
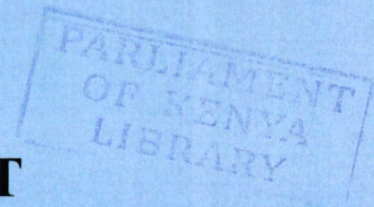


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 26 JUN 2019	DAY: Wed.
TABLED BY: h.o.m	
CLERK-AT THE-TABLE: Mr. Mado	



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
JARAMOGI ODINGA UNIVERSITY OF
SCIENCE AND TECHNOLOGY**

**FOR THE YEAR
ENDED 30 JUNE 2018**





**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE
AND TECHNOLOGY**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2018

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

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I. KEY INFORMATION AND MANAGEMENT

(a) Background information

Jaramogi Oginga Odinga University of Science and Technology was established under the Universities Act, No. 42 of 2012 by grant of Charter on 13 February 2013. At Cabinet level, the Cabinet Secretary for Education who is responsible for the general policy and strategic direction of the University represents the University.

(b) Principal Activities

The principal activity of the University is to provide high quality university training, carry out innovative research and community outreach programmes for sustainable socio-economic development.

Vision

A beacon of excellence and the global leader in University education for sustainable development.

Mission

To provide quality university education that nurtures creativity and innovation through integrated training, research and community outreach for advancement of humanity.

Motto

Oasis of Knowledge

The Core Values

- a) Fairness
- b) Professionalism
- c) Integrity
- d) Meritocracy
- e) Equity
- f) Transparency and Accountability

(c) Key Management Organs

The University's day-to-day management is under the following key organs

1. The University Council
2. The Senate
3. The University Management Board

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(d) Council Members

The Members of the Council who served the University during the year and to the date of this report were;

S/No	Name	Status	Appointment Date
1	Dr. Walter Ongeti	Chairman	13.03.2017
2	Prof. Stephen Gaya Agong'	Vice Chancellor/CEO	Re-appointed on 20.06.18
3	Amb. Steven A. Loyatum	Member	13.03.2017
4	Ms. Joyce N. Karinge	Member	13.03.2017
5	Mr. Ibrahim M. Mutembei	Member	13.03.2017
6	Dr. (Mrs.) Anne Oburu,	Member	Re-appointed on 13.03.2017
7	Dr. Jonah K. Kangogo	Member	13.03.2017
8	Mr. Evans Atambo	Alternate to P.S, State Dept. of University Education and Research	13.03.2017 (Retired May 2018)
9	Mr. Micah Origa:	Alternate to C.S, National Treasury	Re-appointed on 13.03.2017
10	Mr. Richard N. Limo	Representative of P.S, State Dept. of University Education and Research	May 2018

(e) The Senate

The Senate that served during the period consisted of:

- a. The Vice-Chancellor
- b. The Deputy Vice-Chancellors
- c. The Registrars and Finance Officer;
- d. All the Deans of Schools /Faculties, the Directors of Institutes/Centres/Directorates, Director of the Board of Postgraduate Studies and other academic units;
- e. The Chairpersons of Departments;
- f. The Professors of the University;
- g. The University Librarian;
- h. Other co-opted members

(f) Key Management Personnel

The key management personnel who held office during the financial year ended 30 June 2018 and who had direct fiduciary responsibility were:

S/No.	Name	Designation
1.	Prof. Stephen G. Agong', PhD, FASS	Vice-Chancellor/Chief Executive Officer
2.	Prof. Joseph Bosire, PhD	Deputy Vice-Chancellor (Academic Affairs)
3.	Prof. Washington H.A. Olima, PhD	Deputy Vice-Chancellor (Planning, Administration and Finance)
4.	Prof. Benson B.A. Estambale, PhD	Deputy Vice-Chancellor (Research, Innovations and Outreach)
5.	Prof. Francis AngawaOkere	Ag. Principal Kisumu Campus
6.	CPA Nancy Muchai, MBA CPA (K)	Ag. Finance Officer
7.	Dr. Walter Akuno, PhD	Registrar (Academic Affairs)
8.	Dr. Patrick J. Akhaukwa, PhD, CPS (K)	Registrar (Research, Innovations and Outreach)
9.	CS. Rosemary A. Ngesa, EMBA, CPS (K)	Registrar (Administration and Planning)

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(g) Schools Institutes and Centres;

During the Financial Year the Schools, Institutes and Centres were;

Schools includes;-

- a. School of Agricultural and Food Sciences
- b. School of Biological and Physical Sciences
- c. School of Business and Economics
- d. School of Education
- e. School of Engineering and Technology
- f. School of Health Sciences
- g. School of Humanities and Social Sciences
- h. School of Informatics and Innovative Systems
- i. School of Mathematics and Actuarial Sciences
- j. School of Spatial Planning and Natural Resource Management

Institutes Included;-

- a. Institute of Culture Heritage and Material Science
- b. East African Community Integration Institute

Centres Included;-

- a. Centre for Research Innovation and Technology
- b. Centre for Gender Mainstreaming and Development
- c. Centre for Outreach and Extension Services
- d. Centre for E-Learning
- e. Africa Centre of Excellence in Sustainable Use of Insects as Food and Feeds (INSEFOODS)

(h) Fiduciary Oversight Arrangement

The University is answerable to key government organs on financial management and is from time to time over sighted by these organs for compliance. The organs are;

- i. The Public Accounts Committee of the Parliament
- ii. Commission for University Education
- iii. Public Procurement Oversight Authority
- iv. Ethics and Anti-corruption Commission

(i) University Contacts

Bondo-Usenge Road
P.O Box 210-40601
Bondo,
Kenya

Telephone: (254) 057-2058000/ 2501804

E-mail: vc@jooust.ac.ke

Website: www.jooust.ac.ke

(j) Bankers

Kenya Commercial Bank Ltd
Bondo Branch
P. O. Box 598 - 40601
Bondo, Kenya

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Equity Bank Ltd
Bondo Branch
P.O.Box 261 - 40601
Bondo, Kenya

Co-operative Bank of Kenya Ltd
Bondo Branch
P.O. Box 380 - 40601
Bondo, Kenya

Barclays Bank of Kenya Ltd
Kisumu Branch
P.O. Box 831-40100
Kisumu, Kenya.

(k) INDEPENDENT AUDITORS

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

(l) PRINCIPAL LEGAL ADVISER

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112-00200
Nairobi, Kenya.

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II. UNIVERSITY COUNCIL

	<p>Dr. Walter Juma Ongeti, Chairman B.Ed (Arts), MBA, Ph.D (UON), MKIM With wide corporate governance and leadership experience in both the private and public sector.</p>
	<p>Amb. Steven A. Loyatum B.Ed (Science) Hon (UON), MSC (UoN, PGD (Oxford & University of Paris VII PGDS&ST) With wide public, diplomatic and international relations' service experience.</p>
	<p>Ms. Joyce N. Karinge B.Ed (KU), MBA (ANU), MSP, PRINCE 2, CBAP ITIL, TOGAF 9.1 With wide private sector experience in the project management and leadership.</p>
	<p>Mr. Ibrahim M. Mutembei, LLB Hon (UON), MA (Moi), DIP Law (KSL) DIP DBM (UON) With wide management and leadership experience in legal, financial and land matters.</p>
	<p>Dr. Anne A. Oburu Bachelor of Medicine and Bachelor Surgery (Lumumba); M. MED Paediatrics (UoN, KNH). With wide experience in public service. Worked as Doctor in Charge of Paediatrics Nyanza General Hospital, Coast Provincial Hospital, and private practice.</p>
	<p>Dr. Jonah K. Kangogo ACI, CAMS, B.Ed (Hons) (Moi), MSC, EMBA, PHD (JKUAT) With wide private sector experience in the governance, audit and financial management.</p>
	<p>Mr. Evans Atambo B.Ed (Moi), Mphil (Moi) Alternate to P.S State Dept for University Education (MOEST) With wide experience in the management, leadership and governance in the education sector.</p>
	<p>Mr Micah Origa B.Com, MBA (Calicut University), CPA (K) Alternate to PS, the National Treasury With wide leadership, management and governance in the public and financial sectors.</p>
	<p>Mr. Richard Limo (Appointed in May 2018) B.Ed (Moi), Mphil (Moi) Representative of P.S State Dept for University Education and Research (MOE) Regional co-ordinator of Education, Nyanza region.</p>
	<p>Prof. Stephen Gaya Agong, PhD, FAAS Vice Chancellor and Chief Executive Officer; Ex- officio member and Secretary to the Council With wide leadership and management in the university education.</p>

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III. UNIVERSITY MANAGEMENT BOARD

	<p>Prof. Stephen Gaya Agong' Vice Chancellor and Chief Executive Officer; holds BSc, MSc (UoN) PhD (Giessen) and Post-Doctoral(Okayama); Professor of Horticulture with wide experience in university management and leadership spanning over 30 years in different Universities and International organizations. He is an academic of high standing with over 100 scientific publications in refereed journals. A fellow of the Africa Academy of Sciences and Matsume International Foundation.</p>
	<p>Prof. Washington H.A. Olima Deputy Vice Chancellor in charge of Planning, Administration and Finance Division of the University; holds B.A. (Land Econ); M.A. (H.A)(UoN) and PhD (Dortmund); Associate Professor of Real Estate and management with over 28 years academic and administrative experience in university management. He is a Member of the Institution of Surveyors of Kenya and Registered/Practising Value</p>
	<p>Prof. Benson Estambale Deputy Vice Chancellor in charge of Research, Innovation and Outreach Division of the University; holds M.B.Ch.B (UON), M.Sc.;DTM&H,(LSTM),Ph.D.(UoN); A Professor of Medical Microbiology; has close to 33 years of academic and administrative experience at University level and wide publication record in the field of medicine.</p>
	<p>Prof. Joseph Bosire Deputy Vice Chancellor in charge of Academic Affairs Division of the University; holds B.Ed. (UON), M.Ed. and Ph.D. (KU); Associate Professor with over 23 years of academic and administrative experience.</p>
	<p>Prof. Francis Ang'awa Ag. Principal, Kisumu Campus. Holds Bed(Sc) (KU), MSc(Nairobi) and PhD.(Newcastle,UK) with over 27 years of University teaching and 15 years of University administration.</p>
	<p>CS. Rosemary Akoth Ngesa Registrar in charge of Planning and Administration responsible to the DVC (PAF); has over 26 years administration and management; holds B.A (UON), EMBA (JKUAT), Certified Public Secretary of Kenya(ICPSK) and a Member of the Institute of Certified Secretaries of Kenya.</p>
	<p>Dr. Walter Akuno Registrar in charge of Academic Affairs responsible to the DVC (AA) in the day today activities of the Academic Affairs Division; holds Diploma, B.Sc,M.Sc.PhD(Egerton) with over 21 years' experience in administration in the public service and university environment.</p>
	<p>Dr. Patrick Akhaukwa Registrar in charge of Research, Innovation and Outreach responsible to the DVC (RIO); holds B.A. (KU), MSc.(MMUST) and PhD.(Moi) with over 23 years administrative experience. He is a Member of the institute of Certified Public Secretaries of Kenya and the Institute of Human Resource Management.</p>
	<p>CPA Nancy Muchai, Ag. Finance Officer Holds B.Sc. Statistics (Maseno); MBA (Maseno) with over 10 years' experience in financial management in Universities system. She is a Certified Public Accountant of Kenya (CPA-K), Certified Security and Investments Analyst (CSIA) and registered member of ICPAK. Responsible to the DVC (PAF).</p>

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IV. CHAIRMAN'S STATEMENT



It gives me great pleasure to present Jaramogi Oginga Odinga University of Science and Technology Annual Report and Financial Statements, on behalf of the University Council; for the year ended 30 June 2018. The University continues to register an overall improvement in its performance due to enhanced regulatory capacity.

