

REPUBLIC OF KENYA



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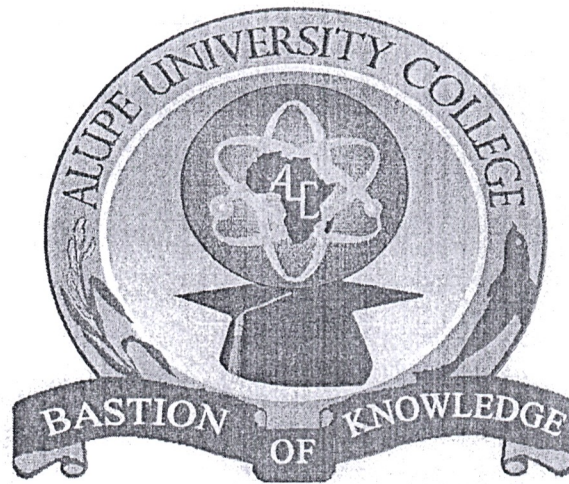
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
ALUPE UNIVERSITY COLLEGE**

**FOR THE YEAR
ENDED 30 JUNE 2017**



ALUPE UNIVERSITY COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2017

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

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

I. KEY ALUPE UNIVERSITY COLLEGE INFORMATION AND MANAGEMENT

(a) Background Information

Alupe University College was established on 24th July 2015 vide a Legal notice number 153 as a constituent College of Moi University. The University College is a body corporate established under Alupe University Legal Order No.153 of July 2015. At cabinet level, the University is represented by the Cabinet Secretary for Education, Science and Technology who is responsible for the general policy and strategic direction of the University. The Alupe University College council was appointed under special gazette notice of 7th November 2016.

Upon its establishment, the University College embarked on setting up its own systems, structures and policies.

(b) Principal Activities

The University College's has the following mandates;

- i) The principal activity, mission of the University College is to provide directly or in collaboration with other institutions of higher learning, facilities for university education (including technology, scientific and professional education) integration of teaching, research and effective application of knowledge and skills to the life and work and welfare of the citizens of Kenya.
- ii) To participate in the discovery, transmission, preservation and enhancement of knowledge and to stimulate the intellect participation of students in the economic, social, scientific, technological and cultural development of Kenya.
- iii) To provide and enhance University education and training to appropriately qualified candidates leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the senate may from time to time determine and in so doing contribute to the manpower needs.
- iv) To conduct examinations for such academic awards as maybe provided for in the statutes pertaining to the University College.
- v) To examine and make proposals for the new Schools, Institutes, departments, resource and research centres, degree courses and subjects of study
- vi) To play a leading role in the development and expansion of the opportunities for higher education and research.
- vii) To contribute to industrial and technological development through innovations and technological transfer
- viii) To develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, arch and consultancy services.
- ix) To participate in commercial ventures and other activities for the benefit of the University College, and stakeholders
- x) To facilitate student mobility between different programmes at different technical training institutions, Universities and Industry; and
- xi) To foster the general welfare of all staff and students.

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

The Vision, Mission, Motto and Core Values of Alupe University College

Vision

To be a world-class University that is committed to achieving academic excellence, integrity and quality research

Mission

To create, evaluate, apply, preserve and share knowledge in a free, open and inclusive environment of intellectual inquiry, for the betterment of society

Motto

Bastion of Knowledge

Core values

- **Professionalism**
Embrace integrity in teaching, learning and research
- **Creativity and Innovation**
Commitment to promoting and supporting resourcefulness and the advancement of new ideas
- **Excellence**
Commitment to quality teaching, research and service delivery
- **Good Corporate Governance**

Prudent management of resources and best practice in leadership
- **Customer focus**
Endeavour to provide services that meet the needs of the client
- **Teamwork**

(c) Key Management

Alupe University College's day-to-day management is undertaken by the following key organs:

- i) University College Council
- ii) University College Management Board
- iii) Deans Committee
- iv) Academic Board

(d) Fiduciary Management

The Key management personnel who held office during the financial year ended 30th June were;

Designation	Name
1. Ag. Principal	Prof. Fabian Esamai
2. Ag. Deputy Principal (Administration, Finance and Planning)	Prof. Emmy Kipsoi

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3. Ag. Deputy Principal (Academics, Students Affairs and Research) Prof. Peter Barasa
4. Senior Accountant CPA Billiah Shitsinzi

(e) Headquarters Of Alupe University College

Alupe University College
P.O. Box 845-50400
BUSIA
Off Busia- Malaba road
KENYA

(f) Alupe University College Contacts

Telephone :(254) 741 217 185,
(254) 736 044 469

E-mail: principal.auc.ac.ke
principalalupe@gmail.com

Website: www.auc.ac.ke

(g) University Bankers

Kenya Commercial Bank
Busia Branch
P.O. Box 27
BUSIA
Kenya




(h) Independent Auditors

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





(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 City Square 00200
NAIROBI, KENYA

II. MEMBERS OF THE UNIVERSITY COLLEGE COUNCIL

Members of the university College Council	Key Qualifications
 <p>Dr. Virginia W. Kimani ,58, Chairlady Doctor of Philosopy (1997) Crop Science (focus on pesticides Epidemiology)-UON Msc. Plant pathology (1988).Pesticides and Residues –UON Bsc. Agriculture (1993) UON</p>	<p>Joined in November 2016.She is an agriculturist who runs a private consultancy firm on pesticides in Nairobi since1999. She has worked with KARI and Ministry of Agriculture between 1984 and 1999 in various capacities.</p>
 <p>Mr. Kiema Mwandia,44, Member Msc Project management, BSc(Agriculture)UON</p>	<p>Joined in November 2016. A project consultant and managing partner with Adteck Creations Company. He is a member of Board of trustees of various firms including the Water Services Trust Fund</p>
 <p>Mr. William Ikapel,68 Member Holds an MA in Communication Studies,UON,LLB,UON,2001</p>	<p>Joined in November 2017. He is in the roll of advocates of the High court since 1987.Served as a magistrate and a state council between 1973 and 1992.Worked at KBC for over 12 years. He retired from public service in 2004.</p>

