

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY	
DATE: 01. SEP 2021	DAY: WED
TABLED BY:	L.O.M.P.
CLERK-AT-THE-TABLE:	S. Kalama.

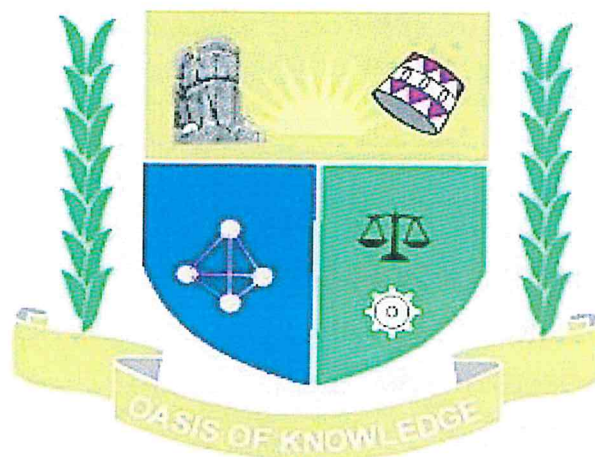
OF

THE AUDITOR-GENERAL

ON

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

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



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

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30 2020**

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

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KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Jaramogi Oginga Odinga University of Science and Technology (JOOUST) is a Public University established under University Act No.42 of 2012 to train dependable manpower, offer high quality University teaching, and carry out innovative research and community outreach programmes for sustainable socio-economic development. The University was chartered as an independent institution of higher learning in the year 2013.

(b) Principal Activities

JOOUST is committed to deliver on its mandate of Teaching, Research and Innovation in support of the achievement of National Development Agenda. To this end, JOOUST has differentiated itself as a centre of excellence in training, research and community outreach services offering practical and market-oriented courses. JOOUST continually realigns her strategies and programmes in response to changes and emerging trends in operational environment and benchmarks with global best practices.

To further anchor the principal activity are the University Vision, "A beacon of excellence in University Education" and Mission Statements "To provide quality education that nurtures creativity and innovation through integrated training, research and community outreach for sustainable development". These espouses the philosophy of holistic scholarship service to humanity through wisdom. Science and technology. The core values of the University are: - Customer focus, Impartiality, Professionalism, Integrity and Meritocracy.

Strategic Theme

In the 2016-2021 Strategic Plan, JOOUST will focus on the following strategic objectives:

- Achieve sustainable institutional growth and development.
- Provide quality education and training.
- Promote research innovation and consultancy.
- Strengthen the engagement in community outreach.
- Resource mobilization for sustainability.

Short-term objectives

The University short term objectives that this budget will go a long way in realizing are;

- Increase University physical infrastructure capacity
- Attain optimal level of quality human resource in line with the University staff establishment
- Strengthen corporate governance to improve university national ranking
- Diversify programme delivery modes and integrate ICT as well as increase technological innovation transferred to the community
- Strengthen participation in research and innovation
- Increase efficiency in management, utilization and mobilization of resources

(c) Key Management

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

- The University Council
- Council Committees
- The Vice Chancellor / CEO
- The University Senate
- Senate Committee
- The University Management Board

Members of the University Council

- | | | |
|-----------------------------------|---|---|
| i) Professor Isaiah IC Wakindiki | - | Appointed on 10-03-2020 as Council Chair. |
| ii) Amb. Steven A. Loyatum | - | Retired member and presiding Chair on 09-03-2020. |
| iii) Professor Stephen Gaya Agong | - | Vice Chancellor and Chief Executive Officer. |
| iv) Ms. Joyce N. Karinge | - | Retired 09-03-2020; Reappointed 10-03-2020. |
| v) Mr. Ibrahim M. Mutembei | - | Retired 09-03-2020; Reappointed 10-03-2020. |
| vi) Dr. Jonah K. Kangogo | - | Retired 09-03-2020; Reappointed 10-03-2020. |
| vii) Mr. Zeth Ouma Omoilo | - | Appointed 10-03-2020. |
| viii) Ms. Janet Nasimiyu Wekesa | - | Appointed 10-03-2020. |
| ix) Dr. Anne A. Oburu | - | Retired 09-03-2020. |
| x) Mr. Micah Origa | - | Alternate to CS, National Treasury. |
| xi) Mr. Samuel Mugambi | - | Alternate to PS, MOEST as from 10-02-2020. |
| xii) Mr. Richard Limo | - | Alternate to PS, MOEST up to 09-02-2020. |

(d) Fiduciary Management

The University direct fiduciary responsibility vests in the Vice Chancellor, with delegated responsibilities to the members of the University Management Board. During the financial year ended 30th June 2020, the key management personnel who held office and who had direct fiduciary responsibility were:

Members of the University Management Board

- | | | |
|---------------------------------|---|--|
| i) Professor Stephen Gaya Agong | - | Vice Chancellor and Chief Executive Officer. |
| ii) Professor Francis Ang'awa | - | Ag. Deputy Vice Chancellor – Planning Finance & Administration (PAF) |
| iii) Professor Benson Estambale | - | Deputy Vice Chancellor – Research, Innovation & Outreach (RIO) |
| iv) Professor Joseph Bosire | - | Deputy Vice Chancellor – Academic Affairs (AA) |
| v) Dr. Walter Akuno | - | Registrar – Academic Affairs. |
| vi) Dr. Patrick Akhaukwa | - | Registrar – Planning and Administration. |
| vii) CS. Rosemary Ngesa | - | Registrar – RIO. |
| viii) CPA Nancy N. Muchai | - | Chief Finance Officer. |

4. CHAIRMAN STATEMENT



It gives me great pleasure to present this report to our various stakeholders. Jaramogi Oginga Odinga University of Science and Technology (JOUST) is emboldened by a simple, yet profound question that challenges stakeholders to think anew on how we have achieved quite substantially our set targets in the financial year ended on 30th June 2020 with little available financial outlay in this fragile economic time. As one of Kenya's flagship Research University, we are called to boldly act in a way that educates and instils a sense of purpose in the minds of our students; asks and answers the complex questions of our day; and helps to impart knowledge and awareness in the communities we operate in.

The special theme of the African continent via the Africa Development Bank (AfDB) 2020 Economic outlook report this year is delivering education and skills for Africa's workforce of the future. Our University has three closely related functions of teaching, researching and rendering service to the community. The need for development and the thrust for relevance have seen efforts to redefine our mission as a 'problem-solving research technical and scientific major centre for research primarily focused on providing solutions'. Our courses are relevant in the global arena, where we must exist in as a global entity since the regional-global relevance dichotomy remains a factor that impacts the dynamics of higher education practice.

The University is currently implementing its Second Strategic Plan as a fully-fledged University. The Strategic Plan provides a road map for the University's intent and outlines the priority activities to be undertaken in achieving our core mandate while positioning the institution as a global leader in University education. Having transited to ISO 9001:2015 Standard, the University continues to implement Quality Management Standard (QMS) and has in place robust structures that support monitoring and evaluation for the effectiveness and efficiency of the QMS.

The impact of University education in up skilling intellectual capital is significant for any economy. The University is committed to the discovery of new knowledge in multidisciplinary and innovative research undertakings as well as participation in sustainable community outreach programmes. The activities undertaken by the University are guided by the Government's "Big 4 Agenda" and the Revised Strategic Plan 2016-21. There has been notable progress in the Capital Projects being undertaken by the University, however due to a number of challenges; the projects are generally behind schedule majorly due to inadequate funding and the disruptions caused by COVID-19 pandemic. The projects, once completed will greatly enhance infrastructural facilities required by the University in the achievement our mandate.

As I reflect on the 2019-2020 Annual Report and Financial Statements in light of these underlying responsibilities of our University, I am glad to see the JOUST come through the year successfully, irrespective of the unprecedented impact of the world wide Covid-19 pandemic. We acknowledge the progress and strides made by the University largely due to our dedicated staff, students, parents, government, donors and various stakeholders for their continued commitment and support.

Thank You.

