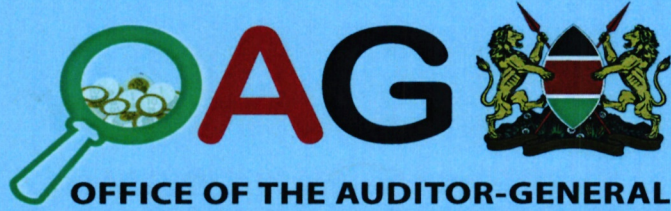


REPUBLIC OF KENYA



*Enhancing Accountability*

PARLIAMENT  
OF KENYA  
LIBRARY

**REPORT**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 03 MAR 2021	DAY: The 3rd day
TABLED BY: The Majority leader Hon. (Dr.) Amos Kimani	
CLERK-AT THE-TABLE: Moses Lemuna	

**THE AUDITOR-GENERAL**

**ON**

**ALUPE UNIVERSITY COLLEGE**

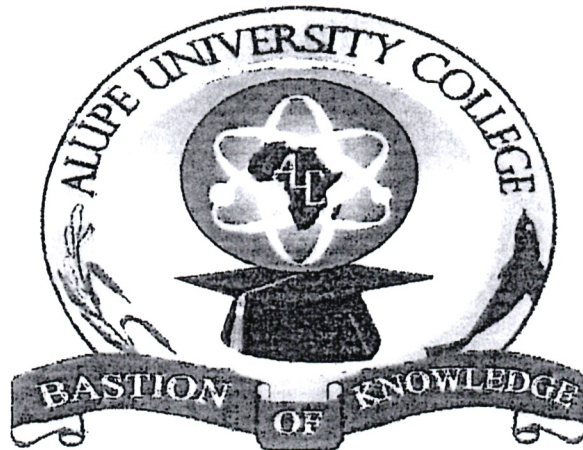
**FOR THE YEAR ENDED  
30 JUNE, 2019**

11

11

11

11



ALUPE UNIVERSITY COLLEGE  
(A Constituent College of Moi University)

---

REVISED ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2019

---

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

TABLE OF CONTENT

	Page
TABLE OF CONTENT .....	ii
KEY ALUPE UNIVERSITY COLLEGE INFORMATION AND MANAGEMENT .....	iii
UNIVERSITY COLLEGE COUNCIL MEMBERS .....	ix
COUNCIL CHAIRPERSON'S STATEMENT .....	xiv
THE PRINCIPAL'S REPORT ON THE FINANCIAL STATEMENTS.....	xv
CORPORATE GOVERNANCE STATEMENT .....	xvii
MANAGEMENT DISCUSSION AND ANALYSIS .....	xix
REPORT OF THE AUDITORS-GENERAL ON ALUPE UNIVERSITY COLLEGE.....	xxiii
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019.....	1
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019 .....	2
STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30TH JUNE 2019 ....	3
STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019 .....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2019 .....	5
NOTES TO THE FINANCIAL STATEMENTS .....	6
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	24
APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY COLLEGE .....	31
APPENDIX III: INTER-ENTITY TRANSFERS.....	32
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES.....	33

## **KEY ALUPE UNIVERSITY COLLEGE INFORMATION AND MANAGEMENT**

### **(a) Background Information**

Alupe University College was established on 24<sup>th</sup> July 2015 vide a Legal notice number 153 as a Constituent College of Moi University. The University College is a body corporate established under Alupe University College Order 2015 vide legal notice No.153 of 24<sup>th</sup> July 2015. Alupe University College is domiciled in Kenya and so far has no branches. The University College Council was appointed under special gazette notice of 7<sup>th</sup> November 2016.

The University College has a total of four schools, namely;

1. School of Health Sciences
2. School of Science
3. School of Education and Social Sciences and
4. School of Business, Economics and Human Resource Development.

The University College has a total of twenty-eight (28) departments in the four Schools.

### **(b) Principal Activities**

The principal activities of the University College are as follows:

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

- (ix) To participate in commercial ventures and other activities for the benefit of the University College, the community and stakeholders
- (x) To facilitate student mobility between different programs at different technical training institutions, Universities and Industry; and
- (xi) To foster the general welfare of all staff and students.

**Vision**

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

**Mission**

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

**Motto**

Bastion of Knowledge

**Core Values**

- **Professionalism**  
Embrace integrity in teaching, learning and research
- **Creativity and Innovation**  
Commitment to promoting and supporting resourcefulness and the advancement of new ideas
- **Excellence**  
Commitment to quality teaching, research and service delivery
- **Good Corporate Governance**  
Prudent management of resources and best practice in leadership
- **Customer focus**  
Endeavour to provide services that meet the needs of the client
- **Teamwork**  
Promotion of a spirit of working together, internally and externally in an open and respectful way

**(c) Key Management**

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

- University College Council
- University College Management Board
- Deans Committee

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal	Prof. Fabian Esamai
2.	Deputy Principal Administration, Finance & Development	Prof. Emmy Kipsoi
3.	Deputy Principal Academic, Research & Student Affairs	Prof. Peter Barasa
4.	Head of Finance	CPA Billiah Shitsinzi
5.	Head of Procurement	Mr. Kennedy Ogola
6.	Human Resource	Mrs. Pamela Nyongesa

**(e) Fiduciary Oversight Arrangements**

**1. The Audit and Risk Committee**

Alupe University College has an active five-member audit and risk management committee that plays an oversight role. The mandate of this committee is as listed below;

Members of this committee are:

- i. Mr. Alinoor Hassan - Chair
- ii. Mr. William Ikapel - Member
- iii. Mr. Isaac Odek - Member
- iv. Ms. Lydia Tsuma - Member

The mandate of the Audit Committee includes:

- i. Formulation of policies on internal controls that will enhance security, accountability of resources management and improve on efficiency and transparency.
- ii. Examine internal and External Auditors' findings and recommendations for improvement of internal controls. Monitor management's response to and implementation of internal control.
- iii. Assist the principal in enhancing internal controls in order to improve efficiency, transparency and accountability.

- iv. Resolving unsettled and unimplemented issues raised by the Public Investment Committee (PIC).
- v. Enhancing communication between management, internal and external audit and fostering effective internal audit function.
- vi. Reviewing the systems established to ensure sound public financial management and internal controls as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- vii. Initiating special audits/ investigation on any allegation, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the principal.
- viii. Advice on quality and performance monitoring.
- ix. Perform an oversight function as may be requested by the University College Council from time to time.

## **2. Finance, Planning and Development Committee**

Members of this committee are:

- |                         |   |        |
|-------------------------|---|--------|
| i. Mr. Kiema Mwandia    | - | Chair  |
| ii. Eng. Andrew Makokha | - | Member |
| iii. Mr. Isaac Odek     | - | Member |
| iv. Ms. Lydia Tsuma     | - | Member |

The mandate of the FPD Committee includes:

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

## **3. Academic, Research and Extension Committee**

Members of this committee are:

- |                        |   |        |
|------------------------|---|--------|
| i. Eng. Andrew Makokha | - | Chair  |
| ii. Mr. Alinoor Hassan | - | Member |

- |                         |   |        |
|-------------------------|---|--------|
| iii. Mr. William Ikapel | - | Member |
| iv. Mr. Isaac Odek      | - | Member |
| v. VC Moi University    | - | Member |

The mandate of the ARE Committee includes the following:

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

#### **4. Human Resource Development and Administration**

Members of this committee are:

- |                           |   |        |
|---------------------------|---|--------|
| iv. Ms. Caroline Chirchir | - | Chair  |
| v. Mr. Kiema Mwandia      | - | Member |
| vi. Mr. Isaac Odek        | - | Member |
| vii. Prof. Fabian Esamai  | - | Member |

The mandate of the HRD & A Committee includes the following:

- i. To review, evaluate and make recommendations on the overall organizational structure, staff establishments, remuneration structure, terms and conditions of service and to provide for the welfare of staff as and when necessary or whenever directed to do so by the Council.
- ii. To review, evaluate and make recommendations for approval of policies and other processes of accountability, internal controls and risk management, taking into account sustainability, ethics and compliance with the Constitution, all applicable laws, regulations and standards.
- iii. To review the Code of Conduct and Ethics of the University employees.
- iv. To institute, through a sub-committee, regular reviews of individual members of staff grading with a view to determining whether a member of staff should be promoted.
- v. To exercise such other functions as the Council may confer from time to time
- vi. To make recommendations to Council for ratification.