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 <p>Eng. Andrew Makokha,66-Member B Sc Civil Engineering(UON),1975 Masters in Environ.Engineering,France,1981</p>	<p>A registered engineer and member of the Institute of Engineers. Has a vast experience working in the Ministry of Water to position of deputy Director countrywide. Retired from public service in 1993.Joined World Bank as a team leader in the East and Southern Africa region.</p>
 <p>Ms. Caroline Chirchir, 52-Member MA Counselling &Psychology(Daystar),BA in Business Management(Sunderland),Post graduate Diploma in SHRM-JKUAT</p>	<p>A member of Institute of Human Resource Management and Kenya Counselling and psychology Association. A private human resource consultant and has served as head of Human Resource in SMEP for 6 years.</p>
 <p>Mr. Isaac.O. Odek,52-Member Bed Arts (KU), 1990, Master of Business Finance (KU), 2006.</p>	<p>Works in state Corporations Inspectorate, and served in several parastatal boards and councils since 2014.Has a vast experience as Assistant Director of Youth Affairs for 9 years and now serving as a desk officer in State Corporations Inspectorate for 12 state corporations.</p>
 <p>Dr. Christopher Yegon,52- Member BBM(Moi University), 2003, MBA(UON),2009,PhD (JKUAT), 2015.</p>	<p>Works as a Director of Research and Policy development. Has a vast experience as county secretary under Transition Authority with Bomet County. A teacher by profession.</p>



Prof. Fabian Esamai-Secretary to Council

MB ChB (UON) 1978

MMed (Paeds -UON) 1984



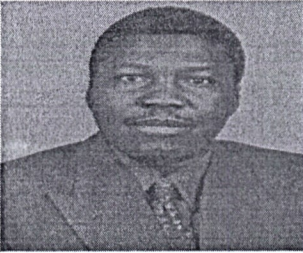
MPH (Johns Hopkins University, USA)
1996

PhD(Linkoping University, Sweden,2002

Joined in October 2016 as Ag. Principal

PS National Secretary To Be Named

III. COLLEGE BOARD OF MANAGEMENT

Name of the Staff and qualifications	Responsibility
 <p>Prof. Fabian Esamai MB ChB (UON) 1978 MMed (Peads-UON01984, MPH (Johns Hopkins University, USA, 1996 PhD (Linkoping University, Sweden) 2002</p>	<p>Ag, Principal</p>
 <p>Prof. Emmy Kipsoi Bed (Daystar University) 1994, Master in Education (Kenyatta University), 2000, Doctor of Philosophy (Moi University), 2011.</p>	<p>Ag. Deputy Principal (Administration, Finance and Planning</p>
 <p>Prof. Peter Barasa A Professor of Language Education in the School of Education, Moi University and holds a Ph.D., M. Ed., B. Phil, Postgraduate Certificate in Research (The University of Hull, UK) and Diploma in Education (English and Literature- Siriba T.T.C.).</p>	<p>Ag. Deputy Principal (Academic Student Affairs and Research)</p>



Senior Accountant

CPA Billiah Shitsinzi
CPA Final 2002, BBM (Moi University), 2005, ICPAK
Member

ALUPE UNIVERSITY COLLEGE

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

IV. CHAIRLADY'S STATEMENT

It is with great pleasure that I present the Alupe University College financial report for the year ended 30th June 2017. This is the first financial report of the institution since its establishment in July 2015. The Alupe University College became operational on 7th November 2017 upon the appointment of the Alupe University Council vide Special Gazette Notice 136.

This first financial year of our University College and Council has been an exciting time. Alupe University College is being established from scratch, and we had neither facilities nor teaching and non-teaching staff. However, the Kshs 20million we were granted for recurrent expenditure was very useful in activating the operations of the University College.

The Alupe University College also received Kshs 155 million for capital development which has been utilised for the renovations of the buildings for use by students, commencement of the constructions of the library, 2 lecture halls, 1 laboratory and procurement of 3 vehicles.

SIGNATURE: 

DATE: 17-7-2018

DR. VIRGINIA W. KIMANI
CHAIRLADY, ALUPE UNIVERSITY COLLEGE COUNCIL

V. THE PRINCIPAL'S REPORT ON THE FINANCIAL STATEMENTS

Alupe University College was established as a Constituent College of Moi University as pronounced by the then President of Kenya Hon. Mwai Kibaki on 18th September 2007. It run as a campus of Moi University since then until it was gazetted on 24th July 2015 and operationalized on 7th November 2016 through the appointment of the first Alupe University Council.

The interim Alupe University College Management Board was appointed by Moi University on October 13th 2016 and has been working round the clock to ensure the University College is fully operational by the end of the 2016/17 financial year with the allocation of Kshs 20million for recurrent expenditure and Kshs 155million for capital expenditure.

Alupe University College has been allocated 200 students as its first batch of students for the 2017/18 academic year by the Kenya Universities, constituent University Colleges and Colleges placement service (KUCCPS). These students reported to campus on 6th September 2017.

The Alupe University College aspires to be a centre of excellence in the sciences, health sciences and the social sciences. It has four schools of Health Sciences, Science, Education and Social Sciences and Business Economics and Human resource Development into which the 200 students have been admitted.

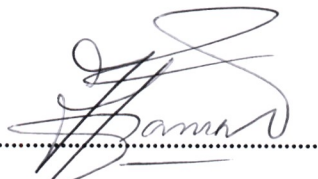
The funding of the Alupe University College needs to be up-scaled given its focus on the sciences and the health sciences and it is hoped that the differentiated unit cost will be able to address this once fully operationalized.

Alupe University College needs to develop the entire needed infrastructure, on its 200 acres of land that a University needs, from scratch as it did not take over any structures or an existing institution. It has started its operations in facilities offered to it by the Alupe Sub- County Hospital with the understanding that in the long run the hospital shall benefit through infrastructure upgrade as the health sciences programs are developed by the University College.