A handwritten signature in blue ink, appearing to read 'Isaiah IC Wakindiki', written over a light blue grid background.

Professor Isaiah IC Wakindiki, BSc, MSc, PhD (Egerton), PGD
Chairman University Council

5. REPORT OF THE CHIEF EXECUTIVE OFFICER



It is my distinguished honour to present the University's 2019-2020 Financial Year Annual Report and Financial Statement. During the year under review, the University witnessed tremendous growth in its' operations as well as unprecedented challenges. I am pleased to highlight key achievements of the University's operations in the year ended 30th June, 2020.

The higher education landscape is shifting significantly and among the factors that ensure stability, financial capital remains key. The impact of the reduced government support for institutions of higher learning has seen universities struggling with recurrent expenditure and development projects. This has been further compounded by the impact of Covid-19 pandemic. For public institutions such as ours, this calls for greater probity and prudence in the management of financial resources and practices for sustainability and stability. In the year under review, the University reported an operating surplus of Kshs. 67.7 million (2019: Deficit of Kshs. 96.5 million). The total asset grew by 14.4% (2019: 10%). The improved financial performance was as a result of delayed expenditures occasioned by the Covid-19 pandemic. Whereas there was improved position in the University's surplus, the expenses to cater for academic activities and for staff costs grew proportionately.

The University held its 7th Graduation Ceremony with total of 2,366 graduands being conferred and awarded with degrees, diplomas and certificates respectively. The graduation was presided over by the University's Chancellor, Dr. Vimal Shah. Teaching through on-line platforms has been enhanced by the Centre for E-Learning. The Centre developed a guidelines for an Open and Distance Electronic Learning (oDeL) and requirements for Online Examinations, which were approved by Senate. The e-learning and online support to students was utilized to complete Second Semester that was interrupted by the COVID-19 related closure.

To align the University with the Big-4-Agenda, seven new academic programmes were developed and approved by the university. Their approval and accreditation status is currently awaiting the decision of the Commission of University Education. Further, thirty five (35) other programmes have been developed by Schools and are at various stages of approvals.

The University continues to carry out resource mobilization by seeking funding support during the year, a total of Kshs. 105 Million was received from donors. In the same period, newly funded research projects worth 71.6 Million was received from various funding agencies. A further twenty-six project proposals each worth more than Kshs. 10 million were developed and submitted to the National Research Fund.

Further, the World Bank through the African Centre of Excellence in Sustainable Use of Insects as Food and Feeds (INSEFOODS) continues to receive funding with an overall objective of achieving long-term food and nutritional security in the continent through the use of edible insects as food and feeds as a source of protein and other nutrients for human food and animal. INSEFOODS offers training programs at masters and doctoral levels, and short courses in food security and sustainable agriculture with emphasis on insects for food and feed.

During the year, the University revised its 2016-2021 Strategic Plan to align it with the current sector demands as a roadmap towards realization of the mandate of the University. The revision was necessitated by the need to align the University strategies to new national and regional policies as well as international

best practices, change in government policies such as the “Big Four Agenda” and Medium Term III Plans. Similarly, the University revised ISO 9001:2008 standard and adopted ISO 9001:2015 Standard. Also, customer service charter 2020 has been revised.

The University has placed special emphasis on community outreach with an established framework through which research outputs and information are disseminated and technological solutions are transferred to communities for the improvement of livelihoods. The University attaches great importance to corporate social responsibility, as a way of building sustainable partnerships with the community. We continue to partner with different Government agencies, County Governments and Organizations to support initiatives aimed at uplifting standards of living. During the year, the University participated and won awards at the 2019 Kisumu Regional A.S.K. Show. The University was also involved in various community welfare activities including the donation of liquid hand washing soap, hand sanitizers and disinfectants to Siaya County COVID-19 Rapid Response Committee and donation of food stuffs to the Bondo Sub-County Covid-19 Response Committee.

As a public entity, the University ensures a strict following of the code of ethics that is based on integrity. Professionalism and honesty, in the management of the University’s financial resources, some of the measures put in place to promote probity aims at ensuring Value for money outcomes are best served by effective probity measures that do not skew in favour of any particular person. Confidential information must be treated appropriately at all times.

Lastly, on behalf of Jaramogi Oginga Odinga University of Science & Technology and the entire University Management Board, I would like to extend a very hearty vote of thanks to the Government of Kenya, our Chancellor, University Council, Staff, Students our Development Partners, and every other stakeholder for their support to the University in varied ways.



Prof. Stephen Gaya Agong, BSc, MSc, (UoN), PhD (Giessen)
Vice Chancellor/CEO

6. REVIEW OF UNIVERSITY REGULATORY & NON-COMMERCIAL PERFORMANCE FOR FY 2019/20

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives. Jaramogi Oginga Odinga University of Science and Technology has five (5) strategic pillars and objectives within its Revised Strategic Plan 2016/2021. The strategic pillars and the achievements are as shown in the table below

OBJECTIVES	KEY PERFORMANCE INDICATORS	ACTIVITIES (2019/2020 FY)	ACHIEVEMENTS
Pillar 1; Capacity building			
1. Increase University physical infrastructure capacity to provide for additional 5,000 students from the current 13,000 to 18,000 students by 2021	Tuition Block; Research Complex; Administration Block; Ultra-Modern Library	Continuing Construction of at various stages of completion.	Target of scheduled works achieved
	Utilize Siaya Farmers Training Centre Facility	Relocate School of Agricultural and Food Sciences to Siaya ATC	School of Agricultural and Food Sciences relocated to Siaya ATC
	Efficient ICT services in all campuses	Expand ICT connectivity to all campuses	University Implemented a new Telephone system based on VoIP technology, with up to 300 extension lines.
2. To attain optimal level of quality human resource in line with the University staff establishment & FTSE	Competent and qualified teaching and administrative staff	Recruit additional staff to fill declared vacancies	Seven (7) academic staff & Three (3) Administrative Staff
	Signed CBAs	Maintain good labour relations	Updated and implemented approved Collective Bargaining Agreements (CBAs)
	Harmonisation of Criteria for Appointments and Promotions	Review the criteria for appointment and promotions	Schemes of Service and Criteria for Appointments and Promotions were harmonized and approved.
3. To strengthen corporate governance to improve University's national ranking	Efficient and effective service delivery	Implement Citizen's Service Delivery Charter	Service Charter has been cascaded to relevant Units for implementation.
	Improved webometrics ranking	Update and expand the University website	University ranked at 10239 globally
	No. of Publication in refereed Journals	Increase Scientific publications.	Achieved 56 publications in peer reviewed journals
Pillar 2 Quality education and training			
To offer fully accredited and	No. of Programmes developed	Develop two (2) new programmes annually	MSc. Agricultural Extension and PhD. Agricultural Extension

market driven programmes from the current 18 to 20	Increase student admission	Admit postgraduate students	Admitted 165 postgraduate students
		Admit Undergraduates in STEM	Admitted 658 undergraduate students
To diversify programmes delivery modes from one (1) to two (2)	Increased admission in Virtual & e-learning Platforms	Expand Virtual and e-platforms	(i) Upgraded the Centre for E-Learning server. (ii) Supported off-campus learning by providing negotiated internet bundle rate for students
To achieve 100% students completion rate from the current 70%	Timely completion of studies	Ensure conformity to the academic calendar	Teaching and learning was disrupted by the Covid -19 pandemic, e-learning adopted.
	Integrity of examinations is upheld	Conduct moderation of examinations	Examinations were moderated internally and externally
To integrate ICT in delivery of programmes	Number of Lecture hall with smart Boards	i. Acquire 10 additional smartboards/Screens for lecture halls	6 Smartboards acquired and installed
	Number of Lecture halls with projectors	ii. Acquire 10 additional mounted Projectors for lecturer rooms	33 Projectors available for use

