


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 <b>REPORT</b>	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 03 APR 2019	DAY: <input type="text"/>
<b>OF</b>	
TABLED BY:	Hon. Aden Duale Lom
CLERK AT THE TABLE:	Halima Suliman

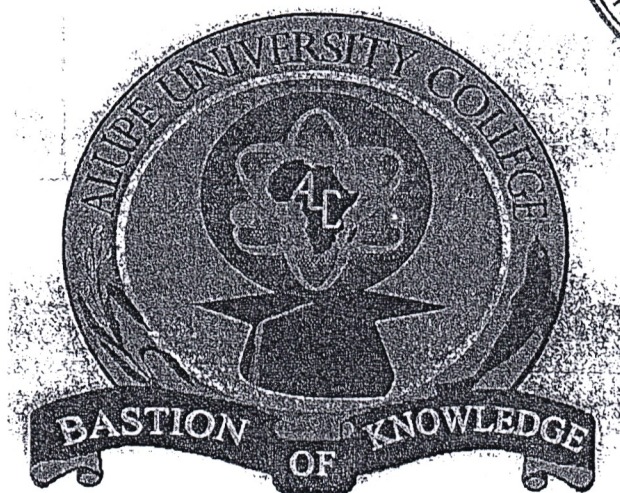
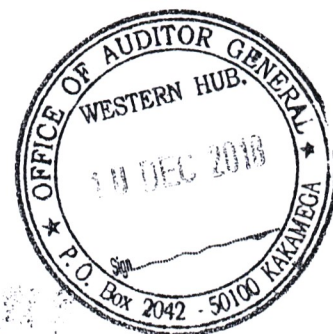
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
ALUPE UNIVERSITY COLLEGE

FOR THE YEAR  
ENDED 30 JUNE 2018

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ALUPE UNIVERSITY COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARENDING

JUNE 30, 2018

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

ALUPE UNIVERSITY COLLEGE

*Annual Reports And Financial Statements For The Year Ended June 30, 2018*

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Table of Contents	Page
KEY ALUPE UNIVERSITY COLLEGE INFORMATION AND MANAGEMENT.....	iii
MEMBERS OF THE UNIVERSITY COLLEGE COUNCIL.....	viii
ALUPE UNIVERSITY MANAGEMENT TEAM.....	xi
CHAIRLADY'S STATEMENT.....	xii
THE PRINCIPAL'S REPORT ON THE FINANCIAL STATEMENTS.....	xiii
MANAGEMENT DISCUSSION AND ANALYSIS.....	xxiii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING .....	xxv
REPORT OF THE COUNCIL.....	xxvi
STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES.....	xxvii
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018.....	1
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018 .....	2
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018.....	3
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018.....	4
NOTES TO THE FINANCIAL STATEMENTS .....	7
APPENDIX II: INTER-ENTITY TRANSFERS.....	24

**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 Legal Order No.153 of July 2015. At cabinet level, the University is represented by the Cabinet Secretary for Education, Science and Technology who is responsible for the general policy and strategic direction of the University. The Alupe University College council was appointed under special gazette notice of 7<sup>th</sup> November 2016.

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

**(b) Principal Activities**

The University College's has the following mandates;

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

## ALUPE UNIVERSITY COLLEGE

### *Annual Reports And Financial Statements For The Year Ended June 30, 2018*

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- (vii) To contribute to industrial and technological development through innovations and technological transfer
- (viii) To develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, arch and consultancy services.
- (ix) To participate in commercial ventures and other activities for the benefit of the University College, and stakeholders
- (x) To facilitate student mobility between different programmes at different technical training institutions, Universities and Industry; and
- (xi) To foster the general welfare of all staff and students.

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

#### **Vision**

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

#### **Mission**

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

#### **Motto**

Bastion of Knowledge

#### **Core values**

- **Professionalism**

Embrace integrity in teaching, learning and research

- **Creativity and Innovation**

Commitment to promoting and supporting resourcefulness and the advancement of new ideas

- **Excellence**

Commitment to quality teaching, research and service delivery

- **Good Corporate Governance**

Prudent management of resources and best practice in leadership

- **Customer focus**

Endeavour to provide services that meet the needs of the client

- **Teamwork**

**(c) Key Management**

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

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

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Ag. Principal	Prof. Fabian Esamai
2.	Ag. Deputy Principal (Administration, Finance and Planning)	Prof. Emmy Kipsoi
3.	Ag. Deputy Principal (Academics, Students Affairs and Research)	Prof. Peter Barasa
4.	Senior Accountant	CPA Billiah Shitsinzi

(e) Fiduciary oversight arrangements

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;

- Formulation of policies on internal controls that will enhance security, accountability of resources management and improve on efficiency and transparency.
- Examine Internal and External Auditors' findings and recommendations for improvement of internal controls. Monitor Management's response to and implementation of internal control recommendations
- Assist the Principal in enhancing internal controls in order to improve efficiency, transparency and accountability.
- Resolving unsettled and unimplemented issue raised by the Public Investment Committee(PIC)
- Enhancing communication between management, internal and external audit and fostering an effective internal audit function.
- 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.
- Initiating special audits/investigation on any allegation, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the principal.
- Advice on quality and performance monitoring
- Perform an oversight function as may be requested by the University College Council from time to time.

**(f) Alupe University College Headquarters**

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

**(g) Alupe University College Contacts**

Telephone :( 254) 741 217 185,  
(254) 736 044 469  
E-mail: principal.auc.ac.ke  
principalalupe@gmail.com  
Website: [www.auc.ac.ke](http://www.auc.ac.ke)

**(h) Alupe University College Bankers**

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

**(i) Independent Auditors**

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



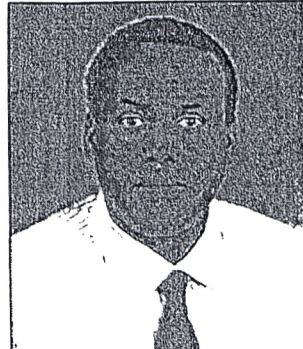
**(j) Principal Legal Adviser**

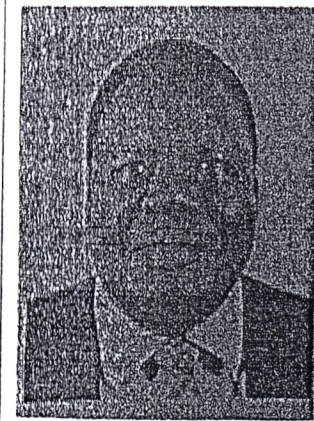


The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112 City Square 00200  
NAIROBI, KENYA