We wish to thank the Government for the wise consideration of setting up this science focused University College as it will aid in meeting the objectives of Government including the objectives of Vision 2030 and the Sustainable Development Goals (SDGs) of the United Nations.

I wish to thank the University Council for its tireless efforts in steering the University College this far in its first year of operations despite all the challenges of starting a University College with limited resources.

SIGNATURE:



DATE:

16/7/18

PROF. FABIAN ESAMAI
PRINCIPAL, ALUPE UNIVERSITY COLLEGE

VI. CORPORATE GOVERNANCE STATEMENT

Alupe University College affirms its commitment to upholding high standards of corporate Governance designed to protect the interests of all stakeholders while promoting the highest standards of integrity, transparency and accountability. A key objective of the institution's governance framework is to ensure compliance with legislative and regulatory requirements some of which are listed below: Compliance with the Constitution of Kenya, Public Finance Management Act 2015, Public Procurement and Asset Disposal Act.

Council members

The Alupe University College council is responsible for the governance of the College and is accountable to the Government for ensuring that there is compliance with the law and high standards of business ethics and corporate governance. The council therefore attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

The roles of the chairlady and the principal are distinct and their respective responsibilities are clearly defined. The Council comprises of eight members, seven of whom are independent and non-executive, including the Chairperson. The council defines the University's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Council Members bring their diverse experience and qualification into the Council's deliberations. The governance parameter on Process of appointment, of council members as the oversight body was transparent and formal. The Council of the University College was appointed by the Cabinet Secretary in accordance with section 36 of the University Act. On appointment, the Council members were gazetted. The process of succession and removal was yet to apply at the time. All new Council members underwent induction. The Competence Needs Assessment was yet to be done at the time. Council evaluation was not yet due as it is required to be undertaken annually.

Council Meetings

As a steward of the College Resources, the Council formulates policies that guide in the resource planning, mobilization, allocation and provides conducive environment for the implementation of its objectives. These are driven through Council meetings which are held on a need basis. The council on the other hand has set up other Sub-committees with well-defined terms of reference to discharge on its behalf specific mandates in order to hasten specific decisions relating to the given mandates so as to attain efficiency and effectiveness in the overall discharge of responsibilities.

During the financial year 2016/2017, there were six full regular quarterly council meetings all held at Alupe University College and there was a quorum in each. In each meeting a conflict of interest register is signed by all members present and in this financial year no conflict of interest was declared by any member. Remuneration of the Council members is pegged on meetings attended as they are paid sitting allowance for each meeting and night outs for the period they are on university official function as per the rates provided for in the national treasury circular for payment of sitting allowances and perdiems.

ALUPE UNIVERSITY COLLEGE

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

The chairperson is also entitled to monthly honoraria and telephone allowance. No governance audit was done in this financial year.

FULL COUNCIL MEETING ATTENDANCE

NO	NAME	2 ND QUARTER	3 RD QUARTER		4 TH QUARTER
		19 th Dec 2016	16 th Jan 2016	13 th Mar 2016	11 th May 2017
1.	Dr. Virginia Kimani	✓	✓	✓	✓
2.	Mr.Kiema Mwandia	✓	✓	✓	✓
3.	Mr. Alinoor Hassan	✓		✓	
4.	Eng.Andrew Makhoha	✓	✓	✓	✓
5.	Ms Caroline Chirchir	✓	✓	✓	✓
6.	Mr. William Ikapel	✓	✓	✓	✓
7.	Dr Christopher Yegon	✓	✓	-	✓
8.	Prof.Isaac Kimengi	✓	-	-	-
9.	Prof.David Tarus	-	✓	✓	-
10.	Mr. Isaac Odek	-	-	-	✓
11.	Prof.Fabian Esamai	✓	✓	✓	✓

Note: Prof. Isaac Kimengi (DVC Academic and Research Moi University) and Prof. David Tarus (DVC Finance, Development and Administration Moi University) were in attendance representing Moi University Vice Chancellor.

The council has put in place several committees to ensure effective discharge of its duties. The committees report to the Council on all statutory duties and duties assigned by the Council. In the financial year 2016/2017, the council approved the following committees;

THE AUDIT AND RISK COMMITTEE

Members of the committee include;

1. Mr. Alinoor Hassan Chair
2. Mr. William Ikapel Member
3. Mr. Isaac Odek Member
4. Dr. Christopher Yegon Member

The mandate of the audit committee includes;

- a) Formulation of policies on internal controls that will enhance security, accountability of resources management and improve on efficiency and transparency.
- b) Examine Internal and External Auditors' findings and recommendations for improvement of internal controls. Monitor Management's response to and implementation of internal control recommendations
- c) Assist the Principal in enhancing internal controls in order to improve efficiency, transparency and accountability.
- d) Resolving unsettled and unimplemented issue raised by the Public Investment Committee(PIC)

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- e) Enhancing communication between management, internal and external audit and fostering an effective internal audit function.
- f) Reviewing the systems established to ensure sound public financial management and internal controls as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- g) Initiating special audits/investigation on any allegation, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the principal.
- h) Advice on quality and performance monitoring
- i) Perform an oversight function as may be requested by the University College Council from time to time.