#### **5. Boards (Appeals and Disciplinary) APPEALS BOARD**

Members of this committee are:



- |                        |   |        |
|------------------------|---|--------|
| i. Mr. William Ikapel  | - | Chair  |
| ii. Mr. Alinoor Hassan | - | Member |
| iii. Mr. Isaac Odek    | - | Member |




The mandate of the Boards Committee is to consider appeals from students and members of staff to make appropriate recommendations to the Council. The committee did not hold any meeting during the 2018/2019 financial year since there was no appeal to be heard and determined.




From the above analysis, it is worth noting that the College Council was not able to hold the mandatory number of meetings for both full council and committee meetings for the year in their process of governance due to insufficient funds.


- (f) **Headquarters of the University College**  
Alupe University College  
P.O. Box 845-50400  
Busia  
Off Busia - Malaba road  
KENYA
- (g) **University College Contacts**  
Telephone :( 254)0741217185/0736044469/0724400189  
E-mail: [principal@auc.ac.ke](mailto:principal@auc.ac.ke)  
Website: [www.auc.ac.ke](http://www.auc.ac.ke)
- (h) **University Bankers**
1. Kenya Commercial Bank  
Busia Branch  
P.O. Box 27-50400  
Busia  
Kenya
  2. Co-operative Bank of Kenya  
Busia Branch  
P.O. Box 326-50400  
Busia
- (i) **Independent Auditors**  
Auditor General  
Office of the Auditor-General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya
- (j) **Principal Legal Adviser**  
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**UNIVERSITY COLLEGE COUNCIL MEMBERS**





No.	Members of the university College Council	Key Qualifications
1.	 <p><b>Dr. Virginia W. Kimani, 60, Chairperson</b></p> <ul style="list-style-type: none"> <li>• Doctor of Philosophy (1997)</li> <li>• Crop Science (focus on pesticides Epidemiology)-UON</li> <li>• MSc. Plant pathology Pesticides and Residues(1988) -UON</li> <li>• BSc. Agriculture (1993) – UON</li> </ul>	<p>Dr. Virginia was born on 7th Feb 1959 and she is the chair of the AUC council which she joined in November 2016. She is an agriculturist who runs a private consultancy firm on crop protection and pesticides in Nairobi since 1999.</p> <p>She has worked with KARI and Ministry of Agriculture between 1984 and 1999 in various capacities.</p> <p>Dr. Kimani has been the Chairperson of the University College Council since November 2016.</p>
2.	 <p><b>Mr. Kiema Mwandia, 46, Member</b></p> <ul style="list-style-type: none"> <li>• MSc Project Management (UON, 2012),</li> <li>• BSC, Agriculture (UON, 1996)</li> </ul>	<p>Mr. Kiema was born on 23<sup>rd</sup> April 1973 and he is an independent AUC council member which he Joined in November 2016. He is also the chair of the Finance, Planning and development committee of council.</p> <p>He is a project consultant and managing partner with Adteck Creations Company. He is a member of Board of Director of various firms including the Tanathi Water Works Development Agency, Caritas Kitui Catholic Diocese among others.</p> <p>Mr. Kiema is a Chairperson of the Finance, Planning and Development Committee of the University College Council.</p>

<p>3.</p>	 <p><b>Mr. Alinoor Hassan 55, Member</b></p> <ul style="list-style-type: none"> <li>• MSc, (Industrial Environmental Management), Wageningen University, The Netherlands</li> <li>• B.A.(Hons), Economics &amp; Sociology, Egerton University, Kenya.</li> </ul>	<p>Mr. Hassan was born in 1964 and he is an independent AUC council member which he Joined in November 2016.</p> <p>He is a member of the Institute of Human Resource Management and has served in many boards since 2004</p> <p>Alinoor is a leading Consultant and a businessman in Kenya.</p> <p>He is a chairperson of the Audit and Risk committee of the University College council.</p>
<p>4.</p>	 <p><b>Mr. William Ikapel, 70 Member</b></p> <p>Holds an MA in Communication Studies,UON,LLB,UON, 2001</p>	<p>Mr. Ikapel was born on 6<sup>th</sup> January 1949 and he is an independent AUC council member which he Joined in November 2016.</p> <p>He is in the roll of advocates of the High court since 1987.Served as a magistrate and a state council between 1973 and 1992.</p> <p>William has worked as a Company secretary for several state corporations for over 12 years.</p> <p>He retired from public service in 2004 and currently in private legal practice.</p> <p>Advocate Ikapel is also the chair of the appeals and disciplinary committee of council.</p>
<p>5.</p>	 <p><b>Eng. Andrew Makokha, 67 Member</b></p> <ul style="list-style-type: none"> <li>• BSc Civil Engineering (UON,1975)</li> <li>• Masters in Environmental Engineering, (France,1981)</li> </ul>	<p>Eng. Makokha was born on 17<sup>th</sup> October 1951 and he is an independent AUC council member which he Joined in November 2016. He is a registered engineer and member of the Institute of Engineers, with a vast experience working in the Ministry of Water up-to the rank of deputy Director.</p> <p>Upon retirement from Kenya public service in 1993, Andrew Joined World Bank as a team leader in the East and Southern Africa region. He is currently a leading consultant in private</p>

		practice. Eng. Makokha is the chairperson Academic, Research and Extension Committee.
6.	 <p><b>Ms. Caroline Chirchir, 53, Member</b></p> <ul style="list-style-type: none"> <li>• MA Counseling &amp; Psychology (Daystar),</li> <li>• BA in Business Management (Sunderland)</li> <li>• Post graduate Diploma in SHRM-JKUAT</li> </ul>	<p>Ms. Chirchir was born on 16<sup>th</sup> November 1965 and she is an independent AUC council member having joined in November 2016. She is a member of Institute of Human Resource Management and Kenya Counseling and psychology Association. A private human resource consultant and has served as head of Human Resource in SMEP for 6 years.</p> <p>She is a chairperson of the Human Resource, Development and Administration committee of the Council.</p>
7.	 <p><b>Mr. Isaac. Odek, 54 Member</b></p> <ul style="list-style-type: none"> <li>• Bed Arts (KU, 1990)</li> <li>• Master of Business Finance (KU 2006)</li> </ul>	<p>Mr. Odek was born on 29<sup>th</sup> January 1965 and he is a representative of the State Corporations Advisory Committee (SCAC) on the University College Council which he joined in November 2016. He works in state Corporations Inspectorate, and has served in several State Corporations Boards and Councils since 2014. He has a vast experience as Assistant Director of Youth Affairs for 9 years and now serving as a Deputy Inspector of State Corporations Inspectorate for the last 12</p>
8.	 <p><b>Ms. Lydia Grace Tsuma- 53, National Treasury Representative</b></p> <ul style="list-style-type: none"> <li>• MBA (Finance) - (USIU),</li> <li>• BCOM (Finance),</li> <li>• CPA(K)</li> </ul>	<p>CPA. Tsuma was born on 31<sup>st</sup> December 1965 and she is the representative of Permanent Secretary, National Treasury in University College council. She joined in October 2017. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) Membership NO.4237.</p> <p>CPA. Tsuma is currently deployed</p>

		<p>as a Financial Specialist at Public Financial Management Reforms (PFMR) at the National Treasury.</p>
<p>9.</p>	<div style="display: flex; align-items: center;">  <div> <p><b>Prof. Fabian Esamai, 65 Secretary to Council</b></p> <ul style="list-style-type: none"> <li>• MB ChB (UON, 1978)</li> <li>• M.Med (Pediatrics – UON, 1984)</li> <li>• MPH (Johns Hopkins University, USA) 1996</li> <li>• PhD (Linkoping University, Sweden, 2002)</li> </ul> </div> </div>	<p>Prof. Esamai was born on 23<sup>rd</sup> December 1953 and he is an Executive Member of the AUC Council.</p> <p>He is the Principal of Alupe University College and the Secretary to the Council since inception. Prof. Esamai has vast experience having worked as the Dean School of Medicine for 4 years and Principal, College of Health Sciences for 5 years at Moi University.</p> <p>He is a Commissioner in the East African Health Research Commission and a Research Chair for Health Systems.</p>

