3,514,568 could not be confirmed.

3. General Expenses

Included in the general expenses balance of Kshs.104,474,978 reflected in the statement of financial performance are payments totalling Kshs.1,135,250 which were not supported by documents such as payment vouchers, surrender vouchers and schedules.

Consequently, the propriety and validity of the expenditure of Kshs.1,135,250 could not be confirmed.

4. Council Expenses

Included in the Council expenses amount of Kshs.15,485,833 reflected in the statement of financial performance are payments totalling Kshs.1,210,045 which were not adequately supported by relevant documents including car or taxi hire receipts for journeys made by Council Members while attending Council meetings.

Consequently, the propriety and validity of the expenditure of Kshs.1,210,045 could not be confirmed.

5. Failure to Disclose Material Uncertainty in Relation to Sustainability of Services

During the year ended 30 June, 2019 the University recorded a deficit of Kshs.20,691,542. In addition, the total current liabilities balance of Kshs.366,807,071 exceeded the total current assets balance of Kshs.319,107,108 resulting into a negative working capital of Kshs.47,699,963 as at 30 June, 2019. This precarious financial position is an indication of the existence of a material uncertainty which may cast significant doubt on the University's ability to sustain its services and to meet its obligations as and when they fall due in absence of financial support from the Government. However, the material uncertainty in relation to sustainability of services and any mitigating measures put in place by the University Management to reverse the undesirable precarious financial position have not been disclosed in the financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Incomplete Water Treatment Plant Project

Rongo University entered into a contract with a contractor on 1 October, 2014 for the construction of a water treatment plant for a sum of Kshs.80,388,340. The project was to be completed and handed over to the University by 31 January, 2015. However, physical verification in October, 2019 revealed that the project was not complete and no request for extension was made by the contractor after the expiry of the contract period.

In the circumstances, there is no value for money for the expenditure incurred as the project has not been completed and put to use.

2. Construction of Lecture Halls

The University entered into a contract with a contractor on 15 December, 2016 for the construction of Lecture Halls at a contract sum of Kshs.15,417,264. The project was to be carried out within 24 weeks and be completed by 14 June, 2017. However, physical verification in October, 2019 revealed that the project was not complete and no request for extension was made by the contractor after the expiry of the contract period.

In the circumstances, there is no value for money for the expenditure incurred on the project.

3. Un-Remitted Statutory Deductions

As disclosed in Note 19 to the financial statements, included in the payables from exchange transactions balance of Kshs.333,004,482 reflected in the statement of financial position are payroll creditors of Kshs.135,163,786 which include unremitted Pay As You Earn (PAYE) deductions of Kshs.117,947,531. No explanation was provided for failure to remit the PAYE deductions to the Kenya Revenue Authority as required by Section 130 of the Income Tax Act which states that Pay As You Earn deducted from employees' earnings should be remitted by the tenth day of the month following the deduction. Tax offences and non-remittance of statutory deductions can attract punitive penalties and interest which would be an unnecessary cost to the public.

4. Casual Employees

The statement of financial performance reflects employee costs of Kshs.653,018,521 which, as disclosed in Note 5 to the financial statements, includes salaries and wages

totalling Kshs.307,789,277 of which an amount of Kshs.15,210,832 was paid to ninety-one (91) casual workers. A review of the payroll revealed that the casual employees had been in service with the University for more than three (3) months contrary to the provisions of Section 37(b) of the Employment Act, 2007 on conversion of casual employment to term contract. The University Management was therefore in breach of the law.

5. Regional Diversity

A review of personnel records and the main payroll revealed that majority of the University staff were from one dominant ethnic community contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public establishment shall seek to represent the diversity of the people of Kenya in employment".

6. Failure to Comply with a Third Net Salary Rule

A review of monthly payrolls for the financial year 2018/2019 revealed that seventy-eight (78) employees earned salaries which were less than a third of their respective basic salaries. This is contrary to the provisions of Section 19 (3) of the Employment Act, 2007 which states that, "without prejudice to any right of recovery of any debt due, and notwithstanding any written law, the total amount of deductions which may be made by the employer from the wages of his employees shall not exceed two thirds of such wages".

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

Basis for Conclusion

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

Responsibilities of Management and the University Council

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards

(Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the

effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

06 July, 2021

**12. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

REVENUE FROM	NOTES	2019 Kshs	2018 Kshs
Non-Exchange Transactions	3	538,018,688	646,334,417
Exchange Transactions	4	410,395,906	309,669,194
Total revenue		948,414,594	956,003,611
EXPENSES			
Employee Costs	5	653,018,521	630,669,427
Depreciation & Amortization cost	6	104,075,508	101,976,254
Repairs & Maintenance	7	7,815,476	10,503,339
General Expenses	8	104,474,978	101,819,876
Council Expenses	9	15,485,833	15,130,834
Academic Expenses	10	79,127,181	65,814,726
Total Expenses		963,997,497	925,914,456
Gross Surplus/(Deficit)		(15,582,903)	30,089,145
Other gains/ (Losses)			
Gain on Revaluation of Biological Assets	14	45,000	85,000
Provision for Doubtful Debts	20	4,367,639	3,861,482
Provision for Audit fees	20	696,000	696,000
Net Surplus/(Deficit)		(20,691,542)	25,446,663

The notes set out on pages 42-81 form an integral part of these Financial Statements.