MEETING ATTENDANCE

NO	NAME	4 TH QUARTER
		25 th April 2017
1.	Mr. Alinoor Hassan	
2.	Mr. William Ikapel	✓
3.	Dr Christopher Yegon	✓
4.	Mr. Isaac Odek	✓

FINANCE, PLANNING AND DEVELOPMENT COMMITTEE

Members of this committee are;

- 1. Mr. Kiema Mwandia Chair
- 2. Eng. Andrew Makokha Member
- 3. Dr. Christopher Yegon Member
- 4. Mr. Isaac O.Odek Member

Mandate

- 1. Coordinating the infrastructural planning, development of the University College both at short and long term planning and acquisition and utilization of property. It ensures that all the development of the University is in line with its master plan and consistent with the laws of the land and that appropriate funding has been sought before commencement of the projects.
- 2. To develop appropriate and conducive policies to guide and promote resource mobilization and income generation activities in the University College.
- 3. To be responsible for authorizing expenditure for all maintenance work with the provision that the committee will have the authority to delegate the minor maintenance work to an executive sub-committee of the University College
- 4. To provide progress reports to the Council.
- 5. To recommend and effect as appropriate any modification in physical facilities as may be necessary

**Reports and Financial Statements
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MEETING ATTENDANCE

NO	NAME	4 TH QUARTER		
		26 th April 2017	10 th May 2017	7 th June 2017
1.	Mr. Kiema Mwandia	✓	✓	✓
2.	Eng. Andrew Makokha	✓	✓	✓
3.	Dr Christopher Yegon	✓	✓	✓
4.	Mr. Isaac Odek	✓	✓	✓

ACADEMIC, RESEARCH AND EXTENSION COMMITTEE

Members are;

- | | |
|--|--------|
| 1. Eng. Andrew Makokha | Chair |
| 2. Mr. Alinoor Hassan | Member |
| 3. Dr,Christopher Yegon | Member |
| 4. Mr. William Ikapel | Member |
| 5. Mr. Isaacc Odek | Member |
| 6. Prof, Laban Ayiro (Vice Chancellor) | Member |

Mandate

1. To provide policy guidelines on University wide research activities and trainings to put in place comprehensive research and training structures for resource mobilization and funding.
2. To review all research training and progresses and to deal all matters related with statutes in terms of format and the contents of University statutes.
3. To set priorities and targets for research activities and advices council on consultancies, technology transfers and intellectual property rights.

MEETING ATTENDANCE

NO	NAME	4 TH QUARTER	
		26 th April 2017	6 th June 2017
1.	Eng. Andrew Makokha	✓	✓
2.	Mr. William Ikapel	✓	✓
3.	Dr Christopher Yegon	✓	✓
4.	Mr. Isaac Odek	✓	✓
5.	Mr. Alinoor Hassan	✓	✓
6.	Prof. Fabian Esamai	✓	✓

ALUPE UNIVERSITY COLLEGE

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HUMAN RESOURCE DEVELOPMENT AND ADMINISTRATION COMMITTEE

Members are;

- | | |
|--------------------------|--------|
| 1. Ms Caroline Chirchir | Chair |
| 2. Mr. Kiema Mwandia | Member |
| 3. Dr. Christopher Yegon | Member |
| 4. Mr. Isaac Odek | Member |
| 5. Prof. Fabian Esamai | Member |

Mandate

i)To review, evaluate and make recommendations on the overall organizational structure, staff establishments, remuneration structure, terms and conditions of service and to provide for the welfare of staff as and when necessary or whenever directed to do so by Council from time to time.

ii)To review, evaluate and make recommendations for approval of policies and other processes of accountability, internal controls and risk management, taking into account sustainability, ethics and compliance with the Constitution, all applicable laws, regulations and standards.

iii)To review the Code of Conduct and Ethics of the University employees.

iv)To institute, through a Sub-Committee, regular reviews of individual members of staff grading with a view to determining whether a member of staff should be promoted.

v)To exercise such other functions as the Council may confer from time to time.

vi)To make its recommendations to Council for ratification.

MEETING ATTENDANCE

NO	NAME	4 TH QUARTER	
		25 th April 2017	20 th June 2017
1.	Ms Caroline Chirchir	✓	✓
2.	Mr.Kiema Mwandia	✓	✓
3.	Dr Christopher Yegon	✓	✓
4.	Mr. Isaac Odek	✓	✓
5.	Prof.Fabian Esamai	✓	✓



ALUPE UNIVERSITY COLLEGE

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BOARDS (APEALS AND DISCIPLINARY)

APEALS BOARD

Members;

- | | |
|-----------------------|--------|
| 1. Mr. William Ikapel | Chair |
| 2. Mr. Alinoor Hassan | Member |
| 3. Mr. Isaac Odek | Member |

Mandate

This committee will consider appeals from students and members of staff to make appropriate recommendations to the Council.

DISCIPLINARY BOARD

Members;

- | | |
|--------------------------|--------|
| 1. Eng. Andrew Makokha | Chair |
| 2. Ms. Caroline Chirchir | Member |
| 3. Mr. Kiema Mwandia | Member |
| 4. Mr. Christopher Yegon | Member |
| 5. Mr. Isaac Odek | Member |

APPOINTMENTS AND PROMOTIONS

Members are;

- | | |
|---------------------------|--------|
| 1. Dr. Virginia Kimani | Chair |
| 2. Dr. Christopher Yegon | Member |
| 3. M/s. Caroline Chirchir | Member |
| 4. Mr. Alinoor Hassan | Member |
| 5. Mr. Isaac Odek | Member |

Mandate

To consider appointments and promotion of professors, associate professors, senior lecturers, lecturers and equivalent administrative staff.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Alupe University College was gazetted in July 2015 with its first council appointed in November 2016. The first batch of Government sponsored students are expected on the college in September 2017. During the financial year ended 30 June, 2017, management endeavoured to comply with the various statutory requirements to enable the college exist and operate as a legal and distinct entity. The institution registered with the National Social Security Fund, National Hospital Fund and Kenya Revenue Authority and remitted withholding tax (VAT), PAYE, NSSF and NHIF on behalf of the government of Kenya.

During the financial year 2016/2017 the University College was allocated Kshs 20Million by the Ministry of Education for recurrent and 155Million for capital expenditures respectively. This has gone into expenditures on initial infrastructural facilities and equipments at the College besides capital projects considering that it is relatively new with no facilities of its own.

The University College handed over the site to successful contractors for commencement of construction of approved capital projects during the financial year 2016/2017.