The University has distinguished itself through visibility and credibility as an outstanding public University that adheres to high levels of integrity and accountability. During the year under review, the University operated in a challenging environment occasioned by reduction in student numbers due to drop for those qualifying for direct entry into university education. Nonetheless, I am pleased to report that the Council not only achieved most of the performance targets pursuant to the Performance Contract with Government but also put in place mitigation measures that cushion against adverse effects of unforeseen events hence we ensured continued delivery of our mandate.

This performance however, could not have been achieved in the absence of the enormous support we received from the National Treasury. We continued to receive capitation from Government for both development and recurrent expenditures in spite of the challenging and ever increasing demand for resources by other entities at both National level and in the devolved units countrywide.

During the period under review, we carried out our activities in line with our Strategic Plan 2016-2021 which evidently provides a clear path for the University to fulfill aspirations of stakeholders and interested parties. The five-year plan provides roadmap for the University's realizing the strategic agenda and enables JOOUST to effectively utilize its limited resources for efficient delivery of its mandate while positioning itself as a national and global leader in teaching, research and community outreach for the benefit humanity.

Going forward, the University shall expedite full automation of its processes and continue to enhance its capacity to manage the ever-emerging dynamics in its pursuit to provision of market driven academic programmes designed to meet Kenya's socio-economic needs

I take this opportunity to thank my colleagues in the council for supporting me in providing leadership during the past year. Their commitment contributed immensely to our performance in the year just ended. I commend management and staff for working tirelessly to achieve the level of growth that we witnessed during the year. I am confident that they will spare no effort to attain and surpass the targets we have set for the new financial year.

In conclusion, I thank the Government, development partners, University Management Board, staff, students, the community and all other stakeholders for supporting our University in various ways. We are confident that with the support, we shall continually make JOOUST a Beacon of Excellence and a global leader in University Education for sustainable development.

God bless you all.

A handwritten signature in blue ink, appearing to be 'S. Loyatum', written over a white background.

**Amb. Steven A. Loyatum
For Chairman**

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V. REPORT OF THE VICE CHANCELLOR



Over time, the University has transformed itself towards becoming a world class institution, in-line with the vision **A beacon of excellence and a global leader in University education for sustainable development**. We have continued to aim higher towards greater competitiveness and efficiency in University education. The University is keen on providing quality education that nurtures creativity and innovation through integrated training, research and community outreach for advancement of humanity.

2017/2018 Annual Report is a statement of the status of the University during the year, detailing issues regarding to financial, research, publications, staff postings and physical infrastructure. As a fast growing institution of higher learning in Kenya, the University has continued to offer quality education and training that meets the expectations of industry and the general citizenry. This is evident from the diversity of our programmes which are built within curricula that is prepared in consultation with Industry and key stakeholders. The University has also risen to the challenge of Kenya's Vision 2030 in terms of offering Kenyans greater opportunities for transiting to University, and ultimately, making a significant contribution in turning Kenya into a better place economically.

The report also details the University's financial performance during the year, which shows that the institution is financially healthy. The good performance of the University is attributed to the commitment and dedication of staff who worked tirelessly to support management in achieving University objectives. During the year, a lot of support, direct and in kind, was received from the government, development partners, sponsors, alumni and other stakeholders.

The staff and students have consistently shown commitment in academics making it possible to graduate students ready enough to secure space in the country and contribute to national development. The University held its 5th graduation ceremony on 23rd March 2018 which was presided over by the Chancellor, Dr. Vimal Shah. A total of 1,444 candidates graduated. We are committed to maintaining a stable academic calendar with view to completing programmes in time. For the ensuing academic year 2018/2019 the University got allocation of 856 students to join its programmes compared to over 3,000 last academic year. This has negatively impacted the University and forced us to revise our projection of student numbers and expected revenues.

JOOUST believes in providing academic services based on informed decisions founded on research and innovation. The vibrant division of research, innovation and outreach has continued to build capacity in research by facilitating researchers to develop fundable research proposals. Over fifty research proposals were undertaken and plans are at advanced stages to hold the second JOOUST International Scientific Conference and research symposium. We have nurtured a culture of internal engagement not only in research but also empowered staff and students to identify solutions to solve socio-economic challenges. Research and innovation have led to the discovery, transmission, utilization, preservation and enhancement of Knowledge. The Institution launched African Centre of Excellence (ACE) II in sustainable use of insects as food and feeds. Research and Innovation division has further helped to create linkages for research partnership, collaboration and opportunities for research funding. These engagements have further helped young researchers to acquire skills in area such as grants and intellectual property management as well as develop research agreements.

The Council has committed to avail resources towards improving the capacities of staff with a view to improving work performance. The University sponsored various short trainings, conferences and workshops for a total of 97 staff in the year to equip them with relevant job skills and knowledge that

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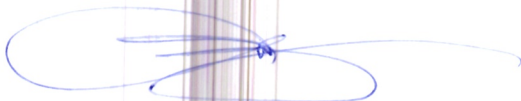
would enhance their capacity improving customer service delivery and increasing productivity. During the year under review, the University conducted appointments and staff reviews, which culminated to recruitment of 78 new employees in various cadres and promotion of 76 serving employees who met the minimum requirements for promotions. Most importantly, the University facilitated training for ISO and ISMS. The University wishes to transition to ISO 9001:2015 standards. and establish ISMS, which is important in ensuring confidentiality, integrity, safety and availability of information to stakeholders within and outside the University.

As the University continues to achieve the set strategic objectives, it considers corporate social responsibility as an integral part of its core values. The University cares for its staff, the communities around and is sensitive to the environment within which it operates. During the year, the University participated in various corporate social responsibility initiatives, aimed at influencing positively on the lives of respective communities. These corporate social responsibility activities were mainly focused on education services, religious initiatives, charity events and response to distress calls.

In order to enhance service delivery to its customers, the University increased its fleet of vehicles by acquiring one double cab, two Nissan vans and a Prado totaling to four additional vehicles. Kisumu Campus activities have been moved to the newly acquired premises in Milimani area. The new campus is spacious and strategically located for academic activities and will see growth in student numbers in the coming years.

The University Management in the year under review continued with the pursuit of prudent financial management in its bid to strengthen the institutional capacity in line with our strategic objectives. The financial position has however registered a decline in growth as demonstrated by comparatives in the financial statements. The net assets of the University registered a growth of 3% in FY 17/18. The liquidity position declined significantly in the year under review. Overall, the University remains a going concern and nothing has come in to the attention of the Council to change this.

In conclusion, the future looks bright and I urge students, staff and all stakeholders to engage with the Council on ways of improving and growing the University to greater heights.



Prof. Stephen Gaya Agong'
Vice-Chancellor

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VI. MANAGEMENT DISCUSSIONS AND ANALYSIS

Financial results and review of performance

The University achieved revenue of Kshs 1,609,914,021 compared to Kshs.1,366,295,808 from the previous financial year. The funding from the National Government grew by 45% from the previous year to Kshs. 1,029,546,951. This growth included funds for payment of Collective Bargain Agreement arrears and its sustenance. Other sources of revenues declined marginally during the financial year under review. Our main revenue streams of Recurrent Grants, Tuition and related charges contributed 93% of the total revenue. There was a drop in tuition revenue from Kshs 565,006,812 in the previous year to Kshs. 471,593,290 in the year under review. The drop in tuition revenue was necessitated by interference of academic calendar by the prolonged electioneering period leading to the general elections as well as staff industrial strike spanning over two months. Fee collection during this period was poor since the students stayed away from school. During the year, the University received research grants of Kshs. 63,720,117 compared to Kshs 49,229,926 in the previous year. There was growth in expenditure by 22%

Table1. Comparative Contributions to revenues from various sources

Description	2017/18		2016/17	
	Amount in Kshs.	Percentage	Amount in Kshs	Percentage
Recurrent Grants	1,029,546,951	63.8%	708,443,124	51.9%
Tuition & Related Charges	471,593,290	29.4%	565,006,812	41.4%
Research Grants	65,320,117	4.0%	49,229,926	3.6%
Rental Income	17,225,948	1.1%	17,438,806	1.3%
Finance Income	4,610,747	0.3%	2,999,452	0.2%
Other Income	23,216,968	1.4%	23,177,688	1.7%
TOTAL	1,609,914,021	100.0%	1,366,295,808	100.0%

Revenue from other income includes catering sales, interest earned, canteen sales, application fees, photocopying and library fines, farm produce and nursery school.

The growth of the University in terms of revenues, surplus and student numbers over the last five years has been on a mixed trend as shown in the table below;

Table 2. Growth in revenues, surplus and student numbers over the last 5 years

Year/Description	2013/14	2014/15	2015/16	2016/17	2017/18
Recurrent Revenues(Kshs.)	984,214,067	1,034,009,369	1,307,338,118	1,366,295,808	1,609,914,021
Development Revenue(Kshs)	152,568,306	182,626,667	113,936,244	237,523,756	50,875,000
Operating Surplus/Deficit (Kshs.)	63,547,338	16,376,244	76,702,956	64,122,919	20,103,909
Student Numbers	7,000	8,317	9,560	12,373	10,639
Staff Numbers	374	387	453	456	503

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Entity's key projects

The University has sustained works on key projects during the year. The main on-going projects aimed at improving infrastructural status of the university for better dissemination of knowledge included:

- i. Ultra-modern library
- ii. Research Centre
- iii. Tuition Block
- iv. Administration block

The University relocated its Kisumu Campus to more spacious premises at the Milimani area. This has opened more space for accommodation of student numbers and expansion of University activities at the campus. Upgrade works were undertaken at Nambale learning centre

In order to expand and stabilise medical services to students and staff, the University started the expansion programme of the University clinic at the main campus. Once complete, the clinic will help expand services to JOOUST community.