**13. STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019**

ASSETS	NOTES	2019 Ksh	2018 Ksh
Current Assets			
Cash & Equivalent	11	41,448,065	47,857,118
Receivables from Exchange Transactions	12	101,598,106	80,121,331
Receivables from Non-Exchange Transactions	13	166,661,941	-
Biological Assets	14	1,146,000	1,095,000
Inventories	15	8,252,996	11,632,604
Total Current Assets		319,107,108	140,706,053
Non-Current Assets			
Intangible Assets	16	5,280,340	6,600,426
Property, Plant & Equipment	17	1,738,975,929	1,596,119,721
Total Non-Current Assets		1,744,256,270	1,602,720,146
Total assets		2,063,363,377	1,743,426,199
LIABILITIES			
Current Liabilities			
Payables from Exchange Transactions	19	333,004,482	177,375,922
Provisions	20	696,000	696,000
Student Advances	21	33,106,589	42,513,033
Total Current Liabilities		366,807,071	220,584,955
Non- Current Liabilities			
Retention Fees	22	33,099,888	55,638,692
Total Non- Current Liabilities		33,099,888	55,638,692
NET ASSETS			
Capital Investment Fund		985,777,009	768,831,601
Revaluation Reserve		416,909,534	519,664,957
Accumulated Surplus		260,769,876	178,705,994
Total Net Assets		1,663,456,418	1,467,202,552
Total Net Assets & Liabilities		2,063,363,378	1,743,426,199

The Financial Statements set out on pages 37-41 were signed on behalf of Council by:

Vice Chancellor

Name: *Prof. Samuel Gudu*

Sign: *[Signature]*

Date: *30/01/2020*

Head of Finance *JAMES CAWIRA*

Name: *[Signature]*

ICPAK Member Number: 10479

Date: *30/01/2020*

Chairperson of Council

Name: *Rachael Mwalali*

Sign: *[Signature]*

Date: *30/01/2020*

**14. STATEMENT OF CHANGES IN NET ASSETS
AS AT 30TH JUNE 2019**

	Capital Investment Fund Kshs	Accumulated Surplus Kshs	Revaluation Reserve Kshs	Total Kshs
Balance at 30th June 2016	521,400,982	28,776,450	219,028,428	769,205,860
Development Income Govt Grants	153,314,231	-	-	153,314,231
Devp Grant- Rongo CDF	2,100,000	-	-	2,100,000
Development Income TTIS	25,629,363	-	-	25,629,363
Surplus for the year	-	22,506,627	-	22,506,627
Revaluation Surplus	-	-	402,612,783	402,612,783
Balance at 30th June 2017	702,444,576	51,283,077	621,641,211	1,375,368,864
Development Income Govt Grants	45,562,500	-	-	45,562,500
Development Income TTIS	20,824,525	-	-	20,824,525
Surplus for the year	-	25,446,663	-	25,446,663
Excess Depreciation on Revaluation	-	101,976,254	(101,976,254)	-
Balance at 30th June 2018	768,831,601	178,705,994	519,664,957	1,467,202,552
Development Income Govt Grants	317,731,778	-	-	317,731,778
Development Income TTIS	(100,786,370)	-	-	(100,786,370)
Deficit for the year	-	(20,691,542)	-	(20,691,542)
Excess Depreciation on Revaluation	-	102,755,423	(102,755,423)	-
Balance at 30th June 2019	985,777,009	260,769,876	416,909,534	1,663,456,418

**15. STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2019**

Cash Generated From Operations	NOTES	2019 Ksh	2018 Ksh
Receipts:			
Revenue from Non-Exchange Transactions	3	477,135,830	646,334,406
Revenue from Exchange Transactions	4	343,244,046	245,807,083
Total Revenue		820,379,876	892,141,489
Payments:			
Employee Costs	5	581,761,794	556,585,313
Repairs & Maintenance	7	7,815,476	10,503,339
General Expenses	8	104,474,978	101,819,876
Council Expenses	9	15,485,833	15,130,834
Academic Expenses	10	79,127,181	127,743,226
Total Payment		788,665,261	811,782,588
Net Cash flow From Operating Activities	25	31,714,615	80,358,901
Cash flow from Investing Activities:			
Purchase of Intangible asset	16	-	-
Purchase of Non-Current asset	17	(14,770,140)	(25,664,297)
Development Expense	17	(327,780,510)	(83,367,939)
Devp Expense- TTI	17	(3,653,013)	(15,868,259)
Retention Fees Paid		(9,651,783)	-
Net cash flow From Investing Activities		(355,855,446)	(124,900,495)
Cash flow from Financing Activities			
Development Grant		317,731,778	68,151,487
Development Grant – TTI		-	20,824,525
Net cash flow from Financing Activities		317,731,778	88,976,012
Net increase/(decrease) in cash in hand and bank		(6,409,054)	44,434,418
Cash and Bank Balance B/f	11	47,857,119	3,422,700
Cash and Bank Balance C/f	11	41,448,064	47,857,119

16. STATEMENT OF BUDGET AND ACTUAL COMPARISON FOR THE YEAR ENDED 30TH JUNE 2019

	Original Budget	Adjustments	Final Budget	Actual Expense	Variance	% variance
			Ksh	Ksh	Ksh	
Income	824,447,403	57,260,270	881,707,673	948,414,594	66,706,921	8
Expenses						
Employee Costs	614,531,640	(126,704)	614,404,936	653,018,521	(38,613,585)	-6
General Expenses	128,847,467	32,696,349	161,543,816	104,474,978	57,068,838	35
Council Expenses	13,000,000	3,000,000	16,000,000	15,485,833	514,167	3
Academic Costs	57,745,000	13,207,537	70,952,537	79,127,181	(8,174,644)	-12
Repairs and Maintenance	10,323,296	8,483,088	18,806,384	7,815,476	10,990,908	58
Total	824,447,403		881,707,673	859,921,988		

BUDGET EXPLANATORY NOTES

General Expenses: There was uncertainty in budget approval leading to low absorption of allocated funds, this necessitated the University to some activities in response to the National Treasury Circular.