The projects include;

1. Construction of library phase I
2. Construction of 2 Lecture Halls and One Laboratory and;
3. Refurbishment of the Existing College structures

The major risk facing the University College is the liquidity risk. This is as a result of the College's inability to meet its financial obligations as they fall due, a situation that is brought about by limited financial allocations.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

It is now one year since Alupe University College was gazetted and it has therefore been trying to acquaint to its surrounding. Due to its newness, the college has not significantly impacted socially to those living in its vicinity. However, moving forward the institution has plans to embrace the society or its neighbours by getting involved in various activities that could positively affect their livelihoods. Such activities include collaborations with institutions within its location in enhancing learning and research, environmental issues and general improvement learning issues

The institution has plans of putting up an ultra-modern medical hospital which besides serving as a learning facility will offer medical services to the society within the county, country and even beyond borders.

Despite being a relatively young institution, its future plans which are still at proposal levels will socially benefit the region a great deal.

ALUPE UNIVERSITY COLLEGE

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

IX. REPORT OF THE COUNCIL

The council submit their report for the financial year ended 30 June 2017 together with the audited financial statements for the year ended June 30, 2017 which show the state of Alupe University College's affairs.

Principal Activities

The principal activities of the Alupe University College are to offer higher education, research and extension services.

Results

The results for the year ended June 30, 2017 are set out on page 23.

Directors

The members of the Board of Directors who served during the year are shown on page 7-9. During the year none of them retired or resigned since they were all newly appointed in November 2016.

Auditors

The Auditor General is responsible for the statutory audit of Alupe University College in accordance with Article 229 of the Constitution of Kenya and the Public Act 2015.

By Order of the Board



Dr. Virginia W. Kimani

Chairlady Council

Date.....17.7.2018

X. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Universities Act, requires the council members to prepare financial statements for the university college, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for the financial year 2016/2017. The Council Members are also required to ensure that the University College keeps proper accounting records which disclose with reasonable accuracy the financial position of the College. The Council Members are also responsible for safeguarding of the assets of the University.

The Council Members are responsible for the preparation and presentation of the University's financial statements, which gives a true and fair view of the state of affairs of the University College as at the end of the financial year ended June 30, 2017. These responsibilities include:

- (j) 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 misstatement, whether due to error or fraud;
- (iv) Safe guarding 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 Members accept responsibility for the University College'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 Universities Act, 2012. The council members are of the opinion that Alupe University College's financial statements give a true and fair view of the state of the college's transactions during the financial year ended June 30, 2017 and of the College's financial position as at that date.

The Council Members further confirm the completeness of the accounting records maintained for the University College, 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.

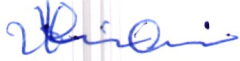
Nothing has come to the attention of the Council Members to indicate that the University College will not remain a going concern for at least the next twelve months from the date of this statement.

ALUPE UNIVERSITY COLLEGE

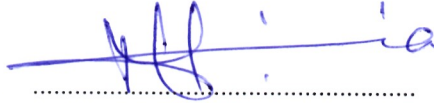
**Reports and Financial Statements
For the year ended June 30, 2017**

Approval of the financial Statements

The Alupe University College's financial statements were approved by the council on
.....September 2017 and signed on its behalf by;



Council Chairlady



Council Member

Council Member

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Alupe University College set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2017 and the statement of comprehensive income, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Alupe University College as at 30 June 2017 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012 and Alupe University Legal Order 2015.

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Alupe University College in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 of the Auditor-General on the Financial Statements of Alupe University for the Year ended 30 June 2017

Other Matter

1. Budgetary Performance

The approved recurrent budget for the University College was Kshs.20,000,000 against which expenditure of Kshs.45,671,336 equivalent to 228% of the budget was spent resulting in an over-expenditure of Kshs.25,671,336 as detailed below:

Budget Performance Analysis			
Item	Budgeted	Actual	Variance
REVENUE	Kshs	Kshs	Kshs
Government Grants	20,000,000	20,000,000	-
Catering Income	-	188,995	-188,995
Sale of quotation Forms	-	69,000	-69,000
Total Income	20,000,000	20,257,995	-257,995
Expenses			
Employee Costs	-	33,133,718	-33,133,718
General Expenses	5,069,487	5,421,633	-352,146
Directors Remuneration	7,596,817	6,503,595	1,093,222
Repairs & Maintenance	680,184	612,390	67,794
Student mattresses	800,000	-	800,000
Dining Hall Expenses	400,000	-	400,000
Student Furniture	1,696,715	-	1,696,715
Student Beds	1,500,000	-	1,500,000
Purchase of Equipment	715,259	-	715,259
Purchase of Computers	789,125	-	789,125
Purchase of Staff Furniture	752,413	-	752,413
Total	20,000,000	45,671,336	-25,671,336

In addition, the approved development expenditure was Kshs.155,000,000 while the actual expenditure was Kshs.14,918,000 resulting to an under-expenditure of Kshs.140,082,000 equivalent to 90% of the budget.

No plausible explanation has been provided by management for the very significant variation of recurrent and development expenditures from the budget during the year under review.

2. Weaknesses in the Internal Control Environment

The management of the University College are yet to publish an internal audit manual as well a risk management policy and framework approved by the Audit Committee. In addition, management have not established an information technology and communication department.

In the circumstances, the effectiveness of the internal control and internal oversight arrangements is doubtful.

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

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

In preparing the financial statements, management is responsible for assessing the ability of the University College to continue offering services disclosing, as applicable, matters related to sustainability of services and using the going concern accounting assumption unless the management are aware of the intention to liquidate the University College or cease its operations. .

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

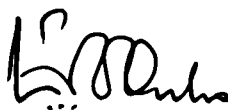
As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the University's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. 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 consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

16 August 2018

ALUPE UNIVERSITY COLLEGE

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

XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
JUNE 30, 2017

2016/2017	NOTE	Kshs
REVENUE		
Revenue from non-exchange transactions		
Grants from National Government	1(a)	20,000,000
Total Revenue from non-exchange transactions		<u>20,000,000</u>
Revenue from Exchange transactions		
Other Income	2	257,995
Total Revenue from Exchange transactions		257,995
TOTAL REVENUES		20,257,995
<u>OPERATING EXPENSES</u>		
Remuneration to Council	4	6,503,595
Repairs and Maintenance	5	612,390
General Expenses	6	9,776,726
Employee Costs	3	33,133,718
TOTAL OPERATING EXPENSES		50,026,429
(DEFICIT) FOR THE YEAR		(29,768,434)

The notes set out on pages 29 to 39 form an integral part of these Financial Statements.

