

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

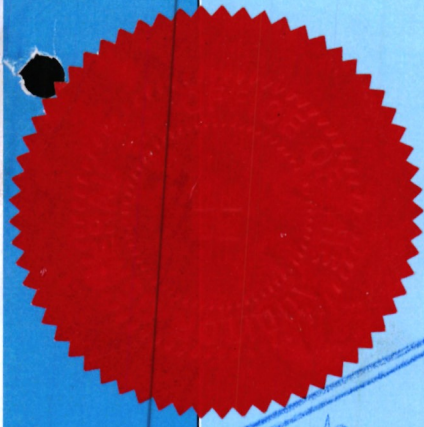
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
BUKURA AGRICULTURAL COLLEGE

FOR THE YEAR ENDED  
30 JUNE 2018



THE NATIONAL ASSEMBLY  
PAPERS LAID  
DATE: 17/11/2013  
DAY: Wednesday  
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Gethwa  
Chebet  
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## BUKURA AGRICULTURAL COLLEGE



**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE, 2018**

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

**BUKURA AGRICULTURAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**30 JUNE 2018**

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**KEY COLLEGE INFORMATION AND MANAGEMENT**

**(a) Background information**

Bukura Agricultural College was established as legal entity by the “Bukura Agricultural College Act of 1999”

**(b) Principle Activities**

The College mandate is to provide agricultural training through integration of research and the provision of agricultural extension services.

**(c) Key Management**

The Colleges’ day-to-day Management is under the following key organs:

- Principal
- Deputy Principal
- Registrar; and
- Heads of Departments

**(d) Fiduciary Management**

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

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Principal	Dr. Richard Wekesa, PhD
2.	Deputy Principal	Dr. Beatrice Osumbah, PhD
3.	Registrar	Mr. James Etemsi

**(e) Independent Auditors**

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

**(f) Principal Legal Adviser**

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

**(g) Registered Office**

Bukura Agricultural College  
P.O. Box 23  
Sigalagala - Butere Road  
Bukura, KENYA

**(h) College Contacts**

Telephone :( 254) 202349256  
E-mail:principal@bukuracollege.ac.ke  
Website: www.bukuraCollege.ac.ke

**(i) College Bankers**

Co-operative Bank of Kenya  
Kakamega Branch  
P.O. Box 595  
Kakamega50100

Kenya Commercial Bank  
Kakamega Branch  
PO BOX 152  
Kakamega 50100

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## **BACKGROUND INFORMATION**

### **Core Functions**

The Bukura Agricultural College Act of Cap, 348 mandates the College to:

- Provide directly or in collaboration with other institutions of higher learning facilities for education in Agriculture and other auxiliary subjects through the integration of teaching, research and effective application of extension services;
- Participate in the discovery, transmission and preservation of knowledge in agriculture and other related fields;
- Conduct examinations for and grant diplomas and such academic awards as provided for in the statutes; and
- Co-operate with the government in the planned development of Agricultural Education.

### **Vision**

The Training Institution of choice in practical Agricultural Sciences.

### **Mission**

To Provide Quality Agricultural Education through Training, Research, Innovations and Extension Services for improved agricultural productivity and livelihoods.

### **Motto**

Training and Innovations for Improved Livelihoods.

### **Core values**

In pursuit of the Mission and Vision and to perform its core functions, the College will be guided by the following fundamental values, derived from the Constitution of Kenya 2010, which will define the culture of the College:

#### **Professionalism**

The College has a highly skilled technical resource base. These skills will be harnessed for effective service delivery. Performance management, as a service delivery culture, will be integrated in all aspects of the College operations.

#### **Accountability and Transparency**

The College will endeavour to be accountable and transparent to its clients and uphold high integrity in the provision of its service.

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**Efficiency and Responsiveness**

The College will endeavour to conduct its functions efficiently to serve its clientele by responding promptly and fairly.

**Inclusiveness**

The College will strive to embrace diversity in cases of race, gender, religion, colour, disability, tribe etc.

**Innovation**

The College will encourage and support innovative and creative ideas in order to improve efficiency and effectiveness in agricultural productivity.

**Customer Focus**

To be an effective agent of agricultural transformation, the College will embrace the culture of customer care. The students, service providers and other stakeholders will be central to the operations of the College.

**Team work**

We commit to work as a team at all levels.

**Environmentally Sensitive**

The College will ensure that all the activities undertaken are environmentally sensitive.

**Quality Policy**

To provide demand driven middle level agricultural training, research and extension services so as to meet and exceed the customer and stakeholder expectations; and  
Complying with the requirements and continuously improving the effectiveness of its quality management system.

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**THE BOARD OF DIRECTORS**



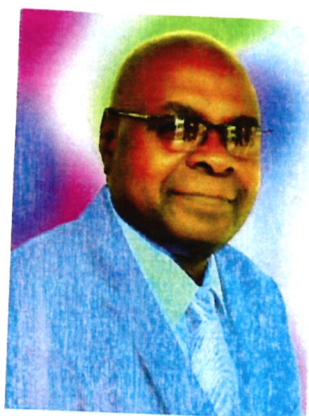
*Mrs. Mary Waudo – Board  
Chairperson wef 14<sup>th</sup>  
December 2018 todate*

Mrs Mary Waiswa Waudo is a PhD student at the University of Nairobi and a lecturer at Mt Kenya University. She holds a masters degree in Foods, Nutrition and dietetics from Kenyatta University, a bachelors degree in Homescience and a postgraduate degree in special education from Bombay University, India, Mary is a seasoned teacher with the Teacher Service Commission and a Quality Assurance Officer with Kenya Bureau of Standards (KEBS)



*Ms. Pacifica Wekesa -  
Independent Director 1st June  
2016 todate*

Ms. Pacifica Wekesa is a Human Resource Management Consultant. She holds a Bachelor's of Arts degree and a Diploma in Human Resource Management. Currently, she is consulting for West Media.



*Mr. Joseph Odera Ngaah - Alt  
Director - Kenya National Farmers  
Federation - 26th February 2016  
todate*

Mr. Ngaah is a farmer in Lugari Sub County of Kakamega County. He holds an “A” certificate and is trained in Agriculture General and Efficient Machine Approaches (Hannover, German). He is currently the Chairman of the Kenya Farmers Federation, Kenya Leguminous Crops Association and Kakamega County Dairy Platform. Currently, he is the Chairman of the Audit Committee of the Board

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Mrs. Cathering Wangari Ng'ang'a  
- Alternate Director, Principal  
Secretary - State Department of  
Agriculture - 11th November 2015  
todate

Mrs. Ng'ang'a is the Director of Human Resource Management and Development at the State Department of Agriculture. He holds a Master's degree in Business Administration, a Bachelor's of Arts Degree, a Higher National Diploma in Human Resource and a Diploma in Industrial Relations. She has also attended a Strategic Leadership Course and a Leadership course for Women Leaders. She has been a practicing Human Resource profession for over 28 years.



Mr. Elly Onger - Alternate  
Director, Principal Secretary -  
National Treasury - September  
2012 todote

Mr. Elly Onger holds a Master's Degree in Economics, a Bachelor's Degree in Economics, He is also ISO Quality Management Representative of the National Treasury. He has attended Strategic Leadership Course.



Mrs. Grace Agili - Alternate  
Director, Agriculture Secretary -  
State Deepartment of Agriculture  
August 2016 todote

Mrs. Agili is a Deputy Director of Agriculture at the State Department of Agriculture. She holds a Master's degree in Management of Agriculture Knowledge Systems, a Bachelor's degree in Agriculture, a Diploma in Business and ICT. She has also attended a Strategic Leadership Course, Organization Change Management, Board of Governors Training and Project Planning and Development.

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Professor Philip Wandahwa -  
Director, Public Universities –  
26th February 2016 to date

Prof. Wandahwa is a professor of soil science and land evaluation at Masinde Muliro University of Science and Technology. He holds a doctorate degree in Soil Science and Land evaluation from University of Gent, Master's degree in Soil Science, a Bachelor's Degree in Agriculture, both the University of Nairobi. He has taught in various Universities in Kenya since 1988. Prof Wandahwa has published many research articles in many refereed journals.



Dr. Arnold Mathew Opiyo, PhD -  
Director for Public Universities  
26th February 2016 to date

Dr. Opiyo is currently a Senior Lecturer in the Department of Horticulture at Egerton University, Njoro. He holds a doctorate degree in Horticulture, Master's degree in Horticulture, a Bachelor's Degree in Agriculture, and a Diploma in Horticulture. Dr. Opiyo also holds a post graduate certificate in academic practices. He has taught in Egerton University since 1988. Dr. Opiyo published many research articles in many refereed journals.



Mr. Tom Otieno Olang'o,  
Alternate Director, Principal  
Secretary - State Department of  
Technical, Vocational Educational  
Training -4th February 2016 to  
date

Mr. Olang'o is currently an Assistant Director of Technical Education in the State Department of Technical and Vocational Education, Ministry of Education. He holds a Master's degree in Education, a Bachelor's Degree in Education, and a Diploma in IT. He has worked in the TVET sub-sector for the last 24 years.