Academic Expense: This item was overspent due to teaching practice and attachments for various schools that had been deferred from the previous financial year owing to University staff strikes. Similarly, many research activities were also carried out in the year under review for same reason.

Repairs & Maintenance Costs: This item was under spent as a result of austerity measures put in place to curb expenses. In addition, there is one semester when many students were on teaching practice and attachments, hence, there was less breakages.

17. NOTES TO THE FINANCIAL STATEMENTS

17.1 GENERAL INFORMATION

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

17.2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

17.3 ADOPTION OF NEW AND REVISED STANDARDS

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

Standards Effective date and impact:

IPSAS Applicable: 1st January 2022:

41: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

- Applying a single classification and measurement model for financial

Standards Effective date and impact:

rd

assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held.

- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and
- Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

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

IPSAS Applicable: 1st January 2022

42:

Social
Benefi
ts

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

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

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

ii. Early adoption of standards

The University did not early – adopt any new or amended standards in year 2019

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

NOTES TO THE FINANCIAL STATEMENTS CONT.

benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Tuition fees

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

Donations

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

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

Research grants

Research grants are recognized when received.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Rental income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on XXX. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the University upon receiving the respective approvals in order to conclude the final budget.

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

NOTES TO THE FINANCIAL STATEMENTS CONT.

actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

c) Leases

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

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

Subsequent cost is 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

NOTES TO THE FINANCIAL STATEMENTS CONT.

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 reducing balance 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

NOTES TO THE FINANCIAL STATEMENTS CONT.

Intangible assets shall be amortized over their useful life on a reducing balance. Subsequent expenditures on intangible assets shall be recognized as an expense for the period that it is incurred.

f) Research and development costs

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

- The technical feasibility of completing the 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 an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors are experiencing significant financial difficulty
- Default

NOTES TO THE FINANCIAL STATEMENTS CONT.

- The probability that debtors will be unable to pay
- Observable data indicates a measurable decrease in estimated future cash flows

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

i) Inventories

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

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

j) Provisions

i. Provision for bad debt

Provisions for bad debts shall be recognized when RU has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Bad debts should only be written off

NOTES TO THE FINANCIAL STATEMENTS CONT.

on the authority of the Council. Other bad debts below this amount will only be written off by the RUMB after steps have been taken to recover the debt and RUMB is satisfied that:

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

ii. Provision for doubtful debt

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

Contingent liabilities

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

Contingent assets

The University does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the University in the notes to the financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

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

- i) Capital Investment Fund: Relates to items of property, plant and equipment developed from capital grants received from national government, other development partners and transfers from revenue reserves on purchase of additional assets.
- ii) Accumulated Surplus: This relates o 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.

NOTES TO THE FINANCIAL STATEMENTS CONT.

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. Staff in grades 1-4 contribute to a Provident Fund while those in grades 2-18 have a Defined Contribution pension scheme. Now, grades 1-4 staff and grades 5-18 deductions are channeled to the Moi Provident Fund and Moi University Pension Scheme, respectively.

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

Other Benefits

The University provide other benefits to staff including medical insurance, leave, commuter allowance and special allowances such as extraneous, entertainment, risk, telephone and responsibility allowances paid to officer with responsibilities.

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.

NOTES TO THE FINANCIAL STATEMENTS CONT.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the University's various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprest to authorized staff which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

s) Part Time expenses recognition

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

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

17.5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the University financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in

Outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS CONT.

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:

- i) The condition of the asset based on the assessment of experts employed by the University
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset and
- v) 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, 2019.

3 Revenue from Non-Exchange Transaction	KSH 2019	KSH 2018
Recurrent Received	477,135,830	646,334,417
Recurrent Accrued	60,882,858	-
Total Revenue from Non Exchange Transaction	538,018,688	646,334,417

Revenue from Non-exchange transactions refers to Recurrent Capitation from the Central Government. In the year under review, the University Received Ksh 538,018,688. Included in this amount is Ksh 60,882,858 received as recurrent capitation for payment of enhanced salaries, originating from the 2013-2017 CBA negotiations. This accrued amount was received in July 2019.

4 Revenue from Exchange Transaction	KSH 2019	KSH 2018
Fees & Related Charges Received	297,392,030	208,407,760
Fees & Related Charges Accrued	62,759,811	63,862,111
Tender Incomes	3,000	4,000
Cafeteria Charges	2,939,026	5,437,964

Research Income	46,797,979	28,722,161
Rental Income	-	366,500
Other Incomes	504,060	2,868,698
Total Revenue from Exchange Transaction	410,395,906	309,669,194

Revenue from Exchange Transactions increased as a result of increased Research income and sustained efforts on fees collection strategy.

Cafeteria income reduced as result of the introduction of smart cards which had not been embraced by most students hence the drop in catering expense (note 8), as well as income.

Rental income relates to income from rented facilities to third parties at a nominal fee.