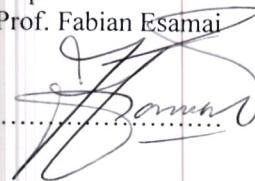
ALUPE UNIVERSITY COLLEGE


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


XIII. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2017

ASSETS	NOTE	2016/2017
CURRENT ASSETS		
Cash and Cash Equivalents	7	153,303,598
Total Current Assets		153,303,598
NON- CURRENT ASSETS		
Property, Plant and Equipment	8	12,473,407
Total Non –Current Assets		12,473,407
TOTAL ASSETS		165,777,005
CURRENT LIABILITIES		
Trade and Other Payables from exchange transactions	9	40,545,439
Total Current Liabilities		40,545,439
NET ASSETS		125,231,566
RESERVES		
Reserves	11	155,000,000
Revenue Reserves		(29,768,434)
Total net assets and liabilities		125,231,566

The Financial Statements set out on pages 24 to 28 were signed on behalf of the Board of Directors by;

Ag. Principal
Name: Prof. Fabian Esamai
Date: 


For Head of Finance
Name: CPA Billiah Shitsinzi
ICPAK Member Number 4998
Date: 16/07/2018


Chairlady of Council
Name: Dr. Virginia Kimani
Date: 16/7/18

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Capital Reserve (Kshs)	Revenue Reserve (Kshs)	Total (Kshs)
Balance as at 1 Nov 2016	-	-	-
(Deficit)/Surplus for the Year	-	(29,768,434)	(29,768,434)
Development Grants received during the year	155,000,000	-	155,000,000
Balance as at 30 June 2017	155,000,000	(29,768,434)	125,231,566

Capital reserves are the capital development grants to the institution during the year for capital projects whereas the revenue reserves are generated from the recurrent grants meant for recurrent expenditure.

ALUPE UNIVERSITY COLLEGE

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

XIV. STATEMENT OF CASHFLOWS AS AT 30 JUNE 2017

	Note	2016/17
		Shs
Cash flows from operating activities		
Receipts		
Government grants	1(a)	20,000,000
Other income,	2	257,995
Total Receipts		20,257,995
Payments		
Employees Costs	3	33,133,718
Remuneration to Council	4	6,503,595
Repairs and Maintenance	5	612,390
General expenses	6	9,776,726
Total payments		50,026,429
Cash flows from operating activities		(29,768,434)
Add back non-cash items		
Depreciation & amortization	8	4,055,093
		25,413,341
Increase (Decrease) in payables	9	40,545,439
Net cash flows from operating activities		14,832,098
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	8	(16,528,500)
Net cash flows from investing activities		(16,528,500)
Cash flows from financing activities		
Capital Grants	11	155,000,000
Net Cash flows from financing activities		155,000,000
Net increase/(decrease) in cash and cash equivalents		153,303,598
Cash and cash equivalents at beginning 1 July 2016		
Cash and cash equivalents at 30 June 2017	7	153,303,598

NOTES TO THE CASH FLOW STATEMENT

1. Full year's depreciation is charged in the year of purchase for all the University College assets
2. Trade and other Payables ;The University College adopted IPSAS 33 in the year ended 30 June 2017 under review and therefore provision of the first time adoption of accrual basis does not apply

ALUPE UNIVERSITY COLLEGE

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

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2017

BUDGET SUMMARY DETAILS	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE
REVENUE	Kshs	Kshs	Kshs	Kshs	Kshs
Government Grants	20,000,000	-	20,000,000	20,000,000	-
Catering Income	0.00	-	-	188,995	(188,995)
Sale of quotation Forms	0.00	-	-	69,000	(69,000)
Total Income	20,000,000	-	20,000,000	20,257,995	(257,995)
EXPENSES					
Employee costs	-	-	-	33,133,718	(33,133,718)
General expenses	12,320,000	(8,250,513)	5,069,487	5,421,633	(352,146)
Council remuneration	5,320,000	2,276,817	7,596,817	6,503,595	1,093,222
Repairs & maintenance	700,000	(19,816)	680,184	612,390	67,794
Student mattresses	-	800,000	800,000	-	800,000
Dining hall expenses	-	400,000	400,000	-	400,000
Student furniture	-	1,696,715	1,696,715	-	1,696,715
Student beds	-	1,500,000	1,500,000	-	1,500,000
Increase in provision for audit fees	-	-	-	300,000	(300,000)
Depreciation	-	-	-	4,055,093	(4,055,093)
Purchase of equipment	250,000	465,259	715,259	-	715,259
Purchase of computers	410,000	1,379,125	789,125	-	789,125
Purchase of staff furniture	1,000,000	(247,587)	752,413	-	752,413
Total Expenditure	20,000,000	-	20,000,000	50,026,429	(30,026,429)
Surplus/deficit for the period	-	-	-	(29,768,434)	(29,768,434)

NOTES TO BUDGET COMPARISON STATEMENT

1. Other Income is analysed as follows;

Catering Services	188,995
Sale of quotation forms	69,000
Total	257,995

- The University College reported a deficit due to payment of salaries by when the institution did not receive any capitation to cater for wages
- Deficit under general expenses arose due to advertising and Publicity which was to cater for marketing of the University College programmes in the local dailies, using banners and even market places and secondary schools.
- In most of the cases there were changes between the original and final budget. This was as a result of re-allocations to expenditure votes that were frequently in use from those which were slightly not active.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Alupe University College is established by and derives its authority and accountability from the Universities' Act, 2012. It is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity is education and research.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Alupe University College's financial statements have been prepared in accordance and compliance with the International Public Sector Accounting Standards (IPSAS) as stipulated by the Public Sector Accounting Standards Board and as a requirement of the Public Finance Management Act 2012. The University College adopted the International Public Sector Accounting Standards for the first time in this report for the financial year 2016/2017 following the gazettelement of the University College on 24th July 2015.