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Ms. Mary Wangari Ndia,  
Alternate Director, Principal  
Secretary - State Department of  
Public Service and Youth Affairs -  
1st February 2016 to March 2018

Ms. Ndia the Director of Human Resource Management and Development at the State Department of Agriculture. He holds a Master's degree in Business Administration, a Bachelor's of Arts Degree, a Higher National Diploma in Human Resource and a Diploma in Industrial Relations. She has also attended a Strategic Leadership Course and a Leadership course for Women Leaders. She has been a practicing Human Resource profession for over 28 years.



Figure Dr Leonard Wachira  
Wamae, PhD., Alternate Director  
Director Genral KALRO January  
2017 to date

Dr. Wamae is currently a Director at the Kenya Agricultural and Livestock Research Organization (KALRO). He holds a doctorate degree in Veterinary Medicine, Master's degree in Veterinary Medicine and Surgery and a Bachelor's Degree in Veterinary Medicine and Surgery. Dr. Wamae worked as a research scientist for over 20 years and a research manager for over 15 years. Dr. Wamae has published many research articles in refereed journals.



Dr. Richard Wekesa, PhD -  
Principal/Chief Exeexecutive Officer  
- 18th May 2016 todate

Dr. Wekesa has held various positions at Bukura Agricultural College where he has served in various capacities for over 20 years rising from classroom lecturer. He holds a PhD in Biotechnology from Jomo Kenyatta University of Agriculture and Technology, an MSc in Crop Production and Seed Technology from Moi University and a BSc in Horticulture and a Diploma in Agriculture both from Egerton University Njoro. He has attended many skill based courses in and out of the Country.

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Mr. James Etemesi - Registrar -  
23rd June 2015 to date

Mr, James Etemesi is a registered advocate of the high court. Before he joined the College as Registrar and Secretary to the Board, Mr. Etemesi was in private practice. He holds a Bachelor's degree in Law from the University of Nairobi and a Diploma in Law from the Kenya School of Law.



Mrs. Caroline Ngunjiri, Alternate  
Director, Director of Livestock  
Development - State Department of  
Livestock - September 2008 to  
September 2017

Mrs. Ngunjiri is a Deputy Director of Livestock at the State Department of Livestock in charge of staff training.

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**MANAGEMENT TEAM**



**Dr. Richard Wekesa, PhD -  
Principal/Chief Executive Officer -  
18<sup>th</sup> May 2016 to date**

Dr. Wekesa has held various positions at Bukura Agricultural College where he has served in various capacities for over 20 years rising from classroom lecturer. He holds a PhD in Biotechnology from Jomo Kenyatta University of Agriculture and Technology, an MSc in Crop Production and Seed Technology from Moi University and a BSc in Horticulture and a Diploma in Agriculture both from Egerton University Njoro. He has attended many skill based courses in and out of the Country.



**Dr. Beatrice Osumbah, PhD –  
Deputy Principal/Chief Executive  
Officer - 18<sup>th</sup> May 2016 to date**

Dr. Osumbah holds a PhD in Educational Administration and Management from Jaramogi Oginga Odinga University of Science and Technology, an MSc in Agricultural Education from Kenyatta University, a BSc in Agricultural Education and Extension from Egerton University Njoro and Post Graduate Diploma in Project Management from Cambridge. She has attended many skill based courses in and out of the Country.



**Mr. James Etemesi, College  
Registrar – 23<sup>rd</sup> June to date**

Mr, James Etemesi is a registered advocate of the high court. Before he joined the College as Registrar and Secretary to the Board, Mr. Etemesi was in private practice. He holds a Bachelor's degree in Law from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

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**Mrs. Roselyne Ambani**  
**Dean of Students**

Mrs. Ambani has held various positions at Bukura Agricultural College where she has served in various capacities for over 10 years rising from classroom lecturer. She holds M.Sc. Livestock Value Chain Management, (Larenstein University, The Netherlands), B.Sc. Animal Production, Egerton University



**Mr. George Oloo Idi – Ag**  
**Monitoring and Evaluation**

Mr. Idi has held various positions at Bukura Agricultural College where he has served in various capacities for over 10 years rising from classroom lecturer. He holds an MSc in Agricultural Economics from Egerton University and a BSc in Agricultural Economics both from Egerton University Njoro. He has attended many skill based courses in and out of the Country.



**Mr. John Suge**  
**HoD Agricultural Extension &**  
**Rural Development**

Mr. Suge has held various positions at Bukura Agricultural College where he has served in various capacities for over 20 years rising from classroom lecturer. He holds an MSc in Horticulture from Egerton University and a BSc in Horticulture both from Egerton University Njoro. He has attended many skill based courses.

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**Mr. Jairus Okacha**  
**HoD: Agriculture and Animal**  
**Science**

Mr. Okacha has held various positions at Bukura Agricultural College where he has served in various capacities for over 20 years rising from classroom lecturer. He holds M.Sc. Agronomy University of Eldoret, B.Sc. Agriculture, University of Nairobi. He has attended many skill based courses.



**Mr. Paul Njogu**  
**HoD: Basic and Applied Sciences**

Mr. Njogu has held various positions at Bukura Agricultural College where he has served in various capacities for over 20 years rising from Classroom Lecturer. He holds an M.Ed. (Educational Communication & Technology), Kenyatta University B.Ed. (Mathematics & Chemistry), Kenyatta University. He has attended many skill based courses.

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FA, CPA Samuel Okero  
**Head of Accounts Section**

Mr. Okero is a Certified Public Accountant of Kenya with 14 years of experience in Public Sector. He holds MBA (Finance and Accounting) of Mt. Kenya University. Bachelor of Business Management (Accounting) of Moi University. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) as well as Institute of Certified Investment and Financial Analysis of Kenya (ICIFA). He has attended many skill based courses.



MKISM, Benjamin Kipkemboi  
Cheptiony - **Head of Supplies**  
**Chain Management Unit**

A career Civil Servant with 36yrs in Supply Chain Management Profession, having started as a Storekeeper in 1982. A Member of Kenya Institute of Supplies Management, Professional Course in Supplies Management final stage, Diploma in Adult Education – Nairobi University and several Management Courses and Seminars in the field of Procurement.

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**CHAIRMAN'S MESSAGE**

**Opening Statement**



Ms. Mary Waudo – Board Chairperson wef 14<sup>th</sup> December 2018 to date

I am pleased to present the College's Annual Report and Financial Statement for the year ended 30<sup>th</sup> June 2018.

On behalf of the Board of Governors, I hereby report mixed results in the 2017/2018 Financial Year. The year was characterized by cash flow problems occasioned by decline in exchequer inflows and internal revenue generation. The decline in internal revenue generation was due to low students' enrolment and the below average performance of the College farm and milk processing plant

The College recorded a deficit of **Ksh 46.8M** from its operations mainly due to low funding by the Government and depreciation of its assets.

**Operating Environment**

Kenya's economy is estimated to have expanded by 4.9 per cent in 2017 compared to a revised growth of 5.9 per cent in 2016. The slowdown in the performance of the economy was partly attributable to uncertainty associated with a prolonged electioneering period coupled with adverse effects of weather conditions. In the money market, the Kenyan Shilling strengthened against most of the major trading currencies but weakened against the Euro and the US Dollar in 2017. The current account deficit widened in the year under review on account of significant growth of imports against a slower growth of exports. There was a moderate build up in inflationary pressures mainly due to significant increase in oil and food prices during the year under review. Consequently, inflation rate rose from 6.3 per cent in 2016 to 8.0 per cent in 2017.

Performance across the various sectors of the economy varied widely, with Accommodation and Food services; Information and Communication Technology; Education; Wholesale and Retail trade; and Public Administration registering accelerated growths in 2017 compared to 2016. On the other hand, growths in Manufacturing; Agriculture, Forestry and Fishing; and Financial and Insurance decelerated significantly over the same period and therefore dampened the overall growth in 2017.

The total number of educational institutions increased by 5.1 per cent to 90,587 in 2017 with the number of registered Technical Vocational and Education Training (TVET) institutions increasing substantially by 50.9 per cent from 1,300 to 1,962 in the same period. Total enrolment

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in TVET institutions increased by 35.8 per cent to 275,139 in 2017. The increase is partly as a result enforcement of the TVET Act whereby all the institutions were required to be registered.

The College played an important role towards the realization of vision 2030 by providing the necessary manpower to drive the agriculture sector in 2017/2018 Financial Year. A total of **523 graduates** were released into the sector compared to **563** in 2015/2016 Financial Year representing a decline of 7.1%.

### **College Performance**

During the year under review the College recorded a revenue of **Kshs.184.08M** compared to **Ksh 178.26M** in 2016/17 Financial Year representing an increase of **3.20%**. The increase is attributed to improvement in farm production due to favourable weather and better fees collection strategies following the implementation of the fees payment policy.

### **Future Outlook**

To expand its revenue base the College completed the construction of a milk processing plant. The plant started operating in 2017/2018 Financial Year and is projected to contribute **Ksh 169M** in net revenue in the next **8 years**. The College Farm is also on a revival path and should contribute significantly to revenue. The completion of the Education Complex should contribute to College revenue by providing more teaching facilities.

### **Tribute**

I wish to express my sincere and deep gratitude to my fellow directors, the Government, Management, Staff, development partners and other stakeholders for their steadfast support and contribution towards success in the year.