Pillar 3: Research and Consultancy

1. To strengthen research culture through capacity building initiatives	workshop on sensitization and grant proposal writing	Organize workshops to sensitize on research opportunities and train on grant proposal writing	Proposal writing workshop conducted
	no. of relevant calls responded to	Actively respond to relevant calls for proposals	Twenty six (26) proposals each applying for more than Kshs. 10 million to the National Research Fund were developed and submitted
	No. of research projects impacting on niche areas /Big Four agenda	Undertake research on niche areas /Big four agenda	2 proposals were developed and submitted under Universal Health Coverage
3. To increase opportunities for dissemination of research output.	Transfer of knowledge	Facilitate staff and students to exhibit during open days, expos, shows and University exhibitions	Facilitated Staff and student exhibitors during the annual ASK Show
	No. of researchers facilitated	Facilitate researchers to participate in local, regional and international forums	Facilitate staff to attend scientific workshops and seminars
	No. of scholarly publications in peer reviewed journals	Enhance scholarly publications in reviewed journals	Achieved 56 publications in peer review journals
To increase patentable technologies by	No. of focal leaders trained & nurtured	Train and nurture focal leaders in research	Staff supported to attend a patent drafting workshop sponsored by the World Intellectual Property

four (4).			Office
Pillar 4 Community Outreach			
To increase strategic partnerships and linkages at both national and international levels by four (4).	No. of linkages established	Establish new linkages with like-minded institutions and industry	The University entered into strategic partnership with three (3) institutions to facilitate research and training
	Enter into Partnership with Siaya County	Establish a partnership with Siaya County Government on areas of interest	Partnered with Siaya County Government on the acquisition and utilization of Siaya ATC as a Campus to expand access to education within the community
To increase the number of technological innovations transferred to the community by two (2) from the current four (4) to six (6)	No. of technological solutions transferred	Engage communities for trainings and transfer	99 farmers from Kenya, Zimbabwe, Uganda & Senegal trained on Cricket rearing and value addition as well as Black soldier fly production
			Communities in Rabuor, Kisumu, Usenge and Kendu Bay trained on community managed fuel briquette production
To increase corporate social initiatives by six (6) annually	Active Liaison Committee	Strengthen Community Liaison Committee	The Community Liaison Committee conducted regular meetings to follow-up and resolve challenges within the University locality.
	Enhanced social corporate responsibility	Initiate and participate in corporate social initiatives	The University donated liquid hand washing soap, hand sanitizers and disinfectants worth Ksh. 273,000 to Siaya County COVID-19 Rapid Response Committee
Pillar 5 Resource Mobilization			
1. To increase efficiency in management, utilization and mobilization of resources.	Reviewed financial, Internal Audit and Procurement Controls	Review and implement financial and procurement and internal audit control systems	Efficient allocation and absorption of allocated funds in the FY
To grow University Income	increased revenue	Mobilize resources through DRIP	Funded Research Projects
	Increased revenue	Enhance performance of existing Income generating streams	Revenue was generated through A-in-A

7. CORPORATE GOVERNANCE STATEMENT

The University was granted a Charter on 13th February 2013 thus gaining a new name as Jaramogi Oginga Odinga University of Science and Technology. The University is governed by a University Council, appointed in accordance with the University Act and enabling statutes. The University Council so appointed is responsible for the governance of the University and is accountable to the stakeholders in ensuring that the University complies with the laws and the highest standards of ethics and corporate governance. Accordingly, the Council attaches high importance to generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Membership of the University Council

The Membership of the University Council is as follows:

- a) The Chair to the University Council appointed Cabinet Secretary Ministry of Education, Science and Technology.
- b) Five (5) independent Council members appointed by the Cabinet Secretary Ministry of Education, Science and Technology.
- c) The Vice Chancellor who is also the Secretary to the Council.
- d) The Cabinet Secretary for the National Treasury, represented in the council by his appointee.
- e) The Principal Secretary for State Department of Higher Education, represented in the council by his appointee.

A member of the University Council other than the Vice Chancellor shall normally hold office for a term of three years, upon expiry of which the member shall be eligible for re-appointment. No member may be appointed to the Council for more than two consecutive terms. The profile of the current University council members is provided in pages *vi - viii*. The Cabinet Secretary may from time to time remove or replace a member of Council for a good cause. Vacancies may also arise in the Council when a member resigns, at the expiry of a member's term or death while serving in office.

Responsibility of the University 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 ensure they are 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 substantive agenda items have comprehensive briefing documents which are circulated early 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. Furthermore, the CEO is the administrative and academic head of the University.

Training & Induction and Performance

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. The Council members are evaluated annually by SCPC on their performance. In the year under review, the Council performance was rated at 95%

Remuneration

The Council members are not entitled to salaries. The University covers the costs of travel and subsistence of Council members while on official duty and a sitting allowance for meetings attended as per the government guidelines. The Chairman is paid a monthly honorarium.

University Council meetings

The meetings of the University Council are held at least once every quarter in a calendar year. In order to facilitate the smooth running of its affairs, the University Council establishes such committees with membership and with such terms of reference as it may deem fit. A calendar of University Council and its committees is prepared before the beginning of each financial year. The Chairperson may at any time call a special meeting of the University Council after giving the requisite notice to all its members. During any meeting, the Council members so present must sign declaration of interest forms, in accordance with governing statutes.

11. STATEMENT OF COUNCIL RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act require the Council to prepare financial statements in respect of that University, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

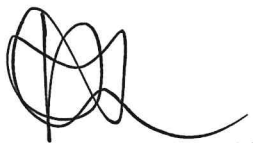
The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the 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. The Council is of the opinion that the University's financial statements give a true and fair view of the state of the University's transactions during the financial year ended June 30, 2020, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, 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 on 29th Sep 2020, and signed on its behalf by:



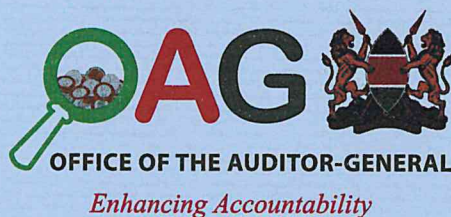
.....
Council Chairman



.....
Vice Chancellor

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REPORT OF THE AUDITOR-GENERAL ON JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Jaramogi Oginga Odinga University of Science and Technology set out on pages 1 to 28, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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, 2020, 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 Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. General Expenses – Dinner Allowance

The statement of financial performance reflects an expenditure of Kshs.263,411,138 under general expenses which, as disclosed in Note 9 to the financial statements, includes an amount of Kshs.55,250 being dinner allowance paid to an officer involved in preparation of data for the Commission for University Education within the University precinct contrary to Section 13.11 of the University Collective Bargaining Agreement 2013-2017 which states that meal allowance shall be paid to members of academic staff working out of their duty stations where half subsistence allowance is not paid.

Consequently, the payment of the dinner allowance of Kshs.55,250 was, therefore, irregular.

2. Un-Surrendered Staff Imprests

Included in the statement of financial position is receivables from exchange transactions balance of Kshs.154,544,551 which, as disclosed in Note 18 to the financial statements, includes an amount of Kshs.1,642,918 relating to staff imprest. The staff imprest includes an amount of Kshs.1,200,568 outstanding since 2016. Failure to recover the long outstanding amounts from the concerned officers' salaries is contrary to the University's Financial Management Policy which 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 within the prescribed time frame, the amount should be recovered from the respective staff salary.

Under the circumstances, the University is in breach of the law and the recoverability of long outstanding imprests of Kshs.1,200,568 as at 30 June, 2020 is doubtful.

3. Non-Compliance to the Employment Act a Third-Rule

A review of the payroll records indicates that fifty-six (56) employees earning total basic salary of Kshs. 5,873,069 earned net salary of Kshs.1,142,227. The net salary was lower

than one-third of their basic salaries of Kshs. 1,957,689 by Kshs. 815,462. This is contrary to the Employment Act 2007 Section 19(3), which does not permit employees to commit their salaries in excess of two-third of their basic salaries.

Consequently, the University was in breach of the Law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and 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 University's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the University or to cease operations.