The financial statements are presented in Kenya Shillings, which is a functional and reporting currency of the University College.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standard and amendments to published standards effective the year ended 30 June 2017.

Standard	Impact
<p>IPSAS 33: First time adoption of Accrual Basis IPSAS</p>	<p>(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSAS. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSAS for the first time, providing a major tool to help entities along their journey to implement IPSAS. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The entity adopted IPSAS in the year ended 30 June 2017 and therefore provisions of first time adoption of accrual basis is applicable to Alupe University College.</p>
<p>IPSAS 34: Separate Financial Statements</p>	<p>(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>

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

Standard	Impact
<p>IPSAS 35: Consolidated Financial Statements</p>	<p>(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. <p>Once control is assessed, the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35. The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
<p>IPSAS 36: Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. ALUPE UNIVERSITY COLLEGE does not have investments in associates or joint ventures.</p>
<p>IPSAS 37: Joint Arrangements</p>	<p>(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. ALUPE UNIVERSITY COLLEGE does not have an interest in a joint arrangement and therefore the standard does not apply.</p>



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

Standard	Impact
IPSAS 38: Disclosure of Interests in Other Entities	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p>ALUPE UNIVERSITY COLLEGE does not have an interests in other entities and therefore the standard does not apply</p>

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

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	<p>Applicable: 1st January 2018</p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p>
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019:</p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions, which are covered purely under Public Sector combinations as amalgamations. This standard will not be applicable to ALUPE UNIVERSITY COLLEGE.</p>

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue from non-exchange transactions

Transfers from other Government Entities

Revenue from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining the asset (cash, services, goods 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 University College can reliably be measured. However other non-exchange revenues are recognized when it is probable that the future economic benefits will flow to the University College.

ii) Revenues from exchange transactions

Rendering of services

The University College recognizes revenue from rendering of services by reference to the stage of completion and the transaction can be reliably be measured.

b) Budget Information

The annual budget is prepared on the accrual basis implying that all planned costs and income are presented in a one statement as per the needs of the University College.

Accrual basis of budgeting ensures that there is no basis or timing differences that would require adjustment or reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement of comparison of budget and actual amounts. Alupe University College original budget was approved by its council and it was after the approval that funds were released for use.

c) Taxes

The University College is exempted from taxation under the first schedule of income tax Act Cap 470.

d) Property, Plant and Equipment

All University College 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 replaced, the University College 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 normal consideration.

Fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is calculated on the straight line basis at annual rates estimated to write off carrying values of the assets over their expected useful lives, the asset is initially measured at its fair value. Assets acquired during the year are depreciated at full year from the date of acquisition.

The Annual depreciation rates in use are:

Buildings	2%
Furniture, Plant and Equipment	12.5%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Motor Vehicles	25%
Computers	33.3%
Freehold land is not depreciated as it is deemed to have an infinite life	

Land

Alupe University College has a 200 acre piece of land which was donated to it by Moi University. This land was not recognised in the final accounts because it had not been valued and its title was still in the name of Moi University.

Buildings

Alupe University College operates from buildings donated by Alupe Sub-County hospital.

Financial Liabilities

e) Trade Payables

Trade payables are current and are stated at their nominal value.

f) Inventories

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

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and the proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class inventory is distributed or deployed at no charge or for a minimal charge, that class of inventory is measured at the lower of cost and current placement costs.

Net realizable value is the estimated selling price in an ordinary course of operation, less the estimated costs of completion and the estimated cost necessary to make the sale, exchange, or contribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the University.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Cash and Cash Equivalents

Cash and Cash equivalents comprise cash on hand at bank, short term deposits on call and highly liquid investments with original maturity of three months or less, which are readily convertible to known amounts of cash and subject to insignificant risk change in value. Bank account balances include amounts the commercial bank at the end of the financial year.

h) Provisions

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

i) Contingent liabilities

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

j) Contingent assets

The University College does not recognise a contingent asset, but discloses details of a possible asset whose existence, but discloses details of a possible asset whose existence is contingent on the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the University in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in financial statements. If it has become virtually certain that an inflow of economic benefit or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Employee Benefits

i) Retirement benefit plans

The University provides retirement benefits for its permanent employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employees service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are income or expense in the period in which they arise.

ii) Related Parties

Alupe University College regards 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 College or vice versa. Members of key management are regarded as related parties and comprise the University College Council and management.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Estimates and assumptions

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. In financial year 2016/2017 there were no assumptions and estimates.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

k) Provisions

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

ASSET CLASS	DEPRECIATION RATE (%)	USEFUL LIVES
Buildings	2.5	40 Years
Plant & Equipment	20	5 Years
Motor Vehicles	25	4 years
Computers, Printers & Copiers	33.3	3 Years
Furniture & Fittings	12.5	8 years

j). Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

ALUPE UNIVERSITY COLLEGE

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1(a) Transfers from other governments

Description	2016/2017(Kshs)
Unconditional grants	
Operational grants	20,000,000
Total	20,000,000
Conditional grants	
Total government grants and other subsidies	20,000,000

1(b) Transfers from Ministries, Departments and Agencies

Name of Entity Sending the grant	Amount recognized to Statement of comprehensive Income(Kshs)	Amount deferred under deferred income(Kshs)	Amount recognized in capital fund	Total Grant income during the year	2016/2017
State Department of University Education	20,000,000	-	155,000,000	175,000,000	175,000,000
Total	20,000,000	-	155,000,000	175,000,000	175,000,000

Transfers from Ministry of Education

Name of Entity sending the grant	Amount recognized to statement of comprehensive income	Amount deferred under deferred income	Amount recognized in capital fund	Total grant income during the year	2016/2017
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Education	20,000,000	-	155,000,000	175,000,000	175,000,000
Total	20,000,000	-	155,000,000	175,000,000	175,000,000