UNIVERSITY COLLEGE MANAGEMENT TEAM

Name of the Staff	Key Qualifications
	<p><b>Prof. Fabian Esamai</b>            Principal            MB ChB (UON) 1978            M.Med (Pediatrics –UON) 1984            MPH (Johns Hopkins University, USA) 1996            PhD ( Linkoping University, Sweden) 2002</p>
	<p><b>Prof. Emmy Kipsoi</b>            Deputy Principal (AFD)            Bed (Daystar University) 1994, Master in Education (Kenyatta University), 2000, Doctor of Philosophy (Moi University), 2011.</p>
	<p><b>Prof. Peter Barasa</b>            Deputy Principal (ARSA)            A Professor of Language Education in the School of Education, Moi University and holds a Ph.D., M. Ed., B. Phil, Postgraduate Certificate in Research (The University of Hull, UK) and Diploma in Education (English and Literature- Siriba T.T.C.).</p>
	<p><b>CPA. Billiah Shitsinzi</b>            Senior Accountant            CPA Final 2002,BBM (Moi University),2005</p>

## **COUNCIL CHAIRPERSON'S STATEMENT**

It is with great pleasure that I present the Alupe University College financial report for the year ended 30<sup>th</sup> June 2019. This is the third financial report of the institution since its establishment in July 2015 and following its operationalisation in November 2016. The Alupe University College became operational on 7<sup>th</sup> November 2016 after the appointments of the College Council vide Special Gazette Notice 136.

The University College was allocated Kshs.136 Million for recurrent expenditure by the Ministry of Education, State Department of University Education for the FY 2018/2019 which was further reduced to kshs134 million during the rationalization of budgets for State corporations that was undertaken in August 2018. Communication to the College of the decision on rationalization was done in November 2018.

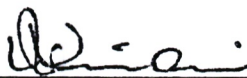
The University College was allocated Kshs.260 Million for capital expenditure, all of which was received during the year under review. With the funds the College was able to continue with construction of the projects that had earlier been initiated besides construction of the Administration Office block, biochemistry, microbiology and anatomy laboratories that have since been completed.

Alupe University College's dream is to be a centre of excellence in integrated training and research in health, biological, physical and social sciences with emphasis on health Sciences. The University College therefore strives to ensure that they put in place facilities geared towards achieving this goal alongside building the vision around the health agenda that is amongst the Big 4 agenda.

During the year, the Council negotiated, vetted and implemented the performance contract for FY 2018/2019. The University College, despite the inadequate funds implemented most of the indicators stated in the performance contract.

The quarterly financial reports and statements for the financial year 2018/19 were all submitted to the Controller of Budgets, the State department of University Education & Research and the National Treasury as required.

The University College also finalised with the memorandum of understanding (MOU) with the KEMRI, and the County Government on the use of Alupe Sub –County Hospital in furtherance to achieving its set goals and objectives.



**DR. VIRGINIA W. KIMANI**  
**CHAIRPERSON**

Date: 13/1/2020

## **THE PRINCIPAL'S REPORT ON THE FINANCIAL STATEMENTS**

Alupe University College was established as a Constituent College of Moi University vide the Alupe College Order 2015, Kenya Gazette Notice 153 of 24<sup>th</sup> July 2015. It was operationalized on 7<sup>th</sup> November 2016 through the appointment of the first Alupe University Council vide Special Gazette Notice 136.

The interim Alupe University College Management Board was appointed by Moi University on October 13<sup>th</sup> 2016 and has been working round the clock to ensure the University College is fully operational by the end of the 2016/17 financial year with the allocation of Kshs.20million for recurrent expenditure and Kshs 155million for capital expenditure. In the second financial year of 2017/18 the University College was allocated Kshs. 127 million for recurrent expenditure and in the third year of 2018/19 it was allocated 149million recurrent expenditure. These funds were grossly inadequate for the running of the University College. The University College managed to keep its debt profile very low and maintained it at 0.7%.

The Cabinet Secretary for Education in conjunction with the Council appointed the Senior Management in their substantive position on 26<sup>th</sup> October 2018 for a period of five years. This consisted of the Principal, Prof. Fabian Esamai; the Deputy Principal, Administration Finance and Development, Prof. Emmy Kipsoi and the Deputy Principal for Academic Research and Student Affairs, Prof. Peter Barasa.

Alupe University College had a total of 537students and the pioneer classes of 2017/18 academic year are now in their 3<sup>rd</sup> year of study. We have 23 students who were in the Alupe Campus of Moi University who are in the 4<sup>th</sup> year and will graduate in December 2020 upon completion of their studies.

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

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

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

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

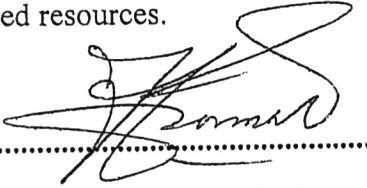
**Alupe University College**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

The University College has since inception 3 years ago has built an administration block, Microbiology laboratory, Biochemistry Laboratory, Anatomy and Pathology laboratories, a general Science laboratory and a total of 8 lecture rooms and a computer laboratory.

The University College has since July 2019 relocated to its new buildings on the 200 acres of land. These structures have adequate space for the size of the student and staff population. However, for the near and distant future the University needs more lecture theatres and halls, more offices, library space and a student center among others. These are planned to start in the FY 2019.2020.

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



DATE: ..... 13/01/2020 .....

**PROF. FABIAN ESAMAI**  
**PRINCIPAL**

## **CORPORATE GOVERNANCE STATEMENT**

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

### **Council Members**

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

The roles of the chairperson and the principal are distinct and their responsibilities are clearly defined. The Council comprises of ten members, six of whom are independent and non- executive, including the chairperson. The council has a charter in place for guidance while defining the University's strategies, objectives and values and ensures that the procedures and practices are set up in place to ensure effective control over strategic, financial, operational and compliance issues. The Council members bring their diverse experience and qualification into the council's deliberations. The governance parameter on process of appointment of council members as the oversight body was transparent and formal. The council of the University College was appointed by the Cabinet Secretary in accordance with Section 36 of the University Act.

On appointment, the council members were gazetted. The process of succession and removal was yet to apply at the time. All council members were trained on 15<sup>th</sup> to 17<sup>th</sup> February 2017. The competence needs assessment was yet to be done at the time. Council evaluation was not undertaken due to insufficient funds as it is required to be undertaken annually.

### **Roles and functions of the council**

#### **Council Meetings**

As a steward of the College resources, the council formulates policies that guide in the resource planning, mobilization, allocation and provides conducive environment for the implementation of its objectives.

These are driven through council meetings which are held on a need basis. The council on the other hand has set up other sub-committees with well-defined terms of reference to discharge on its behalf specific mandates in order to hasten specific decisions relating to the given mandates so as to attain efficiency and effectiveness in the overall discharge of responsibilities.

During the financial year 2018/2019, there were two full regular quarterly council meetings all held at Alupe University College and there was a quorum in each. In each meeting a conflict of interest register was signed by all members present and in the financial year conflict of interest was declared by any member. Remuneration of the council members is pegged on meetings attended as

**Alupe University College**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

---

they are paid sitting allowance for each meeting attended and night out for the period they are on University official function as per the rates provided for in the national treasury circular for payment of sitting allowances and per diems. The chairperson is also entitled to a monthly honoraria and telephone. No governance audit was done in this financial year.

**Full Council Meetings**

	Name	Quarter1	Quarter2	Quarter3	Quarter 4
	Date	16 <sup>th</sup> - 18 <sup>th</sup> July			30 <sup>th</sup> Jan
1	Dr. Virginia Kimani	√			√
2	Mr. Kiema Mwandia	√			√
3	Mr. Alinoor Hassan	√			√
4	Eng. Andrew Makokha	√			√
5	Ms. Caroline Chirchir	√			√
6	Mr. William Ikapel	√			√
7	Mr. Isaac Odek	√			√
8	Ms. Lydia Tsuma	√			√
9	Ms. Nerea Olick	√			√
10	Prof. Fabian Esamai	√			√
11	VC Moi University	√			√

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **SECTION A**

#### **Alupe University College's operational and financial performance**

The University College was gazetted in July 2015 and had its first council appointed in November 2016 therefore it is relatively new with fewer operations. During the financial year 2018/2019 the University College was allocated Kshs 136.8Million by the Ministry of Education, which was further reduced to Kshs 134.07Million. The funds received were utilized in meeting employee costs and other recurrent expenditure. At the time of preparing the report, the Ministry had sent a notification dated 4<sup>th</sup> July 2019 for supplementary II estimates of Kshs 19,666,507. However, as at 30<sup>th</sup> June, the funds had not reflected in the College bank account.