Employee Welfare Programmes

The University Council has put in place a number of interventions to ensure that the welfare of employees is not only protected but also guaranteed. The University complies with all statutory requirements relating to employee welfare. The Council has established a staff retirement scheme, which is non-discriminatory for all staff on permanent terms of employment. In addition, the University has complied with statutory requirements including remitting contributions to the National Social Security Fund (NSSF). All permanent and temporary staff of the University are on the scheme. The Council has continued to make timely payments to the pension scheme and NSSF in order to protect the welfare of its staff in retirement. The pension scheme has grown from Kshs.15 million in 2011 to over KShs.500 million in 2018. The staff numbers have equally grown since the inception of the university from 2 in 2009 to 503 by 30th June 2018. The University deducts and remits employees' contributions to the National Hospital Insurance Fund (NHIF) which is a statutory requirement. Moreover, the University has now engaged the Fund to insure the staff on an enhanced scheme, NHIF Plus, which gives comprehensive medical cover for staff and legal dependants

The Council has continued to engage with employee representatives to negotiate terms that are aimed at retaining the staff as they work for the University. To this end, the Council together with the Unions namely; Kenya Universities Staff Union and University Academic Staff Union signed and implemented internal Collective Bargaining Agreements for 2010-2013, which was registered and implemented. The Council has conducted, concluded and implemented internal CBA negotiations covering 2013-2017. The negotiations have resulted in employees enjoying a wide range of non-statutory benefits. Already the Council and the unions have held consultations on CBA covering the period 2017-2021.

During the year 2017/2018, the University conducted the second edition of staff wellness day, a day set aside for staff to engage in outdoor sporting activities as a community of equals, as part of social and recreation programmes for staff to bond and interact in an informal setup. This has provided impetus for the University to establish a full-fledged recreation centre for staff and eventually for the staff and their families.

In the 2017/2018 financial year, the University continued to support members of staff who merited and qualified for tuition fee waiver. This was extended to cover their dependants who studied at the University. The overall goal being to improve skills and competencies of the employees and also correct any skills deficiencies. The overall effect has been improved staff morale and productivity. In addition, upto 100 employees have been supported to attend various short courses, conferences, workshops and symposia during the year. Besides largely improving the personnel, intellectual

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wellbeing of the individuals, these trainings are also intended to equip the staff with relevant on the job skills that would improve service delivery and hence increase their productivity.

In the year proceeding 2017/2018, the University faced challenges with staff medical insurance scheme as it emerged that the service providers could not comprehensively and promptly meet the University's expectations. During the year under review, the University partnered with the NHIF not only to provide comprehensive medical insurance, but also to accredit the University Health Facility as one of the outlets in the region. Through this, employees are assured that their health and that of their families are taken care of. This will enable employees dedicate time to the University and concentrate on their work as that burden of healthcare has been covered.

Outlook for the Financial Year 2018/2019

The economy is expected to continue registering significant growth in all sectors. According to the Budget Policy Statement of the National Treasury for 2018, the economy was expected to grow from 6% in 2017 to 7% in 2018. This growth was therefore expected to spread to all sectors of the economy with the higher education sector expected to continue registering demand for high quality training.

The National Government has demonstrated commitment to continued investment in education to improve the human capital by ensuring relevant and quality education to all Kenyans. This therefore affords the University tremendous opportunities to tap in the pursuit of the Ministry of Education policy of increasing access to university education.

The Council is alive to its responsibility of ensuring prudent financial management. Robust resource mobilization strategies have been put in place and are sustained in order to raise more resources for achieving the strategic objectives of the University. The council intends to implement a vibrant business continuity plan in the coming year.

The forecast for the ensuing financial year 2018/2019 remains positive. The University will spare no effort to surmount any challenges that may hinder growth in order to continually improve.

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VII. CORPORATE GOVERNANCE STATEMENT

The Council and the Senior Management are committed to the highest level of corporate governance. The University considers corporate governance as paramount for business integrity and maintaining stakeholders trust in the University. Our business principles set out in our core values and the set standards ensures that we operate lawfully, with integrity and respect, observing and respecting the culture of the people of Kenya and particularly those of our customers. We believe that our sphere of influence with regard to good corporate governance should be extended to our stakeholders and business relationships. We continue to engage with our stakeholders in a mutually beneficial and sustainable manner in an environment of equity, mutual respect and honesty. It is our corporate policy that our corporate engagements are in observance of the highest standards of professional ethics that promotes Credibility, Professionalism and Accountability.

Appointment, Composition and Size of the Council

The Council is the governing body of the University and is responsible for the overall governance. It consists of nine members appointed by the Cabinet Secretary of Education, Science and Technology as follows; Chairman, the Principal Secretary in the Ministry of Education in charge of university education and research, the Cabinet Secretary in charge of the National Treasury and five other members. The Vice Chancellor is an ex- officio member and Secretary to the Council.

The roles of the Council as stipulated in the Universities' Act No. 42 of 2012 include

- I. Employ staff
- II. Approve the statutes of the University and cause them to be published in the Kenya Gazette;
- III. Approve the policies of the University
- IV. Approve the budget
- V. Recommend for the appointment of the Vice-Chancellor, Deputy Vice-Chancellors and principals of constituent colleges through a competitive process; and
- VI. Undertake other functions set out under the Act and JOOUST Charter.

Other functions and roles of the Council include:

- I. Strategic Leadership: approving, monitoring, and guiding the implementation of the University's Strategic plan.
- II. Performance Evaluation: Setting performance targets and reviewing of the University's results so as to ensure the achievement of the operational plans.
- III. Integrity of Financial Reporting: Reviewing and monitoring controls, policies and procedures put in place to ensure integrity in the University's accounting records and the financial statements.
- IV. Risk Management and Compliance: Monitoring and reviewing the policies and procedures put in place by the management to ensure that the various risks facing the University are effectively mitigated and various regulatory and legislative requirements are complied with.
- V. Stakeholders' Interest: Guiding the University so as to ensure the fulfilment of the interests of various stakeholders besides reviewing and monitoring corporate governance and corporate social responsibility practices at the University.

Activities of the Council

It is the responsibility of the Chairman and the Chief Executive Officer to work closely in planning the annual program and agendas for meetings. The meetings are structured to allow open discussions. All

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substantive agenda items have comprehensive briefing documents which are circulated earlier in advance before the meetings for members to study and be acquainted with beforehand. Besides regular Council meetings, there are a number of other meetings to deal with specific matters. When Council members are unable to attend a meeting, they are advised on the matters to be discussed and given the opportunity to discuss their views with the Chairman.

Role of the Chief Executive Officer

The is an independent ex-officio member of the Council and is responsible for leading and managing the work of the Council and ensuring that the decisions made are sound and well informed. On the other hand, the CEO is fully responsible to the Council for the day to day running of the University. The CEO bears responsibility for all management actions and functions.

Training

The Council members are trained regularly to ensure they are abreast with contemporary management trends and also to be familiar with legal regime affecting Universities operations and changes that emerge in legislation from time to time. The trainings provided to Council members cover risk management, financial management, audit, ethics and governance.

Committees of the Council

The code requires that Council has an Audit Committee and a maximum of three other committees to discharge the functions of Governance, technical matters, risk, strategy, compliance, human resources and finance. The Council has the mandatory Audit Committee and two other committees to assist in the discharge of the various mandates. Each Committee is headed by a member whose orientation, training and professional skills are in the area. Each committee is serviced by the head of the functional area in the University. The Committees derive their authority from the University Acts and report to the full council. From time to time, there are special Committees establish to discharge specific mandate on ad-hoc basis.

The following are the committees of JOOUST Council

- i) Audit, Risk and Governance Committee
- ii) Finance, Administration and Human Resources Committee
- iii) Technical, Academic, Research and Projects Committee

Audit, Risk and Governance Committee

The Committee has an approved Audit Charter that spells out its responsibilities. The mandate of the Audit Committee is to provide oversight on.

- i. The integrity of the financial statements and disclosures of the University
- ii. The effectiveness of the internal controls and accounting policies of the University.
- iii. The effectiveness of the Internal Audit function of the University

The Committee has delegated authority and meets on a quarterly basis. It is composed of five members one of whom is a registered and practicing accountant and a member of the Institute of Certified Public Accountants of Kenya. It has authority to authorize investigations.

The current membership of the Committee is:

- i. Dr. Jonah K. Kangogo : Chairman
- ii. Dr.Mrs. Anne Oburu
- iii. Amb.Steven A. Loyatum
- iv. Mr. Evans Atambo (Retired in May 2018)
- v. Mr. Micah Origa
- vi. Mr. Richard N. Limo (Appointed in May 2018)

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Finance, Administration and Human Resources Committee**

The Finance, Administration and Human Resources Committee is responsible for providing oversight on mobilization and utilization of resources, financial reporting, staffing, salaries and terms of service. In addition the Committee considers and makes recommendations to full Council on University Policies.

The current membership of the committee is:

- i. Mr. Ibrahim M. Mutembei : Chairman
- ii. Ms. Joyce N. Karinge
- iii. Amb. Steven A. Loyatum
- iv. Dr. (Mrs.) Anne Oburu,
- v. Mr. Evans Atambo (Retired in May 2018)
- vi. Mr. Micah Origa
- vii. Mr. Richard N. Limo (Appointed in May 2018)

Technical, Academic, Research and Projects Committee

The Technical Committee has a delegated authority from the Council and is responsible for University's planning in the short-run, medium term and long-term. The Committee is responsible for providing oversight on infrastructure development, capital projects, major maintenance works, development of teaching, research and outreach programmes and setting priorities for the University.

The current membership of the Committee is:

- i. Ms. Joyce Karinge : Chairman
- ii. Mr. Ibrahim M. Mutembei
- iii. Dr. Jonah K. Kangogo
- iv. Mr. Evans Atambo (Retired in May 2018)
- v. Mr. Micah Origa
- vi. Mr. Richard N. Limo (Appointed in May 2018)

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The following is the membership and attendance of meetings of the Council and of Committees of the Council

MEMBERS	Full Council	Finance, Administration and Human Resource Committee	Technical, Academic, Research and Projects committee	Audit, Risk, Governance Committee	Ad Hoc Committee
Dr. Walter J. Ongeti	28.07.17; 22.09.17; 10.11.17; 12.01.18; 27.04.18; 21.05.18	11.01.18	11.01.18	12.01.18	21.02.18 22.02.18 11.05.18
Amb. Steven A. Loyatum	28.07.17; 22.09.17; 10.11.17; 12.01.18; 27.04.18; 21.05.18	27.07.17; 8.11.17; 11.01.18; 27.04.18;		26.07.17; 9.11.17; 12.01.18;	21.02.18 22.02.18 11.05.18
Ms. Joyce N. Karinge	28.07.17; 22.09.17; 10.11.17; 12.01.18; 27.04.18; 21.05.18	27.07.17; 8.11.17; 11.01.18; 27.04.18;	27.07.17; 8.11.17; 11.01.18; 27.04.18;		21.02.18 22.02.18 11.05.18
Mr. Ibrahim M. Mutembei	28.07.17; 22.09.17; 10.11.17; 12.01.18; 27.04.18; 21.05.18	27.07.17; 8.11.17; 11.01.18; 27.04.18;	27.07.17; 8.11.17; 11.01.18; 27.04.18;		21.02.18 22.02.18 11.05.18
Dr. (Mrs.) Anne Oburu,	28.07.17; 22.09.17; 10.11.17; 12.01.18; 27.04.18; 21.05.18	27.07.17; 8.11.17; 11.01.18; 27.04.18;		26.07.17; 9.11.17; 12.01.18;	21.02.18 22.02.18 11.05.18
Dr. Jonah K. Kangogo	28.07.17; 22.09.17; 10.11.17; 12.01.18; 27.04.18; 21.05.18		27.07.17; 8.11.17; 11.01.18; 27.04.18;	26.07.17; 9.11.17; 12.01.18;	21.02.18 22.02.18 11.05.18
Mr. Evans Atambo	28.07.17; 22.09.17; 10.11.17; 12.01.18; 27.04.18; 21.05.18	27.07.17; 8.11.17; 11.01.18; 27;	27.07.17; 8.11.17; 11.01.18;	26.07.17; 9.11.17; 12.01.18;	21.02.18 22.02.18 11.05.18
Mr. Micah Origa:	28.07.17; 22.09.17; 10.11.17; 12.01.18; 27.04.18; 21.05.18	27.07.17; 8.11.17; 11.01.18; 7.04.18;	27.07.17; 8.11.17; 11.01.18;	26.07.17; 9.11.17; 12.01.18;	21.02.18 22.02.18 11.05.18

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VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

During the 2017/2018 financial year, the University participated in various community outreach activities. These were designed to render services to communities as well as to serve as avenues for transfer of technological solutions to the local communities to improve their livelihood.