**CHAIRMAN**



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**MESSAGE FROM THE PRINCIPAL/CEO**



Dr. Richard Wekesa: the College  
Principal/CEO

Guided by our mission “ to provide quality agricultural education through training, research, innovation and extension services for improved productivity and livelihoods, Bukura Agricultural College has developed and implemented training programs with emphasis on inculcating the right skills, knowledge and attitudes in trainees.

**Our Competitive Environment**

On the social scene the number of public Technical Vocational Education Training (TVET) institution rose

by **15.6%** in the year 2016/2017. Most of these TVETs are now offering training in agriculture, implying that the College is faced with challenges of competing for

potential trainees. The College has an ambitious plan to have all its existing curricula modularised and aligned to the needs of the agricultural sector. This will ensure that the College gets a steady supply of students.

It is worth noting that beginning July 1, 2018, the Government will reduce tuition fee for students joining National Polytechnics and Technical Training Institutes to Ksh 56,420 per annum out of which it will sent Ksh 30,000 capitation grants to the institutions for every student admitted. In addition, HELB will provide loans of upto Ksh 40,000 to the students. Part of the loan will be forwarded directly to the training institution to cater for tuition, while the other part will be sent to the beneficiary student’s bank account for upkeep. However, this will only apply to students enrolled in the Ministry of education owned TVET institutions. This new policy will in the long run disadvantage the College in terms of students enrolment and hence revenue generation. There will therefore a new for the College to lobby the Government so that students enrolled in Bukura Also benefit.

Bukura Agricultural College owns two parcels of land on a 99 year lease. The two parcels, namely Bukura/Butsotso/1660 and Bukura/Butsotso/1664 with a total acreage of 539.33 acres out which 117.62 acres are occupied by other Public Institutions. This Institutions are located on Bukura/Butsotso/1660 which has a total area of 324.14 acres. This issue has been raised by the Public Investment Committee of the National Assembly as the assets of these Institutions are declared in the College Books of Account and concerted efforts are being made to address these issue by the Board of Directors. However, the College has a title for Bukura/Butsotso/1664.

**Securing the Future**

Despite stiff competition from our environment for potential trainees, Bukura Agricultural College remains committed to making our training affordable and credible as we move into the future.

We are aware that challenges lie ahead but we remain focussed on achieving our vision of being the training institution of choice in practical agricultural sciences. We recognise the fact that our customers demand for graduates who are competent and entrepreneurial. In the coming years we

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will continue to make progress on our strategy implementation and manage the complex set of associated risks. We will re-engineer our training programs and introduce new ones.

**Appreciation**

On behalf of the College Management I wish to extend my appreciation to the government through the Ministry of Agriculture, Livestock and Fisheries for continued support and insights. I also wish appreciate material and financial support from our collaborators, partners and other stakeholders during the year. To our Board of Governors, Management team, all staff and students I wish to sincerely thank you for the peace, dedication and commitment to the College exhibited throughout the year.

Lastly, its my desire that we should continue to work together as a team in the new financial year and beyond.



Dr. Richard Wekesa, PhD  
**Principal/CEO**

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## **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors and management of Bukura Agricultural College are committed to maintaining the highest level of corporate governance.

### **Board Manual**

The Board Manual outlines the core commitment required of members of the Board to discharge their mandate. It ensures effectiveness of each member's contribution in the governance of the College by facilitating full and free exercise of independent judgement and professional competencies. It clearly outlines the rules that guide the Board and does not in any way purport to replace or supersede any laws and regulations that govern the College.

### **Compliance**

The Board is committed to the underlying principles of good corporate governance as stipulated in the "Guidelines for Corporate Governance in State Owned Enterprise". The College is also ISO 9001:2008 Certified and plans to migrate to the new standards ISO 9001:2015 by October 2018.

### **Board Composition**

The Board is established by Bukura Agricultural college Act ,and comprises of fifteen (15) members namely: Chairman, Director of Agriculture, Director of Livestock Production, Director of Education, Principal Secretary, Ministry of Devolution and Planning, Principal Secretary to the National Treasury, Principal Secretary in the Ministry for the time being responsible for matters relating to agriculture, two representatives of Public Universities in Kenya, two representative of Agriculture Industry, one representative of the Kenya National Farmers Union, Director of Kenya Agricultural Research Institute, the Principal, and the Registrar.

During the period under review there were the following changes in the Board:-

- Dr. Noah M. Wekesa – Chairman appointed on 16<sup>th</sup> March 2015. His term expired on 15<sup>th</sup> March 2018 and has not been replaced up todate.
- Mrs. Mary Kanyi – Alternate Director to Director of Livestock, Ministry of Agriculture, Livestock and Fisheries appointed in September 2017 to replace Mrs. Caroline Ngunjiri who was retiring from the Ministry.
- Mr. David Kanji – Alternate Director to PS State Department of Public Service and Youth Affairs appointed in March to replace M/s Wangari Ndia.
- Mr. James Etemesi – Registrar/Board Secretary appointed on 23<sup>rd</sup> June 2015. His term expired on 22th June 2018 and was renewed for a further three years.

In the 2017/18 Financial Year the Board continued to executed its mandate as provided for by the Bukura Agricultural College Act of 1999, State Corporations Act Cap 446, the College Charter and Statutes, 2017 and the MWONGOZO code of Governance for State Corporations, 2015.

### **Separation of Power and Duties of the Chairman and the Principal**

The independence of the Board from the College's corporate management is ensured by the separation of the functions of the Chairman and the Principal and a clear definition of their responsibilities. This enables the College to achieve an appropriate balance of power, increased accountability and improved decision making.

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**Responsibilities of Board Members**

The responsibilities of members of the Board are clearly spelt out in the Board Manual. These include among others:

- (i) Setting the strategic direction of the College, its objectives and values. It ensures that procedures and practices are in place to protect the Colleges assets and reputation. The Board reviews the strategic direction and adopts business plans proposed by Management, reviews processes for the identification and management of business risk and compliance with key regulatory and legal issues. It also provides oversight role of performing against set targets and objectives.
- (ii) The Board retains full and effective control over the College and monitors management's implementation of plans, strategies, ensures ethical behaviour and compliance with relevant laws and regulations, corporate policies and procedures and the Code of Ethics. It strives to act beyond the minimum requirement and benchmark performance against best practices and not only in practice, but be seen to comply.
- (iii) In accordance with the principles of good corporate governance, each Board member undertakes to always act in the best interest of the College and exercise his/her power in the execution of duties in good faith and act with care and prudence.
- (iv) Each Board member subscribes to the College's core values to always act in the interest of society, promotes the effective use of resources, commits to upholding them and ensures their implementation. This takes into account not only possible financial impact of their decisions, but also their consequences for sustainable development, effect on relations with stakeholders and the general interest of the communities in which the College operates.
- (v) The conduct of Board of governors is in tandem with their duties and responsibilities to the College and stakeholders and they always act within limitations imposed by the Board Manual.
- (vi) On quarterly basis, the Board considers Management Accounts Reports, Performance Contract Reports, Internal Auditor's Reports, Farm Reports and Strategic Plan Implementation reports among others.
- (vii) Every year the Board approves Financial Statement, Annual Report and Accounts, Annual Performance Contract Reports and Procurement Plans for the College.

**Board Appraisal**

At the end of each financial year the Board appraises itself and the Principal and submits the report to the Ministry of Agriculture, Livestock and Fisheries. Board self evaluation in 2017/2018 financial year was conducted on 28<sup>th</sup> September 2018 by an officer from the State Corporation Advisory Committee. The results were subsequently release in March 2018. However, due to the expiry of the Board Chairperson's term in March 2018, they were not forwarded to the Ministry.

**Conflict of Interest and Declaration of Interest**

Members of the Board have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the College. Business transaction with all parties or their related parties are carried out at arm's length.

# BUKURA AGRICULTURAL COLLEGE

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2018

Each member of the Board is obligated to fully disclose to the Board any real or potential conflict which comes to his/her attention, whether directly or indirectly.

At every meeting of the Board an agenda item exists requiring members to make a declaration of interest they may have in the business to be discussed.

### Board Committees

All Board Committees are established with written terms of reference outlining their respective authority and duties. The College Board has three(3) distinct Committees namely: Audit Committee, Finance and Administration Committee and the Technical committee. The Committee discuss matters affecting the College and presents their reports for approval by the Board.

### Board workplan/calendar and meetings

During the 2017/18 Financial Year the Board developed and implemented a workplan. The Board and its Committees held a total of 20 ordinary meetings as provided for provided for by the State Corporations Act Cap 446, Public Finance Management Act 2012 and performance contracting regulations to comply with statutory remittances.

### Shared believe

The Board of Directors and management have a shared believe that corporate governance is a continuous process and that good corporate governance must be embedded in our culture to support our values of discipline, high stands and integrity which are fundamental to the long term success and sustainability of our core mandate as an institution of higher learning.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Core Mandate

Despite the more challenges inherent in the operations, the College continued to discharge its mandate of teaching, research and outreach successfully during the year. By 30<sup>th</sup> June 2018, the student enrolment stood at 1522 (table 1). The student population is expected to continue growing due to the aggressive marketing strategies in place and enrolment with Kenya Universities and Colleges Central Placement Service.