The result for the financial report shows a deficit of Kshs 6,326,953 Million. The deficit is attributed to receivables from students which will be collected in the subsequent financial year. The University College received 92 students placed by the Kenya Universities and Colleges Central Placement (KUCCPS) Services who reported in September 2018. Therefore there is anticipation that fees received from students alongside the Government grant will boost the College's operations a great deal.

The college's strategy include vigorous marketing of the privately sponsored programs through exhibitions road shows career talks, brochures among others in a bid to attract students even across borders since the University College is on the border of Kenya and Uganda.

### **SECTION B**

#### **University College's compliance with statutory requirements**

During the year the University College endeavored to adhere to the Government set statutory requirements in its operations as a legal entity, such as remittance of with-holding tax (V.A.T) and Pay As You Earn (P.AY.E) on behalf of the Government of Kenya.

### **SECTION C**

#### **Key projects and investment decisions the entity is planning/ implementing**

During the year, the University College progressed on well with its capital projects that were approved during the financial year 2018/2019. The College was allocated Kshs. 260 Million for capital development, which was all received during the year. The funds have been utilized in payment of contractors constructing the Library, classrooms and construction of health sciences laboratories (anatomy block/funeral home with administration block).

This facility will be used to train students in the fields of biomedical sciences, health sciences, animal sciences and agriculture. It will also enable the students and staffs address the issues of food security, nutrition and universal health care. These laboratories will also serve as diagnostic laboratories to enable accurate diagnosis of conditions that guide appropriate treatment of diseases in humans and animals.

**SECTION D**

**Major risks facing the entity**

Since the University College is relatively new, it is exposed to majorly liquidity risk. Liquidity risk relates to the University College's inability to meet its obligations as and when they fall due. The University College has operated with limited funds disbursed by the Government and therefore it ensures that it has sufficient cash on demand before incurring any operational expenditure.

**SECTION E**

**Material arrears in statutory/financial obligations**

Alupe University College did not have any material arrears this financial year.

**SECTION F**

**The University College's financial probity and serious governance issues**

Alupe University College did not have any financial probity and there was no report against it during the year.

**REPORT OF THE UNIVERSITY COLLEGE COUNCIL**

The Council submitted their report together with the audited financial statements for the year ended June 30, 2019 which show the state of Alupe University College affairs.

**Principal activities**

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

**Results**

The results of the entity for the year ended June 30, 2019 are set out on page 1

**Directors**

The Council members who served during the year are shown on pages (viii) to (x)

**Auditors**

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

By Order of the Council



**Dr. Virginia W. Kimani**  
**Chairperson Council**

Date: 13/1/2020

**STATEMENT OF COUNCIL MEMBERS' 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 Alupe University college, which give a true and fair view of the state of affairs of the University College at the end of the financial year and the operating results of the University College for that period. The Directors are also required to ensure that the University College keeps proper accounting records which disclose with 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 ended on June 30, 2019. This responsibility includes;(i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the 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 University College's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act,2012 and the State Corporations Act. The Directors further confirm the completeness of the accounting records maintained by the University 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 University College will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The University College's revised financial statements were approved by the Board on 19<sup>th</sup> December, 2019 and signed on its behalf by:



\_\_\_\_\_  
**Council Member**



\_\_\_\_\_  
**Council Member**

\_\_\_\_\_  
**Council Member**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



*Enhancing Accountability*

**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON ALUPE UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE, 2019**

---

### REPORT ON THE FINANCIAL STATEMENTS

#### **Opinion**

I have audited the accompanying financial statements of Alupe University College set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alupe University College as at 30 June, 2019, 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 Legal Order No.153 of July, 2015 and Public Finance Management Act, 2012.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

## **Other Matter**

### **Unconfirmed Balances Between Alupe University College and Moi University**

As previously reported in the year ended 30 June, 2018, the Management of the University College has not resolved unreconciled differences of Kshs.48,024,505 between the balance of Kshs.40,183,596 reported in the financial statements under trade and other payables from exchange transactions, and the corresponding balance of Kshs.88,208,101 reflected in an unsigned handing and taking over report of 19 March, 2018 with Moi University in respect to trade and other payables from exchange transactions owed to Moi University.

Management has not provided a reconciliation between the two sets or records.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Land Without Ownership Documents**

Included in the property, plant and equipment balance of Kshs.475,506,230 reflected in the statement of financial position as at 30 June, 2019 is an amount of Kshs.123,000,000 representing book value of land measuring 200 acres, which the University College inherited from Moi University. However, the College does not have a title deed for the land. However, Management has indicated that the process of transferring the title deed from Moi University to Alupe University College is on-going and is expected to be concluded in the financial year 2019/2020.

From the foregoing, it has not been possible to confirm the rightful owner of the parcel of land. There is a risk of losing the land, or part of it, in the event that the University College ceases to be a constituent college of Moi University before the transfer of title is complete.

#### **2. Completed Fabricated Anatomy and Pathology Laboratory Not Operational**

The University College entered into a contract with a local contractor at a contract sum of Kshs.239,887,920. The works constitutes the erection and completion of pre-fabricated structures which includes an anatomy and pathology laboratory, biochemistry, microbiology and administration blocks. The contract was to commence on 11 May, 2018 with initial completion date of 18 November, 2018 which was later extended to May, 2019. However, physical verification of the project revealed that all

the three structures were complete, equipped and commissioned. However, the anatomy and pathology laboratory which was well equipped with cold room facilities for 16 bodies was not operational at the time of audit. Management has attributed the situation to budgetary constraints which has hampered the recruitment of a mortuary attendant.

In view of the foregoing, Management has not obtained value for money from the laboratory while students and the neighbouring communities have not received any services from the constructions as anticipated.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **1. Unapproved Payments of Imprests**

Scrutiny of the imprest records revealed that imprest totalling Kshs.778,090, was paid to various employees of the University College without approval as the relevant request for imprest vouchers were not examined and signed by a senior accountant, and finance officer and approved by the accounting officer. Management has however, undertaken to ensure that all imprest requests are processed procedurally.

Weak controls over processing of imprests may have resulted in the University College losing funds through paying imprests to ineligible staff and for ineligible services.

#### **2. Weaknesses in the Internal Control Environment**

As previously reported, the University College has not concluded on the finalization of the Risk Management Policy, Internal Audit Manual, Code of Conduct for employees, Human Resource Manual, Disaster Recovery Plan/Business Continuity Plan all of which are in draft form and has not been launched to mitigate on the weaknesses in the internal control environments.

Further, no risk assessment has been carried out by the Internal Auditor both for the financial and academics, the core business of the University College. Other organizational risks have also not been assessed.

Although Management has explained that efforts to address these weaknesses are ongoing, the efforts are being hampered by inadequate funding.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 University Council**

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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.

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**17 February, 2021**

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

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other government entities	6	134,068,478	127,466,669
<b>Revenue from exchange transactions</b>		<b>134,068,478</b>	<b>127,466,669</b>
Student fees	7 (a)	15,580,200	9,192,600
Other Income	7 (b)	666,060	3,493,946
<b>Total Other Income</b>		<b>16,246,260</b>	<b>12,686,546</b>
<b>Total revenue</b>		<b>150,314,738</b>	<b>140,153,215</b>
<b>Expenses</b>			
Employee costs	8	138,081,796	120,530,847
Remuneration to Council members	9	3,115,830	9,256,556
Depreciation	10	7,604,595	-
Repairs and maintenance	11	256,049	440,053
General expenses	12	10,596,080	26,255,913
<b>Total expenses</b>		<b>159,654,350</b>	<b>156,483,369</b>
<b>Deficit for the year</b>		<b>(9,339,612)</b>	<b>(16,330,154)</b>

Depreciation is calculated on a straight line basis at annual rates estimated to write off carrying values of the assets over their expected useful lives, the asset is initially measured at its fair value. Depreciation rates in use are; Buildings – 2%, Furniture, plant & Equipment – 12.5%, Motor Vehicle – 25% and Computers – 33.3%.