ALUPE UNIVERSITY COLLEGE

Annual Reports And Financial Statements For The Year Ended June 30, 2018

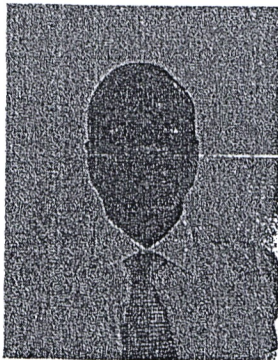



MEMBERS OF THE UNIVERSITY COLLEGE COUNCIL

	Members of the university College Council	Key Qualifications
1.	 <p><b>Dr. Virginia W. Kimani ,59, Chairlady</b></p> <ul style="list-style-type: none"> <li>• Doctor of Philosophy (1997)</li> <li>• Crop Science (focus on pesticides Epidemiology)-UON</li> </ul> <ul style="list-style-type: none"> <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 independent council member. She is an agriculturist who runs a private consultancy firm on pesticides in Nairobi since 1999.</p> <p>She has worked with KARI and Ministry of Agriculture between 1984 and 1999 in various capacities.</p>
2.	 <p><b>Mr. Kiema Mwandia,45, Member</b></p> <ul style="list-style-type: none"> <li>• MSc Project Management,</li> </ul> <ul style="list-style-type: none"> <li>• BSc(Agriculture)UON</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 trustees of various firms including the Water Services Trust Fund</p>
3.	 <p><b>Mr. Alinoor Hassan-54, 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. He is also the chair of the Audit committee of the council.</p> <p>He is a member of the Institute of Human Resource Management and has served in many boards since 2004</p>





	<p><b>Mr. William Ikapel,69 Member</b>                  Holds an MA in Communication</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. He is also the chair of the appeals and disciplinary committee of council.</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.Worked at KBC for over 12 years. He retired from public service in 2004.</p>	
<p>Studies,UON,LLB,UON,2001</p>		<p><b>Eng. Andrew Makokha,67Member</b></p> <ul style="list-style-type: none"> <li>• BSc Civil</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 also the chair of the academic, research and extension committee of council.</p> <p>He is a registered engineer and member of the Institute of Engineers. Has a vast experience working in the Ministry of Water to position of deputy Director countrywide. Retired from public service in 1993.Joined World Bank as a team leader in the East and Southern Africa region.</p>
<p>Engineering(UON),1975                  • Masters in Environmental Engineering, France, 1981</p>		<p><b>Ms. Caroline Chirchir, 53, Member</b></p> <ul style="list-style-type: none"> <li>• MA Counselling &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 which she Joined in November 2016. She is also the chair of the human resource, development and administration committee of council.</p> <p>She is a member of Institute of Human Resource Management and Kenya Counselling and psychology Association. A private human resource consultant and has served as head of Human Resource in SMEP for 6 years.</p>

ALUPE UNIVERSITY COLLEGE

Annual Reports And Financial Statements For The Year Ended June 30, 2018

7.	 <p><b>Mr. Isaac.O. Odek,53 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. Odekwas born on 29<sup>th</sup> January 1965 and he is an independent AUC council member which he Joined in November 2016.</p> <p>He works in state Corporations Inspectorate, and has served in several parastatal boards and councils since 2014. He has a vast experience as Assistant Director of Youth Affairs for 9 years and now serving as a desk officer in State Corporations Inspectorate for 12 state corporations.</p>
8.	 <p><b>Dr. Christopher Yegon,51- Member</b></p> <ul style="list-style-type: none"> <li>• BBM(Moi University),2003,</li> <li>• MBA (UoN), 2009</li> <li>• PhD (JKUAT), 2015.</li> </ul>	<p>Dr. Yegon was born on 1<sup>st</sup> July 1967 and he is an independent AUC council member which he Joined in November 2016.</p> <p>He works as a Director of Research and Policy development. Has a vast experience as county secretary under Transition Authority with Bomet County. A teacher by profession.</p>
9.	 <p><b>Prof. Fabian Esamai- Secretary to Council</b></p> <ul style="list-style-type: none"> <li>• MB ChB (UON) 1978</li> <li>• MMed (Paeds – UON) 1984</li> <li>• MPH (Johns Hopkins University, USA) 1996</li> <li>• PhD(Linkoping University, Sweden,2002</li> </ul>	<p>Prof. Esamai was born on 23<sup>rd</sup> September 1953 and he is an executive member of the AUC council.</p> <p>He is the Ag. Principal of Alupe University College and the Secretary to the AUC Council. Prof. Esamai has vast experience having worked as the Dean School of Medicine for 4 years and Principal, College of Health Sciences for 5years at Moi University. He is a Commissioner in the East African Health Research Commission and a Research Chair for Health Systems.</p>
10.	 <p><b>Ms. Lydia Grace Tsuma- 53, Member</b></p> <ul style="list-style-type: none"> <li>• MBA (FINANCE) - (USIU),</li> <li>• BCOM (FINANCE),</li> <li>• CPA(K)</li> </ul>	<p>Ms. Lydia was born on 31<sup>st</sup> December 1965 and she is the representative of PS National Treasury in AUC council. She Joined in October 2017.</p> <p>: National Treasury representative MEMBER OF ICPAK NO.4237, GRADE: Financial Specialist at Public Financial Reforms (PFMR)</p>

ALUPE UNIVERSITY MANAGEMENT TEAM

Name of the Staff and qualifications	Responsibility
 <p><b>Prof. Fabian Esamai</b></p> <ul style="list-style-type: none"> <li>• MB ChB (UON) 1978</li> <li>• MMed (Peads-UON) 1984,</li> <li>• MPH (Johns Hopkins University, USA, 1996</li> <li>• PhD (Linkoping University, Sweden) 2002</li> </ul>	<p>Ag. Principal</p>
 <p><b>Prof. Emmy Kipsoi</b></p> <ul style="list-style-type: none"> <li>• Bed (Daystar University) 1994,</li> <li>• Master in Education (Kenyatta University), 2000,</li> <li>• Doctor of Philosophy (Moi University), 2011.</li> </ul>	<p>Ag. Deputy Principal (Administration, Finance and Planning)</p>
 <p><b>Prof. Peter Barasa</b></p> <ul style="list-style-type: none"> <li>• A Professor of Language Education in the School of Education,</li> <li>• Moi University and holds a Ph.D., M. Ed.,</li> <li>• B. Phil, Postgraduate Certificate in Research (The University of Hull, UK) and</li> <li>• Diploma in Education (English and Literature- Siriba T.T.C.</li> </ul>	<p>Ag. Deputy Principal (Academic Student Affairs and Research)</p>
 <ul style="list-style-type: none"> <li>• CPA Billiah Shitsinzi</li> <li>• CPA Final 2002,</li> <li>• BBM (Moi University), 2005,</li> <li>• ICPAK Member</li> </ul>	<p>Senior Accountant</p>

*ALUPE UNIVERSITY COLLEGE*

*Annual Reports And Financial Statements For The Year Ended June 30, 2018*

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**CHAIRLADY'S STATEMENT**

I wish to present the Alupe University College (AUC) Financial report for the year ended June 30<sup>th</sup> 2018. AUC became operational on 7<sup>th</sup> November 2016 after the appointments of the Council vide Special Gazette Notice 136.