Cultural Heritage

The University collaborated with the County Government of Siaya and other stakeholders to host the second edition of Got Ramogi Annual Festival at the famous Ramogi Hill at Yimbo-Usenge in Siaya County. The festival with a theme stating “**DuogUruDalaNyikwaRamogiAjwang**’ translated as come back home Grandchildren of RamogiAjwang’ featured a Symposium at the University focusing on Cultural Heritage for Socio-Economic Transformation, display of artifacts, traditional cuisine and boat race at Siungu beach. The essence was to appreciate cultural diversities of the Kenyan people and emphasize culture as a uniting factor that brings people together for a purpose. The event was graced by the presence of High Commission of the United Republic of Tanzania Dr.Pindi Chana.



Traditional dancers entertain participants at the Ramogi Festival

University Tree Planting and Environment Day

In April 2018, the University, in collaboration with Kenya Forestry Research Institute, the County Government of Siaya and Friends of Jaramogi Oginga Odinga Park held a tree planting day in Bondo sub county. This was aimed at contributing to sustainable environment through sensitisation and involvement of students, staff and local communities in tree planting.

During the 2017/2018 financial year, the University participated in various community outreach activities. These were designed to render services to communities as well as to serve as avenues for transfer of technological solutions to the local communities to improve their livelihood.

Disability Mainstreaming

The University held disability celebrations under the theme **Towards an Inclusive Society**. The ceremony, held at JOOUST sports ground was in recognition of the fact that persons with disability in the society form a core group that contribute to national development. Available data puts Siaya County as the second highest in terms of prevalence of persons with disabilities at 7.3% against a national average of 3.2%. The intent of the celebrations is to create awareness and encourage persons with disabilities to integrate in the society. The celebrations were presided over by Hon. David Ole Sankok, the Chairperson of the National Council for Persons with Disability.

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World's Disability Day 2017**



Chairman of Council in a group photo with the Chief Guest, Vice Chancellor and University staff during World's Disability Day 2017

ACE II Project

On 4th April 2017 the ACE II Project Kenya on INSEFOODS domiciled at JOOUST was launched. The Project has commenced in earnest and in the year under review, both the funders, the World Bank, and the Commission of University Education assessed the state of affairs and accredited the Centre to commence programmes. The Centre will, besides mounting the programmes, serve as a forum for communities on commercialisation of propagation of edible insects for food and nutrition security.

Participation in Shows and Exhibitions

During the year 2017/2018, the University participated in Kisumu ASK regional show and trade fair in July 2017. JOOUST displayed highly innovative exhibits including automated fire detection and alert system and an automated integrated farm. The University emerged first under the category of Research and Development as well as first under innovation category.

Staff Training on ISO 9001:2015 Standards

More than 30 members of staff drawn from different sections within the University were trained, examined and certified on Quality Management System Audit Transition based on ISO 9001:2015 Standards. The training was conducted in Siaya in preparation for the University's transition to the new standards. The team acquired necessary skills and competencies to serve as Internal Auditors and ensure University's compliance with the standards in its operations.

Ndalu Careers Day

The University hosted a careers day in Ndalu, Tongaren Division in Bungoma County in February 2018. The event enabled the University interact with stakeholders of 13 secondary schools in the region including parents, teachers, and local community members. The University was able to showcase academic programmes, products and services offered at JOOUST. The interaction also resulted in the University obtaining teaching practice slots in the schools besides receiving applications for enrolment for degree programmes.

University Open Day

In February 2018, the University held the inaugural Open day which was hosted concurrently at the Main, Kisii, Kisumu and Nambale campuses. The forum provided opportunity for members of the public and local community in particular to view JOOUST programmes, products and services and interact with lecturers and other service providers.

Workshop to disseminate improved Technologies

The University undertook a community outreach activity on managing post harvest losses through transferring a traditional cooling system technology to selected women groups in Bondo Sub County. The workshop was conducted in February 2018.

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ANNUAL REPORT AND FINANCIAL STATEMENTS
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IX. REPORT OF THE COUNCIL

The Council to submit this report together with the financial statements for the year ended 30th June 2018, which show the state of the University's affairs.

Principal Activities

The principal activity of the entity is to offer high quality University training, carry out innovative research and community outreach programmes for sustainable socio-economic development.

Results

The results of the University the year ended 30 June 2018 are set out on page 1 to 20 of this report.

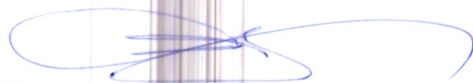
Council

The members of the Council who served during the year are shown on page V of this report.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with article 229 of the constitution of Kenya and Section 48 of the Public Audit Act, 2015.

By Order of the Council



Sign:.....

Date.....

**Prof. Stephen G. Agong', PhD, FAAS
Vice Chancellor/Chief Executive Officer**

**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
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X. STATEMENT OF COUNCIL RESPONSIBILITIES

The Universities Act No. 42 of 2012 and Section 81 of PFM Act 2012 requires the Council to prepare financial statements of the University which give a true and fair view of the state of affairs of the University as at the end of each financial year and of its operating results for that year. The Council is also required to ensure that the University maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the University. They are also responsible for safeguarding the assets of the University.

The Council is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended June 30, 2018. This responsibility includes:

- I. maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- II. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- 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 entity;
- V. selecting and applying appropriate accounting policies; and
- VI. making accounting estimates that are reasonable in the circumstances.

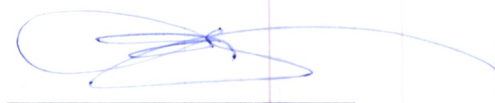
The Council accept responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act Cap 446. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University transactions during the financial year ended June 30, 2018, and of its financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the 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 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 University's financial statements were approved by the Council onand signed on its behalf by:


For Chairman


Vice Chancellor

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Jaramogi Oginga Odinga University of Science and Technology set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in equity, 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 Jaramogi Oginga Odinga University of Science and Technology as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1 Unsupported Receivables from Non-Exchange Transactions

Included in the financial statements under Note 19 is Receivable from non-exchange transactions of Kshs.31,452,787 includes internal debtors and medical deposits amounts totaling Kshs.2,349,067 which were not supported with the necessary documentation. Contrary, to section 99 (3) Public Finance Management Regulations 2015 Stipulate, that every entry in the accounts shall be supported by a voucher or other approved document gazetted by the Cabinet Secretary containing the full details, clear narrations and particulars of the item or items to which it relates.

Consequently, the accuracy of the non-exchange transactions amount of Kshs.2,349,067 could not be confirmed.

Report of the Auditor-General on the Financial Statements of Jaramogi Oginga Odinga University of Science and Technology for the year ended 30 June 2018

1.2 Inaccuracy of Students Debtors and Provision for Bad and Doubtful Debts

Included in the financial statements under Note 18 is students' debtors which increased from Kshs.220,600,491 in 2016/2017 to Kshs.298,292,883 in 2017/2018 resulting to a difference of Kshs.77,692,392. However, the students' debtors ledger for the two years made available only reflected a difference of Kshs.12,542,685, hence it is not clear the source of extra Kshs.65,149,707. Contrary, to Section 43 (a) Public Finance Management Regulations 2015 Stipulate that an Accounting Officer shall sign financial statements thereby making himself or herself responsible for their correctness.

In consequence, the accuracy and completeness of the students' debtors balance of Kshs.298,292,883 could not be ascertained

1.3 Financial Statement Employees Costs Differs with the Schedule Figure

Included in the financial statements under Note 8 is employee costs of Kshs.1,156,765,111 which includes payroll expenses balance of 1,048,755,850 out of which payroll salaries is an amount of Kshs.861,215,955 which differs from the availed schedule balance of Kshs.893,191,348 resulting into a variance of Kshs.31,975,393, contrary to section 43 (a) Public Finance Management Regulations 2015 Stipulate that an Accounting Officer shall sign financial statements thereby making himself or herself responsible for their correctness.

Consequently, the accuracy of the employee costs of Kshs. 861,215,955 as at 30 June 2018 could not be confirmed.

2. Unsupported Advertising, Publicity and Admission Expenditure

Included in the financial statements under Note 9 general expenses of Kshs.261,887,578 is advertising and publicity expense of Kshs.10,306,461 which in turn includes Kshs.675,615 in relation to advertising and publicity expenses which were not supported by payment voucher, contrary to section 99 (3) Public Finance Management Regulations 2015 Stipulate that every entry in the accounts shall be supported by a voucher or other approved document gazetted by the Cabinet Secretary containing the full details, clear narrations and particulars of the item or items to which it relates.

As a result, the regularity of the general expenses of Kshs.675,615 could not be confirmed.

3. Salary Paid after Expiry of Contract

During the year under review, the University had employed a tutorial fellow Grade 11 on a two (2) years contract which expired on 2nd September 2017. However, the officer requested for renewal of the contract but was not granted and advised to proceed on annual leave. Review of staff costs indicated that salaries paid to the officer after the expiry of contract is Kshs.721,529 while his terminal benefits amount to Kshs.529,877 resulting into overpayment of Kshs.191,652. Contrary to section 9.3

of Finance Policy Manual on payroll procedures provides that the finance officer shall review and approve payroll change advice for input into the payroll systems. Consequently, the University lost Kshs.191,652 as recoverability is doubtful.

4. Failure to Account for Receipts by Exiting Staff

During the year under review, four University staff could not account for Kshs.2,519,318 which was revenue collection. However, three officers resigned before investigation was concluded and one deserted duty. Contrary, to section 15.8 Human Resource Policies Manual on Staff Clearance Forms stipulates that "Before an employee is paid his/her final dues on discharge from employment he/she shall be required to clear from the University using Staff Clearance Forms".

Under the circumstances, the recoverability of Kshs.2,519,318 is doubtful without legal mechanisms.