*The notes set out on pages 6 to 33 form an integral part of these Financial Statements.*

Alupe University College  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	92,701,854	86,492,317
Receivables from exchange transactions	14	1,890,287	791,350
Inventories	15	1,230,796	126,182
<b>Total Current Assets</b>		<b>95,822,937</b>	<b>87,409,849</b>
<b>Non-current assets</b>			
Property, plant and equipment	16	475,506,230	89,725,046
<b>Total non – current assets</b>		<b>475,506,230</b>	<b>89,725,046</b>
<b>Total assets</b>		<b>571,329,167</b>	<b>177,134,895</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables from exchange transactions	17	86,521,987	67,594,130
Prepayments	18	2,245,380	639,353
<b>Total current liabilities</b>		<b>88,767,367</b>	<b>68,233,483</b>
<b>Total liabilities</b>		<b>88,767,367</b>	<b>68,233,483</b>
<b>Net assets</b>			
Capital Fund		415,000,000	155,000,000
Revaluation reserve		123,000,000	-
Accumulated Deficit		(55,438,200)	(46,098,588)
<b>Total net assets</b>		<b>482,561,800</b>	<b>108,901,412</b>
<b>Total net assets and liabilities</b>		<b>571,329,167</b>	<b>177,134,895</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the University College Council by

Principal  
Name: Prof. F. Esamai

Head of Finance  
Name: B. Shitsinzi  
ICPAK Member No. 4998

Council Chairperson  
Name: Dr. V. Kimani

Date: 13/01/2020

Date: 13/01/2020

Date: \_\_\_\_\_

**STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30TH  
 JUNE 2019**

<b>Details</b>	<b>Capital Grants</b>	<b>Accumulated Deficit</b>	<b>Revaluation Reserve</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Balance as at 30 <sup>th</sup> July 2018	155,000,000	(46,098,588)	-	108,901,412
Capital grants received	260,000,000	-	-	260,000,000
Revaluation Reserve	-	-	123,000,000	123,000,000
Surplus/(Deficit)	-	(9,339,612)	-	(9,339,612)
<b>As at 30<sup>th</sup> June 2019</b>	<b>415,000,000</b>	<b>(55,438,200)</b>	<b>123,000,000</b>	<b>482,561,800</b>

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2018-2019	2017-2018
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants and subsidies	6	134,068,478	127,466,669
Student fees	7 (a)	15,580,200	9,192,600
Other income	7 (b)	666,060	3,493,946
<b>Total Receipts</b>		<b>150,314,738</b>	<b>140,153,215</b>
<b>Payments</b>			
Employees Costs	8	138,081,796	120,530,847
Remuneration to Council	9	3,115,830	9,256,556
Repairs & Maintenance	11	256,049	440,053
General expenses	12	10,596,080	19,507,900
<b>Total Payments</b>		<b>152,049,755</b>	<b>149,735,356</b>
<b>Adjustments</b>			
Increase in receivables from exchange transactions	14	(1,098,937)	(791,350)
Increase in inventories	15	(1,104,614)	(126,182)
Increase in prepayments	18	1,606,027	639,353
Increase in payables	17	18,927,857	27,048,868
<b>Total Adjustments</b>		<b>18,330,333</b>	<b>26,770,689</b>
<b>Net cash flows from operating activities</b>		<b>16,595,316</b>	<b>17,188,548</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	16	(270,385,780)	(83,999,830)
<b>Net cash flows used in investing activities</b>		<b>(270,385,780)</b>	<b>(83,999,830)</b>
<b>Cash flow from financing activities</b>			
Capital grants received		260,000,000	-
<b>Net cash flow used in financing activities</b>		<b>260,000,000</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,209,536</b>	<b>(66,811,282)</b>
Cash and cash equivalents at 1 <sup>st</sup> JULY		86,492,317	153,303,598
<b>Cash and cash equivalents as at 30 JUNE</b>	<b>13</b>	<b>92,701,854</b>	<b>86,492,317</b>

**Alupe University College**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2019**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on comparable basis</b>	<b>Performance Difference</b>	
	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	<b>2018-2019</b>	
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>
Government grant	136,804,569	(2,736,091)	134,068,478	134,068,478	-	0%
School fees	16,252,300	-	16,252,300	15,580,200	(672,100)	-4%
Other income	1,107,000	-	1,107,000	666,060	(440,940)	-40%
<b>Total revenue</b>	<b>154,163,869</b>	<b>(2,736,091)</b>	<b>151,427,778</b>	<b>150,314,738</b>	<b>(1,113,040)</b>	<b>-1%</b>
<b>Expenses</b>						
Employee costs	140,721,021	(2,736,091)	137,984,930	138,081,796	96,866	0%
General expenses	10,460,783	-	10,460,783	10,547,273	86,490	1%
Repairs & maintenance	256,049	-	256,049	256,049	-	0%
Bank charges	50,000	-	50,000	48,807	(1,193)	-2%
Council expenses	2,676,016	-	2,676,016	3,115,830	439,814	16%
<b>Total expenses</b>	<b>154,163,869</b>	<b>(2,736,091)</b>	<b>151,427,778</b>	<b>152,049,755</b>	<b>621,977</b>	<b>0%</b>
<b>Deficit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,339,612)</b>	<b>(9,339,612)</b>	

**Budget notes**

1. The under collection of other income by 40% was as a result of over estimation of the expected income.
2. The over expenditure in council expenses by 16% was as a result of unforeseen council events which had to be undertaken.
3. The decrease between original budget and final budget by Kshs.2,736,091 was due to reduction in government grants budget.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

### 2. STATEMENT OF COMPLIANCE AND BASIS FOR PREPARATION

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

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

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

### 3. ADOPTION OF NEW AND REVISED STANDARDS

(i) **Relevant new standards and amendments to published standards effective for the year ended 30<sup>th</sup> June 2019**

Standard	Impact
IPSAS 40: Public Sector Combinations	<b>Applicable : 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable 1<sup>st</sup> January 2022</b>                      The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.                      IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by;</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b>                      The objective of this standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess;</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul>

(iii) Early adoption of standards

The University College did not early adopt any new or amended standards in the year 2019.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Revenue Recognition

###### i) Revenue from non –exchange transactions

###### **Transfer 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 entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/ Capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

###### ii) Revenue from exchange transactions

###### *Rendering of Services*

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

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

###### *Sale of Goods*

Revenue from 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 the revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

###### **Interest Income**

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

##### (b) Budget Information

The original budget for the FY 2018/2019 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional

appropriations are added to the original budget by the University College upon receiving the respective approvals in order to conclude the final budget.

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

**(c) Property, plant and equipment**

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

**(d) Intangible Assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction if 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.

**(e) Research and Development Costs**

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

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

**(f) Inventories**

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

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

- Raw materials: purchase cost using weighted average cost method
- Finished goods and works in progress: cost of direct materials and labor 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 entity.

**(g) Provisions**

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

Where the University 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.

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

### ***Contingent Liabilities***

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

### ***Contingent Asset***

The University 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 events not wholly within the control of the entity in the notes to the financial statements. Contingent assets are assessed continuously 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 revenues are recognized in the financial statements of the period in which the change occurs.

### **(h) Nature and purpose of reserves**

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

### **(i) Changes in accounting policies and estimates**

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

### **(j) Employee Benefits**

#### **Retirement Benefits plan**

The University College provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all 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.

**(k) Related Parties**

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

**(l) Service concession arrangements**

The College analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlements or otherwise-any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**(m) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**(n) Comparative figures**

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

**(o) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

## 5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the entity'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.