**Table I: Students Enrolment by Department in 2017/2018 FINANCIAL YEAR**

S/No.	Department	Certificate		Diploma		Total
		M	F	M	F	
1	AAS	136	83	389	174	782
2	AERD	0	0	229	145	374
3	BAPS	203	163	0	0	366
	<b>TOTAL</b>	<b>339</b>	<b>246</b>	<b>618</b>	<b>319</b>	<b>1522</b>

The 21<sup>st</sup> graduation ceremony was held on 20<sup>th</sup> July 2018 with a total of 532 students graduating as shown in Figure 2. As it can be observed the number of graduands has been declining in the

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Figure 1: The Cabinet Secretary for Agriculture, Livestock, Fisheries and Irrigation presided over the 21st Graduation at the College. Present were; the Deputy Governor, Kakmega County and the area Senator.

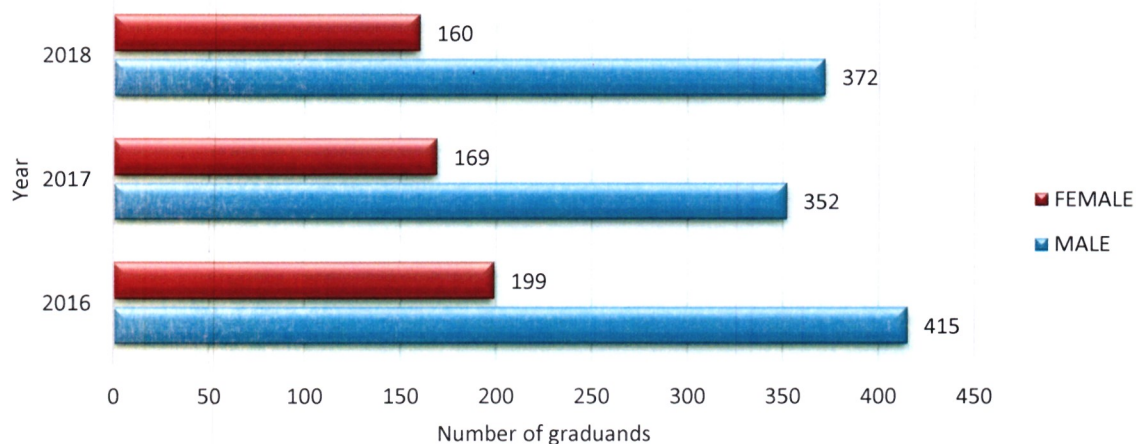
last three years. The number of females graduating has been in general about 30% of the graduands. The graduands are expected to join the agricultural sector as enablers or entrepreneurs and hence support the attainment of food and nutritional security.



Figure 2: Bukura Agricultural College emphasizes on practical skills in its training programmes. The College has therefore invested heavily in appropriately learning materials.

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**Figure 2: Distribution of graduands by gender and year**



The College has other MOUs with Bukura Agricultural Training Centre, Bukura Health Centre, Egerton University, County Government of Kakamega (draft), KALRO (Pending renew), SNV and Veterinary Investigative Laboratory, Eldoret among others.

I am excited to report that in 2017/18 Financial Year the College attracted **Kshs. 12.7M** from the National Research Fund to support the establishment of a Biotechnology Laboratory in 2018/2019 Financial Year.



Figure 3: Tissue culture bananas produced by the College that are free from diseases and produce more yield than convention suckers. Funding by the National Research Fund will enhance production of disease free planting materials.

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The College approved funding of 5 research project worth **Ksh 20M** by the National Research fund under the call for multidisciplinary research funding. This happened through various initiatives by our teaching staff and collaborators, a further confirmation of our continued commitment to research and innovation.

**Financial Performance**

As in the Previous year, the main source of funding to the College during the Period under review was the exchequer with a contribution of a total of **Kshs. 105.75M** consisting of **Kshs. 92M** for recurrence expenditure purposes and **13.75M** for Capital Development. The development grant in the previous year was **Kshs. 70M** representing a decline of 80.36% compared to the year under review. During the year internally generated revenue collected was **Kshs. 92.0M** compared to **Kshs. 88.0M** in the previous year, representing a growth of **Kshs 4.55M** with fees as major source of revenue followed by College farm. In addition, the College generated **Kshs. 17M** from other Commercial activities, **Kshs 6.4M** from accommodation, **Ksh 1.2M** in consultations and **Kshs 1.0M** from Interest.

In general the College recorded an aggregate income of **Kshs 184.1M** during the year while recurrent expenditure stood at **Kshs. 230M** hence a deficit of **Kshs 46.8M**. The deficit could be attributed to increase in the employee costs, electricity, training, agricultural materials and depreciation. Revenue generation internally was **60.7%** of the projected in the approved budgets with students' fees collection standing at **70%** of the projection and income from other sources standing at **40%** of the projection in the approved budget. The decline in revenue could be attributed to decline in students' enrolment and below optimal performance by the farm and dairy processing plant.

The capital development grants received by the college in 2017/2018 Financial Year stood at **Kshs. 13.75M** against an allocation of **Kshs 55M** representing a provision of only 25% of the allocation.



Figure 4: The Education Complex that is at 98% completion and should be in use by early 2019 to address the critical shortage of training facilities at the College

The funds were expended on the proposed education complex whose completion now stands at 95%. The initial cost of the complex was **Kshs 189M** when it was contracted in 2010 with a

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contract period of 52 weeks. However, due to delay in completion the cost has been varied by **Kshs 37M** raising the project cost to **Ksh 226M**.



Figure 5: The College main gate under construction at **Ksh 5.5M**. The new College main gate will enhance the image of the College and improve on safety.



Figure 6: Hon Mwangi Kiunjuri, EGH, MGH, Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Irrigation during a visit to the Dairy processing Plant enjoying Bukura yoghurt. The plant was constructed at **Ksh 40M** with support of the Dutch and the Germany Governments.

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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Bukura Agricultural College is committed to Corporate Social Responsibility (CSR). The College is motivated by the fact that its activities and processes have a likelihood of negatively impacting on the environment in which it operates. It is also only fair that the College invests in the community is located as a sign of appreciation.

During the year under review the College managed to develop a Corporate Social Responsibility Policy to guide it in driving the CSR agenda. In the next financial year the College will come up with programs and projects aimed at conserving the environment and investing in Bukura Community.

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**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended 30th June 2018 which show the state of the College's affairs.

**Principle activities**

The Principle activity of the College is to provide agricultural training through integration of research and the provision of agricultural extension services extension.

**Results**

The results of the College for the year ended 30th June 2018 are set out on page 14-36. The members of the Board of Directors who served during the year are shown on page 3 In accordance with Section 7(1) of the Bukura Agricultural Act 1999.

**Auditors**

The Auditor General is responsible for the statutory audit of the College in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

  
Chairman.....

Date: 3-3-2019

**BUKURA AGRICULTURAL COLLEGE**  
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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the College's financial statements, which give a true and fair view of the state of affairs of the College for and as at the end of the financial year (period) ended on 30<sup>th</sup> June 2018. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the College;
- (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 College;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the 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 Reporting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the College's financial statements give a true and fair view of the state of College's transactions during the financial year ended 30<sup>th</sup> June 2018, and of the College's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the College, which have been relied upon in the preparation of the College's financial statements as well as the adequacy of the systems of internal financial control.

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

The Directors have noted the financial deficit recorded by the College and all efforts are being made to ensure that the College becomes fortunately sustainable in the next twelve months.


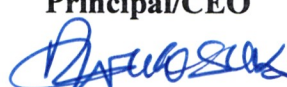
**Approval of the financial statements**

The College's financial statements were approved by the Board on **19<sup>th</sup> July 2018** and signed on its behalf by:

**Chairman**

.....  


**Director**

  
**Principal/CEO**  


# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON BUKURA AGRICULTURAL COLLEGE FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Bukura Agricultural College set out on pages 1 to 26, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bukura Agricultural College as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Bukura Agricultural College Act, 1999.

#### Basis for Qualified Opinion

##### 1. Lack of Separate Account for Retention Fund

Included in the trade and other payables balance of Kshs.43,535,503 is Kshs.19,954,926 in respect of retention money for the contractors as reflected under Note 23 to the financial statements which was not deposited in a separate account in compliance with Chapter 6.11 of the County Financial Accounting and Reporting Manual, 2015 to clearly show retention deposits for the contractors. Further, as previously reported, it was noted that the College did not have a separate bank account for retention monies as a way safeguarding them from being utilized.

##### 2. Non-accounted for Biological Assets

It was noted that the biological assets balance of Kshs.57,196,850 reflected under note 21 to the financial statements excludes unvalued fodder crop (maize) plantation grown on approximately 9.8 hectares of land. Further, it was noted that the physical count conducted

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*Report of the Auditor-General on the Financial Statements of Bukura Agricultural College for the year ended 30 June 2018*

on animals as at 30 June 2018 differed with the quantity of 174 reflected in the financial statements as stated below:

<b>Class of Animals</b>	<b>Quantity as per Farm head count</b>	<b>Quantity as per Financial records</b>	<b>Difference</b>
Cattle	91	82	9
Pigs	112	92	20
<b>Total</b>	<b>203</b>	<b>174</b>	<b>29</b>

Further, it was noted that the valuation report used to arrive at the closing balances of the biological assets was taken in December, 2018, six months after closure of the year under review.