5. Un-Surrendered Imprests

Included in the financial statement under Note 18 is receivables from exchange transactions of Kshs.255,795,239 which includes outstanding staff imprests of Kshs.10,655,249 out of which outstanding imprests of Kshs.484,185 date back up to August 2013 and has not been recovered from the concerned staff salaries. Contrary, to the University's Financial Management Policy states that imprests will be issued to officers for specific purposes and will be accounted for within 48 hours after the purpose for which it was applied for has been fulfilled. In the event that an employee has not accounted for imprests advanced within the prescribed time frame the amount should be recovered from the respective staff's salary.

In view of the foregoing, the University is in breach of the law and the imprest of Kshs.10,655,249 recoverability is doubtful.

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

Emphasis of Matter

1. Receipted Transfers from State Department of University Education

During the year under review, the University received Kshs.1,029,546,951 as recurrent Government grants. However, IFMIS payment details from the State Department of University of Education shows that transfers totaling Kshs.1,063,103,846 were made to Bondo University during the year and thus resulting to a variance of Kshs.33,556,895. Further, audit review shows that the variance relates to a transfer of Kshs.33,556,900 made on 4 May 2018 to Bondo University as

recurrent grant. However, the amount was not receipted by the University in its books of accounts. Contrary, to section (100) of Public Finance Management Act (National Government) Regulations 2015 stipulates that Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and production of the accounts of the vote for which he or she is responsible.

Consequently, the IFMIS receipt of Kshs.33,556,900 could not be confirmed as received by the University.

2. Decline in Revenue Collection

Included in the financial statements under Note 4 is the University collected tuition and other related fees amounting to Kshs.471,593,290 against an amount of Kshs.565,006,812 collected in the previous year. This is a 16% decline compared to the previous year collection. In addition, the University had projected to collect Kshs.609,374,990 from tuition and other related fees but only managed to collect Kshs.471,593,290 during the year which is 22% under collection. Contrary, to section 64(1) of Public Finance Management Act (National Government) Regulations 2015, stipulates that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all National Government revenue and other public moneys relating to their Ministries, departments or agencies.

Consequently, University was not able to meet its obligation due to lack of attaining its revenue budget target.

3. Delay in Completion of Student Hostel

As reported in the previous year, works on contract worth Kshs.100,523,075 on construction of student hostels was suspended in March 2015 and the matter referred for arbitration. At the arbitration, it was agreed that the contractor withdraws the court case filed against the University for cancelling the Contract and the University facilitates the contractor to finish the works at a sum equivalent to the amount outstanding as per the original contract. However, a new contract was signed in January 2018 between the parties for the remaining works at a contract price of Kshs.96,000,000 and the contractor required to finalize the works by 30th June 2018 which has not taken place. In addition, the contractor requested for project completion extension date from 23 July 2018 to 30 October 2018 due to change in designs for the foot bridge. However, the status of the project at the time of audit in November 2018 remains incomplete. Completion of project implementation within project completion timeliness envisaged in the contract agreement still has not been attained and the current status being as follows:

Item	Status
TV Room	Work in Progress
Underground Water Tank	Initial Excavation done. However, the new agreement indicated that a compressed steel tank of 300,000 litres was to be done to replace the underground tank. The tanks have been delivered to the University and are awaiting installation
Lift Shaft	Complete
Foot Bridge	Steel structure works are on going
Generator	Installed
High Level Water Tank	The base is ready for mounting of the steel structures which are already on site.
Lift Installation	On going
Lift car	Delivered to the University, awaiting installation
Hostel Works	Wet core remedial works on going

Contrary, to section 43(d) of Public Finance Management Government Regulation 2015 stipulate that an Accounting Officer shall manage control and ensure that policies are carried out efficiently and wastage of public funds is eliminated.

Consequently, delayed project completion could lead to cost escalation and the University is yet to obtain value for money.

4. Establishment of Jaramogi Oginga Odinga University of Science and Technology Enterprise Limited

The University has established Jaramogi Oginga Odinga University of Science and Technology Enterprise Ltd which currently processes drinking water and its income of Kshs.131,778 is reflected in the statement of financial performance. However, its registration, certificates of incorporation, core objectives, benefits derived, management set up and approval of its establishment by the University have not been provided for audit review. Further, no financial statements for the company have been produced for audit review. Contrary, to section 4 and 5 of Company Act Cap 486 under mode of forming incorporated company and requirements with respect of Memorandum of Association.

Consequently, the legal existence and standing of the Company could not be established.

5. Salary Paid after Retirement from Service

During the year under review, the University paid three months' salary totaling to Kshs.85,921 to a staff who retired on 25 October 2017 whereby, he got salary for October, November and December 2017. Contrary to Section 9.3 of Finance Policy Manual of the University on payroll procedures provides that the finance officer shall review and approve payroll change advice for input into the payroll systems.

Report of the Auditor-General on the Financial Statements of Jaramogi Oginga Odinga University of Science and Technology for the year ended 30 June 2018

Consequently, the recovery of Kshs.85,921 is doubtful.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit* section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for [Conclusion on Lawfulness and Effectiveness in Use of Public Resources/Qualified Opinion] section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Council Expenses

Included in the financial statements under Note 14 is council expenses of Kshs.17,457,150 which includes total payment to Chairman of Kshs.1,500,000. The Council committee meetings were held on 11th and 12th January 2018. Finance, Administration and Human Resources Committee and Technical, Academic Research and Projects Committee were held on 11 January 2018 while Audit, Risk and Governance Committee meeting and Full Council Committee meeting were held on 12th January 2018. The Chairman of Council attended all the four meetings and was paid Kshs.20,000 for each of them which amounted to Kshs.80,000 in total paid vide Cheque No. 18340 of 11th January 2018. Further, out of the balance of Kshs.1,420,000 paid to the Chairman in terms of sitting allowances, only Kshs.480,000 was supported with invitation letters. In addition, the Chairman's

Consultative meetings also lacked invitation letters though payments were made. Contrary, to Section 43(b) Public Finance Management Regulation 2015, stipulate that the Accounting Officers to exercise budgetary control measures that ensure that public funds are applied for purposes for only which they were intended and appropriated

Consequently, the University is in breach of the law and segregation of duty policy was not adhered to.

2. Lack of University Terms and Condition of Service on Appointment

During the year under review the University recruited new staff, and appointment committee minutes of 19th April 2017, revealed that the officer was appointed to the position of senior procurement officer/senior stores controller II grade 10 with basic salary of Kshs.48,371 per month and house allowance of Kshs.34,027. However, the appointment letter ref. JOOUST/ADM/1/4 dated 5th September, 2017 gives a basic salary of Kshs.58,526 and a house allowance of Kshs.35,383 resulting to extra payment of Kshs.11,511 per month (Kshs.138,132 p.a).

Consequently, the University is in breach of the regulation.

3. Variance Between Grade in Appointment Letters and Terms and Conditions of Service

During the year under review analysis of the personal file for Four (4) staff, availed for audit revealed that the grades in the appointment letters and resolution minutes of the Appointment Committee were higher than the grades set out in the Terms for Service of the University.

Consequently, the University is in breach of the regulation.

4. PABX Repair Expenditure

Included in the financial statements under Note 9 is general expenses of Kshs.261,887,578 which includes amount paid of Kshs.196,560 as reimbursement for expenditure on repair of PABX between March 2018 and May 2018. The following observations were noted:

- i. Payee allegedly used his own funds to finance the repair in question without applying for imprest as is the practice with the University.
- ii. He sourced for M/S Duratel Communications and Foresight Communication Solutions Ltd to repair the equipment in question but could not establish how the two contractors were identified.
- iii. Payment of Kshs.77,140 was made to payee according to the payment voucher made available vide cheque No. 18743. However, the name of payee is not the one reflected in the ledger as having been paid the amount.

Consequently, the University is in breach of the law

5. Failure to Maintain a Deposit Account

Included in the financial statements under Note 28 is prepayments and deposits of Kshs.59,812,306 which includes a balance of Kshs.21,516,249 as refundable deposits from customers. This comprised of refunds meant for students' caution money, contractors retention money and other third parties. However, the University did not maintain a deposit bank account for the refunds. Contrary, to section 81(2) Public Finance Management Act (National Government) Regulations 2015 stipulates that the accounting officer shall include in the financial statements a statement of the entity's assets and liabilities as at the end of the financial year in respect of the recurrent Vote, development vote and funds and deposits.

Consequently, the University is in breach of the law.

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for [Conclusion on Effectiveness of Internal Controls, Risk Management and Governance/Qualified Opinion] section of my report, 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 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control.

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

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

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

Those charged with governance are responsible for overseeing the Jaramogi Oginga Odinga University of Science and Technology 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the

Report of the Auditor-General on the Financial Statements of Jaramogi Oginga Odinga University of Science and Technology for the year ended 30 June 2018

compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 Jaramogi Oginga Odinga University of Science and Technology policies and procedures may deteriorate.

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

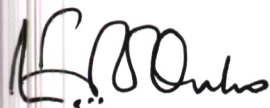
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Jaramogi Oginga Odinga University of Science and Technology ability to continue as a going concern or 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 Jaramogi Oginga Odinga University of Science and Technology to cease to continue to sustain its services.

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

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

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



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

Nairobi

12 March 2019

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

	Notes	2018 Kshs.	2017 Kshs.
Revenue from non- Exchange Transaction			
Recurrent Grants	2	1,029,546,951	708,443,124
Research Grants	3	63,720,117	49,229,926
		1,093,267,068	757,673,050
Revenue from Exchange Transaction			
Tuition and Other Related Fees	4	471,593,290	565,006,812
Rental Revenue from Facilities and equipment	5	17,225,948	17,438,806
Financial Income - External Investments	6	4,610,747	2,999,452
Other Income	7	23,216,968	23,177,688
		516,646,953	608,622,758
Total Revenue		1,609,914,021	1,366,295,808
Expenditure			
Staff Costs	8	1,156,765,111	918,850,468
General Expenses	9	261,887,578	263,114,491
Finance Costs	10	23,845,493	-
Repairs and Maintenance	11	11,575,028	13,303,527
Amortization and Depreciation	12	50,618,227	47,712,249
Research Expenses	13	67,539,671	49,657,686
Council Expenses	14	17,457,150	11,130,568
Total Expenditure		1,589,688,258	1,303,768,988
Gains on Foreign Exchange Transactions	15	233,145	1,571,100
Gain on Revaluation of Biological Assets	16	(355,000)	25,000
Operating Surplus		20,103,909	64,122,919

The notes set out on pages 6 to 20 form an integral part of these Financial Statements