### Estimates and assumptions

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

### Useful lives and residual values

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

## 6. (a) TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2018/2019	2017/2018
	Kshs	Kshs
<b>Unconditional grants</b>		
Operational grant	134,068,478	127,466,669
<b>Total Government Grants and Subsidies</b>	<b>134,068,478</b>	<b>127,466,669</b>

## 6. (b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIE

Name of the entity sending the grant	Amount recognized to statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund	Total grant income during the year	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
State Department of University Education and Research	134,068,478	-	260,000,000	394,068,478	394,068,478
<b>Total</b>	<b>134,068,478</b>	<b>-</b>	<b>260,000,000</b>	<b>394,068,478</b>	<b>394,068,478</b>

7. REVENUE FROM EXCHANGE TRANSACTIONS

(a) Students fees

Description	2018-2019	2017-2018
	Kshs	Kshs
School based student fees	3,031,400	1,388,100
Regular students fees	12,548,800	7,804,500
<b>Total</b>	<b>15,580,200</b>	<b>9,192,600</b>

(b) Other income

Description	2018-2019	2017-2018
	Kshs	Kshs
Catering Services	558,995	1,614,446
Income from Sale of Tender	3,000	4,000
Accommodation	-	1,875,500
KCB Grant	100,000	-
Insurance Tent Pitching	3,000	-
Library Fees	1,065	-
<b>Total</b>	<b>666,060</b>	<b>3,493,946</b>

8. EMPLOYEE COSTS

(a) Per Category

Description	2018-2019	2017-2018
	Kshs	Kshs
Salaries and wages	78,857,647	70,557,953
Employee related costs-contributions to pension & Provident Fund	16,020,181	12,829,011
Commuter and car allowances	9,003,500	7,185,305
House Allowance	34,200,468	29,211,988
Part-timers payments	-	400,000
Passage and baggage allowance	-	346,590
<b>Total</b>	<b>138,081,796</b>	<b>120,530,847</b>

(b) Per month

<b>Month</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
July	11,559,520	4,949,262
August	11,553,806	4,907,520
September	11,571,616	8,377,550
October	11,690,806	9,073,684
November	11,614,806	9,664,374
December	11,584,806	13,647,993
January	12,271,292	11,934,266
February	11,544,790	11,619,183
March	11,357,219	11,479,863
April	11,068,719	11,427,863
May	11,138,719	11,447,063
June	11,125,697	12,002,226
<b>Total</b>	<b>138,081,796</b>	<b>120,530,847</b>

9. REMUNERATION TO COUNCIL MEMBERS

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Chairperson's honoraria	609,000	957,000
Chairperson's meetings	47,000	100,000
Council members' emoluments	2,459,830	8,199,556
<b>Total council emoluments</b>	<b>3,115,830</b>	<b>9,256,556</b>

10. DEPRECIATION

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Motor vehicles	5,500,000	5,500,000
Furniture and fittings	712,338	542,250
Computers	939,506	623,538
Plant and equipment	452,752	82,225
<b>Total depreciation</b>	<b>7,604,595</b>	<b>6,748,013</b>

11. REPAIRS AND MAINTENANCE

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Maintenance of Plant and equipment	8,500	50,708

**Alupe University College**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2019**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Maintenance of Buildings	17,058	-
Catering and Hostels	-	152,000
Maintenance of Motor Vehicles	94,713	137,774
Water Supplies	-	33,071
Maintenance of Compound	-	66,50
Maintenance of office equipment	135,778	-
<b>Total repairs and maintenance</b>	<b>256,049</b>	<b>440,053</b>

**12. GENERAL EXPENSES**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Telephone Expenses	25,250	226,800
Electricity and Water	280,134	1,443,165
Insurance Expenses	508,056	977,483
Internet Expenses	1,802,237	1,941,062
Legal expenses	-	240,304
Rent and Rates	329,000	805,000
Cleaning materials	47,674	40,625
Purchase of Stationery	559,225	905,116
Library books and related expenses	202,008	638,890
Transport operating expenses	388,890	420,771
Travelling and Accommodation	1,093,025	2,395,992
Postal & Telecommunication	55,740	114,000
Advertisement & Publicity	183,280	2,485,542
Training Expenses	17,200	311,350
Research and Training Materials	89,825	991,770
Teaching Materials	206,920	477,840
Catering Expenses	954,053	1,829,886
Medical Expenses	70,000	622,486
Deans and Senate committee expenses	21,840	49,905
Publishing and Printing	37,430	91,050
Audit fees	300,000	300,000
General office expenses	247,456	154,766
FMIS	-	205,000
Student Activity expenses	319,300	191,525
External Examiners expenses	1,533,730	1,559,072
AUCSO	263,015	-
Field Assessment (COBES)	1,011,985	-
Depreciation	-	6,748,013
Bank Charges	48,807	43,900
Other general expenses-Audit related	-	44,600

Alupe University College  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

Description	2018-2019	2017-2018
Total general expenses	10,596,080	26,255,913

13. CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	Kshs	Kshs
KCB Main Account No. 1201874084	90,575,121	79,418,415
KCB Operations Account No. 1201874025	944,655	7,073,902
IGU Account No. 123952036	20,112	-
Co-op Bank Students Association Account 01141238933900	212,055	-
Co-op Bank Research Account 01141238804100	949,911	-
<b>Total cash and cash Equivalents</b>	<b>92,701,854</b>	<b>86,492,317</b>

14. RECEIVABLE FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	Kshs	Kshs
Student Fees-Regular	1,511,637	404,650
Student Fees-School Based	378,650	386,700
<b>Grand Total</b>	<b>1,890,287</b>	<b>791,350</b>

15. INVENTORIES

Description	2018-2019	2017-2018
	Kshs	Kshs
Central Stores	775,534	109,370
Estates	150,990	16,812
Kitchen	28,772	-
Laboratory Reagents	275,500	-
<b>Grand Total</b>	<b>1,230,796</b>	<b>126,182</b>

Alupe University College  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Motor vehicles	Furniture and Fittings	Computers	Plant and Equipment	Capital Work in progress	Total
Property, plant and equipment		25%	13%	33%	13%		
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost							
At 1 July 2017	-	14,918,000	698,000	597,500	315,000	-	16,528,500
Additions	-	7,082,000	3,640,000	1,273,300	342,800	71,661,730	83,999,830
At 30th June 2018	-	22,000,000	4,338,000	1,870,800	657,800	71,661,730	100,528,330
Additions	123,000,000	-	1,360,700	948,000	2,964,214	265,112,866	393,385,780
At 30th June 2019	123,000,000	22,000,000	5,698,700	2,818,800	3,622,014	336,774,596	493,914,110
Depreciation							
At 1 July 2017	-	3,729,500	87,250	199,147	39,375	-	4,055,272
Depreciation	-	5,500,000	542,250	623,538	82,225	-	6,748,013
At 30 June 2018	-	9,229,500	629,500	822,684	121,600	-	10,803,284
Depreciation	-	5,500,000	712,338	939,506	452,752	-	7,604,595
At 30 June 2019	-	14,729,500	1,341,838	1,762,190	574,352	-	18,407,880
Net book values							
At 30 June 2019	123,000,000	7,270,500	4,356,863	1,056,610	3,047,662	336,774,596	475,506,230
At 30 June 2018	-	12,770,500	3,708,500	1,048,116	536,200	71,661,730	89,725,046

*Note: Moi University is yet to transfer land title deed to Alupe University College. However it has allowed AUC to value the land hence, Non-Current assets figure of kshs. 475,506,230/= shown in NOTE 16 above include the value of 200 acre piece of land on which Alupe University College stand.*

## 17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2018/2019	2017/2018
	Kshs	Kshs
June Salaries	11,125,697	10,194,463
Council chair honoraria	435,000	87,000
Passage & Baggage	-	346,000
Payment to contractor	-	6,130,867
Student fees	-	4,136,580
Salaries and Expenses paid by Moi University	40,113,596	33,133,718
Government Advertising Agency	1,127,102	-
Internet-Futuretech	339,900	-
Suppliers/Creditors	214,954	2,895,774
Advance from Moi University	-	2,913,298
Caution money	554,000	364,000
Contractors' Retention money	31,805,094	6,791,840
EhBB Project Loan	806,644	-
<b>Total</b>	<b>86,521,987</b>	<b>67,594,130</b>

*Note: Included in the trade and other payable from exchange transactions of Kshs.40,113,596/= for 2015/16 FY relates to money owed to Moi University based on a letter from Moi university requesting refund from AUC. The discussions are ongoing with Moi University on the same. The correct liability figure will be adjusted in the financial statement once discussions are concluded.*

Item	Amount (Kshs)
Student Fees	4,066,580
Salaries paid by Moi University on behalf of Alupe Univ. College	33,133,718
Advance from Moi University	2,913,298
<b>Total</b>	<b>40,113,596</b>

## 18. PREPAYMENTS

Description	2018/2019	2017/2018
	Kshs	Kshs
Students Fees-Regular	1,740,980	639,353
Students Fees-School based	504,400	-
<b>Total prepayments</b>	<b>2,245,380</b>	<b>639,353</b>

## 19. FINANCIAL RISK MANGEMENT

The University College's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes of foreign currency. The entity' overall risk management program focuses on unpredictability of changes in the business environment and seeks to

minimize the potential adverse effects of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with established credit history.