Consequently, it has not been possible to confirm that biological assets balance of Kshs.57,196,850 as at 30 June is fairly stated.

### **3. Receivables from exchange transactions**

#### **3.1. Outstanding Rental Income**

Scrutiny of the debtors' record revealed that trade receivables balance of Kshs.21,192,208 includes uncollected rental income of Kshs.1,708,000 under Note 19 to the financial statements which has remained uncollected for a period of over 120 days contrary to the rental agreement which stipulates for rent collections to be concluded within one month.

No explanation was given for the uncollected rental income.

#### **3.2. Outstanding Imprest**

The financial statements reflect outstanding imprest of Kshs.997,118 at Note 19 which ought to have been surrendered or otherwise accounted for, on or before 30 June 2018. Although it is a requirement that imprest holders should account or surrender imprest within seven (7) working days after return to duty station, no explanation has been given for the long outstanding imprest. It was also observed that imprest movement register was lacking vital information such as date when imprest was issued and due date, thus it was not possible to ascertain the duration the imprest was due.

<b>Unsurendered Imprest as at 30 June 2018</b>			
<b>Date</b>	<b>Imprest Holder</b>	<b>Imprest No.</b>	<b>Amount Kshs.</b>
25-05-18	Laban Mulunda	4120	1,588
31-05-18	Cheption B N	4123	2,000
14-06-18	Kipchumba B	4135	2,480
20-06-18	Stephen Yego	4142	421,400
21-06-18	Mutuku J Mugo	4143	55,250
21-06-18	Daniel Kiplagat	4144	62,710

<b>Unsurendered Imprest as at 30 June 2018</b>			
<b>Date</b>	<b>Imprest Holder</b>	<b>Imprest No.</b>	<b>Amount Kshs.</b>
21-06-18	Wafubuwa C Mangoli	4145	53,600
21-06-18	Oliver Kosgey	4147	62,710
21-06-18	Oloo Iddi	4148	64,950
21-06-18	Viola Chyebet	4149	55,150
21-06-18	Damaris Iddi	4150	52,300
21-06-18	Adegu Moses	4152	53,790
21-06-18	Chepkirui Beatrice	4153	53,790
21-06-18	Everlyne Kataka	4155	55,400
	<b>Total</b>		<b>997,118</b>

Non surrender of imprests when they fall due is a breach to regulations governing management of imprests which requires accounting of such within 7 days from the activities were undertaken.

## **Emphasis of Matter**

### **1. Accumulated Deficit**

Scrutiny of the financial statements revealed that the statement of financial performance had deficit of Kshs.46,839,553 compared to Kshs.30,738,844 reported in the year 2016/2017, thus resulting to a cumulative deficit of Kshs.114,567,064 as at 30 June 2018 (Kshs.67,727,511 in 2016/2017). Further, it was noted that the current liabilities of Kshs.49,605,829 was in excess of the current assets balance of Kshs.33,240,501, resulting in a negative working capital of Kshs.16,365,328 as at 30 June 2018.

In the circumstances, the College will continue to rely on the exchequer and its creditors in order to be able to meet its financial obligations as a going concern.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Bukura Agricultural 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 qualified opinion.

## **Other Matter**

### **1.1 Low Budget Absorption**

Scrutiny of the budget performance report revealed that the College posted low budget absorption in most of the appropriated vote heads as detailed below:

Item Description	Approved Budget Kshs.	Actual Expenditure Kshs.	Variance Kshs.	Variance %	Explanation
Veterinarian supplies and materials	30,000	15,000	15,000	50	The cost of the materials was lower than what was budgeted for due to low enrollment to the course
Hire of training facilities and equipment	436,000	292,300	143,700	33	The College opted to use the available training facilities optimally hence the low cost
Telephone, telex and mobile phone services	100,000	71,500	28,500	28	Introduction of controls at the switch board led to the under spending
Legal dues, arbitration and compensation payments	100,000	79,311	20,689	21	The postponement of the mentioning of the cases in court resulted to under spending
Supplies and accessories for computers and printers	1,000,000	796,388	203,612	20	The actual cost for this activity was lower than the projection
Employer Contributions to National Social Security Fund	316,800	253,400	63,400	20	The projected recruitment of staff did not take place and therefore low absorption
Contracted professional services	3,200,000	2,596,304	603,696	19	The projected ISO certification of the College was postpone to July 2018 and hence the variance
Construction of Water Supplies and Sewerage	100,000	81,200	18,800	19	The actual cost for this activity was lower than the projection
Catering services, accommodation, gifts, foods and drinks	1,500,000	1,276,602	223,398	15	The actual cost was lower than budget because the college embraced austerity measures due to cash flow challenges
Sanitary and cleaning materials, supplies and services	286,658	245,310	41,348	14	The actual cost for this activity was lower than the projection
Education and Library Supplies	876,000	752,770	123,230	14	The actual cost for this activity was lower than the projection
Medical Drugs & Non Pharmaceuticals	365,595	315,070	50,525	15	The actual cost for this activity was lower than the projection
Water and sewerage charges	120,000	106,225	13,775	11	The actual cost for this activity was lower than the projection

Despite the fact that the variances were explained by the management, the issue of low absorption rate in most of the appropriated expenditure items still cast doubt on ability the College to meets its planned programmes.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### 1. Breach of Contractual Obligation by the Insurance Underwriter

In the financial year 2016/2017, the College procured a two-year insurance services from a local insurance broker with another local insurance company as underwriters vide tender No.BAC/TC/23/2016-2018. The tender was to cover fully enhanced medical scheme for staff. The services were provided satisfactorily in the year 2016/2017 hence the contract was renewed in the financial year 2017/2018 at a contract price of Kshs.7,052,541

The college paid the whole amount to the intermediary company of Kshs.7,031,747 vide payment voucher No.10007.

However, scrutiny of the records availed on the insurance cover revealed a number of anomalies as follows;

- (i) Since September 2017 employees were unable to access medical services at the various hospitals enlisted by the underwriter.
- (ii) Around February 2018, the staff were completely not able to access medical cover at the designated hospitals despite the College having paid 100% premiums.
- (iii) Staff were thereafter forced to cater for their medical bills with a promise that they would be refunded by the insurer. However, the insurance company did not honor the claims 100%. Claims worth Kshs.63,860 are yet to be honored as detailed below;

Employee name	Amount Kshs.
Clifford Were	11,400.00
Dismas Odula	24,000.00
Joseph Odera	17,900.00
Nina Omwerema Oyamo	5,260.00
Charles Wachira	5,300.00
	<b>63,860.00</b>

In the circumstances, it was not possible to ascertain whether the College received value for money on the renewed medical insurance contract.

## **2. Poor Maintenance of Cashbooks**

Section 14(1) of the State Corporations Act, Cap 446 requires that proper books of accounts should be kept. However, an examination of five cash books which include, KCB fees account, Co-op Bank savings account, Co-op Bank current account, Co-op Bank farm account and Co-op Bank dairy account maintained by the College revealed the following anomalies;

- (i) There were many alterations in the cash books and the alterations were not signed for.
- (ii) It was noted that some balances in the cashbooks were recorded in pencil meaning they can be erased at any time.
- (iii) During the period under review, it was also observed that cash books were not being checked by the head of accounts for internal control purposes.

Poor maintenance of cashbooks is an indication of poor internal controls which may lead to non-reliability on the records prepared by the management.

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 procedures performed, except for the matter described in the Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of an Internal Auditor**

According to Regulation 160 (1) of PFM Regulations, 2015, an Internal Auditor should review and evaluate budgetary performance, financial management, transparency and accountability mechanism and process. However, it was confirmed that the College did not have an Internal Auditor to advise the management on various internal controls and this may have led to ineffective internal controls.

## **2. Separation of Development Account and Recurrent Account**

Examination of the cash book and bank statements availed for review revealed that funds received from Exchequer for both recurrent and development were deposited in the same account and recorded in the same cash book.