This financial year has been a busy and fruitful time for Council, management and staff. We proudly defended our 1<sup>st</sup> and 2<sup>nd</sup> Performance Contracts and also made progress with a number of projects focused on ensuring that we have facilities for the students allocated to us from KUCCPs and from the PSSP. As a new entity, we prepared and adopted a Charter, Statutes and other documents necessary for the smooth running of the University College.

The Alupe University College was allocated Kshs 260,000 million for capital development. The college faced a financial challenge when the capital budget was cut by 96% leaving only just over Kshs. 10,000,000 which we did not access either. We therefore completely missed out in the FY 2017/2018 on capital development funds.

In spite of this setback, the College was able to progress with the library project to get to the 1<sup>st</sup> floor level, complete some teaching and learning facilities as well as make significant progress with construction of the laboratories using the balance from the 2016/2017 FY funds.

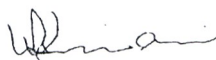
The Council negotiated, vetted and implemented the performance contract for FY 2017/18. The reports for all the 4 quarters of the FY were submitted to the Inspector General, State Corporations, the State department of University education and the National Treasury as required.

The University College Council advertised, shortlisted and conducted interviews for the Alupe University Senior management in May 2018 and submitted the top 3 in each of the three positions to the Ministry of Education.

AUCs dream is to be a centre of excellence in integrated training and research in the health, biological, physical and social sciences with particular emphasis on health sciences. We therefore desire to build our vision around the health agenda also responding at this time with the provisions of the Big 4.

It is our hope that in 2018-2019, we shall consolidate our 2017-2018 gains and move quickly towards setting up a health science research laboratory facility even as we continue to link and cooperate with KEMRI and the AlupeSub-County Hospital.

SIGNATURE:



DATE: 30 August 2018

DR. VIRGINIA W. KIMANI

CHAIRLADY, ALUPE UNIVERSITY COLLEGE COUNCIL

## THE PRINCIPAL'S REPORT ON THE FINANCIAL STATEMENTS

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

The 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.

Alupe University College was allocated 192 students as its first batch of students for the 2017/18 academic year by the Kenya Universities, Constituent University Colleges and Colleges placement service (KUCCPS). These students reported to campus on 6<sup>th</sup> September 2017. In the 2018/19 Academic year it was allocated 91 students by KUCCPS.

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. AUC started from scratch as it did not take over any existing institution or College. 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.

Alupe University College has just completed its first Academic year with a successful completion of the first year studies by the 192 students of whom 177 will proceed to year 2 in the 2018/19 Academic year. During the financial year 2017/18 the University College hired 79 staff (41 non-teaching and 38 Teaching staff) who were in the first Alupe University College payroll starting 1<sup>st</sup> July 2017.

## *ALUPE UNIVERSITY COLLEGE*

### *Annual Reports And Financial Statements For The Year Ended June 30, 2018*

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In the FY 2017/18 the University College procured 3 vehicles for use by students, staff and the Principal. The University College also tendered for the construction of the 1000 seater Library whose work commenced in August 2017 which was 40% complete by June 30<sup>th</sup> 2018. In addition the University College commenced the construction of a laboratory and two classrooms which was 85% complete by June 30<sup>th</sup> 2018. The University also tendered for the construction of the laboratories, lecture rooms and offices whose construction commenced in May 2018 and was 21% complete by 30<sup>th</sup> June 2018.

Alupe University College completed the FY 2017/18 having met all its statutory obligations despite the low funding levels. This was commended by the Kenya Revenue Authority and the Moi University Pension scheme.

The Alupe University College promotes prudent financial utilization and applies the tenets of accountability, integrity and transparency in its operations. This is testified by the fact that it was given a provisional un-qualified report by the Office of the Auditor- General in the 2016/17 FY external audit report.

The University however incurred a pending bill of Kshs. 1.3million for advertising due to a low allocation in the 2017/18 FY.

The Alupe University College having taken the Science focus, needs a substantial financial and resource allocations to be able to achieve its mandates. The main challenge of the University College is inadequate resources. Our proposed budget for FY 2017/18 was Kshs. 532million but we were allocated only 127million. We had an AIA of Kshs 11.4 million in the financial year 2017/18.

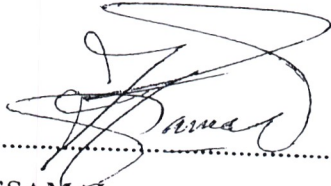
This low funding made the University College spend most of its allocation on personnel emoluments leaving only about 20% of its funds for operations. This has hampered the equipping of laboratories, classrooms and offices to a level that is commensurate with its status.

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 and the "Big 4 agenda".

ALUPE UNIVERSITY COLLEGE

*Annual Reports And Financial Statements For The Year Ended June 30, 2018*

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 very limited resources.



SIGNATURE: .....

PROF. FABIAN ESAMAI

PRINCIPAL

DATE: ..... 23/11/2018

## CORPORATE GOVERNANCE STATEMENT

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

### **Council Members**

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

The roles of the chairlady and the principal are distinct and their respective responsibilities are clearly defined. The Council comprises of 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 procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Council Members bring their diverse experience and qualification into the Council's deliberations. The governance parameter on Process of appointment, of council members as the oversight body was transparent and formal. The Council of the University College was appointed by the Cabinet Secretary in accordance with section 36 of the University Act.

On appointment, the Council members were gazetted. The process of succession and removal was yet to apply at the time. All 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 2017/2018, there were eight full regular quarterly council meetings all held at Alupe University College and there was a quorum in each. In each meeting a conflict of interest register is signed by all members present and in this financial year no conflict of interest was declared by any member. Remuneration of the Council members is pegged on meetings attended as they are paid sitting allowance for each meeting and night outs for the period they are on university official function as per the rates provided for in the national treasury circular for payment of sitting allowances and perdiems. The chairperson is also entitled to monthly honoraria and telephone allowance. No governance audit was done in this financial year.