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

**(i) Credit risk**

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

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

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

<b>Details</b>	<b>Total Amount (Kshs)</b>
<b>As at 30 June 2019</b>	
Receivable from exchange transactions	1,890,287
Bank Balances	92,701,854
<b>Total</b>	<b>94,592,141</b>
<b>As at 30<sup>June</sup> 2018</b>	
Receivable from exchange transactions	791,350
Bank Balances	86,492,317
<b>Total</b>	<b>87,283,667</b>

**(ii) Liquidity Risk Management**

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

Details	Less than 1 Month	Less than 1-3 Months	Over 5 months	Total
<b>As at 30 June 2019</b>				
Trade payables	-	214,954	34,632,740	34,847,694
Employee benefit Obligation		11,125,697	40,548,596	51,603,108
<b>Total</b>				
<b>As at 30 June 2018</b>		<b>11,340,651</b>	<b>75,181,336</b>	<b>86,450,802</b>
Trade Payables	6,130,867	2,982,774	15,152,308	24,265,949
Employee Benefit Obligation		10,194,463	33,133,718	43,328,181
<b>Total</b>	<b>6,130,867</b>	<b>13,177,237</b>	<b>33,148,870</b>	<b>67,594,130</b>

**(iii) Market Risk**

The board has put in place an internal audit function to assist it in the assessing The risk faced by the entity on an ongoing basis, evaluate and test the design and the effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate Equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risks rest with the Audit and Risk Management Committee.

**(a) Foreign currency risk**

The College has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time payment is done using the prevailing exchange rate.

**(b) Interest risk**

Interest risk is the risk that the entity's financial condition may be adversely affected as a result of changes in the interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interests rates.

**Sensitivity Analysis**

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**(iv) Capital Risk Management**

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The capital structure comprise of the following funds;

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation Reserve	123,000,000	-
Retained Earnings	(6,326,953)	(16,330,154)
Capital Reserve	260,000,000	-
<b>Total</b>	<b>376,673,047</b>	<b>(16,330,154)</b>

**20. RELATED PARTY BALANCES**

**Nature of related party relationships**

The University College and other parties related to it 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.

**Government of Kenya**

The Government of Kenya is the principal shareholder of Alupe University College, holding 100% of the University College equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- (i) The National Government
- (ii) The Ministry of Education
- (iii) Board of Directors
- (iv) University College Management

**21. EVENTS AFTER THE REPORTING PERIOD**

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

**22. ULTIMATE AND HOLDING ENTITY**

Alupe University College is a State Corporation under the Ministry of Education, State Department for University Education. Its ultimate parent is the Government of Kenya.

### **23. CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs)

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the Auditor-General, and management comments that were provided to the auditor.

Reference No on the external audit Report	Issue/Observation from Auditor	Management comments	Focal point person to resolve the issue (Name and Designation)	Status (Resolved/Not Resolved)	Timeframe
1.	<p><b>Unconfirmed balances between AUC and Moi University</b>            Note 17 to financial statements reflects trade and other payables from exchange transactions balance of kshs.40,183,596 owed to Moi University, however the unsigned handing over report of assets and liabilities dated 19<sup>th</sup> march 2018 reported a figure of 88,208,101 as net assets owed to Moi University. A rising from the above, the unreconciled difference amounts to kshs.48,024,505 and it has not been possible to ascertain the correct assets and liabilities balances position.</p>	<p>The stated liabilities relates to 2015/16 FY. The recognition was based on the letter dated 7<sup>th</sup> July,2017 issued to AUC by Moi university informing AUC to prepare to take over the payment of salaries and re-imburement of expenses and liabilities incurred in the FY in question. AUC did not have council before November, 2016 hence not operational. Acouncil must be in place for university to effectively operates including approval of budget among others.            AUC was a campus of Moi university operated by Moi university up to November 2016. Based on the above, the correct figure for liabilities owed to Moi University therefore remains Ksh 40,183,596 as earlier reported in</p>	Prof. Fabian Esamai <b>Principal</b>	Not Resolved	2019/2020 FY

Alupe University College  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

Reference No on the external audit Report	Issue/Observation from Auditor	Management comments	Focal point person to resolve the issue (Name and Designation)	Status (Resolved/Not Resolved)	Timeframe
		<p>the financial statements.</p> <p>The unsigned minutes referred to in the report are still a subject of discussion which will be discussed and confirmed at the next joint meeting of MU and AUC Management Boards. See annex I <b>Letter from Moi University attached and annex II AUC Council Gazette of October 2016 attached.</b></p>			
2.	<p><b>Alupe University College Land</b> Excluded from PPE figure of kshs.89,725,046 reflected under Note 16 to the financial statements, is a piece of land estimated at 200 acres which is part of the assets handed over to the college by Moi University. However, review of the land records revealed the following anomalies;-</p> <ul style="list-style-type: none"> <li>The land was valued at kshs.123,000,000 vide the valuation report dated July, 2018</li> </ul>	<p>AUC initiated the process of valuation of University land of 76.90 Ha, title No. South Teso/Angorom/8487 on 18<sup>th</sup> October 2017 by writing to the National Land Commission, see <b>annex III copy of letter attached</b>, however the commission did not act immediately. Later, AUC engaged a valuer in July 2018 who did the valuation of the land which is valued as per the <b>valuation report attached</b>, see annex IV</p> <p>The fencing works has</p>	Prof. Fabian Esamai <b>Principal</b>	Not Resolved	2019/2020 FY

Alupe University College  
 Annual Reports and Financial Statements  
 For the year ended June 30, 2019

Reference No on the external audit Report	Issue/Observation from Auditor	Management comments	Focal point person to resolve the issue (Name and Designation)	Status (Resolved/Not Resolved)	Timeframe
	<ul style="list-style-type: none"> <li>The land was not incorporated in the assets register and schedule as part of assets taken over as at the time of Gazettement of the University College on 24<sup>th</sup> July 2015</li> <li>The ownership documents were still in the name of Moi University</li> </ul> <p>In the circumstances, it has not been possible to confirm completeness and ownership of the property, plant and equipment balance of kshs.89,725,046 as at 30<sup>th</sup> June 2018</p>	<p>commenced as per <b>attached documents see annex V</b></p> <p>As for land ownership the process is on as per the <b>attached minutes and documents</b> from Moi University on the matter, see annex VI</p>			
1.	<p><b>Weakness in internal control environment</b></p> <p>It's a requirement that for proper operations of the entity, there should be human resource policies, code of conduct for employees, Risk management policy and documented key</p>	<p>These are being finalized and will be approved in the next meeting of Council. These have been reviewed by the Human resource Committee of Council and awaiting full Council approval. <b>See annex VIII minutes of the HR committee of Council and</b></p>	Prof. Fabian Esamai <b>Principal</b>	Resolved- The policy documents were approved by the university college council. (See attached copies of minutes	

Alupe University College  
 Annual Reports and Financial Statements  
 For the year ended June 30, 2019

Reference No on the external audit Report	Issue/Observation from Auditor	Management comments	Focal point person to resolve the issue (Name and Designation)	Status (Resolved/Not Resolved)	Timeframe
	<p>financial procedures in place. The University Council is required to set and oversee overall strategy and approve significant policies of the organization. However, it was noted that the University had weaknesses in its internal controls which includes among others:</p> <ul style="list-style-type: none"> <li>• The code of conduct for employees being used in the college is still in draft form and it has not been adopted by the College Council.</li> <li>• The human resource manual is still in draft form</li> <li>• Alupe University college does not have a disaster recovery plan/business continuity plan</li> <li>• The University have not put in place risk</li> </ul>	<p><b>annex IX 8<sup>th</sup> Council minutes of July 2018 attached</b></p>		<p>for review on <b>Appendix 7).</b></p>	

Alupe University College  
 Annual Reports and Financial Statements  
 For the year ended June 30, 2019

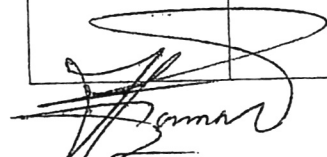
Reference No on the external audit Report	Issue/Observation from Auditor	Management comments	Focal point person to resolve the issue (Name and Designation)	Status (Resolved/Not Resolved)	Timeframe
	<p>management policy to mitigate on possible risk encountered in its operations.</p> <ul style="list-style-type: none"> <li>The risk assessment that has been carried out by the internal auditor are financial in nature and none has been assessed in the core business of the college.</li> <li>Review of internal audit records and annual work plan revealed that there are no documented policies and procedures to guide key financial processes.</li> </ul> <p>Weaknesses in the internal controls noted may lead to irregularities in the college which may go undetected.</p>				
2.	<p><b>Governance Structure</b>          According to Section 66 of Public Financial Management</p>	<p>These will be approved at the next meeting of Council since they have been reviewed by the Audit</p>	<p>Prof. Fabian Esamai  <b>Principal</b></p>	<p>Resolved – The internal audit manual, audit</p>	