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

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

Those charged with governance are responsible for overseeing the University's 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 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 Moi university's 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 University's 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 University to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

12 August, 2021

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

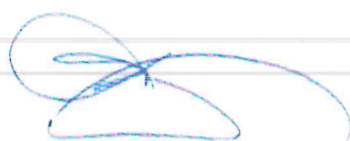
	Notes	2020 Kshs.	2019 Kshs.
Revenue from non- Exchange Transaction			
Recurrent Grants	2	984,144,968	991,599,673
Research Grants	3	138,901,046	111,567,508
		1,123,046,014	1,103,167,181
Revenue from Exchange Transaction			
Tuition and Other Related Fees	4	444,926,561	493,272,107
Rental Revenue from Facilities and equipment	5	16,326,492	14,379,296
Financial Income - External Investments	6	42,732	59,500
Other Income	7	28,486,141	32,692,613
		489,781,926	540,403,516
Total Revenue		1,612,827,940	1,643,570,697
Expenditure			
Staff Costs	8	1,033,042,320	1,101,430,667
General Expenses	9	263,411,138	384,639,687
Finance Costs	10	19,457,454	21,331,760
Repairs and Maintenance	11	10,436,691	29,368,389
Amortisation and Depreciation	12	60,834,973	64,117,897
Research Expenses	13	146,157,195	123,963,201
Council Expenses	14	11,907,309	15,507,823
Total Expenditure		1,545,247,079	1,740,359,424
Gains on Foreign Exchange Transactions	15	67,803	104,672
Gain on Revaluation of Biological Assets	16	55,000	150,000
Operating Surplus		67,703,664	(96,534,055)

The notes set out on pages 7 to 29 form an integral part of these Financial Statements

13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2020 Kshs.	2019 Kshs.
ASSETS			
Current assets			
Cash and cash equivalents	17	188,150,341	159,309,086
Receivables from exchange transactions	18	154,544,551	141,893,209
Receivables from non-exchange transactions	19	25,505,165	140,235,673
Inventories	20	21,032,635	20,408,121
		389,232,692	461,846,089
Non-current assets			
Biological Assets	21	830,000	775,000
Intangible assets	22	6,423,977	2,210,037
Property, plant and equipment	23	3,101,111,261	2,593,091,368
Total Non-Current Assets		3,108,365,238	2,596,076,405
TOTAL ASSETS		3,497,597,930	3,057,922,495
EQUITY AND LIABILITIES			
Current Liabilities			
Trade and Other Payables	24	7,925,041	9,855,456
Employee benefit obligation	25	16,530,077	53,801,306
Refundable deposits from customers	26	63,184,980	31,792,434
Deferred income	27	127,279,559	89,540,045
Prepayments and Deposits	28	56,301,378	78,543,070
Bank Loan	29	13,112,651	11,778,413
Total Current Liabilities		284,333,686	275,310,724
Non-Current Liabilities			
Bank Loan	29	130,279,748	143,392,398
Total Non-Current Liabilities		130,279,748	143,392,398
Total Liabilities		414,613,434	418,703,123
Net Assets		3,082,984,496	2,639,219,372
RESERVES			
Capital Grants Reserves	30	3,098,352,431	2,722,290,972
Revenue Reserve	31	(15,367,935)	(83,071,600)
Total Equity		3,082,984,496	2,639,219,372
Total net assets and liabilities		3,082,984,496	2,639,219,372

The Financial Statements set out on pages 1 to 29 were signed on behalf of the Council by:



Prof. Stephen G. Agong,
Vice Chancellor



CPA Nancy N. Muchai
Chief Finance Officer



Prof. Isaiah Wakindiki
Council Chairman

Date: 29-Sept-2020

Date: 29-Sept-2020

Date: 29-Sept-2020

14. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Capital Reserves	Revenue Reserve	Total Equity
	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2018	2,481,200,503	63,462,455	2,544,662,958
Surplus for the year	-	(96,534,055)	(96,534,055)
Capital Development Grants	191,090,469		191,090,469
Movement During the year	50,000,000	(50,000,000)	-
Balance as at 30 June 2019	2,722,290,972	(83,071,600)	2,639,219,372
Balance as at 1 July 2019	2,722,290,972	(83,071,600)	2,639,219,372
Surplus for the year		67,703,664	67,703,664
Capital Development Grants	376,061,459	-	376,061,459
Movement During the year	-	-	-
Balance as at 30 June 2020	3,098,352,431	(15,367,936)	3,082,984,495

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

	Notes	2020 Kshs.	2019 Kshs.
Cash flows from operating activities			
Surplus/(deficit) for the year		67,703,664	(96,534,055)
Add back : Depreciation and Amortization	12	60,834,973	64,117,897
Less Gain on Revaluation	16	(55,000)	(150,000)
Operating cash before working capital changes		128,483,637	(32,566,158)
Increase/(Decrease) in Inventory	20	(624,515)	(1,829,986)
Increase/(Decrease) in Receivables	18&19	102,079,167	5,119,144
Increase /(Decrease) in Payables	24-28	7,688,724	(36,234,530)
Net Cash flow from operating activities		237,627,013	(65,511,531)
Cash Flows from Investing Activities			
Purchase of Plant Property & Equipment	23	(566,656,804)	(304,389,220)
Disposal of Assets		-	-
Purchase of Intangible Assets	22	(6,412,001)	-
Purchase of Investments		-	-
Net Cash Flow From investing activities		(573,068,805)	(304,389,220)
Cash flows from Financing activities			
Receipt of Capital Grants	30	376,061,459	191,090,469
Bank Loan	29	-	-
Loan Repayment	29	(11,778,413)	(10,194,565)
Net Cash flow from Financing Activities		364,283,046	180,895,904
Net Increase in cash and cash equivalents		28,841,254	(189,004,847)
Cash and cash Equivalents at the beginning		159,309,087	348,313,934
Cash and cash Equivalents at the end		188,150,341	159,309,087

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

Jaramogi Oginga Odinga University of Science and Technology					
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS					
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Recurrent Grants	984,144,967	143,737,573	1,127,882,540	984,144,968	143,737,572
Development Grants& Loans	376,061,529	-	376,061,529	376,061,459	70
Research Grants	150,000,000	(10,000,000)	140,000,000	138,901,046	1,098,954
Tuition and Other Related Fees	528,266,500	(10,000,000)	518,266,500	444,926,561	73,339,939
Rental Revenue	17,656,000	-	17,656,000	16,326,492	1,329,508
IGU Income	134,500,000	(130,000,000)	4,500,000	42,732	4,457,268
Other Income	28,497,738	-	28,497,738	28,486,141	11,597
Total Income	2,219,126,734	(6,262,427)	2,212,864,307	1,988,889,399	223,974,908
Expenses					
Employee Costs	1,168,280,000	(62,092,793)	1,106,187,207	1,033,042,320	73,144,886
Finance cost	31,526,000	-	31,526,000	31,235,867	290,133
General Expenses	291,126,734	(25,483,000)	265,643,734	263,411,138	2,232,596
Repairs and Maintenance	13,778,000	(3,000,000)	10,778,000	10,436,691	341,309
Depreciation and Amortisation	54,584,000	6,416,000	61,000,000	60,834,973	165,027
Research Expenses	158,230,000	(9,412,634)	148,817,366	146,157,195	2,660,171
Council Expenses	14,200,000	(2,000,000)	12,200,000	11,907,309	292,691
Capital Expenses	487,402,000	89,310,000	576,712,000	573,068,805	3,643,195
Total Expenditure	2,219,126,734	(6,262,427)	2,212,864,307	2,130,094,300	82,770,007

Unfavourable variance in recurrent grants was as a result of Collective Bargain Agreements funds that were anticipated to be received within the year under review. This was however not received.

The other Unfavourable performance from Tuition and related fees as well as from internally Generated Incomes(IGU) and other revenues are as a result of the unprecedented Covid-19 pandemic. This affected the various aspects of revenue.

17. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Jaramogi Oginga Odinga University of Science and Technology financial statements have been prepared in accordance with and comply with the PFM Act, State corporations Act and 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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of JOOUST. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

A new standard IPSAS 41: Financial Instruments was issued in August 2018. This standard is meant to replace IPSAS 29: Financial instruments: Recognition and measurement. The applicable effective date is 1st January 2022.