5 Employee costs	KSH 2019	KSH 2018
Basic Salaries & Wages	307,789,277	298,398,771
Pension and Provident	46,736,828	43,133,171
Commuter Allowance	45,473,868	45,861,274
Housing Allowance	139,371,442	140,357,267
Other Allowances	37,975,805	37,176,444
Locum	2,454,000	3,814,000
Part-time Lecturers	73,217,300	61,928,500
Employee costs	653,018,521	630,669,427

Employee cost increased as a result of enhanced salaries stemming from the 2013/2017 negotiations. Locum refers to wages paid to medical staff working on part time basis at the University clinic. It decreased because in the 4th quarter, most students were away on attachment and teaching Practice.

Part time teaching cost increase was occasioned by the additional semesters introduce in the year to cover for the time lost in the previous year due to industrial unrest.

6 Depreciation and amortization expense	KSH 2019	KSH 2018
Property, plant and equipment	102,755,423	100,326,148
Intangible assets	1,320,085	1,650,106

Total depreciation and amortization	104,075,508	101,976,254
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Depreciation increase was occasioned by depreciation of new assets that were transferred to building including lecture hall in town, kitchen and cold room and part of admin block.

7 Repairs and maintenance	KSH 2019	KSH 2018
Water & Sewer	638,240	656,600
Plant & Equipment	257,180	422,170
Computers	1,145,231	505,780
Catering & Hostels	1,530,241	278,415
Buildings	773,480	3,356,262
Motor Vehicle	2,520,414	2,088,722
Minor Works	950,690	537,140
Grounds & Parks	-	2,658,250
Total repairs and maintenance	7,815,476	10,503,339

The drop in repairs and maintenance cost was as a result of the reduction on computer expense and maintenance of buildings. The cost of maintenance of grounds and parks was mainly wages which was captured under employee cost (Note 5)

8 General expenses	KSH 2019	KSH 2018
Advertising & Publicity	1,513,190	1,556,629
Travel & Accommodation	12,024,901	10,455,231
External Travel	873,645	538,312
Internet Communication	7,168,491	7,652,203
Open & Cultural Expense	-	563,700
Audit Expenses	696,000	652,524
Library Books and Journals	713,120	775,674

Bank Charges	1,037,810	1,117,791
Committee Expenses	1,412,946	5,403,754
Medical Expenses	2,064,146	16,596,023
Subscriptions	648,850	246,600
Electricity, Water & Conservancy	7,543,429	7,375,710
Transport Operating Expenses	3,023,584	4,157,733
Cooking Fuel and oil	1,688,100	1,580,246
Catering Expense	9,106,957	12,193,134
Computer Expenses	2,768,919	5,720,925
Insurance	25,869,395	4,019,987
Legal expenses	669,253	149,370
Strategic Planning Expenses	4,982,935	768,300
ICT Infrastructure	483,240	1,502,660
CSR	82,850	108,265
Farm Expenses	460,600	419,700
Performance Contract	1,756,809	935,309
Postage	407,555	68,590
Stationery	4,546,513	6,387,823
Public Celebrations	50,000	87,550
Cleaning Materials	3,085,253	2,203,380
Recruitment Expenses	259,900	127,600
Gender Mainstreaming	31,000	259,500
Safety & Disability	58,000	73,400
Purchase of Security Equipment	-	33,600
National Values & Cohesion	88,600	63,800
Drug and Alcohol Abuse	100,000	45,000
Uniform & Clothing	1,122,370	564,685

Telephone & Communication	907,000	2,089,000
Consultancy Services	-	1,598,200
Training	2,397,515	1,785,536
Office Entertainment	1,274,059	1,942,432
IGU	1,520,092	-
Seminars & Conference Expenses	2,037,950	-
Total general expenses	104,474,978	101,819,876

General expenditure increased due to the newly implemented medical scheme for staff and their dependents. Ksh 20, 434,673 was paid to NHIF for medical insurance, the balance is for insurance of motor vehicles. In addition, Council initiated income generating units as a strategy to diversify income streams and provided seed money, hence the expense. There was no expenditure under seminars and conference in the previous financial year.

9 Council Expenses	KSH 2019	KSH 2018
Sitting Allowance	4,502,094	4,398,887
Subsistence Expenses	6,163,097	6,021,813
Travel & Related Expenses	2,294,670	2,242,067
Other Expenses	2,525,973	2,468,067
Total Council Expense	15,485,833	15,130,834

Council other expenses include expenditure items other than Sitting, Subsistence & Travel. They include meals, governance training expenses and facilitation for related expenses such as for secretariat and drivers.

10 ACADEMIC COSTS	KSH 2019	KSH 2018
Publishing & Printing Expense	49,000	-
Student Activities	2,762,315	2,744,831
Teaching Practice & Attachments	13,955,770	10,904,815
Graduation Expenses	7,937,590	10,987,084
Admissions Expense	4,360,710	3,821,900
External Examiners	3,885,057	2,071,390
Rental	6,934,416	7,823,508

Purchase of Games Equipment	226,347	390,700
Collaboration & Linkages	1,080,465	757,386
RUSA	1,688,275	2,058,760
Teaching Materials	3,749,168	961,200
Inter-university Games	3,706,105	1,474,105
Curriculum Development	491,076	1,846,550
National Shows & Exhibitions	1,540,711	1,638,110
Research Expenses	25,811,251	17,748,982
KUCCPS & CUE	580,245	442,350
Work Study	368,680	143,055
Total Academic Costs	79,127,181	65,814,726

Academic Expenses increased as a result of change in semester dates that pushed teaching practice and attachment to the current year. In addition, various research activities were undertaken in the year under review.