Therefore, it was not possible to confirm the reconciliation status of both recurrent and development fund balances separately.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and Those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for 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 College to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management is aware of the intention to liquidate the 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 College'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 audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

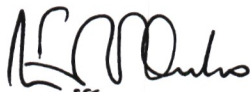
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the 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 College's ability to continue 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 College 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 College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**13 June 2019**



**BUKURA AGRICULTURAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**30 JUNE 2018**

**STATEMENT OF FINANCIAL PERFORMANCE AS AT**  
**30 JUNE 2018**

	Note	2018 Kshs	2017 Kshs
<b>Revenue from non-exchange transactions</b>			
Government Grants	3	92,000,000	89,485,999
Donor Grant	4	-	806,130
		<b>92,000,000</b>	<b>90,292,129</b>
<b>Revenue from exchange transactions</b>			
Fees from students	5	67,404,796	65,713,830
Rental revenue from facilities	6	6,249,352	7,199,185
Finance income-interest income	7	1,065,478	-
Other income	8	17,357,247	15,056,818
		<b>92,076,873</b>	<b>87,969,833</b>
<b>Total revenue</b>		<b>184,076,873</b>	<b>178,261,962</b>
<b>Expenses</b>			
Bulk purchases of electricity	9	3,958,952	3,701,010
Employee costs	10	119,121,348	104,732,664
Remuneration of Directors	11	8,817,075	11,196,862
Depreciation and amortization expense	12	20,264,345	22,174,253
Repairs and maintenance	13	7,089,187	5,250,776
Contracted services	14	8,916,214	8,732,456
Agricultural materials	15	13,946,937	12,033,350
Training expenses	16	12,362,939	8,361,597
General expenses	17	36,439,429	32,817,838
<b>Total expenses</b>		<b>230,916,426</b>	<b>209,000,806</b>
<b>Surplus/(Deficit) for the period</b>		<b>(46,839,553)</b>	<b>(30,738,844)</b>

**BUKURA AGRICULTURAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**30 JUNE 2018**

**STATEMENT OF FINANCIAL POSITION AS AT**  
**30 JUNE 2018**

	Note	2018 Kshs	2017 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	8,201,293	52,038,490
Receivables from exchange transactions	19	21,192,208	37,785,778
Inventories	20	3,847,000	5,157,371
		<b>33,240,501</b>	<b>94,981,639</b>
<b>Non-current assets</b>			
Property, plant and equipment	22	913,111,770	697,211,022
Biological Assets	21	57,196,850	40,575,000
		<b>970,308,620</b>	<b>737,786,022</b>
<b>Total assets</b>		<b>1,003,549,121</b>	<b>832,767,661</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	23	43,535,503	29,251,899
Provisions (BAC/MMUST)	24	6,155,526	6,026,601
<b>Total liabilities</b>		<b>49,605,829</b>	<b>35,278,500</b>
<b>Net assets</b>			
Reserves		1,068,425,155	865,216,672
Accumulated surplus		(114,567,064)	(67,727,511)
<b>Total net assets and liabilities</b>		<b>1,003,549,121</b>	<b>832,771,988</b>

The notes set out on pages 6 to 21 form an integral part of the Financial Statements

**Chairman of the Board    Ag Head of Finance**

Name: *Mary Wanda*    Stephen Yego

Sign: *[Signature]*    ICPAK NO. 19825

Date: *3/3/2019*

**Principal/CEO**

Dr. Richard Wekesa, PhD

Sign: *[Signature]*

Date: *3/3/2019*

**BUKURA AGRICULTURAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR**  
**ENDED 30 JUNE, 2018**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED**  
**30 JUNE 2018**

	<b>Capital reserves</b>	<b>Revenue Reserves</b>	<b>Capital grants</b>	<b>Accumulated Funds</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as at 30 JUNE 2016	568,742,302	(36,988,667)	198,590,000	<b>730,343,635</b>
<b>Deficit for the period</b>	-	<b>(30,738,844)</b>	-	<b>(30,738,844)</b>
Capital Grants	-		97,884,370	<b>97,884,370</b>
Balance as at 30 JUNE 2017	568,742,302	(67,727,511)	296,474,370	<b>797,489,161</b>
<b>(Deficit) for the period</b>	-	<b>(46,839,553)</b>	-	<b>(46,839,553)</b>
<b>Capital Grants</b>			13,750,000	<b>13,750,000</b>
Re-valuation Gain	189,458,483			<b>189,458,483</b>
Balance as at 30 JUNE 2018	758,200,785	(114,567,064)	310,224,370	<b>953,858,091</b>

**BUKURA AGRICULTURAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**30 JUNE 2018**

**STATEMENT OF CASHFLOWS FOR THE FINANCIAL YEAR ENDED**  
**30 JUNE 2018**

	Notes	2018 Kshs.	2017 Kshs.
<b>Cash flows from operating activities</b>			
Deficit for the year		(46,839,553)	(30,738,844)
<b>Adjustments</b>			
Depreciation charges	12	20,264,345	22,174,253
<b>Operating Cash before working capital changes</b>		<b>(26,575,208)</b>	<b>(8,564,591)</b>
Increase in Provisions	24	128,925	2,336,100
Decrease in Inventory	20	1,310,371	(478,113)
Decrease in Receivables	19	16,593,570	(2,451,526)
Increase in Payables	23	14,283,604	2,370,233
<b>Cash generated from operations</b>		<b>5,741,262</b>	<b>(6,787,897)</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, Plant and Equipment	22	(46,706,609)	(16,408,402)
Biological Assets	21	(16,621,850)	(6,286,620)
<b>Cash flows from financing activities</b>			
Capital Grants		13,750,000	76,590,000
<b>Cash flows from Changes in Equity</b>			
<b>Net Increase in cash and cash equivalents</b>		<b>(43,837,197)</b>	<b>47,107,081</b>
<b>Movement in Cash and cash Equivalents</b>			
Cash and cash Equivalents at the beginning		52,038,490	4,931,408
Net Increase		(43,837,197)	47,107,081
<b>Cash and cash Equivalents at the end</b>		<b>8,201,293</b>	<b>52,038,489</b>
<b>Presented by:</b>			
<b>Cash and Bank Balances</b>	18	8,201,293	52,038,490
<b>Total</b>		<b>8,201,293</b>	<b>52,038,490</b>

**BUKURA AGRICULTURAL COLLEGE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR  
ENDED 30 JUNE, 2018**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

**Statement of Comparison of Budget and Actual Amounts**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual On Comparable Basis</b>	<b>performance Difference</b>
	<b>2017 -2018</b>	<b>2017-2018</b>	<b>2017-2018</b>	<b>2017-2018</b>	<b>2017-2018</b>
<b>Revenue</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
Government grants	170,000,000	(78,000,000)	92,000,000	92,000,000	-
School fees	93,468,300	(25,167,531)	68,300,769	67,404,796	(895,973)
Other Income	100,972,000	(73,089,297)	27,882,703	24,672,077	(3,210,626)
<b>TOTAL INCOME</b>	<b>364,440,300</b>	<b>(176,256,828)</b>	<b>188,183,472</b>	<b>184,076,873</b>	<b>(4,106,599)</b>
<b>Expenses</b>					
Personel emoluments	179,472,000	(59,070,060)	120,401,940	119,121,348	1,280,592
Operating expenses	129,911,684	(48,966,984)	80,944,700	70,350,719	10,593,981
Technical Expenses	22,562,316	(9,909,488)	12,652,828	12,362,939	289,889
Board Expenses	14,301,000	(5,801,000)	8,500,000	8,817,075	(317,075)
Depreciation	-	-	-	20,264,345	(20,264,345)
<b>Total Expenditure</b>	<b>346,247,000</b>	<b>(123,747,532)</b>	<b>222,499,468</b>	<b>230,916,426</b>	<b>(8,416,958)</b>
<b>Surplus for the Period</b>	<b>18,193,300</b>	<b>-</b>	<b>(34,315,996)</b>	<b>(46,839,553)</b>	<b>(12,523,557)</b>

**BUKURA AGRICULTURAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR**  
**ENDED 30 JUNE, 2018**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Statement of compliance and basis of preparation – IPSAS 1**

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

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The financial statements are prepared on accrual basis.

**2.0 Summary of significant accounting policies**

**2.1 Revenue recognition**

**2.1.1 Revenue from non-exchange transactions – IPSAS 23**

**(a) Grants and donations**

The College recognizes revenues from government and other donors, when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the College and the fair value of the asset can be measured reliably.

**(b) Transfers from other government entities**

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

**2.1.2 Revenue from exchange transactions – IPSAS 9**

**(a) Rendering of services**

The College recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

**BUKURA AGRICULTURAL COLLEGE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR  
ENDED 30 JUNE, 2018**

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**(b) 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 College.

**(c) 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 applies this yield to the Principal outstanding to determine interest income each period.

**(d) Rental income**

Rental income arising from staff houses and students' hostels is accounted for on and when incurred and included in revenue.

**2.2 Budget information – IPSAS 24**

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

**2.3 Investment property – IPSAS 16**

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

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

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

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

**BUKURA AGRICULTURAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR**  
**ENDED 30 JUNE, 2018**

**2.4 Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Costs include 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 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. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The College applied the following rates in determining the depreciation of its assets

	<b>Rate %</b>
Buildings	2.50%
Plant and equipments	12.50%
Computer equipment	33.30%
Motor vehicle	25.00%
Furniture and fittings	12.50%
Intangible Assets	20.00%

The College has adopted the straight line method of depreciation.

**2.5 Intangible assets–IPSAS 31**

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.

**2.6 Research and development costs**

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale

## BUKURA AGRICULTURAL COLLEGE

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2018

- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

#### **2.7 Financial instruments – IPSAS 29**

##### **2.7.1 Financial assets**

###### **(a) 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 College determines the classification of its financial assets at initial recognition.

###### **(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

###### **(c) Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the College has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**BUKURA AGRICULTURAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR**  
**ENDED 30 JUNE, 2018**

**2.7.2 Financial liabilities**

**(a) 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 College 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.

**2.8 Inventories – IPSAS 12**

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

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

- (a) Raw materials: purchase cost using the weighted average cost method.
- (b) Finished goods and work in progress: cost of direct materials, labour and a 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 of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

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

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

**2.9 Provisions – IPSAS 19**

Provisions are recognized when the College 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 College 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.