Early adoption of standards

The University did not early – adopt the new standards in year 2020.

a) Revenue recognition

i) Revenue from non-exchange transactions

Government 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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

• 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.

A. Budget information

The annual budget is prepared on 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 is no basis, timing or differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. The original budget for FY 2019-2020 was approved by the National Assembly on 14th June 2019. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the realigned budget.

B. 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	2.50%
Plant, machinery and equipment	20%
Office equipment	20%
Computer equipment	33.30%
Motor vehicles	25%
Furniture and fittings	12.50%
Crockery & Utensils	33.50%
Library Books	20%

C. 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%.

D. 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.

E. 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.

Impairment of financial assets.

The University assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed impaired if there is objective evidence of impairment after the initial recognition and has an impact on the estimated future cash flows of the financial asset.

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.

i.) 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.

ii.) 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. 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. Revenue reserves relates to transfers on purchase of additional assets.

J. Changes in accounting policies, estimates and Errors

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. Changes in estimates are accounted for in the current and future periods. Prior period errors shall be corrected retrospectively after their discovery by restating comparative prior period amounts.

K. Employee benefits

The University provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the University 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 2020.

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 are capitalized against qualifying assets as part of property, plant and equipment over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Any further borrowing costs are charged to the statement of financial performance as appropriate.

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.

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. The University shall recognize investment property as an asset if it is likely that future economic benefits or service potential will flow to the University and the cost or fair value can be measured reliably. The University shall measure investment property initially at cost and continually use the cost model. However, fair value shall be disclosed at each reporting period. Where the investment property is acquired through a non-exchange transaction at no cost or for a nominal charge, the University recognize it at fair value at the date of acquisition

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.

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.

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 account and 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.

Y. 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.

Z. Related Parties

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 GOVERNMENT GRANT INCOME

	2020	2019
	Kshs.	Kshs.
Quarter ending 30 Sept	246,036,242	228,245,007
Quarter ending 31st Dec	246,036,242	219,115,206
Quarter ending 31st March	246,036,242	219,115,207
Quarter ending 30 June	246,036,242	325,124,253
Total	984,144,968	991,599,673

3 RESEARCH GRANT INCOME

KLIP Project	1,614,880	3,188,610
NACOSTI	3,028,750	1,278,065
UHIV Fellowship	873,073	2,720,291
ACE II Project	64,791,242	66,148,902
National Research Fund	41,287,945	5,500,365
IGAAD	573,750	-
World Health Organization	322,160	-
Recycling Networks Project	410,893	1,650,061
Conflict Violence & Environmental Change Project	1,291,074	737,495
Compact Cities & informal settlements	807,376	1,014,412
Waste Governance	608,281	886,792
Wheel Change Project	2,276,647	-
Neonatal Sepsis Study	1,297,709	5,734,638
Market based approach in clean cooking solutions in Kenya & Tanzania(NRF)	6,270,200	2,188,880
Promotion of Awareness & Participation of Persons with Disability (NRF)	876,860	9,286,323
Market based approach in clean cooking solutions in Kenya & Tanzania(ADB)	99,200	4,484,323
Pamoja Project	267,821	679,179
Mobility Fund	629,339	-
Whose Heritage Matters	616,948	1,624,403
Common wealth-TEL /Delta Project	870,900	985,664
Unknown (Sveriges Lantbr	812,000	-
Grassroots Financial Innovation	9,273,999	841,710
ICDL project	-	1,342,676
Preterm Birth	-	1,052,939
Sempre Award	-	79,882
Solar Milk Cooling System	-	113,427
Water Quality challenge	-	28,471
	138,901,046	111,567,508

Research Grants Movement Schedule is shown in Appendix 1

Jaramogi Oginga Odinga University of Science & Technology
Annual Reports and Financial Statements
For the year ended 30 June 2020

4 TUITION & OTHER RELATED CHARGES

	2020	2019
	Kshs.	Kshs.
Activity Fee	8,117,200	8,674,000
Computer time income	33,533,500	36,073,250
Examination Fee	19,617,700	21,354,525
Field Practical work	25,801,000	22,861,500
Library Fee	6,763,000	7,259,490
Maintenance Fee	6,475,500	7,119,375
Registration fee	3,294,250	3,632,000
Students ID	491,000	465,900
Students Medical fee	16,759,250	18,001,500
Tuition Fees	324,074,161	367,830,567
Total	444,926,561	493,272,107

5 RENT REVENUE

Students Accommodation Fees	11,263,708	9,634,216
Hall Hire	50,000	92,000
Hire of Transport and Equipment	402,270	317,200
Staff Rent Income	3,728,000	4,168,133
Hire of Gown	723,500	167,747
Lease of Land	159,014	-
Total	16,326,492	14,379,296

6 FINANCE INCOME (EXTERNAL INVESTMENTS)

Interest Income	42,732	59,500
Total	42,732	59,500

7 OTHER INCOMES

Application Fees	1,331,399	2,285,362
Catering Income	13,013,022	13,820,278
Graduation fees	9,579,300	8,212,350
Library incomes and photocopy	548,846	606,418
Sale of water	361,995	175,530
Examination Resit charges	1,147,300	377,300
Nursery Income	246,500	256,655
Canteen sales	-	639,595
Farm income	368,015	255,700
Sale of Bottled Water	1,100,560	365,220
Consultancy fees	705,450	3,963,749
Other incomes	83,754	1,734,456
Total	28,486,141	32,692,613

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 EMPLOYEE COSTS

	2020	2019
	Kshs.	Kshs.
Payroll Expenses	929,009,835	947,360,690
Medical Insurance Expenses	60,553,752	59,184,547
Staff Development	2,657,784	5,231,794
Office Entertainment	2,830,387	2,531,025
Part Time Lecturers	37,990,563	87,122,611
Total	1,033,042,320	1,101,430,667

9 GENERAL EXPENSES

Admission Related expenses	802,907	924,683
Accreditation Expenses	901,000	231,730
Advertising & Publicity	14,077,898	10,958,044
Bill boards and rates	1,034,425	630,968
Anti- corruption expenses	57,600	468,853
Auditing Services	580,000	580,000
Bank charges & commissions	2,328,320	1,883,630
Canteen expenses	-	307,954
Cleaning materials	1,154,949	2,040,753
Committee expenses	7,340,755	5,539,603
Computer Operating Expenses	2,375,430	1,767,754
Conference & seminars	6,775,298	4,164,726
Cooking Fuel & Gas	1,304,429	1,372,600
Professional and legal services	418,380	13,939,151
Dairy expenses	161,731	467,144
Disability mainstreaming	223,250	256,250
Chancellors expenses	70,288	86,764
Electricity expenses	12,962,223	8,942,843
Examination Materials	832,103	6,137,004
Supervision of thesis	7,400,016	9,772,552
Graduation Expenses	12,803,896	11,467,799
Gender mainstreaming and HIV Expenses	217,880	239,900
ICT expenses	746,698	920,080
Insurance Expenses (Property& staff)	5,227,764	5,770,810
Internet Expenses	19,178,834	11,041,832
ISO Certification expenses	2,211,605	2,157,963

NOTES TO THE FINANCIAL STATEMENTS (Continued)