Alupe University College  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

Reference No on the external audit Report	Issue/Observation from Auditor	Management comments	Focal point person to resolve the issue (Name and Designation)	Status (Resolved/Not Resolved)	Timeframe
	<p>Act, 2012, all accounting officers should establish appropriate systems for internal control and risk framework. However, review of issues of governance at the University College revealed that the <b>internal audit manual</b> was still in draft form, it had not been approved.</p> <p>In the circumstance, the internal audit department may not be appropriately and effectively constituted to discharge its oversight mandate over the governance of the office.</p>	<p>Committee of Council. See <b>annex X attached minutes of the Audit Committee of Council and annex IX Council minutes of the 8<sup>th</sup> Council meeting held in July 2018</b></p>		<p>committee charter and annual work plan for 2018/19 FY were presented and approved by the audit and risk management committee of council (see <b>attached minutes on Appendix 7</b>) for review.</p>	
3.	<p><b>Employment without adherence to the scheme of service</b></p> <p>Contrary to the regulations, it was noted that new employments were done without realistic job description. With reference to the internal memo dated 9 January, 2018, it was observed that the Senior Accountant</p>	<p>Error noted and corrected, see <b>annex VII a, b and c</b> attached job descriptions for the finance staff.</p>	<p>Prof. Emmy Kipsoi <b>Deputy principal (AF&amp;D)</b></p>	<p>Resolved - management reallocated duties to other staffs within the department to avoid duplication of roles and ensured checks and balances in the</p>	

Annual Reports and Financial Statements  
For the year ended June 30, 2019

Reference No on the external audit Report	Issue/Observation from Auditor	Management comments	Focal point person to resolve the issue (Name and Designation)	Status (Resolved/Not Resolved)	Timeframe
	<p>(expenditure) has a total of 28 responsibilities to deliver which is unrealistic.</p> <p>Lack of segregation of duties may lead to duplication of roles, weak internal controls and may affect the efficiency of the staff in the execution of duties.</p>			<p>system in order to enhance internal control system. Similarly all payments are pre-audited by internal audit department before payments are made hence transparency and accountability (see attached copy of staff job description Appendix 4).</p>	

  
Principal

Prof. Fabian Esamai

Date: ..... 13/01/2020 .....

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

**Projects**

Projects implemented by Alupe University College

	<b>Project Title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/ Duration</b>	<b>Donor Commitment</b>	<b>Donor Report Required (YES/NO)</b>	<b>Consolidated in these Financial Statements</b>
1	Library phase 1	AUC/ONT/1/2016/2017	GoK	72 Weeks	None	No	Yes
2	Laboratory & Lecture Rooms	UC/ONT/2/2016/2017/28	GoK	24 weeks	None	No	Yes
3	Admin, Anatomy & Biochemistry Laboratory	AUC/ONT/13/2016/2017	GoK	24weeks	None	No	Yes
4	Borehole	D106/WE/BSA/1601	GoK	24 Weeks	None	No	Yes

**Status of Projects Completion**

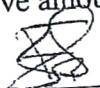
	<b>Project</b>	<b>Total Project Cost</b>	<b>Total expended To date</b>	<b>Completion % to date</b>	<b>Budget(Kshs)</b>	<b>Actual(Kshs)</b>	<b>Sources of Funds</b>
1	Library phase 1	197,646,541	96,529,623	60	197,646,541	197,646,541	GoK
2	Laboratory & Lecture Rooms	18,450,204	18,450,204	100	18,450,204	18,450,204	GoK
3	Admin., Anatomy & Biochemistry Laboratory	239,887,920	204,665,084	100	239,887,920	239,887,920	GoK
4	Borehole	5,936,300	4,684,774	90	5,936,300	5,936,300	GoK

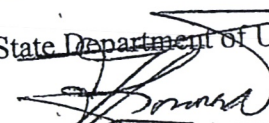
Annual Reports and Financial Statements  
For the year ended June 30, 2019

APPENDIX III: INTER-ENTITY TRANSFERS

<b>ALUPE UNIVERSITY COLLEGE</b>				
<b>Breakdown of Transfers from State Department of University Education</b>				
<b>FY 2018/2019</b>				
<b>a</b>	<b>Recurrent Grants</b>	<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>FY that the money Relates</b>
	<b>Month</b>			
1	Jul-18	08/02/2018	11,400,381	2018/2019
2	Aug-18	30/08/2018	11,400,381	2018/2019
3	Sep-18	09/01/2018	11,400,381	2018/2019
4	Oct-18	11/07/2018	11,400,381	2018/2019
5	Nov-18	12/03/2018	10,716,357	2018/2019
6	Dec-18	27/12/2018	10,032,335	2018/2019
7	Jan-19	02/01/2019	11,400,381	2018/2019
8	Feb-19	03/07/2019	11,400,381	2018/2019
9	Mar-19	28/04/2019	10,716,357	2018/2019
10	Apr-19	28/04/2019	11,400,381	2018/2019
11	May-19	05/02/2019	11,400,381	2018/2019
12	Jun-19	06/06/2019	11,400,381	2018/2019
	<b>Total</b>		<b>134,068,478</b>	
<b>b</b>	<b>Capital Grants</b>	<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>FY that the money Relates</b>
	<b>Month</b>			
1	Oct-18	24/10/2018	108,515,272	2018/2019
2	Dec-18	12/06/2018	21,484,728	2018/2019
3	Feb-19	02/12/2018	63,353,449	2018/2019
4	Mar-19	22/03/2019	40,710,876	2018/2019
5	Mar-19	22/03/2019	25,935,675	2018/2019
	<b>Total</b>		<b>260,000,000</b>	

The above amounts have been communicated to and reconciled with the State Department of University Education

  
Head of Finance  
Alupe University College

  
Head of Accounting Unit  
State Department of University Education

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

Name of the MDA Transferring the Funds	Date Received as per Bank Statement	Nature: Recurrent/ Development /Others	Total Amount	Where Recorded/Recognized		Total Transfers During the Year 2018/2019
				Statement of Financial Performance	Capital Fund	
			Kshs	Kshs	Kshs	Kshs
State Department of University Education	08/02/2018	Recurrent	11,400,381	11,400,381	-	11,400,381
State Department of University Education	30/08/2018	Recurrent	11,400,381	11,400,381	-	11,400,381
State Department of University Education	09/01/2018	Recurrent	11,400,381	11,400,381	-	11,400,381
State Department of University Education	11/07/2018	Recurrent	11,400,381	11,400,381	-	11,400,381
State Department of University Education	12/03/2018	Recurrent	10,716,357	10,716,357	-	10,716,357
State Department of University Education	27/12/2018	Recurrent	10,032,335	10,032,335	-	10,032,335
State Department of University Education	02/01/2019	Recurrent	11,400,381	11,400,381	-	11,400,381
State Department of University Education	03/07/2019	Recurrent	11,400,381	11,400,381	-	11,400,381
State Department of University Education	28/04/2019	Recurrent	10,716,357	10,716,357	-	10,716,357
State Department of University Education	05/02/2019	Recurrent	11,400,381	11,400,381	-	11,400,381
State Department of University Education	06/06/2019	Recurrent	11,400,381	11,400,381	-	11,400,381
State Department of University Education	28/06/2019	Recurrent	11,400,381	11,400,381	-	11,400,381
State Department of University Education	24/10/2018	Capital	108,515,272	-	108,515,272	108,515,272
State Department of University Education	12/06/2018	Capital	21,484,728	-	21,484,728	21,484,728
State Department of University Education	02/12/2018	Capital	63,353,449	-	63,353,449	63,353,449
State Department of University Education	22/03/2019	Capital	40,710,876	-	40,710,876	40,710,876
State Department of University Education	22/03/2019	Capital	25,935,675	-	25,935,675	25,935,675
<b>Total</b>			<b>394,068,478</b>	<b>134,068,478</b>	<b>260,000,000</b>	<b>394,068,478</b>

5

2

1