ALUPE UNIVERSITY COLLEGE

Breakdown of Transfers from State Department of University Education

FY: 2016/2017

a)	Recurrent Grants	Bank Statement Date	Amount(Kshs)	Year to which amounts relate
1.		09/02/2017	10,000,000	2016/2017

ALUPE UNIVERSITY COLLEGE

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

2.		09/02/2017	5,000,000	2016/2017
3.		02/05/2017	5,000,000	2016/2017
		Total	20,000,000	
b)	Development Grants			
1.		23/03/2017	38,750,000	2016/2017
2.		18/04/2017	116,250,000	2016/2017
		Total	155,000,000	

2. Other Income

Catering Services	188,995
Sale of Quotation Forms	69,000
Total Other Income	257,995

3. Employee costs - Ksh 33,133,718

The employee costs of Ksh 33,133,718 relates to salaries and wages paid to AUC staff from November 2016 to June 2017. The said staff were initially employees of Moi University Alupe Campus who were inherited by Alupe University College and were therefore still on Moi University payroll.

4. Remuneration to Council

December	1,153,430
January	598,468
February	1,041,778
March	539,550
April	1,422,219
May	964,950
June	783,200
Total	6,503,595

5. Repairs and Maintenance

Maintenance of Plant & Equipment	116,060
Maintenance of Buildings	355,021
Maintenance of Catering & Hostels	126,359
Maintenance of Water Supplies	14,950
Total	612,390

6. General Expenses

1. Cleaning Materials and Detergents	7,115
2. Transport of Operating Expenses	213,077
3. Travelling and Accommodation	1060,210
4. Postal and Telecommunication	97,555
5. Telephone Expenses	137,700
6. Internet Expenses	215,185

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Catering Expenses	84,890
8. Electricity , Water and Conservancy	152,159
9. Publishing and Printing	188,800
10. Purchase of Stationery	159,259
11. Publicity and Advertisement	1,599,940
12. Training Expenses	288,450
13. Vehicle Insurance Expenses	275,914
14. Increase in Provision for Audit Fees	300,000
15. Preliminary capital related expenses	917,000
16. Depreciation	4,055,093
17. Bank Charges	24,378
Total	9,776,726
7. Cash and Cash Equivalent	
i). Kenya Commercial Bank Main Ac. NO.1201874084	152,317,694.00
ii). Kenya Commercial Bank Operations Ac NO.1201874025	985,904.00
Total Cash and Cash Equivalents	153,303,598.00

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Property, Plant and Equipment ,Kshs 513,733,407

Property, Plant and Equipment	Motor Vehicle	Furniture & Fittings	Computers	Plant & Equipment	Total
Cost					
At 1 July 2015	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At June 2016	-	-	-	-	-
Additions	14,918,000	698,000	597,500	315,000	16,528,500
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At end year-June 2017	14,918,000	698,000	597,500	315,000	16,528,500
Depreciation and impairment					
At 1 July 2015	-	-	-	-	-
Depreciation	-	-	-	-	-
On Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 June 2016					
Depreciation	3,729,500	87,250	198,968	39,375	4,055,093
On Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
NET BOOK VALUES					
At 30 June 2017	11,188,500	610,750	398,532	275,625	12,473,407
At 30 June 2016	-	-	-	-	-

ALUPE UNIVERSITY COLLEGE

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Trade and other payables from exchange transactions

Description	Amount (Kshs)
Students Fees	4,136,580
Salaries paid by Moi on behalf of Alupe	33,133,718
Suppliers	61,843
Advance from Moi University	2,913,298
Provision for Audit Fees	300,000
Total trade and other payables	40,545,439

Student fees

During the Financial year 2016/2017, the University College did not have any students as the existing students transferred to Moi University when Alupe Campus was transformed to a University College. The College received kshs 4,136,580 as student fees, however this has not recognized as revenue but rather as payable since the money may be refunded to Moi University upon request.

10. Cash generated from operations

	2016-2017
	Ksh.
Surplus for the year before tax	(29,768,434)
Adjusted for;	
Depreciation	4,055,093
Working capital adjustment	(25,713,341)
Increase in payables	40,545,439
Net cash flow from operating activities	14,832,098

11. Reserves

Capital Reserve	155,000,000
TOTAL	155,000,000

This being the first annual report and financial statements for the University College there are no issues arising from the auditor's previous recommendations to be addressed during this period.

12. Financial Risk Management

i).Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk on trade receivables is managed by ensuring that students pay fees before sitting for their examinations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii). Liquidity risk

Liquidity risk is the risk that the University will encounter difficulties in meeting obligations associated with financial liabilities. The University College manages liquidity risk by continuously reviewing forecasts and actual cash-flows.

iii). Market risk

Market risk is the fair value or future cash flows of financial instruments that fluctuate because of changes in market price.

iv). Currency risk

Currency risk arises on financial instruments denominated in foreign currency. The University College does not have any significant currency risk as it does not have trade receivables, trade payables and borrowings denominated in foreign currency.

v). Other price risk

Other price risk arises on financial instruments because of changes in price of a financial instrument. The University College is not exposed to other price risk as it does not hold financial instruments.

13. Related Party Balances

a) Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Alupe University College is related to;

- i) The National Government
- ii) The Ministry Education (State Department University Education)
- iii) Key management
- iv) Council members

b) Key management remuneration

	2017
	Kshs
Council members	6,503,595
Key management compensation	10,522,283
Totals	17,025,878

c) Due from related parties

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Due from the Ministry Education	0
Due from SAGA	0
	<hr/>
	0
	<hr/> <hr/>

e) Due to related parties

Due to the Ministry Education	0
Due to SAGA	0
	<hr/>
	0
	<hr/> <hr/>

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit report	Management comments		Issue/Observations from Auditor		
	Status	Timeframe	Focal point person to resolve the issue		
N/A	N/A	N/A	N/A	N/A	N/A