**Full council meeting attendance**

NO	NAME	1 <sup>st</sup> Quarter		2 <sup>nd</sup> Quarter		3 <sup>rd</sup> Quarter			4 <sup>th</sup> Quarter
		14/07/17	21/07/17	16/10/2017	15/12/2017	12/01/2018	28/02/2018	16/03/2018	
1	Dr. Virginia Kimani	✓	✓	✓	✓	✓	✓	✓	✓
2	Mr. Kiema Mwandia	✓	✓	✓	✓	✓	✓	✓	✓
3	Mr. Alinoor Hassan			✓	✓	✓	✓	✓	✓
4	Eng. Andrew Makhoh a			✓	✓	✓	✓	✓	✓
5	Ms Caroline Chirchir	✓	✓	✓	✓	✓		✓	✓
6	Mr. William Ikapel	✓	✓	✓	✓	✓		✓	✓
7	Dr Christopher Yegon	✓	✓	✓	✓	✓	✓	✓	✓
8	Mr. Isaac Odek	✓	✓	✓	✓	✓		✓	✓ (Archer Arina)
9	Ms. Lydia Tsuma			✓	✓	✓		✓	✓
10	Prof. Fabian Esamai	✓	✓	✓	✓	✓	✓	✓	✓
11	VC Moi University		✓			✓	✓	✓	✓

*ALUPE UNIVERSITY COLLEGE*

*Annual Reports And Financial Statements For The Year Ended June 30, 2018*

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

**THE AUDIT AND RISK COMMITTEE**

Members of the committee include;

- |                          |   |        |
|--------------------------|---|--------|
| 1. Mr. Alinoor Hassan    | - | Chair  |
| 2. Mr. William Ikapel    | - | Member |
| 3. Mr. Isaac Odek        | - | Member |
| 4. Dr. Christopher Yegon | - | Member |
| 5. Ms. Lydia Tsuma       | - | Member |

The mandate of the audit committee includes;

- a) Formulation of policies on internal controls that will enhance security, accountability of resources management and improve on efficiency and transparency.
- b) Examine Internal and External Auditors' findings and recommendations for improvement of internal controls. Monitor Management's response to and implementation of internal control recommendations
- c) Assist the Principal in enhancing internal controls in order to improve efficiency, transparency and accountability.
- d) Resolving unsettled and unimplemented issue raised by the Public Investment Committee(PIC)
- e) Enhancing communication between management, internal and external audit and fostering an effective internal audit function.
- f) Reviewing the systems established to ensure sound public financial management and internal controls as well as compliance with policies, laws, regulations, procedures, plans and ethics.

- g) Initiating special audits/investigation on any allegation, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the principal.
- h) Advice on quality and performance monitoring
- i) Perform an oversight function as may be requested by the University College Council from time to time.

**MEETING ATTENDANCE**

NO	NAME	1 <sup>st</sup> Quarter	2 <sup>rd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
	<b>Dates</b>	12/7/17	06/10/17	09/01/18	
1.	Mr. Alinoor Hassan	✓	✓	✓	
2.	Mr. William Ikapel	✓	✓	✓	
3.	Dr Christopher Yegon	✓	✓	✓	
4.	Mr. Isaac Odek	✓			
5	Ms Lydia Tsuma			✓	

**FINANCE, PLANNING AND DEVELOPMENT COMMITTEE**

Members of this committee are;

- 1. Mr. KiemaMwandia - Chair
- 2. Eng. Andrew Makokha - Member
- 3. Dr. Christopher Yegon - Member
- 4. Mr. Isaac O.Odek - Member
- 5. Ms. Lydia Tsuma - Member

## ALUPE UNIVERSITY COLLEGE

### *Annual Reports And Financial Statements For The Year Ended June 30, 2018*

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#### **Mandate**

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

#### **MEETING ATTENDANCE**

	NAME	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
	Date	7/7/2017	5/09/2017	9/01/2018	28/02/2018
1.	Mr. KiemaMwandia	✓	✓	✓	✓
2.	Eng. Andrew Makokha	✓		✓	✓
3.	Dr Christopher Yegon	✓	✓	✓	✓
4.	Mr. Isaac Odek	✓		✓	
5	Ms Lydia Tsuma			✓	
6	Prof Fabian Esamai	✓	✓	✓	

#### **ACADEMIC, RESEARCH AND EXTENSION COMMITTEE**

Members are;

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

**Mandate**

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

**MEETING ATTENDANCE**

NO	NAME	1 <sup>st</sup> Quarter	2 <sup>rd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
	<b>Date</b>	28/7/2017	26/9/2017	8/1/2018	15/03/2018
1.	Eng. Andrew Makokha	✓	✓	✓	✓
2.	Mr. William Ikapel	✓	✓	✓	✓
3.	Dr Christopher Yegon	✓	✓	✓	✓
4.	Mr. Alinoor Hassan	✓	✓	✓	✓
5.	Prof. Fabian Esamai	✓	✓	✓	✓
6.	VC Moi University	✓	✓		

**HUMAN RESOURCE DEVELOPMENT AND ADMINISTRATION COMMITTEE**

Members are;

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

**Mandate**

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

ALUPE UNIVERSITY COLLEGE

*Annual Reports And Financial Statements For The Year Ended June 30, 2018*

- (ii) To review, evaluate and make recommendations for approval of policies and other processes of accountability, internal controls and risk management, taking into account sustainability, ethics and compliance with the Constitution, all applicable laws, regulations and standards.
- (iii) To review the Code of Conduct and Ethics of the University employees.
- (iv) To institute, through a Sub-Committee, regular reviews of individual members of staff grading with a view to determining whether a member of staff should be promoted.
- (v) To exercise such other functions as the Council may confer from time to time.
- (vi) To make its recommendations to Council for ratification.

**MEETING ATTENDANCE**

NO	NAME	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
	Date	27 /09/2018	8/01/2018	15/03/2018	
1.	Ms Caroline Chirchir		✓	✓	
2.	Mr.KiemaMwandia	✓		✓	
3.	Dr Christopher Yegon	✓	✓	✓	
4.	Mr. Isaac Odek	✓	✓	✓	
5.	Prof.FabianEsamai	✓		✓	

**BOARDS (APPEALS AND DISCIPLINARY)**

**APPEALS BOARD**

Members;

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

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

**Meeting attendance:** The committee did not hold any meetings during the FY 2017/2018 since there were no appeals to be heard and determined.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY  
REPORTING**

The University College at the end of the financial year ending 30<sup>th</sup> June 2018 did not undertake any Corporate Social responsibility.

*ALUPE UNIVERSITY COLLEGE*

*Annual Reports And Financial Statements For The Year Ended June 30, 2018*

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**REPORT OF THE COUNCIL**

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

**Principal Activities**

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

**Results**

The results for the year ended June 30, 2018 are set out on pages 1 to 6.


**Directors**

The council members who served during the year are shown on page viii - x. During the year Dr. Yegon was replaced with a new member.

**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 of 2015.

By Order of the Board



**Dr. Virginia W. Kimani**

**Chairlady Council**

Date 23/11/2018

## STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Universities Act, requires the council members to prepare financial statements for the university college, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for the financial year 2017/2018. The Council Members are also required to ensure that the University College keeps proper accounting records which disclose with reasonable accuracy the financial position of the College. The Council Members are also responsible for safeguarding of the assets of the University.

The Council Members are responsible for the preparation and presentation of the University's financial statements, which gives a true and fair view of the state of affairs of the University College as at the end of the financial year ended June 30, 2018. These responsibilities include:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing , implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatement, whether due to error or fraud;
- (iv) Safeguarding the assets of the University;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Council Members 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 Universities Act, 2012. The council members are of the opinion that Alupe University College's financial statements give a true and fair view of the state of the college's transactions during the financial year ended June 30, 2018 and of the College's financial position as at that date.