General Expenses Continued	2020	2019
	Kshs.	Kshs.
Lease and rental	14,627,940	15,561,047
Library expenses	1,021,880	805,096
Medical Expenses	8,790,968	7,741,033
Laboratory chemicals & teaching materials	2,961,008	3,898,772
Outreach Programmes	3,333,092	2,909,454
Performance Contract expenses	541,700	700,044
Postal & Courier expenses	606,909	331,373
Purchase of foodstuff	14,741,887	18,074,216
Sanitary Expenses	827,400	809,766
Security expenses	20,248,450	17,233,773
Senate expenses	1,926,380	1,987,965
Shows & Exhibitions	1,942,229	2,951,218
License and Subscriptions	2,911,129	3,813,674
Sports & Games	2,972,514	5,460,957
Stationery Expenses	5,015,298	8,803,247
Staff Welfare	4,946,286	874,522
Student Activities	9,960,678	5,543,187
Investment seed capital	1,663,366	-
Teaching Practice & Field Attachment	12,522,214	14,708,085
Telephone expenses	1,296,445	1,267,683
Transport operating expenses	9,795,741	12,434,517
Travelling & Accommodation	14,615,998	23,629,549
Uniforms & Clothing	691,287	615,726
Water & Sewerage expenses	2,583,548	836,725
Provision for bad & Doubtful Debt	21,679,112	131,576,668
Total	263,411,138	384,639,687

10 FINANCE COSTS

1st Instalment	6,797,757	7,486,748
2nd Instalment	6,541,818	7,054,152
3rd Installment	6,117,879	6,790,861
	19,457,454	21,331,760

11 REPAIRS & MAINTENANCE

Building repairs and Refurbishments	7,854,194	24,981,019
Maintenance of Plant and Equipment	2,582,497	4,387,370
	10,436,691	29,368,389

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 DEPRECIATION & ARMOTIZATION

	2020	2019
	Kshs.	Kshs.
Depreciation expenses	58,636,912	61,919,836
Amortization	2,198,061	2,198,061
	60,834,973	64,117,897

13 RESEARCH EXPENSES

ICLD Project	-	1,342,676
KLIP Project	1,614,880	3,188,610
Water Quality Challenge	-	28,471
NACOSTI	3,028,750	1,278,065
UHIV Fellowship	873,073	2,720,291
National Research Fund	41,287,945	5,500,365
Recycling Networks Project	410,893	1,650,061
Conflict Violence & Environmental Change Project	1,291,074	737,495
Compact Cities & informal settlements	807,376	1,014,412
Preterm Birth	-	1,052,939
Waste Governance	608,281	886,792
Solar Milk Cooling System	-	113,427
Sempre Award	-	79,882
Neonatal Sepsis Study	1,297,709	5,734,638
Market based approach in clean cooking solutions in Kenya & Tanzania(NRF)	6,270,200	2,188,880
Promotion of Awareness & Pertiicipation of Persons with Disability (NRF)	876,860	9,286,323
Pamoja Project	267,821	679,179
Mobility Fund	629,339	-
Whose Heritage Matters	616,948	1,624,403
ACE II Project	64,791,242	66,148,902
Common wealth-TEL /DeltaProject	870,901	985,664
Grassroot Financial Innovation	9,273,999	841,710
Wheel Change Project	2,276,647	-
Market based approach in clean cooking solutions in Kenya & Tanzania(ADB)	99,200	4,484,323
IGAAD	573,750	-
WHO	322,160	-
SVERIGES LANTBR	812,000	-
University Research	7,256,148	12,395,693
Total	146,157,195	123,963,201

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 COUNCIL EXPENSES

Honorarium	266,000	435,000
Sitting allowances	4,840,000	5,320,000
Travel and Subsistence	4,958,899	8,086,276
Capacity Building and Training	1,842,410	1,666,547
Total	11,907,309	15,507,823

15 GAIN ON EXCHANGE TRANSACTION

	2020	2019
	Kshs.	Kshs.
ABSA Bank	59,188	101,631
Equity Bank	8,616	3,041
Gain/Loss on exchange transaction	67,803	104,672

16 GAIN ON REVALUATIONS

Balance B/f	775,000	625,000
Gain on Valuation	830,000	775,000
Closing Balance	55,000	150,000

17 CASH & CASH EQUIVALENTS

Equity Bondo Project Ac 0750 261 507 711	236,791	664,620
KCB Bondo Project Ac 1171196679	32,431,866	28,309,744
Barclays Dollar Account 2024 513 516	2,410,498	2,235,152
Co- Operative Bank Siaya 112 92557 09500	21,180,750	15,933,365
Equity Account 07502 9423 9156	2,353,910	14,624,777
Equity Accounts Angawa 1260 2997 51274	3,212,208	2,752,948
KCB Current Account 111 576 6643	20,319,821	6,777,506
KCB Development Account 111 387 3035	282,073	5,556,436
KCB HELB Account 111 712 2409	10,418,774	12,540,965
KCB Savings Account 111 304 6066	1,395,171	9,841,901
EQUITY KLIP 1 Account 0750298895605	2,681,823	2,748,493
EQUITY KLIP 2 Account 0750299070880	216,199	207,583
EQUITY ACE 11 Project Account 0750271748376	91,010,457	56,115,596
Cash at Bank	188,150,341	158,309,086
Bank Guarantee	-	1,000,000
	188,150,341	159,309,086

18 RECEIVABLES FROM EXCHANGE TRANSACTION

Students Debtors	359,310,306	321,031,755
Provision for Doubtful debts	(206,408,673)	(184,729,561)
Staff Imprest	1,642,918	5,591,015
	154,544,551	141,893,209

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 RECEIVABLES FROM NON-EXCHANGE TRANSACTION

Deposit Kpl Co Ltd	467,000	464,000
Internal Debtors	1,226,390	555,067
Prepaid Expenses	20,035,881	40,000,120
Student Union	129,740	-
Government Grants Receivables	-	96,879,246
Other Debtors	3,646,154	2,337,240
Total	25,505,165	140,235,673

20 INVENTORIES

	2020	2019
	Kshs.	Kshs.
Stocks Maintenance Stores	11,030,254	9,523,778
Stocks Canteen	-	144,112
Stocks Stationery	6,011,856	6,165,497
Stocks Medical Drugs Reagents and Others	1,393,252	3,495,646
Stocks Cleaning Materials	1,055,052	623,729
Stocks Foodstuff	1,526,028	256,103
Bottling Plant	16,194	199,254
	21,032,635	20,408,121

21 BIOLOGICAL ASSETS

Opening Balance	775,000	625,000
Gain during the Year	55,000	150,000
	830,000	775,000

22 INTANGIBLE ASSETS (ERP SOFTWARE)

Opening Balance	2,210,037	4,408,098
Additions for the Year	6,412,001	-
Less Amortization	(2,198,061)	(2,198,061)
Closing Balance	6,423,977	2,210,037

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 PROPERTY, PLANT AND EQUIPMENT

Jaramogi Odinga University Of Science And Technology
Schedule of Fixed Assets
Amounts in Kshs.

Current year	Land	Buildings	Work in Progress	Motor Vehicles	Plant & Equipment	Crockery's	Library Books	Computers	Furniture & Fittings	Total
Cost										
At 1 July 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
Additions	-	-	284,256,949	-	3,963,000	276,200	894,867	7,225,221	7,772,990	304,389,227
Transfers	-	699,459,990	(699,459,990)	-	-	-	-	-	-	-
At 1 July 2019	190,501,760	1,010,452,023	1,383,723,285	108,985,845	77,989,849	2,232,874	41,605,915	56,415,792	72,921,992	2,944,829,335
Additions	-	-	548,190,650	4,460,000	6,916,428	205,200	359,907	3,791,040	2,733,579	566,656,804
Transfers	-	-	-	-	-	-	-	-	-	-
At 1 July 2020	190,501,760	1,010,452,023	1,931,913,935	113,445,845	84,906,277	2,438,074	41,965,822	60,206,832	75,655,571	3,511,486,139
Depreciation										
At 1 July 2018	-	47,965,413	-	69,721,690	55,045,728	1,875,624	30,226,078	45,755,441	39,228,157	289,818,131
Charge for the Year	-	25,261,301	-	11,984,514	7,670,039	168,840	4,386,723	4,729,773	7,718,648	61,919,836
At 1 July 2019	-	73,226,714	-	81,706,204	62,715,767	2,044,464	34,612,801	50,485,214	46,946,805	351,737,967
Charge for the Year	-	25,261,301	-	12,122,014	6,872,368	171,152	2,997,775	4,084,529	7,127,774	58,636,912
At 1 July 2020	-	98,488,014	-	93,828,217	69,588,135	2,215,616	37,610,576	54,569,743	54,074,579	410,374,879
Net Book Value										
At 30 June 2020	190,501,760	911,964,009	1,931,913,935	19,617,628	15,318,142	222,459	4,355,246	5,637,089	21,580,992	3,101,111,261
At 30 June 2019	190,501,760	937,225,310	1,383,723,285	27,279,642	15,274,082	188,410	6,993,114	5,930,578	25,975,188	2,593,091,368