11 Cash and cash equivalents	KSH 2019	KSH 2018
KCB PSSP- 1130114511	693,788	1,152,373
KCB GSSP -1139740229	39,625,175	44,829,938
KCB DEVP -1139740091	82,849	83,095
NBK PSSP- 01020047041000	-	(100)
CO-OP PSSP -01129477027400	502,874	159,607
EQUITY A/C NO 1430270413535	150,593	1,756,242
Mentoring Institution Accounts		
MABERA TTI KCB -1177876752	16,864	(395,534)
KAKRAO TTI KCB -1159020558	68,998	71,104
KENDEGE TTI CO-OP -01120477027400	306,512	191,921
Cash on Hand	412	8,472
Cash and Cash Equivalent	41,448,065	47,857,118

The University Council approved closure of National Bank account due to their inability to integrate with our UNIPLUS system for fee collection.

12 Receivables from exchange contracts	KSH 2019	KSH 2018
Current receivables	3,514,568	6,753,179
Staff Debtors/ Imprest	102,451,177	77,229,634
Student Debtors	(4,367,639)	(3,861,482)
Provision for Doubtful Debts		
Total Net Receivables	101,598,106	80,121,331

NOTES TO THE FINANCIAL STATEMENTS CONT.

Staff debtors refers to Imprest advanced to staff that remained were not surrendered at the end of the financial year under review. A detailed analysis of the imprest is attached. See **Appendix IV**.

The increase in student debtors was as a result of increased number of semesters and the last semester being May and hence new invoices.

13 Receivables from Non- Exchange Transactions	KSH 2019	KSH 2018
Capitation Grant- Income	60,882,858	-
Capitation Grant Devt.	105,779,083	-
Total Receivables from Non exchange Transaction	166,661,941	-

Capitation grant income recognized in the current year refers to income received from central government in the month of July 2019 to cater for reduced capitation that had been received in the year.

Capitation grant for development refers to amounts yet to be received from central Govt, on certificates for work done, on various projects in the University.

14 Biological Assets	KSH 2019	KSH 2018
Initial Cost	1,095,000	1,010,000
Additions	6,000	-
Valuation	45,000	85,000
Biological Assets	1,146,000	1,095,000

Biological assets refer to farm animals that have been reared for educational purposes. These assets are valued at the prevailing market price as at end of the year. The addition relates to the cost of a goat that was purchased.

15 Inventories	KSH 2019	KSH 2018
Consumable stores	5,313,964	8,736,174
Medical supplies	1,145,595	985,174
Spare parts and meters	933,083	1,083,760
Catering	860,354	827,496
Total inventories	8,252,996	11,632,604

NOTES TO THE FINANCIAL STATEMENTS CONT.

Inventory refers to items available at the University stores as at 30th June, 2019. These items are valued at cost.

16 Intangible Assets	KSH	KSH
	2019	2018
	20%	20%
Opening balance	6,600,426	8,250,532
Additions	-	-
Total	6,600,426	8,250,532
Amortization	1,320,085	1,650,106
Closing balance	5,280,340	6,600,426

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

NOTES TO THE FINANCIAL STATEMENTS CONT.

17 Properties, Plant & Equipment

	Land	Buildings	Borehole	Motor Vehicles	WIP- RU	WIP-TTI	Computers & Accessories	Plant & Machinery	Furniture & Fittings	Library Books	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
	0%	2.50%	2.50%	25%	0%	0%	30%	12.50%	12.50%	30%	
At 30 June 2017	72,400,000	595,125,215	1,407,058	99,259,380	392,248,633	128,287,056	67,723,513	67,494,282	80,593,649	56,611,639	1,561,150,425
Additions	-	-	-	8,552,000	93,762,888	15,868,259	2,831,060	11,739,364	2,461,948	79,925	135,295,444
Disposals	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2018	72,400,000	595,125,215	1,407,058	107,811,380	486,011,521	144,155,315	70,554,573	79,233,646	83,055,597	56,691,564	1,696,445,869
Additions	-	-	-	-	327,780,510	3,882,665	4,516,903	7,317,564	2,245,425	690,111	346,433,178
Disposals	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	24,866,767	-	-	(24,866,767)	(100,786,370)	-	-	-	-	(100,786,370)
At 30 June 2019	72,400,000	619,991,982	1,407,058	107,811,380	788,925,264	47,251,610	75,071,476	86,551,210	85,301,022	57,381,675	1,942,092,677
Depreciation and impairment											
At 30 June 2017	-	-	35,176	-	-	-	-	-	-	49,048,178	49,048,178
Revaluation Surplus	5,041,492	395,665,117	-	83,719,456	-	-	59,372,018	33,929,635	37,438,344	-	615,166,062
Depreciation	-	14,878,130	35,176	26,952,845	-	-	21,166,372	9,904,206	10,381,950	17,007,469	100,326,148
Disposals	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2018	-	14,878,130	35,176	26,952,845	-	-	21,166,372	9,904,206	10,381,950	17,007,469	100,326,148
Depreciation	-	15,499,800	35,176	26,952,845	-	-	22,521,443	9,904,206	10,662,628	17,214,502	102,755,423

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Disposals	-											-
Impairment	-											-
Transfer/adjustment	-											-
At 30 June 2019	-	30,377,930	70,353	53,905,690	-	-	43,687,815	19,808,412	21,044,578	34,221,971	203,116,748	
Net book values												
At 30 June 2019	72,400,000	589,614,052	1,336,705	53,905,690	788,925,264	47,251,610	31,383,661	66,742,799	64,256,444	23,159,703	1,738,975,929	
At 30 June 2018	72,400,000	580,247,085	1,371,882	80,858,535	486,011,521	144,155,315	49,388,201	69,329,440	72,673,647	39,684,095	1,596,119,721	

Work In Progress transferred to buildings are Extension of Admin Blocks at Ksh 8,188,637 and Prefabs Lecture halls at Ksh 16,678,133.