ALUPE UNIVERSITY COLLEGE

*Annual Reports And Financial Statements For The Year Ended June 30, 2018*

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The Council Members further confirm the completeness of the accounting records maintained for the University College, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial Statements**

The Alupe University College's financial statements were approved by the council on 23/11..... 2018 and signed on its behalf by;



.....  
Council Chairlady

.....  
Council Member

.....  
Council Member

# REPUBLIC OF KENYA

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Fax: +254-20-311482  
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Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON ALUPE UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2018

#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Alupe University College set out on pages 1 to 24, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Alupe University College as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards and comply with Legal Order No.153 of July 2015.

#### Basis for Qualified Opinion

##### 1. Unconfirmed Balances Between Alupe University College and Moi University

Note 17 to financial statements reflects trade and other payables from exchange transactions balance of Kshs.40,183,596 owed to Moi University as detailed below:

Item	Kshs.
Student Fees	4,136,580
Salaries Paid on behalf of Alupe University College	33,133,718
Advance from Moi University	2,913,298
<b>Total</b>	<b>40,183,596</b>

However, it was noted from the unsigned handing over report of assets and liabilities dated 19 March 2018 that the net asset position of Moi University stood at a figure of Kshs.88,208,101 as detailed in table 2 below:

Item	Kshs.
Salary (August 2015 to June 2017)	75,114,999
Casual Wages (August to June 2017)	21,676,701

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

Item	Kshs.
Expenses/Payments made for by Moi University	5,377,936
Outstanding Invoices	786,520
Less: Students fees	(14,748,055)
<b>Total</b>	<b>88,208,101</b>

Arising from 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.

## 2. Alupe University College Land

Excluded from the property, plant and equipment 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; -

- The land was valued at Kshs.123,000,000 vide the valuation report dated July 2018.
- 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 July 2015.
- The ownership documents were still in the name of Moi University.

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 June 2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Alupe University College in accordance with ISSAI 30 on Code of Ethics. I have fulfilled 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 judgement, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the financial year under review.

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

#### Conclusion

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

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

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

### Conclusion

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

### Basis for Conclusion

#### 1. Weaknesses in the Internal Control Environment

It is 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 financial procedures in place. The College's Council is required to set and oversee overall strategy and approve significant policies of the organization. However, it was noted that the College had weaknesses in its internal controls which includes among others:

- The code of conduct for employees being used in the College was still in draft form and it had not been adopted by the College Council.
- The human resource manual was still in draft form.
- The College did not have a disaster recovery plan/business continuity plan.
- The College had not put in place risk management policy to mitigate on possible risks encountered in its operations.
- The risk assessment that had been carried out by the internal auditor was financial in nature, however, other organizational risks concerning human resource, structural facilities and academics had not been assessed.
- Review of internal audit records and annual work plan revealed that there were no documented policies and procedures to guide key financial processes.

Weaknesses in the internal controls noted may lead to irregularities in the College which may go undetected.

## **2. Governance Structure**

According to Section 66 of Public Financial Management Act, 2012, all accounting officers should establish appropriate systems for internal control and risk framework. However, review of issues of governance at the College revealed that the internal audit manual was still in draft form.

In the circumstances, the internal audit department may not be appropriately and effectively constituted to discharge its oversight mandate over the governance of the College.

## **3. Employment without Adherence to the Scheme of Service**

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 (expenditure) had a total of 28 responsibilities to deliver which was unrealistic.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the College's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the College or to cease operations, or have no realistic alternative but to do so.

The 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 manner.

Those charged with governance are 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University College to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**NAIROBI**

**21 February 2019**

ALUPE UNIVERSITY COLLEGE

*Annual Reports And Financial Statements For The Year Ended June 30, 2018*

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

	Notes	2017/2018	2016/2017
		Ksh	Ksh
<b>Revenue from non-exchange transactions</b>			
Transfers from other government-gifts and services in kind		-	-
Grants from national government	6(a)	127,466,669	20,000,000
		<b>127,466,669</b>	<b>20,000,000</b>
<b>Revenue from exchange transactions</b>			
Student fees	7(a)	9,192,600	-
Other income	7(b)	3,493,946	257,995
		<b>12,686,546</b>	<b>257,995</b>
<b>Total revenue</b>		<b>140,153,215</b>	<b>20,257,995</b>
<b>Expenses</b>			
Employee costs	8	120,530,847	33,133,718
Remuneration to council	9	9,256,556	6,503,595
Repairs and maintenance	11	440,053	612,390
General expenses	12	26,255,913	9,776,726
<b>Total expenses</b>		<b>156,483,369</b>	<b>50,026,429</b>
<b>(Deficit)/surplus for the year</b>		<b>(16,330,154)</b>	<b>(29,768,434)</b>
(Deficit)/surplus b/f from 2016/2017		(29,768,434)	-
<b>Total accumulated (deficit)/surplus</b>		<b>(46,098,588)</b>	<b>(29,768,434)</b>

The notes set out on pages 7 to 24 form an integral part of these Financial Statements.

*ALUPE UNIVERSITY COLLEGE*

*Annual Reports And Financial Statements For The Year Ended June 30, 2018*

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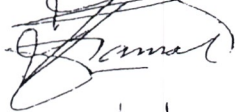
**REPORT OF THE INDEPENDENT AUDITORS ON ALUPE UNIVERSITY  
COLLEGE**

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Notes	2017/2018	2016/2017
		Ksh	Ksh
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	86,492,317	153,303,598
Receivables from exchange transactions	14	791,350	-
Inventories	15	126,182	-
		<b>87,409,849</b>	<b>153,303,598</b>
<b>Non-current assets</b>			
Property, plant and equipment	16	89,725,046	12,473,407
		<b>89,725,046</b>	<b>12,473,407</b>
<b>Total assets</b>		<b>177,134,895</b>	<b>165,777,005</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	67,594,130	40,545,439
Payments received in advance	19	639,353	-
<b>Total Current Liabilities</b>		<b>68,233,483</b>	<b>40,545,439</b>
<b>Total liabilities</b>		<b>68,233,483</b>	<b>40,545,439</b>
<b>Net assets</b>		<b>108,901,412</b>	<b>125,231,566</b>
Capital Grants		155,000,000	155,000,000
Accumulated deficit		(46,098,588)	(29,768,434)
<b>Total net assets and liabilities</b>		<b>177,134,895</b>	<b>165,777,005</b>

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by;

Ag. Principal  
Name: Prof. Fabian Esamai



Date: 23/11/2018

For Head of Finance  
Name: CPA Billiah Shitsinzi  
ICPAK Member Number 4998



Date: 23/11/2018

Chairlady of Council  
Name: Dr. Virginia Kimani



Date: 23/11/2018

ALUPE UNIVERSITY COLLEGE

Annual Reports And Financial Statements For The Year Ended June 30, 2018

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

	Capital Grants (Kshs)	Revenue Reserve (Kshs)	Total (Kshs)
Balance as at July 1, 2016	-	-	-
(Deficit)/Surplus for the Year	-	(29,768,434)	(29,768,434)
Development Grants received during the year	155,000,000	-	155,000,000
<b>Balance as at 30 June 2017</b>	<b>155,000,000</b>	<b>(29,768,434)</b>	<b>125,231,566</b>
<b>At July 1, 2017</b>	<b>155,000,000</b>	<b>(29,768,434)</b>	<b>125,231,566</b>
(deficit)/surplus for the year	-	(16,330,154)	(16,330,154)
Development Grants received during the year	-	-	-
<b>At June 30, 2018</b>	<b>155,000,000</b>	<b>(46,098,588)</b>	<b>108,901,412</b>

Capital grants are the development grants to the institution in 2016/17 FY for capital projects whereas the revenue reserves are generated from the recurrent grants meant for recurrent expenditure.

## STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017/2018	2016/2017
		Ksh	Ksh
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government grants	6(a)	127,466,669	20,000,000
Student fees	7(a)	9,192,600	-
Other income,	7(b)	3,493,946	257,995
<b>Total Receipts</b>		<b>140,153,215</b>	<b>20,257,995</b>
<b>Payments</b>			
Employees Costs	8	120,530,847	33,133,718
Remuneration to Council	9	9,256,556	6,503,595
Repairs and Maintenance	11	440,053	612,390
General expenses	12	26,255,913	9,776,726
<b>Total payments</b>		<b>156,483,369</b>	<b>50,026,429</b>
<b>Cash flows from operating activities</b>		<b>(16,330,154)</b>	<b>(29,768,434)</b>
<b>Add back non-cash items</b>			
Depreciation & amortization	16	6,748,013	4,055,093
		<b>(9,582,141)</b>	<b>(25,413,341)</b>
Increase /(Decrease) in payables	17	27,048,868	40,545,439
(Increase)/Decrease in receivables	14	(791,350)	
(Increase)/Decrease in inventories	15	(126,182)	
Increase /(Decrease) in prepayments	19	639,353	
<b>Net cash flows from operating activities</b>		<b>17,188,548</b>	<b>14,832,098</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	16	(83,999,830)	(16,528,500)
<b>Net cash flows from investing activities</b>		<b>(83,999,830)</b>	<b>(16,528,500)</b>
<b>Cash flows from financing activities</b>			
Capital Grants		-	155,000,000
<b>Net Cash flows from financing activities</b>		<b>-</b>	<b>155,000,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(66,811,282)</b>	<b>153,303,598</b>
Cash and cash equivalents at beginning 1 July		153,303,598	
Cash and cash equivalents at 30 June		86,492,317	153,303,598

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	Original Budget 2017-2018	Adjustments 2017-2018	Final Budget	Actual on comparable basis	Performance difference
					Variance
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Government grant 2017/18	100,800,000		127,466,669	127,466,669	-
Government grant b/f from 2016/17			8,669,898	8,669,898	-
School fees	-		9,077,400	9,192,600	(115,200)
Accommodation Income	-		1,875,500	1,875,500	-
Catering	-		1,829,886	1,614,446	215,440
Sale of tender	-		4,000	4,000	-
<b>Total income</b>	<b>100,800,000</b>	<b>-</b>	<b>148,923,353</b>	<b>148,823,113</b>	<b>100,240</b>
<b>Expenses</b>					
<b>General Expenses</b>					
Telephone expenses	102,000	124,800	226,800	226,800	-
Audit fees	500,000	(455,400)	44,600	44,600	-
Electricity & Water	298,400	1,144,765	1,443,165	1,443,165	-
Insurance	720,000	257,000	977,483	977,483	-
Internet/ ICT	2,000,000	(58,938)	1,941,062	1,941,062	-
Legal expenses	253,504	(13,200)	240,304	240,304	-
Rent and rates	600,000	205,000	805,000	805,000	-
Cleaning materials	124,000	(83,375)	40,625	40,625	-
Purchase of stationery	470,000	385,515	855,515	905,116	(49,601)
Library books & other expenses	879,927	(241,037)	638,890	638,890	-
Transport operating expenses	200,000	220,771	420,771	420,771	-
Travelling &accommodation	574,400	1,852,392	2,426,792	2,395,992	30,800
Postal and telecommunication	90,625	23,375	114,000	114,000	-
Publicity & advertisement	350,000	1,008,440	1,358,440	2,485,542	(1,127,102)
Training expenses	300,000	11,350	311,350	311,350	-
Research & Training materials	1,100,000	(108,230)	991,770	991,770	-
Teaching materials	500,000	(22,160)	477,840	477,840	-
Catering	-	1,829,886	1,829,886	1,829,886	-
Medical Expenses	2,800,000	(2,177,514)	622,486	622,486	-

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget 2017-2018	Adjustments 2017-2018	Final Budget	Actual on comparable basis	Performance difference
					Variance
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Deans and senate committees	100,000	(50,095)	49,905	49,905	-
Publishing and printing	150,000	(58,950)	91,050	91,050	-
Increase in provision for audit fees	-	300,000	300,000	300,000	-
General Office Supplies	124,000	30,766	154,766	154,766	-
Purchase of equipment	248,000	94,800	342,800	342,800	-
Purchase of uniform	249,183	(249,183)	-	-	-
FMIS	500,000	(295,000)	205,000	205,000	-
Student Activity expenses	-	191,525	191,525	191,525	-
External examiners	-	1,559,072	1,559,072	1,559,072	-
Purchase of medical equipment	100,000	(100,000)	-	-	-
Bank charges	-	32,980	32,980	43,900	(10,920)
Employee costs	80,000,000	40,530,847	120,530,847	120,530,847	-
Remuneration to Council	3,404,116	5,852,440	9,256,556	9,256,556	-
Repairs and Maintenance	692,147	(252,074)	440,073	440,053	20
Advance from Moi University	2,913,298	(2,913,298)	-	-	-
Staff Furniture	74,400	(74,400)	-	-	-
Demarcation and fencing of land	100,000	(100,000)	-	-	-
General office supplies	82,000	(82,000)	-	-	-
Consultancy services	200,000	(200,000)	2,000	-	2,000
<b>Total expenditure</b>	<b>100,800,000</b>	<b>48,123,353</b>	<b>148,923,353</b>	<b>150,078,156</b>	<b>(1,154,803)</b>
<b>Deficit for the period</b>	<b>-</b>	<b>(48,123,353)</b>	<b>-</b>	<b>(1,255,043)</b>	<b>(1,255,043)</b>

**NOTES TO BUDGET COMPARISON STATEMENT**

1. Deficit under general expenses arose due to incurring advertising and Publicity expenses, which was to cater for Top Management positions that were very necessary and urgent to enable the University College run effectively.
2. There were changes between the original and final budget. This was as a result of re-allocations to expenditure votes that were frequently in use from those which were slightly not active.