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 TRADE AND OTHER PAYABLES

	2020	2019
	Kshs.	Kshs.
Payables on provision of services	3,776,801	4,228,216
Payables on Supply of Goods	4,148,240	5,627,240
	7,925,041	9,855,456

25 EMPLOYEE BENEFIT OBLIGATIONS

Employee Benefit Obligations	4,820,640	4,820,640
Part-Time Lecturers	7,122,601	33,890,612
KRA Withholding Tax Control	4,586,836	2,595,121
Leave days Control	-	12,494,933
	16,530,077	53,801,306

26 REFUNDABLE DEPOSITS FROM CUSTOMERS

Student Union Fees	-	-
Student Caution Money	15,223,025	15,377,825
Contractors Retention Amount	44,564,969	12,493,309
General Third Parties	1,907,986	1,619,800
Commission for UE	1,489,000	2,301,500
	63,184,980	31,792,434

27 DEFERRED INCOME

KLIP Ecotourism	-	14,880
NACOSTI	-	3,028,750
TNO FF Project	470,558	470,558
UHIV Followship	-	873,073
ACE 11-World Bank	91,010,457	56,115,596
National Research Fund	5,535,424	9,215,929
IGAAD	-	573,750
Health Sector support Project	3,307,816	3,307,816
World Health Organisation	-	322,160
Water Hycinth Project	104,245	104,245
Recycling Networks Project	509,158	321,099
Conflict Violence and Environmental Change Project	3,441,255	73,095
Compact Cities and Informal Settlements	-	807,375
Scholarship Fund	69,242	-
Waste Governance	-	608,281
Safe Water and Waste Management	6,225,967	-
Wheel Change	425,998	-
Neonatal Sepsis Study	439,911	1,737,620
Clean Cooking solutions(NRF)	1,846,964	3,613,279
Promotion of Awareness and Participation of Persons with Disability(NRF)	4,980,734	178,625

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred Income Continued

Clean Cooking solutions(ADB)	-	107,214
Pamoja Project	100,000	367,821
Mobility Fund	-	629,339
Whose Heritage Matters	-	616,948
Common wealth-TEL /DeltaProject	-	870,901
Unkown (Sveriges Lantbr)	-	812,000
Grassroot Financial Innovation	8,811,831	4,769,690
	127,279,559	89,540,044

28 PREPAYMENTS

Student Advanced Receipts

Continuing Students	43,906,919	56,906,415
Other Students	12,394,459	21,636,655
	56,301,378	78,543,070

29 BANK LOAN

Bal B/f	155,170,812	165,365,377
Less: Payments	(11,778,413)	(10,194,565)
Bal Cf	143,392,399	155,170,812
Current Loan (Due within 12 months)	13,112,651	11,778,413
Non-Current Loan (Due beyond 12 months)	130,279,748	143,392,399

30 CAPITAL GRANTS RESERVE

Capital Development Grants	376,061,459	191,090,469
EQUITY	2,722,290,972	2,481,200,503
Transfer from Retained Earnings		50,000,000
	3,098,352,431	2,722,290,972

31 REVENUE RESERVE

Opening Balance	(83,071,600)	63,462,455
Transfer to capital reserves	-	(50,000,000)
For the year	67,703,664	(96,534,055)
	(15,367,936)	(83,071,600)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 THE CAPITAL RESERVES

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 set to materialise within the next 12 months or in the financial year.

34 JOOUST ENTERPRISE LIMITED

The University registered JOOUST enterprises Limited during the 2017-2018 financial year. The operations of the company are yet to fully take off as the University is still undergoing the legal framework for its operation. During the year under review, the Enterprise made a sale of KShs. 1,468,575 comprising of sale of bottled water of KShs. 1,100,560 and farm income of KShs. 368,015 against an expenditure of KShs. 1,663,366. This has been incorporated in the financial statements under note 7 and note 9.

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:

	2020	2019
	Kshs	Kshs
Council	11,907,309	15,507,823
Salaries and allowances for senior management	77,054,350	72,083,273

36 FINANCIAL RISK MANAGEMENT

The University's activities expose it to a variety of financial risks such as Market Risk (includes foreign exchange risk, cash flow and fair value interest rate risk), Credit Risk and Liquidity Risk. The University's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

Financial risk management is carried out by the finance department under policies approved by the University Council. The University has also 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

I.) Market Risk

a) Foreign exchange 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 operates two USD accounts and also makes some payments for specialized equipment and services in U.S.D. Foreign currency risk exposures are minimal and all managed within the approved policy parameters.

The University is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from various projects funded in foreign currencies. The foreign exchange risk is to the extent of volatility of the foreign currency exchange rates from the time the contract is entered into and the time the final funding is disbursed.

b) Cash flow and fair value interest rate risk

The university's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the University to cash flow interest rate risk which is partially offset by cash held at variable rates. To manage interest rate risk, the University ensures that a portion of its borrowings are fixed rate borrowings. The University regularly monitors financing options available to ensure optimum interest rates are obtained.

As at 30th June 2020 the University did not have any borrowings at variable rates.

II.) Credit risk

Credit risk is managed on a University-wide basis. Credit risk arises from deposits with banks, fees and other receivables. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the University. The major player under this risk are the students. Credit risk is managed primarily by the Chief Finance Officer. The University has a student's fee payment policy which defines how and when the fees are supposed to be paid hence minimizing the risk. Credit risk arises from cash at bank and short term deposits with banks, as well as tuition fees and other receivables.

The University has no significant concentrations of credit risk. For banks and financial institutions, only reputable well established financial institutions, are accepted.

The amount that best represents the University's maximum exposure to credit risk at 30 June 2020 is made up as follows:

	30-June-20 Kes.
Cash at Bank	188,150,341
Receivable – Exchange Transactions	154,544,551
Receivable – Non Exchange Transactions	25,505,165
Total	368,200,057

No collateral is held in respect of the above assets. No receivables have had their terms renegotiated, and management does not expect any losses from non-performance by these parties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii.) Liquidity risk

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying operations, Management and the Council maintains flexibility in funding.

Management performs cash flow forecasting and monitors rolling forecasts of the University's liquidity requirements to ensure it has sufficient cash to meet its operational needs by ensuring that the University has enough cash on demand to meet expected operational expenses within 90 days.

The University's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the University's reputation.

The table below analyses the University's financial liabilities that will be settled on a net basis into relevant maturity groupings i.e. within the next twelve months and to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows:

Liabilities as at 30 June 2020	Kes'
Maturing within the next 12 months	
Trade Creditors	7,925,041
Other Liabilities	276,408,644
Total	284,333,685
Total Liabilities	
Maturing within the next 12 months	284,333,685
Non-current Borrowings	130,279,748
Total	414,613,433

In the year under review, the University did not face any major liquidity risk.

Financial Probity

As a public entity, the University ensures a strict following of the code of ethics that is based on integrity, professionalism and honesty, in the management of the University's financial resources, procurement and beyond the legal requirements.

Some of the measures put in place to promote probity aims at ensuring that:

- The Council, Management and Staff (Officers) act ethically at all times, in accordance with the Public Officers Code of Conduct as set out in the governing statutes.
- Officers do not make improper use of their position.
- Officers avoid placing themselves in a position where there is the potential for claims of biasness.
- Officers do not accept hospitality, gifts or benefits from any potential stakeholders that may lead to a compromise of their integrity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- e) The University does not seek to benefit from stakeholder practices that may be dishonest, unethical or unsafe.
- f) All stakeholders are treated equitably and fairly.
- g) Conflicts of interest are managed appropriately.
- h) Probity and conflict of interest requirements should be applied with appropriate and proportionate measures informed by sound risk management principles.
- i) Value for money outcomes are best served by effective probity measures that do not skew in favor of any particular person or group of persons.
- j) Confidential information must be treated appropriately at all times.