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XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 Kshs.	2017 Kshs.
ASSETS			
Current assets			
Cash and cash equivalents	17	348,313,934	497,435,879
Receivables from exchange transactions	18	255,795,239	209,757,503
Receivables from non-exchange transactions	19	31,452,787	115,391,871
Inventories	20	18,578,134	11,473,513
		654,140,094	834,058,766
Non current assets			
Biological Assets	21	625,000	980,000
Intangible assets	22	4,408,098	5,408,579
Property, plant and equipment	23	2,350,621,977	2,085,672,055
Total Non-Current Assets		2,355,655,076	2,092,060,634
TOTAL ASSETS		3,009,795,170	2,926,119,400
EQUITY AND LIABILITIES			
Current Liabilities			
Trade and Other Payables	24	41,731,803	11,475,823
Employee benefit obligation	25	58,055,722	60,272,055
Refundable deposits from customers	26	21,516,249	20,637,829
Deferred income	27	118,650,761	126,311,817
Prepayments and Deposits	28	59,812,306	58,782,827
Bank Loan	29	9,526,456	8,703,439
Total Current Liabilities		309,293,296	286,183,790
Non Current Liabilities			
Bank Loan	29	155,838,916	166,251,561
Total Non Current Liabilities		155,838,916	166,251,561
Total Liabilities		465,132,212	452,435,351
Net Assets		2,544,662,957	2,473,684,049
Capital Grants Reserves	30	2,481,200,503	2,227,400,738
Revenue Reserve	31	63,462,454	246,283,311
Total Equity		2,544,662,957	2,473,684,049
Total net assets and liabilities		2,544,662,957	2,473,684,049

The Financial Statements set out on pages 1 to 20 were signed on behalf of the Council by:

Amb. Steven A. Loyatum

For Chairman

Date: 

Prof. Stephen G. Agong'

Vice Chancellor

Date:

CPA Nancy Muchai

Ag. Finance Officer

Date:

**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
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XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Capital Reserves Kshs.	Revenue Reserve Kshs.	Total Equity Kshs.
	<u> </u>	<u> </u>	<u> </u>
Balance as at 1 July 2016	1,984,676,982	172,967,543	2,157,644,525
Prior Year Adjustment	-	9,192,849	9,192,849
Surplus for the year	-	64,122,919	64,122,919
Asset Donations	5,200,000	-	5,200,000
Capital Development Grants	237,523,756	-	237,523,756
Balance as at 30 June 2017	<u>2,227,400,738</u>	<u>246,283,311</u>	<u>2,473,684,049</u>
Balance as at 1 July 2017	2,227,400,738	246,283,311	2,473,684,049
Surplus for the year	-	20,103,909	20,103,909
Capital Development Grants	50,875,000	-	50,875,000
Movement During the year	202,924,765	(202,924,765)	-
Balance as at 30 June 2018	<u>2,481,200,503</u>	<u>63,462,454</u>	<u>2,544,662,958</u>

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XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 Kshs.	2017 Kshs.
Cash flows from operating activities			
Surplus/(deficit) for the year		20,103,909	64,122,919
Add back : Depreciation and Amortization	12	50,618,227	47,712,249
Less Gain on Revaluation	16	355,000	(25,000)
Operating cash before working capital changes		71,077,136	111,810,168
Increase/(Decrease) in Inventory	20	(7,104,621)	(2,169,487)
Increase/(Decrease) in Receivables	18&19	37,901,348	(101,589,199)
Increase /(Decrease) in Payables	24-28	21,331,489	125,889,159
Net Cash flow from operating activities		123,205,352	133,940,641
Cash Flows from Investing Activities			
Purchase of Plant Property & Equipment	23	(313,370,089)	(289,388,299)
Disposal of Assets		-	-
Purchase of Intangible Assets	22	(1,197,580)	-
Purchase of Investments		-	-
Net Cash Flow From investing activities		(314,567,669)	(289,388,299)
Cash flows from Financing activities			
Receipt of Capital Grants	30	50,875,000	237,523,756
Bank Loan	29	-	174,955,000
Loan Repayment	29	(8,634,628)	-
Net Cash flow from Financing Activities		42,240,372	412,478,756
Net Increase in cash and cash equivalents		(149,121,945)	257,031,099
Cash and cash Equivalents at the beginning		497,435,880	240,404,781
Cash and cash Equivalents at the end		348,313,934	497,435,880

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XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

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

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis. The Statement of Comparison of Budget and Actual Amounts have been prepared on accrual basis taking into account all necessary provisions like depreciation and amortisation. This statement is prepared under economic classification as per National Treasury Practice.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Government Recurrent Grants and other Donors Research Grants

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

ii) Revenue from exchange transactions

Student's fees

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applied yields to the principal outstanding in determining the interest income each period.

Rental income

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

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual

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XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

		Original budget	Adjustments	Final budget	Actual Outcome	Performance difference	Performance %	Remarks
		2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	%	
	Revenue	Kshs	Kshs	Kshs	Kshs	Kshs		
1	Recurrent Grants	1,119,070,505	(1,477,936)	1,117,592,569	1,029,546,951	88,045,618	92%	Favourable
2	Development Grants & Loans	363,000,000	(167,250,000)	195,750,000	190,875,000	4,875,000	98%	Favourable
3	Research Grants	151,000,000	-	151,000,000	63,720,117	87,279,883	42%	Unfavourable
4	Tuition and Other Related Fees	659,374,990	(50,000,000)	609,374,990	471,593,290	137,781,700	77%	Unfavourable
5	Rental Revenue	16,798,748	-	16,798,748	17,225,948	(427,200)	103%	Favourable
6	Finance Income	3,500,000	1,000,000	4,500,000	4,610,747	(110,747)	102%	Favourable
7	Other Income	29,246,500	-	29,246,500	23,216,968	6,029,532	79%	Unfavourable
8	Retained Earning	60,000,000	20,000,000	80,000,000	80,000,000	-	100%	Favourable
	Total Income	2,401,990,743	(197,727,936)	2,204,262,807	1,880,789,021	323,473,786	85%	Unfavourable
	Expenses							
9	Employee Costs	1,208,058,743	20,972,064	1,229,030,807	1,156,765,111	72,265,696	94%	Favourable
10	Finance cost	36,000,000	(3,000,000)	33,000,000	23,845,493	9,154,507	72%	Favourable
11	General Expenses	320,332,000	(6,700,000)	313,632,000	261,887,578	51,744,422	84%	Favourable
12	Repairs and Maintenance	15,000,000	4,000,000	19,000,000	11,575,028	7,424,972	61%	Favourable
13	Depreciation and Amortization	65,000,000	(15,000,000)	50,000,000	50,618,227	(618,227)	101%	Favourable
14	Research Expenses	163,600,000	(7,500,000)	156,100,000	67,539,671	88,560,329	43%	Unfavourable
15	Council Expenses	15,000,000	4,000,000	19,000,000	17,457,150	1,542,850	92%	Favourable
16	Capital Expenses	579,000,000	(194,500,000)	384,500,000	313,370,089	71,129,911	82%	Unfavourable
	Total Expenditure	2,401,990,743	(197,727,936)	2,204,262,807	1,903,058,347	301,204,460	86%	Unfavourable

Notes;

There was unfavourable outcome on other Income due to reduction in catering Income because of disruption of academic program due to staff Industry action in February 2018.
There was unfavourable outcome on capital Expenditure due to unsuccessful procurement process, which leads to delay in planned timing of the project implementation.
There was unfavourable outcome on research income and expenditure due to delay in accreditation of programmes and subsequent admission of regional students.

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comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. 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.

Depreciation is calculated on the straight-line basis to write down the cost of each asset, or the re-valued amount, to its residual value over its estimated useful life using the following annual rates:

Description	Annual Rate
Buildings	2.5%
Plant, machinery and equipment	20%
Office equipment	20%
Computer equipment	33.3%
Motor vehicles	25%
Furniture and fittings	12.5%
Crockery & Utensils	33.5%
Library Books	20%

d) 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 useful life of the intangible assets is assessed as either finite or indefinite.

Intangible assets shall be amortised over their useful life on a straight-line basis. Subsequent expenditures on intangible assets shall be recognized as an expense for the period that it is incurred.

Amortisation is at the rate of 20%.

e) Research and development costs

All research costs are expensed as incurred. Development costs are capitalised only after technical and commercial feasibility of the resulting product or service have been established. All other treatments relating to research and development shall be as permitted by the standards.

f) Financial instruments

i) 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 financial assets, as appropriate. The University determines the classification of its financial assets at initial recognition.

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ii) 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 University 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.

g) Inventories

Inventories are stated at the lower of cost and current replacement cost. Cost is determined by the first-in, first-out (FIFO) method. Current replacement cost represents the cost the entity would incur to acquire the asset on the reporting date.

h) Provisions

Provisions are recognized when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the University expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The University recognizes contingent liability based on the previous years' experience on the dispute with the contractor, which was referred to arbitration. Currently the university is carrying out various projects with various contractors hence the need for the provision.

Contingent assets

The University recognizes a contingent asset and 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.

i) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

j) 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.

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k) Employee benefits

The University provides retirement benefits for its employees. Defined contribution plans are postemployment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The University also contributes to National Social Security Fund (NSSF) a statutory defined contribution scheme registered under the NSSF Act, 2013.

l) 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.

m) 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. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and cash at bank net of bank overdrafts.

n) Comparative figures

The comparative prior year figures are shown against every item in the financial statements. Consistent accounting methods have been applied and changes made will be reported and the effect on reported results disclosed.

o) Significant judgments and sources of estimation uncertainty

The preparation of the University's 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. Management shall ensure compliance with the Standards where such events become manifest.

p) 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 30 June 2018.

q) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums on borrowings, and amortisation of ancillary costs incurred in the arrangement of borrowings. Borrowing costs incurred on qualifying assets will be treated as permitted by the IPSAS using the appropriate model.

r) 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.

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s) Investment Property

Investment property is land or buildings held (whether by the University or under a finance lease) to earn rentals or for capital appreciation or both, rather than production or sale in the ordinary course of operations. Investment property shall be recognized as permitted by the IPSAS using the appropriate recognition model.

t) Segment Reporting

The University will look at its organisational structure and internal reporting system for the purpose of identifying its service segments and geographical segments with a view to issue segment reports as permitted by the IPSAS

u) Impairment of cash generating assets

An impairment loss of a cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss shall be recognized immediately in surplus or deficit for the year and all other treatments shall be as permitted by the IPSAS

v) Impairment of Non-cash generating assets

An impairment loss of non-cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount. An impairment loss shall be recognized immediately in surplus or deficit for the year and all other treatments shall be as permitted by the IPSAS

w) Biological Assets

All biological assets (including those acquired biological assets through non-exchange transaction) are measured at fair value less costs to sell, unless fair value cannot be measured reliably. Any change in the fair value of biological assets during a period is reported in surplus or deficit.

x) Provision for Bad and Doubtful Debt

A bad debt arises when there is 'no hope' of receiving payment from the customer. The amount is written out of the debtor's account and written off as a charge against profits. Whereas a provision for doubtful debts, also complying with the principles of FRS 18, recognises the extent of the risk being taken by debtor's accountant written off as a charge against profits. The provision is an estimate of the possible liability that may arise rather than that of a certain nature.

xi) Part-time Expenses Recognition

All part time expenses will be accrued in the year they were incurred. Part-time expenses spanning into two or more Financial years will be recognised in the year the contract ends. All part-time claims that were omitted in the previous years will be recognised in the year the claims are submitted.