Two mentoring institutions have been exited at the value of work done. They are Maberu Technical at Ksh 54,233,900 and Kendege Technical at Ksh 46,552,470.

There were additions from WIP in the current financial year totaling to Ksh 327,780,510 See **Appendix V**

NOTES TO THE FINANCIAL STATEMENTS CONT.

18 Work - in- Progress	KSH 2019	KSH 2018
Tuition Block Phase 1	63,282,387	56,464,201
Tuition Block Phase 2	282,707,180	265,734,440
Water Treatment Plant	99,344,454	94,042,649
Hostel	18,311,762	18,311,762
Lecture hall	-	15,907,270
Extension of Admin Blocks	-	3,280,682
Ramps	8,475,000	3,914,543
Kitchen & Cold room	21,908,865	6,546,514
Library	288,519,393	-
Kakrao TTI	53,627,833	40,066,949
Kendege TTI	-	48,969,805
Mabera TTI	-	52,637,648
Balance C/F	836,176,874	605,876,464

The significant increase in WIP is as a result of a new project (Library). Other projects e.g. Lecture Hall, and Admin block, have been completed and transferred to Buildings. While Kendege and Mabera have been exited from our books awaiting official handing over.

The difference between amounts transferred and contract sum for Mabera is the value of work not done amounting to Ksh 952,000 and Ksh 3,000,000 for Kendege was paid directly by CDF.

19 Payables From exchange Transactions	KSH 2019	KSH 2018
Payroll Creditors	135,163,786	90,158,881
Part time Creditors	116,708,967	41,497,390
Sundry Creditors	74,829,729	39,536,651
Caution Money	6,302,000	6,183,000
Total trade and other payables	333,004,482	177,375,922

NOTES TO THE FINANCIAL STATEMENTS CONT.

The increase in payroll relates to accrued salaries for the month of June, paid in July.

Caution money refers to amount paid by bonafide students at Ksh 1,000 per student. At the end of the financial year, there were 6302 students.

20	Provision	KSH 2019	KSH 2018
	Audit Fees	696,000	696,000
	Doubtful Debts	4,367,639	3,861,482
	Total	5,063,639	4,557,482
21	Payments received in advance	KSH 2019	KSH 2018
	School of Education	15,595,247	22,644,190
	School of Science	3,650,330	2,482,141
	School of Agriculture	1,727,218	2,653,562
	School of Business	4,696,097	5,612,564
	School of INFORCOMS	3,873,784	3,897,136
	School of Arts	3,563,913	5,223,440
	Total	33,106,589	42,513,033
22	Retention Fees	KSH 2019	KSH 2018
	Tuition Block	14,703,524	27,803,843
	Water Treatment Plant	4,931,989	7,867,199
	Hostel	1,831,177	1,831,177
	Pre fab Lecture halls	-	1,541,727
	Kitchen & Cold room	2,126,886	1,345,651
	Admin Block	-	771,156
	Ramps	810,499	810,499
	Kakrao TTI	4,006,694	4,006,694
	Kendege TTI	1,977,424	4,396,981
	Mabera TTI	2,711,695	5,263,765
	Total	33,099,888	55,638,692

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Transfers from Ministries, Depts. and Agencies

Name of Entity sending grant	Amount Recognized in Statement of Comprehensive Income	Amount Deferred under deferred income	Amount recognized in Capital Fund	Total income during the year	2018/2019
	Ksh	Ksh	Ksh	Ksh	Ksh
State Dept. of Univ. Educ.	538,018,688	-	317,731,778	855,750,466	691,896,917
State Dept. of Vocational Educ.	-	-	-	-	20,824,525
Total	538,018,688	-	317,731,778	855,750,466	712,721,442

24 Capital Commitment

Project	KSH	KSH
	2019	2018
	Estimated Value	Estimated Value
Tuition Block	378,584,087	346,820,392
Water Treatment Plant	108,790,054	102,677,262
Dining Hall	16,833,298	14,600,000
Twin Science Lab	11,100,000	11,100,000
Hostel	93,566,684	75,254,921
Extension of Administration Block	8,188,637	9,055,563
Kitchen & Cold room	22,694,955	22,694,955
Ramps	10,866,926	10,000,000
Library	1,358,342,442	-
lecture Hall in Rongo Town	16,188,533	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	2,173,616,821	756,081,561

NOTES TO THE FINANCIAL STATEMENTS CONT.

25 Cash generated from operations	KSH 2019	KSH 2018
Surplus/Deficit for the year before tax	(20,685,808)	25,446,663
Adjusted for:		
Depreciation	104,075,508	101,976,255
Contribution to provisions	-	(4,557,482)
Working capital adjustments:		
(Increase) Decrease in inventory	3,379,608	(3,763,308)
(Increase)Decrease in receivables	(188,138,716)	(143,174,468)
Increase(decrease) in payables	155,628,560	94,693,532
Increase(decrease) in retention fee	(22,538,804)	9,737,710
Net cash flows from operating activities	31,720,349	80,358,902

NOTES TO THE FINANCIAL STATEMENTS CONT.