**BUKURA AGRICULTURAL COLLEGE**  
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The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**2.9.1 Contingent liabilities**

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

**2.9.2 Contingent assets**

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

**2.10 Nature and Purpose of Reserves**

The College creates and maintains reserves in terms of specific requirements.

**2.11 Changes in Accounting Policies and Estimates – IPSAS 3**

The College recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**2.12 Employee Benefits – IPSAS 25**

**Retirement benefit plans**

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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**2.13 Foreign currency transactions – IPSAS 4**

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.

**2.14 Related parties – IPSAS 20**

The College 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 College, or vice versa. Members of key management are regarded as related parties and comprise the Directors and senior managers.

**2.15 Cash and cash equivalents**

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

**2.16 Comparative figures**

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

**2.17 Significant judgments and sources of estimation uncertainty – IPSAS 1**

The preparation of the College'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. State all judgements, estimates and assumptions made: e.g.

**2.17.1 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The College based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change

**BUKURA AGRICULTURAL COLLEGE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR**  
**ENDED 30 JUNE, 2018**

due to market changes or circumstances arising beyond the control of the College. Such changes are reflected in the assumptions when they occur.

**2.17.2 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:

- (a) The condition of the asset based on the assessment of experts employed by the College;
- (b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- (c) The nature of the processes in which the asset is deployed;
- (d) Availability of funding to replace the asset; and
- (e) Changes in the market in relation to the asset.

**2.18 Provisions**

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**2.19 Subsequent events – IPSAS 14**

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<sup>th</sup>, 2018.

	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>3. Government Grants</b>		
First Quarter	23,000,000	14,914,333
Second Quarter	23,000,000	29,828,666
Third Quarter	23,000,000	22,371,500
Fourth Quarter	23,000,000	22,371,500
<b>Total</b>	<b>92,000,000</b>	<b>89,485,999</b>
<b>4. Donor Grant</b>		
NICHE	-	806,130
	-	<b>806,130</b>
<b>5. Students Fees</b>		
School fees	67,404,796	65,713,830
	<b>67,404,796</b>	<b>65,713,830</b>
<b>6. Rental Revenue</b>		

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	2018 Kshs	2017 Kshs
Staff Houses	2,271,192	2,387,813
Students Hostels	3,978,160	4,811,372
	<b>6,249,352</b>	<b>7,199,185</b>
<b>7. Finance income-Interest income</b>		
Interest on fixed deposit	1,065,478	-
	<b>1,065,478</b>	-
<b>8. Other Income</b>		
Farm Income	9,687,485	7,700,116
Consultancy Services	1,266,600	-
Short courses	1,276,140	2,137,000
Milk processing plant	1,493,405	-
Student tours	278,500	-
Sale of boarded items	1,649,000	2,610
Sundry income	1,706,117	5,217,092
	<b>17,357,247</b>	<b>15,056,818</b>
<b>9. Purchases of Electricity</b>		
Electricity	3,958,952	3,701,010
	<b>3,958,952</b>	<b>3,701,010</b>
<b>10. Employee costs</b>		
Salaries and wages	99,359,447	88,674,912
Contributions to pensions schemes	7,412,862	6,980,121
Basic Wages	8,623,559	6,125,527
Remuneration of part time lecturers	2,570,898	2,952,104
Gratuity	1,154,582	-
<b>Employee costs</b>	<b>119,121,348</b>	<b>104,732,664</b>
<b>11. Remuneration of Directors</b>		
Sitting Allowances	2,552,000	2,730,000
Travel Allowance	2,426,575	3,072,862
Accommodation Allowance	2,968,000	4,250,000
Chairman Honorarium	552,500	780,000
Meal Allowance	318,000	364,000
<b>Total</b>	<b>8,817,075</b>	<b>11,196,862</b>

**12. Depreciation Expense**

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	2018 Kshs	2017 Kshs
Property ,plant and equipment	20,264,345	22,174,253
<b>Total</b>	<b>20,264,345</b>	<b>22,174,253</b>

**13.Repairs and Maintenance**

Buildings	3,943,104	2,107,448
Plant and machinery	891,734	944,427
Computers Software & Networks	313,300	
Equipment	168,449	1,146,284
Vehicles	1,772,600	1,052,617
<b>Total Repairs and Maintenance</b>	<b>7,089,187</b>	<b>5,250,776</b>

**14.Contractd Services**

Professional services	3,412,104	2,446,006
Security &Cleaning	5,251,800	6,286,450
Sanitation	252,310	-
<b>Total Contractd Services</b>	<b>8,916,214</b>	<b>8,732,456</b>

**15. Agricultural Materials**

Agricultural inputs, veterinary supplies	13,946,937	12,033,350
<b>Total</b>	<b>13,946,937</b>	<b>12,033,350</b>

**16.Training Expenses**

Research & development	76,828	-
Graduation expenses	907,300	1,490,557
Education aids and materials	1,424,396	1,922,762
Lab materials, small equipment, education	1,519,605	778,145
Library supplies	752,770	
Scholarships and other educational benefits	-	188,629
Field Attachment allowance	4,478,980	1,770,580
Academic Trips	731,295	475,740
Training (tuition and accommodation)	2,471,765	1,735,184
<b>Total training expenses</b>	<b>12,362,939</b>	<b>8,361,597</b>

**17. General Expenses**

**The following are included in general expenses:**

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	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Advertising & Trade shows	1,276,739	1,241,508
Accommodation	4,899,570	6,416,025
Audit fees	464,000	464,000
Courier & postal services	160,479	142,113
Daily subsistence allowance	905,699	1,557,078
catering services	1,231,602	1,825,521
Fuel and oil	3,967,285	3,475,231
Hire of transport, equipment and other facilities	822,580	4,000
Insurance	9,028,439	7,776,600
Legal dues , arbitration and compensation payments	79,311	40,716
Medical drugs and other non-pharmaceuticals	315,070	157,415
Telephone, telex, mobile phones	71,500	139,799
Networking computers & subscription to internet	2,048,626	1,990,322
Water and sewerage services	113,125	284,207
Sundry expenses	139,730	176,526
Publishing and printing	1,374,570	1,792,519
Travel costs	575,140	719,783
General office supplies and accessories to computers	3,184,164	3,162,609
Subscriptions to newspapers	306,123	313,702
Purchase of uniforms	613,800	297,220
Student council allowances	852,738	574,259
Bank commissions	198,750	178,035
Milk processing	3,407,189	-
Membership fees	403,200	88,650
<b>Total general expenses</b>	<b>36, 439,429</b>	<b>32,817,838</b>

**18. Cash and cash equivalents**

Current Account	7,663,822	4,052,447
Savings Account	116,651	553,029
Farm Account	174,970	477,273
Milk Processing Account/GIZ Acc	195,902	49,002
Fees collection Account	(843,024)	136,917
Euro Account	-	1,163,454
Mpesa	492,972	534,854

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	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Fixed Deposit Account	-	20,000,000
On- Call Account	400,000	25,000,000
Cash in Hand	-	71,515
<b>Total cash and cash equivalents</b>	<b>8,201,293</b>	<b>52,038,490</b>

**19. Receivables from exchange transactions**

Students fees	18,487,090	29,741,920
Unsurrendered imprest	997,118	862,250
MMUST students	-	6,010,275
Sundry debtors (water)	-	20,000
Rental income	1,708,000	1,151,333
<b>Total</b>	<b>21,192,208</b>	<b>37,785,778</b>

**20. Inventories**

General stores	2,858,000	5,157,371
Farm Stores	956,000	
Milk Processing	33,000	
<b>Total</b>	<b>3,847,000</b>	<b>5,157,371</b>

**21. Biological Assets**

Dairy animals	10,800,000	9,350,000
Other animals	900,000	950,000
Horticulture	315,000	275,000
Maize	-	7,000,000
Hay	8,981,850	4,000,000
Sugarcane	24,000,000	3,100,000
Other plantations(trees both exotic and indigenous)	12,200,000	15,900,000
<b>Total</b>	<b>57,196,850</b>	<b>40,575,000</b>



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22 . Property, Plant and Equipment	Land		Buildings		W.I.P		Machinery		Furniture & Equipment		Computers		Motor Vehicles		Total	
	Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs			Kshs
Cost																
At 1 July 2017	141,600,000	400,484,870	177,625,731	32,891,575	9,857,379	12,998,599	15,891,888	791,350,042								
Additions	-	-	45,362,659	0	1,343,950	0	0	46,706,609								
Disposals	-	-	-	-	-	-	-	-376,000								
Book Value Before Revaluation	141,600,000	353,712,748	224,336,667	15,602,288	3,451,274	244,560,9	277,337,2	743,921,958								
Revaluation Gain/loss	128,065,000	31,620,752		7,546,052	2,938,601	7,717,486	11,570,592	189,458,483								
<b>At 30 June 2018</b>	<b>269,665,000</b>	<b>385,333,500</b>	<b>224,336,667</b>	<b>23,148,340</b>	<b>6,389,875</b>	<b>10,163,095</b>	<b>14,339,638</b>	<b>933,376,115</b>								
<b>Depreciation and impairment</b>																
At 1 July 2017	-	-46,393,338	0	-	-5,875,216	-10,552,990	-12,610,725	-90,257,747								
Adj.on Revaluation Impairment	-	46,393,338	0	14,825,478	5,875,216	10,552,990	12,610,725	90,257,747								
<b>At 30 June 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>								
Depreciation	-	9,633,338		2,893,543	798,734	3,353,821	3,584,910	20,264,345								
Transfer/adjustment	-	-	0	-	-	-	-	-								
<b>At 30 June 2018</b>	<b>0</b>	<b>9,633,338</b>	<b>0</b>	<b>2,893,543</b>	<b>798,734</b>	<b>3,353,821</b>	<b>3,584,910</b>	<b>20,264,345</b>								
At 30 June 2018	269,665,000	375,700,163	224,336,667	20,254,798	5,591,141	6,809,274	10,754,729	913,111,770								
At 30 June 2017	141,600,000	353,712,748	177,625,731	15,602,288	3,451,274	2,445,609	2,773,372	697,211,022								
At 30 June 2016	141,600,000	348,340,000	166,404,323	17,915,682	4,101,259	766,291	3,281,163	682,408,718								