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2 Government grant	2018 Kshs.	2017 Kshs.
Quarter ending 30 Sept	305,013,560	155,099,375
Quarter ending 31st Dec	257,931,475	155,099,375
Quarter ending 31st March	233,300,958	155,099,375
Quarter ending 30 June	233,300,958	243,144,999
Total	<u>1,029,546,951</u>	<u>708,443,124</u>
3 Research Grants Income		
WHO Malaria Project	-	26,943,038
ICDL project	1,363,646	226,873
DKK kobenhavens	2,312,742	8,455,661
Hortinlea project	-	525,877
Klip project	3,325,820	5,852,788
IPAS project	750,000	698,450
NASCOSTI	1,278,065	1,039,510
UHIV project	2,039,941	1,743,443
TNO FF Project	430,000	239,000
DSS Project	-	190,295
ACE 11 -World Bank	33,056,240	2,255,139
National Research Fund	2,489,875	-
GIZ Project	140,518	-
Water Hycinth	58,708	-
Recycling Network Project	3,429,144	-
Conflict Violence and Environmental change Project	517,800	297,010
Scholarship Fund	168,820	96,367
Compact Cities and Informal Settlements	166,532	666,475
Preterm Birth	2,583,895	-
Waste Governance	486,740	-
Kaya Learning	300,000	-
Solar Milk Cooling System	407,988	-
Sempre Award	64,406	-
Neonatal Sepsis Study	2,490,242	-
Clean cooling solutions (NRF)	1,690,960	-
Clean cooling solutions (ADB)	4,168,036	-
	<u>63,720,117</u>	<u>49,229,926</u>
4 Tuition and Other Related Charges		
Activity Fee	8,932,800	9,489,800
Computer time income	37,270,750	40,349,750
Examination Fee	21,746,500	25,603,625
Field Practical work	16,315,732	21,493,876
Library Fee	7,437,000	7,967,320
Maintenance Fee	7,316,000	8,521,625
Registration fee	3,661,000	4,290,725
Students ID	661,200	889,000
Students Medical fee	18,596,250	19,681,925
Tuition Fees	349,656,058	426,719,166
Total	<u>471,593,290</u>	<u>565,006,812</u>

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Notes (Continued)

5 Rent Revenue	2018 Kshs	2017 Kshs
Students Accommodation Fees	12,118,528	12,903,450
Hall Hire	70,945	153,956
Hire of Transport	362,200	178,400
Staff Rent Income	4,036,000	3,931,500
Hire of University Equipment	638,275	271,500
Total	17,225,948	17,438,806
6 Finance Income- External Investments		
Investment Income	4,610,747	2,999,452
7 Other Incomes		
Application Fees	2,022,400	2,270,350
Catering Income	9,860,833	12,341,375
Graduation fees	6,370,650	4,883,495
Library fines and photocopy	82,009	185,634
Sports activities income	-	7,200
Sale of water	419,468	316,895
Examination Resit charges	414,500	147,250
Nursery Income	514,405	283,540
Canteen sales	755,655	1,882,205
Farm income	254,870	470,955
Workshop and seminars	8,980	152,759
Sale of Bottled Water	131,778	-
Medical claims	2,227,240	
Miscellaneous	154,180	236,030
Total	23,216,968	23,177,688
8 Employee Costs		
Payroll Expenses	1,048,755,850	731,869,157
Medical Insurance Expenses	42,567,458	43,151,664
Staff Development	7,403,754	6,542,515
Office Entertainment	3,019,864	3,371,266
Part Time Lecturers	43,784,582	115,148,586
Provision for Leave days	11,233,603	18,767,280
Total	1,156,765,111	918,850,468

Increase in staff costs was necessitated by the increase in staffing, promotions and medical cover secured during the year

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9 General Expenses	2018 Kshs	2017 Kshs
Admission Related expenses	706,101	1,010,871
Accreditation Expenses	1,555,859	1,377,366
Advertising & Publicity	10,306,461	6,911,931
Bill boards and rates	533,790	639,620
Anti- corruption expenses	212,300	40,090
Auditing Services	607,650	830,389
Baseline Surveys	550,000	259,550
Bank charges & commissions	612,933	423,319
Canteen expenses	852,201	2,823,918
Cleaning materials	1,216,148	2,366,839
Committee expenses	2,085,987	1,202,577
Computer Operating Expenses	1,284,241	4,131,129
Conference & seminars	2,482,482	5,933,110
Cooking Fuel & Gas	1,680,852	1,911,543
Professional and legal services	7,232,472	8,278,441
Dairy expenses	109,931	54,250
Disability mainstreaming	267,000	426,454
Chancellors expenses	113,785	160,728
Electricity expenses	9,722,910	10,403,644
Examination Materials	4,548,639	4,135,275
Supervision of thesis	10,919,866	7,746,257
Graduation Expenses	14,463,973	9,725,363
Gender mainstreaming	130,900	209,143
ICT expenses	1,398,360	1,896,160
Insurance Expenses(Property)	5,259,631	9,029,990
Internet Expenses	11,783,582	10,937,684
ISO Certification expenses	3,069,345	411,825
Lease and rental	19,430,143	26,424,347
Library expenses	71,150	1,178,481
Medical Expenses	7,310,401	7,790,379
Outreach Programmes	2,537,197	2,292,500
Performance Contract expenses	600,612	409,000
Postal & Courier expenses	525,198	626,209
Purchase of foodstuff	14,803,581	16,551,356
Sanitary Expenses	1,571,558	1,489,233
Security expenses	16,979,600	15,890,343
Senate expenses	332,695	323,463
Shows & Exhibitions	2,829,768	4,190,127
Licenses and Subscriptions	3,003,456	-
Special Needs Expenses	-	503,600
Sports & Games	4,438,144	4,774,381
Stationery Expenses	6,396,762	7,157,463
Student welfare expenses	6,756,387	12,346,776
Teaching materials	1,416,147	943,758
Teaching Practice & Field Attachment	11,612,576	8,451,077
Telephone expenses	2,283,140	1,299,384
Transport operating expenses	11,014,069	10,836,611
Travelling & Accommodation	17,999,115	16,627,506
Uniforms & Clothing	375,100	677,258
Water & Sewerage expenses	522,016	745,476
Collective Bargain Agreement	925,413	797,200
KUCCPS	4,398,500	2,692,500
E-Learning Expenses	-	1,343,302
Provision for Bad and Doubtful Debt	30,047,453	23,475,296
Total	261,887,578	263,114,491

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	2018 Kshs.	2017 Kshs.
10 Finance Cost	23,845,493	-
11 Repairs and Maintenance		
Building repairs and Refurbishments	8,635,766	8,040,635
Maintenance of Plant and Equipment	2,939,262	5,262,892
	11,575,028	13,303,527
12 Amortization and Depreciation		
Depreciation expenses	48,420,166	45,909,389
Amortization	2,198,061	1,802,860
	50,618,227	47,712,249
13 Research Expenses		
WHO Malaria Project	-	26,943,038
KAAPAP	-	-
ICDL project	1,363,646	226,873
DKK kobenhavens	2,312,742	8,455,661
Hortinlea project	-	525,877
Klip project	3,325,820	5,852,788
IPAS project	750,000	698,450
NASCOSTI	1,278,065	1,039,510
UHV project	2,039,941	1,743,443
TNO FF Project	430,000	239,000
DSS Project	-	190,295
University Research	3,819,554	427,760
ACE 11 -World Bank	33,056,240	2,255,139
National Research Fund	2,489,875	-
GIZ Project	140,518	-
Water Hyacinth	58,708	-
Recycling Network Project	3,429,144	-
Conflict Violence and Environmental change Project	517,800	297,010
Scholarship Fund	168,820	96,367
Compact Cities and Informal Settlements	166,532	666,475
Preterm Birth	2,583,895	-
Waste Governance	486,740	-
Kaya Learning	300,000	-
Solar Milk Cooling System	407,988	-
Sempre Award	64,406	-
Neonatal Sepsis Study	2,490,242	-
Clean cooling solutions (NRF)	1,690,960	-
Clean cooling solutions (ADB)	4,168,036	-
	67,539,671	49,657,686
14 Council Expenses		
Honorarium	1,044,000	1,044,000
Sitting allowances	6,700,000	2,825,400
Travel and Subsistence	8,460,350	5,528,453
Capacity Building and Training	1,252,800	1,732,715
Total	17,457,150	11,130,568
15 Gains on Exchange Transactions		
Gain/Loss on exchange transaction	233,145	1,571,100
16 Gains on revaluations		
Gains on revaluation	(355,000)	25,000

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	2018	2017
	Kshs.	Kshs.
17 Cash and Cash Equivalents		
Equity Bondo Project Ac 0750 261 507 711	20,732,219	2,543,918
KCB Bondo Project Ac 1171196679	21,425,406	12,740,602
Barclays Dollar Account 2024 513 516	2,080,374	783,581
Co- Operative Bank Siaya 112 92557 09500	164,116,914	131,047,491
Equity Account 07502 9423 9156	11,790,891	68,077,366
Equity Accounts Angawa 1260 2997 51274	6,221,866	1,989,641
KCB Current Account 111 576 6643	671,506	3,711,551
KCB Development Account 111 387 3035	816,624	90,535,834
KCB HELB Account 111 712 2409	2,055,964	15,439,351
KCB Savings Account 111 304 6066	34,168,910	18,708,986
EQUITY KLIP 1 Account 0750298895605	2,713,633	3,957,148
EQUITY KLIP 2 Account 0750299070880	204,543	37,560,548
EQUITY ACE 11 Project Account 0750271748376	80,315,084	109,339,861
Bank Guarantee	1,000,000	1,000,000
	348,313,934	497,435,879
18 Receivables from Exchange Transactions		
Students Debtors	298,292,883	220,600,491
Staff Imprest	10,655,249	12,262,452
Provision for Bad and Doubtful Debt	(53,152,893)	(23,105,440)
	255,795,239	209,757,503
19 Receivables from Non- Exchange Transactions		
Deposit KPLC Ltd	464,000	414,000
Internal Debtors	1,349,067	1,538,336
Prepaid Expenses	28,639,720	24,393,910
Government Grants Receivables	-	88,045,625
Medical Deposits	1,000,000	1,000,000
	31,452,787	115,391,871
20 Inventories		
Stocks Maintenance Stores	7,217,861	3,576,705
Stocks Canteen	276,063	444,590
Stocks Stationery	5,234,972	4,077,613
Stocks Medical Drugs Reagents and Others	5,083,116	2,372,613
Stocks Cleaning Materials	244,692	554,263
Stocks Foodstuff	521,430	447,728
	18,578,134	11,473,513
The stock of the water bottling plant as at 30.06.2018 was Nil		
21 Biological Assets		
Biological Assets	625,000	980,000
	625,000	980,000
22 Intangible Assets(ERP Software)		
Opening Balance	5,408,579	7,211,439
Additions for the Year	1,197,580	-
Less Amortization	(2,198,061)	(1,802,860)
Closing Balance	4,408,098	5,408,579

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23. Property Plants and Equipment