26. Financial Risk Management

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

26.1 Credit risk

The University has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by Council. The amounts presented in the statement of financial position are net of allowances for doubtful debts as estimated by the management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Receivables from exchange transactions	101,598,106	101,598,106	-	-
Receivables from non-exchange transactions	60,882,858	60,882,858	-	-
Total	162,480,964	162,480,964	-	-
At 30 June 2018				
Receivables from exchange transactions	80,121,331	80,121,331	-	-
Receivables from non-exchange transactions	-	-	-	-
Total	80,121,331	80,121,331	-	-

NOTES TO THE FINANCIAL STATEMENTS CONT.

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

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

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

26.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council, who has built an appropriate liquidity risk management framework for the management of the University's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

	Less than 1 month	Between 1-3 months	over 5 months	Total
	Ksh	Ksh	Ksh	Ksh
At 30th June, 2019				
Trade Payables	52,084,261	67,611,863	213,308,358	333,004,482
Provisions	-	-	5,063,639	5,063,639
Total				338,068,121
At 30th June, 2018				
Trade Payables	27,742,851	36,013,679	113,619,392	177,375,922
Provisions	-	-	4,557,482	4,557,482
Total				181,933,404

26.4 Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the University's income.

NOTES TO THE FINANCIAL STATEMENTS CONT.

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.

26.5 Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	350,840,533	519,664,957
Accumulated Surplus	226,483,286	178,705,994
Capital Investment Fund	985,777,009	768,831,601
Total funds	1,563,100,828	1,467,202,552
Total borrowings	-	-
Less: cash and bank balances	41,453,799	47,857,118
Net debt/(excess cash and cash equivalent)	41,453,799	47,857,118
Gearing	-0.41	-0.41

NOTES TO THE FINANCIAL STATEMENTS CONT.

27. Related Party Balances

27.1 Nature of related party relationships

University's related parties are those who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to;

- i) The National Government
- ii) The Parent Ministry
- iii) Key management
- iv) Council

	2019 Ksh	2018 Ksh
Transactions with related parties		
a. Grants from the Govt		
Grants from the Govt	855,750,466	692,496,906
b. key Mgt Compensation		
Compensation to the CEO	21,342,091	21,611,114
Compensation to Key Mgt	31,431,503	29,878,568
Total	52,773,594	51,489,682

28. Events after the reporting period

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

29. Ultimate and Holding Entity

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

30. Currency

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

31. Revaluation of Assets

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

Syagga and Associate Limited Research and Development Consultants

P. O. Box 26060-00504

NAIROBI

Appendix I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The 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)
1.2 Staff Debtors	Included in receivables from exchange transactions balance of Ksh 85,365,707 as disclosed in Note 12 to the financial statements is an amount of Ksh 11,997,554 relating to staff debtors. The amount in turn includes Kshs 6,753,179 reflected as outstanding imprests. However, the records provided for audit revealed that the same imprests were expensed against	The University Finance Management Policy on Imprest 6.6.1 states that Imprests issued to staff members shall be debited against Cash book and expensed on surrender. At the time of audit, most of the Imprest had been taken towards the end of the financial year for research and hence the debtors.	Finance Officer	Resolved	Immediately

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)
	various expenditure components, an indication that the University lacks a clear policy on recognition or surrender of outstanding imprests. Consequently the accuracy of staff debtors' balance of Kshs 11,997,554 could not be confirmed.				
1.0 Consultancy Services on Assets Tagging	The general expenses of Kshs.95, 102,511 disclosed in Note 8 to the financial statements includes consultancy services expenditure of Kshs.1, 598,200. The amount was paid to an advocate for services	The University engaged Syagga & Associates to tag Assets. During Implementation it was realized that the tags ordered were not sufficient. A request was made and approved for additional tags. This brought the total tags to 8000 at a cost of Ksh 1,598,200 which was paid to the	Finance Officer	Resolved	Clarified Immediately

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)
	relating to asset tagging. However, according to the letter of notification of award, the initial contract price for the services was Kshs. 995,000. The payment to the advocate was in excess of the original contract price by Kshs. 603,200 or 61% and upwards variation was done within one year after award of contract. The management, therefore contravened section 139 of the Public Procurement and Asset Disposal Act, 2015.	supplier			

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)
2.0 Repairs and Maintenance	<p>The repairs and maintenance expenses of Kshs.12,242,662 disclosed in Note 7 to the financial statements includes an amount of Ksh 1,371,376 issued as imprests to various officers to procure building materials and payment of casuals engaged in the repair works. The Management similarly contravened Sections 107 and 108 of the Public Procurement and Asset Disposal Act, 2015 by purporting to use low- value procurement</p>	<p>The imprests were allowed especially when the suppliers were unable or delayed to supply or render the services within the time stipulated in the local purchase orders (LPOs) and Local service orders (LSOs) especially considering the nature and urgency of the repairs works.</p>	Finance Officer	Resolved	30 th June, 2019

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)
	procedure as regards the foregoing matter.				
3.0 Hire of Casual Employees	Included in the employees costs of Kshs. 572,884,626 under Note 5 to the financial statements are salaries and wages totaling Kshs. 302,542,471. The latter in turn includes Kshs. 15,967,108 paid to ninety- four casual employees. Examination of personnel records revealed that the employees have been in employment for more than three	The staffing level needs analysis shows that the current number of staff employed by the University on full time basis is inadequate. The shortfall is met through casual employees. Progressively, the University is providing for recruitment of more staff in the budget. This recruitment will address the issue of irregular hire of casual employees.	Deputy Vice Chancellor- Administration, Finance & Planning	Resolved	30 th June, 2019