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

**1. GENERAL INFORMATION**

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

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The Alupe University College's financial statements have been prepared in accordance and compliance with the International Public Sector Accounting Standards (IPSAS) as stipulated by the Public Sector Accounting Standards Board and as a requirement of the Public Finance Management Act 2012.

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

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

**3. ADOPTION OF NEW AND REVISED STANDARDS**

- i. **Relevant new standard and amendments to published standards effective the year ended 30 June 2018.**

Standard	Impact
IPSAS 39: Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Standard	Effective date and impact:
IPSAS 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, which are covered purely under Public Sector combinations as amalgamations. This standard will not be applicable to ALUPE UNIVERSITY COLLEGE.

- iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue from non-exchange transactions

**Transfers from other Government Entities**

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

However other non-exchange revenues are recognized when it is probable that the future economic benefits will flow to the University College.

ii) Revenues from exchange transactions

**Rendering of services**

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

b) Budget Information

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

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

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Taxes

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

d) Property, Plant and Equipment

All University College Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are replaced, the University College recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Where an asset is acquired in a non-exchange transaction for nil or normal consideration.

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

The Annual depreciation rates in use are:

Buildings	-	2%
Furniture, Plant and Equipment	-	12.5%
	-	12.5%
Motor Vehicles	-	25%
Computers	-	33.3%

Freehold land is not depreciated as it is deemed to have an infinite life

Land

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

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Buildings**

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

**Financial Liabilities**

**e) Inventories**

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

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

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

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

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

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

**f) Provisions**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

*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 services potential is remote.

*Contingent assets*

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

**g) Employee Benefits**

**Retirement benefit plans**

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

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**h) Related Parties**

Alupe University College regards related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the University College or vice versa. Members of key management are regarded as related parties and comprise the University College Council and management.

**i) Cash and Cash Equivalents**

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

**j) Comparative figures**

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

**k) 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, 2018.

**5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

**Estimates and assumptions**

Assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In financial year 2017/2018 there were no assumptions and estimates.

**Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the Entity

ALUPE UNIVERSITY COLLEGE

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

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

**Provisions**

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

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

**6.(a) TRANSFERS FROM OTHER GOVERNMENTS**

Description	2017/2018 (Ksh)	2016/2017(Ksh)
<b>Unconditional grants</b>		
Operational grants	127,466,669	20,000,000
<b>Total</b>	<b>127,466,669</b>	<b>20,000,000</b>
<b>Conditional grants</b>		
Total government grants and other subsidies	127,466,669	20,000,000

**6. (b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

Name of Entity Sending the grant	Amount recognized to Statement of comprehensive Income(Kshs)	Amount deferred under deferred income(Kshs)	Amount recognized in capital fund	Total Grant income during the year	2017/2018
State Department of University Education	127,466,669	-	-	127,466,669	127,466,669
<b>Total</b>	<b>127,466,669</b>	<b>-</b>	<b>-</b>	<b>127,466,669</b>	<b>127,466,669</b>

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

7. REVENUE FROM EXCHANGE TRANSACTIONS

a) STUDENT FEES

Description	2017/2018	2016/2017
	Ksh	Ksh
Student fees-school based	1,388,100	-
Student fees-regular	7,804,500	-
	9,192,600	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) OTHER INCOME

Description	2017/2018	2016/2017
	Ksh	Ksh
Catering services	1,614,446	188,995
Sale of quotations	4,000	69,000
Accommodation	1,875,500	-
<b>Total other income</b>	<b>3,493,946</b>	<b>257,995</b>

8. EMPLOYEE COSTS

a) Per category

MONTH	2017/2018	2016/2017
	Ksh	Ksh
Salaries and wages	70,557,953	
Employee related costs-contributions to pension and provident schemes	12,829,011	
Commuter and car allowances	7,185,305	
House allowance	29,211,988	
Part timer payments	400,000	
Passage and baggage allowance	346,590	
<b>Employee costs</b>	<b>120,530,847</b>	<b>33,133,718</b>

b) Per month

MONTH	2017/2018	2016/2017
	Ksh	Ksh
July	4,949,262	
August	4,907,520	
September	8,377,550	
October	9,073,684	
November	9,664,374	
December	13,647,993	
January	11,934,266	

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

February	11,619,183	
March	11,479,863	
April	11,427,863	
May	11,447,063	
June	12,002,226	
<b>Employee costs</b>	<b>120,530,847</b>	<b>33,133,718</b>

9. REMUNERATION TO COUNCIL

Description	2017/2018	2016/2017
	Ksh	Ksh
Chairlady's honoraria	957,000	
Chairlady's meetings	100,000	
Council members emoluments	8,199,556	
<b>Total council emoluments</b>	<b>9,256,556</b>	<b>6,503,595</b>

10. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017/2018	2016/2017
	Ksh	Ksh
Property, plant and equipment	6,748,013	4,055,272
<b>Total depreciation and amortization</b>	<b>6,748,013</b>	<b>4,055,272</b>

11. REPAIRS AND MAINTENANCE

Description	2017/2018	2016/2017
	Ksh	Ksh
Plant and equipment	50,708	116,060
Buildings	-	355,021
Catering & hostels	152,000	126,359
Vehicles	137,774	-
Water supplies	33,071	14,950
Compound	66,500	-
<b>Total repairs and maintenance</b>	<b>440,053</b>	<b>612,390</b>

12. GENERAL EXPENSES

Description	2017/2018	2016/2017
	Ksh	Ksh
Telephone	226,800	137,700
Electricity & water	1,443,165	152,159
Insurance	977,483	275,914

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Internet	1,941,062	215,185
Legal	240,304	
Rent & rates	805,000	
Cleaning materials	40,625	7,115
Stationery	905,116	159,259
Library	638,890	
Transport	420,771	213,077
Travelling & accommodation	2,395,992	1,060,210
Postal & telecommunication	114,000	97,555
Publicity and advertisement	2,485,542	1,599,940
Training	311,350	288,450
Research and training materials	991,770	
Teaching materials	477,840	
Catering	1,829,886	84,890
Medical	622,486	
Deans and senate committees	49,905	
Publishing & printing	91,050	188,890
Increase in provision for audit fees	300,000	300,000
General office supplies	154,766	
FMIS	205,000	
Student activity	191,525	
External examiners	1,559,072	
Depreciation	6,748,013	4,055,094
Preliminary capital related expenses	-	917,000
Bank charges	43,900	24,378
Other general expenses –audit	44,600	-
<b>Total general expenses</b>	<b>26,255,913</b>	<b>9,776,726</b>

13. CASH AND CASH EQUIVALENT

Description	2017/2018	2016/2017
	Ksh	Ksh
KCB Main A/C NO. 1201874084	79,418,415	152,317,694
KCB Operations A/C NO. 1201874025	7,073,902	985,904
<b>Total cash &amp; cash equivalents</b>	<b>86,492,317</b>	<b>153,303,598</b>