Current year	Land	Buildings	Work in Progress	Motor Vehicles	Plant & Equipment	Crockery's	Library Books	Computers	Furniture & Fittings	Total
Cost										
At 1 July 2016	33,429,760	258,818,896	1,483,922,196	64,957,791	63,765,358	1,728,874	28,370,729	42,212,270	55,275,847	2,032,481,721
Additions	157,072,000	31,223,399	64,881,439	10,803,840	4,881,236	198,300	10,096,650	5,728,710	9,702,725	294,588,299
At 1 July 2017	190,501,760	290,042,295	1,548,803,635	75,761,631	68,646,594	1,927,174	38,467,379	47,940,980	64,978,572	2,327,070,020
Additions		-	271,072,429	33,224,214	5,380,255	29,500	2,243,669	1,249,591	170,430	313,370,089
Transfer	-	20,949,738	(20,949,738)	-	-	-	-	-	-	-
At 30 June 2018	190,501,760	310,992,033	1,798,926,326	108,985,845	74,026,849	1,956,674	40,711,048	49,190,571	65,149,002	2,640,440,108
Depreciation										
At 1 July 2016	-	32,888,299	-	55,907,156	35,702,654	1,142,501	19,452,908	36,478,169	23,109,738	204,681,425
Charge for the year		7,251,057	-	7,194,197	8,161,056	353,127	5,947,186	8,880,444	8,122,322	45,909,389
Prior Year Adjustments	-	-	-	(6,914,177)	3,200,938	70,587	(182,828)	(5,367,369)	-	(9,192,849)
At 1 July 2017	-	40,139,356	-	56,187,176	47,064,648	1,566,215	25,217,266	39,991,244	31,232,060	241,397,965
Charge for the year		7,826,057	-	13,534,514	7,981,080	309,409	5,008,812	5,764,197	7,996,097	48,420,166
At 30 June 2018	-	47,965,414	-	69,721,690	55,045,728	1,875,624	30,226,077	45,755,441	39,228,157	289,818,131
Net Book Value										
At 30 June 2018	190,501,760	263,026,619	1,798,926,326	39,264,156	18,981,121	81,050	10,484,971	3,435,130	25,920,846	2,350,621,977
At 1 July 2017	190,501,760	249,902,939	1,548,803,635	19,574,455	21,581,946	360,959	13,250,113	7,949,736	33,746,513	2,085,672,055

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Notes (Continued)

	2018 Kshs.	2017 Kshs.
24 Trade and Other Payables		
Accounts Payable	39,911,179	9,754,317
payables Clearing A/c Inventory	1,820,624	1,721,506
	41,731,803	11,475,823
25 Employee Benefit Obligations		
Employee Benefit Obligations	4,820,640	4,820,640
Part-Time Lecturers	22,313,500	32,915,901
KRA Withholding Tax Control	920,699	3,768,234
Leave days Control	30,000,883	18,767,280
	58,055,722	60,272,055
26 Refundable Deposits from Customers		
Student Caution Money	16,107,425	15,680,225
Contractors Retention Amount	3,219,824	2,072,904
General Third Parties	2,189,000	2,884,700
	21,516,249	20,637,829
27 Deferred Income(research grants)		
ICDL Project	3,758	-
DKK Kobenhavens	-	2,312,742
KLIP Ecotourism	107,390	1,013,210
NACOSTI	3,258,955	4,537,020
TNO FF Project	470,558	900,558
UHIV Fellowship	1,763,364	2,285,305
ACE 11-World Bank	80,315,084	109,339,861
National Research Fund	7,086,990	-
IGAAD	573,750	573,750
Water Quality Challenge	28,471	28,471
Health Sector support Project	3,307,816	3,307,816
World Health Organisation	322,160	322,160
Water Hyacinth Project	104,245	162,952
Recycling Networks Project	359,420	-
Conflict Violence and Environmental Change Project	810,590	516,390
Compact Cities and Informal Settlements	961,706	18,025
Preterm Birth	508,684	853,039
Waste Governance	379,126	-
Solar Milk Cooling System	113,427	-
Sempre Award	51,132	-
Neonatal Sepsis Study	2,597,258	-
Clean Cooking solutions(NRF)	5,802,159	-
Promotion of Awareness and Participation of Persons with Disability(NRF)	9,464,948	-
Clean Cooking solutions(ADB)	259,772	-
GIZ Project	-	140,518
	118,650,761	126,311,817
28 Prepayments & Deposits		
Student Advanced Receipts	59,812,306	58,782,827
29 Bank Loan		
Bal B/f	174,000,000	-
Additions	-	174,955,000
Less: Payments	(8,634,628)	-
Less Current Loan Payable within the year	(9,526,456)	(8,703,439)
Bal Cf	155,838,916	166,251,561

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Notes (Continued)

	2018	2017
	Kshs	Kshs
30 Capital Grants Reserve		
Capital Development Grants	50,875,000	237,523,756
EQUITY	2,227,400,738	1,984,676,982
Transfer from Retained Earnings	202,924,765	-
Capital Donations	-	5,200,000
	2,481,200,503	2,227,400,738
31 Revenue Reserves		
Opening Balance	246,283,311	172,967,543
Prior Year Adjustment(Depreciation)	-	9,192,849
Transfer to capital reserves	(202,924,765)	-
For the year	20,103,909	64,122,919
	63,462,454	246,283,311

32. The capital reserve relates to items of property, plant and equipment developed from capital grants from the National Government, inherited from the former Bondo teachers Training College and other transfers from revenue reserves on purchase of additional assets. This is stated after accumulating subsequent capital grants from the National Government.

33. Contingent Liabilities

The University had no contingent liabilities in the year (2017-2018-Nil).

34. JOOUST Enterprise Limited

The University registered JOOUST enterprises Limited during the year. The operations of the company are yet to fully take off as the University is still undergoing the legal framework for its operation. Some of the activities will be consultancies and other IGU.

35. Related Party Disclosures

(i) The National Government through the ministry of Education is the principal shareholder of the University holding 100% of the University equity interest. The Government of Kenya provides full guarantee to University loans.

ii) The University is a single entity without controlling interest in any other entity and as such did not trade in that respect.

iii) Council expenses' relates to facilitative allowances paid to members during attendance of meetings as per the calendar of activities. The expenses as per note 14 and key management remunerations are as shown below:

	2018	2017
	Kshs.	Kshs.
Council	17,457,150	11,130,568
Salaries and allowances for senior management	68,003,088	72,301,274

36. 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

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changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

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

(i) Credit risk

The University has exposure to credit risk which is the risk that counterparty to a financial instrument will be unable to pay amounts in full when due thus causing a financial loss. Credit risk arises from cash and cash equivalents and trade receivables.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers and students with established credit history. Credit is managed by setting the credit limit and the credit period for each category of customer. The University Management Board on a monthly basis monitors the parameters.

The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk is made up as follows:

(ii) Market risk

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

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

There was no investment in deposits or borrowings and therefore the University is not prone to this type of risk

(a) Foreign currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the university's functional currency. The university primarily transacts in the Kenya shilling and its assets and liabilities are denominated in the same currency. The university's exposure to foreign currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the University's financial condition may be adversely affected because of changes in interest rate levels. The University's interest rate risk arises from deposits with financial institutions. This exposes the University to cash flow interest rate risk.

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable 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. The analysis has been performed on the same basis as the prior year.

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 was no investment that would be affected by fluctuations in the interest rates.

(iii) Price risk

The University does not hold investments that would be subject to price risk; hence, this risk is not relevant.

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37. Statement of Debts Guaranteed by the National Treasury.

The Council reiterates that as at 30th June, 2018, there was borrowing that were guaranteed by the National Treasury as required by Sec 81(2) (c) of the Public Finance Management Act No. 18 of 2012

38. Leases Arrangements.

The University continues to lease property in places where it operates but do not own the property. Currently the University has presence in Kisumu Town, Kisii Town, Nairobi City and Nambale Town. The University has secured operating leases paid for within the financial year for period ranging from 2 to 5 years. The Council will continue to ensure that all requirements with respect to offering university education are met by all rented facilities. Previously Kisumu campus operated from a rented facility. The University has since secured a more spacious property at the Milimani area to run its activities.

39. Research Grants Reconciliation

Research Grants are receivable from institutions both local and foreign that have entered into funding agreements for purposes of furtherance of areas of common interest in training, research and community outreach activities. The terms of these grants are as specified in the agreements.

40. Events after the end of the reporting period.

There were no major events that took place after the balance sheet date that would significantly affect the value of the balance sheet.

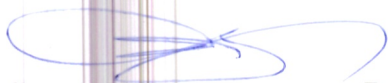
41. Schedule on Research Grants

S/NO.	PROJECT NAME	Balance as at 1/7/2017	Amount received	Expenditure net of Imprests as at 30.6.2018	Balance as at 30.6.2018
1	ICLD Project	-	1,367,404	1,363,646	3,758
2	DKK KOBENHAVENS Project	2,312,742	-	2,312,742	-
3	KLIP Project	1,013,210	2,420,000	3,325,820	107,390
4	IPAS Project	-	750,000	750,000	-
5	NACOSTI	4,537,020	-	1,278,065	3,258,955
6	UHIV Fellowship	2,285,305	1,518,000	2,039,941	1,763,364
7	National Research Fund	-	9,576,865	2,489,875	7,086,990
8	TNO FF Project	900,558	-	430,000	470,558
9	IGAAD	573,750	-	-	573,750
10	Water Quality Challenge	28,471	-	-	28,471
11	Health Sector Support Project	3,307,816	-	-	3,307,816
12	GIZ Project	140,518	-	140,518	-
13	World Health org.	322,160	-	-	322,160
14	Water Hyacinth Project	162,952	-	58,708	104,245
15	Recycling Networks Project	-	3,788,563	3,429,144	359,420
16	Conflict Violence & Scholarship Funds	516,390	812,000	517,800	810,590
17		-	168,820	168,820	-
18	Compact Cities & informal	18,025	1,110,213	166,532	961,706
19	Preterm Birth	853,039	2,239,539	2,583,895	508,684
20	ACE II-World Bank	109,339,861	1,609,594	34,573,080	76,376,374
21	Waste Governance	-	865,866	486,740	379,126
22	Kaya Learning	-	300,000	300,000	-
23	Solar Milk Cooling System	-	521,415	407,988	113,427
24	Sempre Award	-	115,538	64,406	51,132
25	Neonatal Sepsis Study	-	5,087,500	2,490,242	2,597,258
26	Market based approach in clean	-	7,493,119	1,690,960	5,802,159
27	Promotion of Awareness	-	9,464,948	-	9,464,948
28	Market based approach in clean	-	4,427,808	4,168,036	259,772
	Grand total	126,311,817	53,637,191	65,236,957	114,712,051

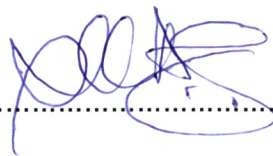
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XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

In the year ending 30 June 2017, the University received an unqualified report. The University however continues to enhance the internal control measures for continuous improvement of its service delivery.



Vice-Chancellor.....



For Chair of the Council.....

Date.....

Date.....