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)
	months contrary to Section 37 of the Employment Act 2007.				
4.0 Ethnic Composition of Staff	<p>During the year under review, the University hired twelve new employees. However, examination of records revealed that one dominant community comprised the bulk of the new staff who were hired. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act. 2008 which states that all public establishment shall seek to represent the diversity of the</p>	<p>The recruitment involved academic staff in various departments. There is a strict recruitment criterion for academic staff provided by the Commission for University Education (CUE). From among the applicants, only those meeting the minimum requirements were recruited and it is only by coincidence that 50% are from the same ethnic community.</p> <p>It should be noted that the advertisement for the positions clearly stated that Rongo University is an equal opportunity employer which does not discriminate on such grounds as tribe.</p> <p>The University is determined to progressively achieve the</p>	Deputy Vice Chancellor- Administration, Finance & Planning	Resolved	30 th June, 2019

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)
	people of Kenya in employment of staff.	requirements of Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008.			
5.0 Failure to Comply with a Third Net Salary Rule	Examination of the University's payroll for the month of June 2018 revealed that several officers earned salaries which were less than a third of their respective basic salaries. This is contrary to Section 19(3) of Employment Act, 2007 which states that, 'without prejudice to any right of recovery of any debt due, and notwithstanding any written law, the total	This is already rectified and currently, as per the memo attached; the human resource department ensures compliance with Section 19(3) of the Employment Act, 2007	Ag. Registrar Administration	Resolved	30 th June, 2019

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)
	amount of deductions which under the provision of subsection (1) may be made by the employer from the wages of his employees shall not exceed two thirds of such wages.”				
6.0 Imprests Management	During the year under review the management approved and issued multiple imprests totaling to Kshs 2,768,264 to various officers contrary to regulation 93 (4)(b) of Public Finance Management (National Government)	Some of the un-surrendered imprests relate to research, and the individuals make requests in bits, but Rongo University policy on imprests for research allows them to hold the imprests for at least six months. The imprests could be for the same person but for different research activities that must be carried out concurrently. Others relate to procurement of	Finance Officer	Resolved	30 th June, 2019

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)
	Regulations, 2015 which prohibits issuance of additional imprests to officers with outstanding imprests.	<p>various goods and services. The University encourages all procurement of the same to be done by procurement department. However, the department has few staff necessitating them to hold more than one imprests at a time depending on the need.</p> <p>Further, other imprests relate to Council expenses. Rongo University Council members reside in various parts of the country. Therefore, whenever they have assignments outside the institution, Council secretariat is forced to facilitate them in advance and wait for them to sign surrender documents when they come for the next meeting.</p>			

Vice Chancellor.....
 Date..... 30/01/2020

Chairperson of Council.....
 Date..... 30/01/2020

Appendix II: PROJECTS IMPLEMENTED BY THE ENTITY

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

Appendix: Status of Project Completion

	Project	Total Project Cost	Total Expended to date	Completion % to Date	Budget 2019/20	Sources of funds
1	University Projects:					
2	Tuition Block	378,584,087	284,276,338	75	46,857,500	Gok
3	Water Treatment Plant	108,790,054	99,555,061	92	22,000,000	Gok
4	Extension of Admin Block & Ramps	19,055,564	16,663,637	87	7,057,500	Gok
5	Kitchen, Cold room & LPG Tank	22,694,825	21,908,865	97	7,562,500	Gok
6	Lecture Hall Town	16,188,533	16,188,135	100	-	AIA
7	Library	1,358,342,492	288,519,393	21	235,742,573	Gok
8	Overhead Power Dist.	15,562,128	-	0	-	AIA
9	Sub Total	1,919,217,683	727,111,429			
10	Technical Training Institutions:					
	Kendege	50,767,432	49,552,470	98		CDF/GOK
	Mabera	54,683,900	54,233,900	99		CDF/GOK
	Kakrao	53,627,833	41,299,307	77		CDF/GOK
	Sub Total	159,079,165	145,085,677			
	Grand Total	2,078,296,848	872,197,106			

Appendix III: INTER-ENTITY TRANSFERS

Rongo University				
Breakdown of Transfers from State Department of University Education & Research				
	FY 18/19			
a.	Recurrent Grants	Bank Statement Date	Amount	Relating FY
		2/8/2018	40,572,775	2018/2019
		30/08/2018	40,572,775	2018/2019
		1/10/2018	40,572,775	2018/2019
		7/11/2018	40,572,775	2018/2019
		3/12/2018	38,138,408	2018/2019
		27/12/2018	38,138,408	2018/2019
		1/2/2019	39,761,319	2018/2019
		7/3/2019	39,761,319	2018/2019
		28/03/2019	37,326,953	2018/2019
		2/5/2019	40,572,775	2018/2019
		6/6/2019	40,572,775	2018/2019
		28/06/2019	40,572,775	2018/2019
		9/7/2019	60,882,858	2018/2019
	Sub Total		538,018,690	
b.	Development	29/10/2018	47,615,889	2018/2019
		26/11/2018	63,579,600	2018/2019
		27/03/2019	162,825,129	2018/2019
		28/05/2019	43,711,160	2018/2019
	Sub Total		317,731,778	
	Total		855,750,468	

Note: The Ksh 60,882,858 was accrued in FY 2018/2019

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

Finance Officer
Rongo University

Head of Accounting Unit
Ministry of Education

Sign  -----

Sign-----