The University did not have any major financial probity as of 30th June 2020 reported by Internal Audit/External Audit. Audit, Risk and Compliance Committee equally did not give any major probity.

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.

Ratio Analysis

	2019-2020	2018-2019	Benchmark
Current Ratio	1.37	1.68	1:1
Quick Ratio	1.29	1.60	1:1
Available Funds	0.66	0.58	0.75
Debt to Asset	0.05	0.06	33%and below
Debt Service	0.01	0.01	20% of operating Revenue
Net Operating Results	0.04	(0.06)	Positive ratio

Explanatory notes for the Ratio Analysis

Measures of Liquidity

Current Ratio = Unrestricted Current Assets/Unrestricted Current Liabilities

Quick Ratio = Unrestricted Current Assets - Inventories/Unrestricted Current Liabilities

Available Funds = Cash + Short-term Investment/Unrestricted Current Liabilities

Measures of Debt Structure

Debt to Asset = Debt (Loan) / Net Investment in Plant (Non-Current Assets)

Debt Service = Debt Service (loan repayment)/Operating Revenue (recurrent grants)

Expenditure ratios

Net Operating Results =Net Total Revenues (surplus or deficit) / Total Revenues

37 STATEMENT ON DEBTS GUARANTEED BY THE NATIONAL TREASURY

The Council reiterates that as at 30th June, 2020, 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 LEASE 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 5years. 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 EVENTS AFTER THE REPORTING PERIOD

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

40 ULTIMATE & HOLDING ENTITY

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

41 CURRENCY

The financial statements are presented in Kenya Shillings (Kshs)

42 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. Research movement in the year is as shown in the table:

Jaramogi Oginga Odinga University of Science & Technology
Annual Reports and Financial Statements
For the year ended 30 June 2020

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY					
FINANCIAL REPORT STATUS ON RESEARCH GRANTS AS AT 30.6.2020					
S/NO.	PROJECT NAME	Balance as at 1/7/2019	Amount received	Expenditure as at 30.06.20	Balance as at 30.06.20
1	KLIP Project	14,880	1,600,000	1,614,880	-
2	NACOSTI	3,028,750	-	3,028,750	-
3	TNO FF Project	470,558	-	-	470,558
4	UHIV Fellowship	873,073	-	873,073	-
5	ACE II Project	56,115,596	99,686,103	64,791,242	91,010,457
6	National Research Fund	9,215,929	37,607,440	41,287,945	5,535,424
7	IGAAD	573,750	-	573,750	-
8	Health Sector Support Project	3,307,816	-	-	3,307,816
9	World Health Organization	322,160	-	322,160	-
10	Water Hyacinth Project	104,245	-	-	104,245
11	Recycling Networks Project	321,099	598,951	410,893	509,157
12	Conflict Violence & Environmental Change Project	73,095	4,659,233	1,291,074	3,441,254
13	Compact Cities & informal settlements	807,376	-	807,376	-
14	Scholarship Fund	-	69,242	-	69,242
15	Waste Governance	608,281	-	608,281	-
16	Safe Water and Waste Management	-	6,225,967	-	6,225,967
17	Wheel Change Project	-	2,702,644	2,276,647	425,997
18	Neonatal Sepsis Study	1,737,620	-	1,297,709	439,911
19	Market based approach in clean cooking solutions in Kenya & Tanzania(NRF)	3,613,279	4,495,871	6,270,200	1,838,950
20	Promotion of Awareness & Participation of Persons with Disability (NRF)	178,625	5,678,969	876,860	4,980,734
21	Market based approach in clean cooking solutions in Kenya & Tanzania(ADB)	107,214	-	99,200	8,014
22	Pamoja Project	367,821	-	267,821	100,000
23	Mobility Fund	629,339	-	629,339	-
24	Whose Heritage Matters	616,948	-	616,948	-
25	Common wealth-TEL /Delta Project	870,900	-	870,900	-
26	Unknown (Sveriges Lantbr	812,000	-	812,000	-
27	Grassroots Financial Innovation	4,769,690	13,316,140	9,273,999	8,811,831
28	University Research	-	-	7,256,148	-
	Grand total	89,540,044	176,640,560	146,157,195	127,279,557

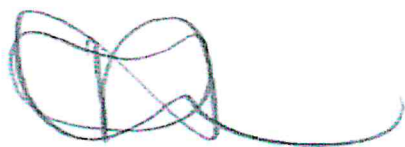
Note: The University Research is funded from revenue received from sources other than research funds.

43 APPENDICES

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The 2018-2019 audit report has not been issued to the University. The University however has put in place procedures and guidelines that ensures good governance in operations of the University.

Signed:



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Prof. Isaiah Wakindiki
Council Chairman

Signed:



.....
Prof. Stephen Agong'
Vice Chancellor

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements
						(Yes/No)
African Centre of Excellence in use of Insects as food and feed	P151847	International Development Association (IDA) World Bank	5 Years	600 Million	Yes	Yes

	Project	Total Project Cost	Expended to Date	Completion %age	2019-20 Budget	2019-20 Actual	Sources of funds
1	Ultra-Modern Library	511,331,302	453,806,531	89%	47,155,000	47,153,180	GoK
2	Administration Block	813,676,199	144,600,685	18%	100,000,000	99,054,118	GoK
3	Research Centre	477,598,143	152,232,479	32%	105,947,000	103,743,596	GoK
4	Tuition Block	715,026,599	299,595,637	42%	232,000,000	231,709,756	GoK
5	1000 capacity student hostel	828,088,371	795,350,500	96%	66,530,000	66,530,000	GoK
6	Other projects funded by A-I-A	86,328,103	86,328,097	-	-	-	A-i-A
	Total	3,432,048,717	1,931,913,929		551,632,000	548,190,650	

APPENDIX III: INTER-ENTITY TRANSFERS

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY				
Break down of Transfers from the State Department of Education				
FY 2019/2020				
a.	Recurrent Grants			
		Bank Statement Date	Amount (Kshs)	FY to which the amounts relate
		8-Aug-19	82,012,080.00	2019/2020
		29-Aug-19	82,012,081.00	2019/2020
		27-Sept-19	82,012,081.00	2019/2020
		1-Nov-19	82,012,081.00	2019/2020
		29-Nov-19	82,012,081.00	2019/2020
		27-Dec-19	82,012,080.00	2019/2020
		4-Feb-20	82,012,081.00	2019/2020
		2-Mar-20	82,012,081.00	2019/2020
		3-Apr-20	82,012,080.00	2019/2020
		8-May-20	82,012,081.00	2019/2020
		5-Jun-20	82,012,081.00	2019/2020
		26-Jun-20	82,012,080.00	2019/2020
		Total	984,144,968.00	
b.	Development Grants			
		Bank Statement Date	Amount (Kshs)	FY to which the amounts relate
		21-Nov-20	139,322,541.00	2019/2020
		12-Mar-20	236,738,918.00	2019/2020
		Total	376,061,459.00	
c.	Direct Payments			
		Bank Statement Date	Amount (Kshs)	FY to which the amounts relate
	NRF	20-Aug-19	626,475.00	2019/2020
	NRF	20-Aug-19	33,556,900.00	2019/2020
	NRF	20-Dec-19	1,778,261.00	2019/2020
	NRF	20-Dec-19	4,495,871.00	2019/2020
		11-Apr-20	1,645,804.00	2019/2020
		Total	42,103,311.00	
d.	Donor Receipts			
		Bank Statement Date	Amount (Kshs)	FY to which the amounts relate
	World Bank	3-Jul-19	8,853,990.00	2019/2020
	World Bank	7-Nov-19	18,316,327.35	2019/2020
	World Bank	5-Jun-20	38,629,993.85	2019/2020
		Total	65,800,311.20	