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2017/2018	2016/2017
	Ksh	Ksh
Student fees-regular	404,650	-
Student fees-school based	386,700	-
<b>Total receivables</b>	<b>791,350</b>	<b>-</b>

15. INVENTORIES

Description	2017/2018	2016/2017
	Ksh	Ksh
Central stores	109,370	-
Kitchen store	16,812	-
<b>Total inventories at the lower of cost and net realizable value</b>	<b>126,182</b>	<b>-</b>

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment	Capital Work in progress	Motor Vehicle	Furniture & Fittings	Computers	Plant & Equipment	Total
Cost	Ksh	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
At 1 July 2016	-	-	-	-	-	-
Additions	-	14,918,000	698,000	597,500	315,000	16,528,500
Disposals	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
<b>At June 2017</b>	-	14,918,000	698,000	597,500	315,000	16,528,500
Additions	71,661,730	7,082,000	3,640,000	1,273,300	342,800	83,999,830
Disposals	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	<b>71,661,730</b>	<b>22,000,000</b>	<b>4,338,000</b>	<b>1,870,800</b>	<b>657,800</b>	<b>100,528,330</b>
<b>Depreciation and impairment</b>						
At 1 July 2016	-	-	-	-	-	-
Depreciation	-	3,729,500	87,250	199,147	39,375	4,055,272
On Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
<b>At 30 June 2017</b>	-	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
On Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	-	9,229,500	629,500	822,684	121,600	10,803,284
<b>At 30 June 2018</b>	<b>71,661,730</b>	<b>12,770,500</b>	<b>3,708,500</b>	<b>1,048,116</b>	<b>536,200</b>	<b>89,725,046</b>
<b>At 30 June 2017</b>	-	11,188,500	610,750	398,353	275,625	12,473,228

W.I.P comprises of Construction of Library phase one Ksh 48M, Construction of Classrooms Ksh 17M and Renovations Kshs 6M.

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2017/2018 Ksh	2016/2017 Ksh
June salaries	10,194,463	
Council chair honoraria	87,000	
Passage and baggage allowance	346,590	
contractor	6,130,867	
Students Fees	4,136,580	4,136,580
Salaries paid by Moi on behalf of Alupe	33,133,718	33,133,718
Suppliers	2,895,774	61,843
Advance from Moi University	2,913,298	2,913,298
Caution Money	364,000	
Retention Fund	6,791,840	
Audit Fees	600,000	300,000
<b>Total trade and other payables</b>	<b>67,594,130</b>	<b>40,545,439</b>

## 18. CASH GENERATED FROM OPERATIONS

	2017-2018	2016-2017 Ksh.
Surplus for the year before tax	(16,330,154)	(29,768,434)
Adjusted for;		
Depreciation	6,748,013	4,055,093
Working capital adjustment	(9,582,141)	(25,713,341)
Increase in payables	27,048,868	40,545,439
Increase in student fee prepayments	639,353	
Increase in receivables	(791,350)	
Increase in inventory	(126,182)	
<b>Net cash flow from operating activities</b>	<b>17,188,548</b>	<b>14,832,098</b>

## 19. PREPAYMENTS

Item	2017/18	2016/17
Student fees	639,353	-
<b>Total</b>	<b>639,353</b>	

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. FINANCIAL RISK MANAGEMENT

i). **Credit risk**

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

ii). **Liquidity risk**

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

iii). **Market risk**

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

iv). **Currency risk**

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

v). **Other price risk**

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

22. RELATED PARTY BALANCES

a) **Nature of related party relationships**

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

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Alupe University College is related to;

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

**23. EVENTS AFTER THE REPORTING PERIOD**

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

**24. ULTIMATE AND HOLDING ENTITY**

Alupe University College is a semi-autonomous government agency under the Ministry of Education. Its ultimate parent is the government of Kenya.

**25. CURRENCY**

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

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

The following is the summary of issues raised by the external auditor and management comments that were provided to the auditor. We are still waiting for feedback from the external auditors.

Reference No	Issue/Observations from Auditor	Management comments	Status
1.0	Budgetary performance (over - expenditure of sh 25 Million	This occurred as a result of incurring expenditure on staff costs that was not initially budgeted for, since the payroll was being managed by Moi University. The 20Million recurrent grant was not enough to pay salaries.	We have managed to control 2017/18 payroll and no over expenditure has been incurred on the payroll
1.0	Budgetary performance (Under-expenditure of sh 140 Million	Funds could not be fully utilized since it was received late in May 2017	Funds have been utilised in the 2017/18FY

ALUPE UNIVERSITY COLLEGE

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME:		ALUPE UNIVERSITY COLLEGE		
Break down of Transfers from the State Department of University Education				
FY 2017/18				
a.	Recurrent Grants			
	Month	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Jul-17	01.08.2017	8,400,000.00	2017/2018
	Aug-17	04.09.2017	8,400,000.00	2017/2018
	Sep-17	03.10.2017	8,400,000.00	2017/2018
	Oct-17	03.11.2017	8,400,000.00	2017/2018
	Nov-17	01.12.2017	12,150,000.00	2017/2018
	Nov-17	01.12.2017	8,333,333.00	2017/2018
	Dec-17	02.01.2017	8,400,000.00	2017/2018
	Dec-17	02.01.2017	1,666,667.00	2017/2018
	Jan-18	20.02.2018	8,400,000.00	2017/2018
	Jan-18	20.02.2018	1,666,667.00	2017/2018
	Feb-18	13.03.2018	8,400,000.00	2017/2018
	Feb-18	13.03.2018	1,666,667.00	2017/2018
	Mar-18	06.04.2018	8,400,000.00	2017/2018
	Mar-18	06.04.2018	1,666,667.00	2017/2018
	Apr-18	02.05.2018	8,400,000.00	2017/2018
	Apr-18	02.05.2018	1,666,667.00	2017/2018
	Apr-18	02.05.2018	1,666,667.00	2017/2018
	May-18	11.06.2018	8,400,000.00	2017/2018
	May-18	11.06.2018	1,666,667.00	2017/2018
	May-18	14.06.2018	1,250,000.00	2017/2018
	Jun-18	29.06.2018	8,400,000.00	2017/2018
	Jun-18	29.06.2018	1,666,667.00	2017/2018
		<b>Total</b>	<b>127,466,669.00</b>	<b>2017/2018</b>
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			None	
		<b>Total</b>	<b>0.00</b>	
c.	Direct Payments			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			None	
		<b>Total</b>	<b>0.00</b>	
d.	Donor Receipts			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	N/A		N/A	
		<b>Total</b>	<b>0.00</b>	

The above amounts have been communicated to and reconciled with the parent Ministry

Senior Accountant  
 Alupe University College  
 (State Dept University  
 Education and Research)

Sign 

Head of Accounting Unit  
 Ministry of Education

Sign-----