**BUKURA AGRICULTURAL COLLEGE**

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**23. Trade and other Payables from Exchange Transactions**

Creditors	19,346,577	13,078,083
Retention fund	19,954,926	13,591,816
Caution money	3,306,000	2,118,000
Audit fees	928,000	464,000
<b>Total</b>	<b>43,535,503</b>	<b>29,251,899</b>

**24. Current Provisions**

	Gratuity Kshs	Performance MMUST/BAC Kshs	Total Kshs
Balance at the beginning of the year	2,432,263	3,594,338	<b>6,026,601</b>
Additions	1,283,507	0	1,283,507
Provision Utilized	(1,154,582)		(1,154,582)
<b>Balance as at 30 June 2018</b>	<b>2,561,188</b>	<b>3,594,338</b>	<b>6,155,526</b>

- BAC/MMUST – Others to the collaboration between Bukura Agricultural College and Masinde Muliro University of Science and Technology. The provisions indicated under the collaboration is for staff payments once the academic year is over.

**25. 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.

**ii).Liquidity Risk**

Liquidity risk is the risk that the College will encounter difficulties in meeting obligations associated with financial liabilities. The 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 College does not have any significant currency risk as it does not have trade receivables, trade payables and borrowings denominated in foreign currency.

## BUKURA AGRICULTURAL COLLEGE

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2018

#### v). Other Price Risk

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

#### 26. Related Party Disclosures

##### a) Nature of related party relationships

Entities and other parties related to the College 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.

Bukura Agricultural College is related to;

- i) The National Government
- ii) The Ministry of Agriculture, Livestock, Fisheries and Irrigation.
- iii) Key Management
- iv) Board members

During the financial year the College paid the member of the Board of Directors remuneration amounting to **Ksh 8,277,075** in various allowances.

#### 27. Commitments and Contingencies

The appeal case between the contractor of the Library Block Okeno & Sons and the College which was before the High Court was concluded and the contractor awarded **Ksh 3.4M**. M/s Okeno & Sons Contractors was paid by the College the total sum of Ksh 3.4M but has since appealed against the decision of the High Court in the Court of Appeal. In the appeal M/s Okeno & Sons Contractors is asking to be paid an extra **Ksh 3M** being General Damages which was awarded by the Arbitrator but overturned by the Court. The case awaits a hearing date.

- i) A supplier by the name Fridge Stores had also lodged a case in court against the College for alleged **Ksh 1.3M** supplies made from 2004/05 Financial year. The case was determined in favour of the College but Fridge stores has since appealed the decision at the High Court.
- ii) The staff union has lodged a case at the Industrial court in Kisumu over the implementation of the Collective Bargaining Agreement(CBA) with the College. The judgement of the case is expected in the course of the 2018/2019 Financial Year.
- iii) Mr. Charles Mutua Mutinda lodged a case No. HCCC of 2018 at the Labour and Employment court in Kisumu alleging wrongful dismissal. He is demanding unconditional re-enstatement. The judgement of the case is expected in the course of the 2018/2019 Financial Year.

Although there can be no assurance on the above, the College believes based on the current information available that the ultimate resolution of these legal proceedings would not likely have material effect on the results of its operations and financial position or liquidity.

#### 28. Taxation

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

#### 29. Currency in Use

The financial statements are presented in Kenya shillings (Ksh).

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**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Lack of deposit account for retention monies	The College to seek authority from The National Treasury to open the retention fund account	Dr. Richard Wekesa - Principal	The account has now been opened. Issue Resolved	
2	Unsupported Property, Plant and Equipment's Balance	Payments for the works certificates is supported by detailed report of work done as outlined in the bills of quantities	Dr. Richard Wekesa - Principal	Detailed report of the works done is now available. Issue Resolved	
3	Unsupported Value of Biological Assets	The College to procure the services of a professional Valuer to value the biological assets	Dr. Richard Wekesa - Principal	A professional valuer was engaged in 2017/18 financial year. Issue Resolved	
4	Going Concern	Diverse sources of revenue by introducing more courses, strengthen the farm and operationalize the milk processing plant to increased revenue and hence sustainability.	Dr. Richard Wekesa - Principal	Not Resolved	30 <sup>th</sup> June 2020
5	Budget Control and Performance Compliance	The College to review its budget periodically to be able to accurately project the income and expenditures.	Dr. Richard Wekesa, Principal	Not Resolved	30 <sup>th</sup> June 2019
6	Imprests not Adequately Supported	Management provided all the support documents for the imprests advanced. The surrender vouchers were supported by relevant imprest warrants	Dr. Richard Wekesa - Principal	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7	Excessive Employee Costs	The College to adhere to sec 120(2) of the Public Finance Management(National Government) Regulations of 2015 in relation to budgetary allocation for human resource capital	Dr. Richard Wekesa - Principal	Issue still being followed-up by management. Not Resolved	30 <sup>th</sup> June 2019
8	Irregular Emoluments Paid to Officers on Study Leave	The approved College Human Resource Manual of 2018 has guidelines on employee training and development. Trainees resumed duties upon expiry of the training period and the ones who had not completed their studies have continued at their own costs. The cost of Ksh 9,500 ,000 relates to bond amount for all employees on College sponsorship and not salaries and allowances to the two officers. The total bond figure for the two officers was Ksh 3,408,456	Dr. Richard Wekesa - Principal	Resolved	
9	Over-expenditure and Unsupported Directors' Emoluments	Over expenditure was as a result of unforeseen strike by the students that required the attention of the Board of Directors. Board member who visited the College did so on invitation of the Principal for consultations on various issues.	Dr. Richard Wekesa - Principal	Resolved	

**Chairman of the Board**

Sign: 

Date: 3-3-2019

**Principal/CEO**

Sign: 

Date: 3/3/2019

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE COLLEGE**

**Projects**

Projects implemented by the State Corporation/ SAGA Funded by development partners

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)
NONE	N/A	N/A	N/A	N/A	N/A	N/A

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	BUKURA EDUCATIONAL COMPLEX	689.0 M	214.12 M	31	55 M	13.75M	GOK
2	COLLEGE GATE	5.5 M	1.25 M	23	5.5 M	1.25	AIA

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**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>BUKURA AGRICULTURAL COLLEGE</b>			
<b>Break down of Transfers from the State Department of Crops</b>			
<b>FY 17/18</b>			
a.	Recurrent Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u> <u>Relates to</u>
	Jul-17	8/7/2017	5,750,000.00 2017/18
	Jul-17	8/25/2017	1,916,666.00 2017/18
	Aug-17	9/1/2017	7,666,666.67 2017/18
	Sep-17	10/6/2017	7,666,666.67 2017/18
	Oct-17	11/6/2017	7,666,666.67 2017/18
	Nov-17	11/30/2017	7,666,666.67 2017/18
	Dec-17	12/27/2017	7,666,666.67 2017/18
	Jan-18	2/2/2018	7,666,666.67 2017/18
	Feb-18	3/3/2018	7,666,666.67 2017/18
	Mar-18	4/3/2018	7,666,666.67 2017/18
	Apr-18	5/3/2018	7,666,666.67 2017/18
	May-18	5/31/2018	7,666,666.67 2017/18
	Jun-18	6/29/2018	7,666,666.67 2017/18
	<b>TOTAL</b>		<b>91,999,999.34</b>
b.	Development Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u> <u>Relates to</u>
	Aug-17	25/08/20107	13,750,000 2017/18
		<b>Total</b>	<b>13750000</b>
c.	Direct Payments		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u> <u>Relates to</u>
			NIL
		<b>Total</b>	<b>NIL</b>
d.	Donor Receipts		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u> <u>Relates to</u>
			NIL
		<b>Total</b>	<b>NIL</b>

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**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received	as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized					Total Transfers during the Year
						Capital Fund	Deferred Income	Receivables	Others - must be specific		
Ministry of Agriculture, Livestock, Fisheries and Irrigation	Various		Recurrent	92,000,000	92,000,000		0	0	0	92,000,000	
Ministry of Agriculture, Livestock, Fisheries and Irrigation	8/25/2017		Development	13,750,000		13,750,000				13,750,000	
<b>Total</b>				<b>105,750,000</b>	<b>92,000,000</b>	<b>13,750,000</b>				<b>105,750,000</b>	