

REPUBLIC OF KENYA



# REPORT

OF

**THE AUDITOR-GENERAL**

ON

**BOMET UNIVERSITY COLLEGE**

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







**BOMET UNIVERSITY COLLEGE**  
**(BUC)**  
*(A Constituent College of Moi University))*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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



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

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## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

Bomet University College (Bomet University College) was established as a constituent college of Moi University through the Legal Notice No. 145 published in the Kenya Gazette Supplement No.114 of 27th July, 2017. The management of the University College is headed by the Principal with assistance of two Deputy Principals in Administration and Finance (A&F) and Academic and Student Affairs (A&SA) respectively. The management of the University College reports to the Bomet University College Council that was inaugurated on 10<sup>th</sup> November 2017. The University College Council reports to the State Department of University Education while at the Cabinet level, the University College is represented by the Cabinet Secretary for Education, Science and Technology who is responsible for the general policy and strategic direction of the University.

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

The principal activity of the University is to provide university education through teaching, research and outreach.

The vision, mission and core values of the University are as follows:

#### **Vision**

To be a premier Green University in fostering research excellence in Science, Technology and Innovation for sustainability.

#### **Mission**

To provide a conducive environment for discovery, preservation and dissemination of knowledge; to nurture critical inquiry, creativity and engagement for social transformation and advancement of humanity.

#### **Core Values:**

Bomet University College is a community built upon the valued relationships among students, staff, faculty, alumni and other stakeholders. At the core of these relationships are our core values that lead to the realization of our corporate culture and good governance. These are:

- (i) **Integrity:** Consistency in service delivery through adherence to highest ethical standards.
- (ii) **Patriotism:** To render selfless services and unwavering commitment to the University.
- (iii) **Transparency and Accountability:** To maintain a culture of openness, fairness, equity, and assume and demonstrate responsibility over our individual and collective actions.
- (iv) **Respect:** For diversity and the dignity of the individual, as well as attaching a premium to the contributions of each and every player regardless of one's status in the University.
- (v) **Commitment:** To continuously improve on the quality of the services offered with the goal Of assuring longevity and excellence of the University.



**(c) Key Management**

Bomet University College day-to-day management is under the following key organs:

- Bomet University College Council
- Bomet University College Management Board
- Bomet University College Academic Board
- Bomet University College School Boards
- Bomet University College Departmental Boards

**(d) Fiduciary Management**

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

No.	Designation	Name
<b>Bomet University College Management</b>		
1	Acting College Principal	Prof. Thomas K. Cheruiyot
2	Acting Deputy Principal- Administration and Finance	Prof. Loice Chemgetich Maru
3	Acting Deputy Principal- Academic and Student Affairs	Prof. Joshua Kwonyike
4	Head of Finance	C.P.A Daniel Kimaiyo
5	Head of Procurement	Simon Loth Kipsaiya
6	Head of Internal Audit	C.P.A Peter K. Sang

**Notes to Fiduciary Management:**

Bomet University College Council was appointed and inaugurated on 10<sup>th</sup> November 2017. The current acting College Principal was appointed on 10<sup>th</sup> October 2017 while the two acting deputy Principals were appointed on 9<sup>th</sup> November 2017. The University College was subsequently handed over from Moi University Council on 29<sup>th</sup> March 2018. The Head of Finance and Procurement were appointed in July 2018. The University however runs its academic activities under the Senate of Moi University and will continue until it attains full University status and awarded Charter by the Commission of University Education.

**(e) Fiduciary Oversight Arrangements**

The Council provides fiduciary oversight on the financial operations of the University College through the Finance, Administration, Strategy, Building and Development Committee; Audit and Compliance Committee, Academic, Research, Extension, Students Affairs and Sealing Committee; Human Resource, Governance and Staff Disciplinary Committee.

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The Finance, Administration, Strategy, Building and Development Committee reviews the University Quarterly Financial Statements before they are submitted to full council and subsequently to the Ministry of Education and National Treasury by the 15<sup>th</sup> day of the month preceding end of quarter.

The Audit and Compliance Committee provides oversight on Bomet University College financial statements by supporting the Internal Audit Unit in providing oversight on the internal controls and the maintenance of proper accounting records.

The Office of the Auditor General conducts annual audit of the operations of the University. The reports of the Auditor General are submitted to the National Assembly through the Public Investments Committee (P.I.C), which provides the overall fiduciary oversight on the operations of the University College.

**(f) Headquarters**

**Head Office**

Bomet University College  
P.O. Box 701-20400  
Bomet Town, KENYA

**(g) University Contacts**

Telephone :( 254) 74666926/74666925  
E-mail: principal@buc.ac.ke  
Website: www.Bomet University College.ac.ke

**(h) University Bankers**

1. National Bank of Kenya  
Bomet Branch  
P.O Box 539-20400  
Bomet, Kenya
2. Kenya Commercial Bank  
Bomet Branch  
P.O Box 264-20400  
Bomet, Kenya
3. Co-Operative Bank  
Bomet Branch  
P.O Box 501-20400  
Bomet, Kenya



**(i) Independent Auditors**

Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya




**(j) Principal Legal Adviser**

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

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II. MEMBERS OF THE UNIVERSITY COLLEGE COUNCIL

Members of Bomet University College Council	Key Qualifications
 <p><b>Prof. Esther W Muchira Tirima</b> Chairperson of Bomet University College Council Appointed on 29<sup>th</sup> September 2017</p>	<p>Holder of Doctorate In Education (Adult Education). Prof. Esther W Muchira is a consultant, Researcher, educator and trainer. Recently the Vice Chancellor of Cavedish University in Uganda and Currently Education Consultant and Executive Secretary of Linking Industry With Academia (LIWA)</p>
 <p><b>Prof. Anne K. Nangulu</b> Principal and Secretary to Council. Appointed on 20<sup>th</sup> August, 2019</p>	<p>Bachelor of Arts Degree (History) from the UON, Master of Arts (History) from UON, PhD in History from West Virginia University, USA. She has extensive experience in teaching, research and management in University education. She was the Deputy Commission Secretary in charge of Quality Audits and Standards at the Commission of University Education.  Professor of History from Moi University.</p>
 <p><b>Bishop (Rev) Dr. Robert Kipkemoi Lang'at</b> Council Member Appointed on 29<sup>th</sup> September 2017</p>	<p>Holder of PhD from Drew University and currently the Bishop of Africa Gospel Church, Kenya. He is the Chairman of the Appeals Committee of Council.</p>




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 <p><b>Dr. Peter Maina Ithondeka</b>  <i>Council Member</i>          Appointed on 29<sup>th</sup> September 2017</p>	<p>PhD in Veterinary Epidemiology and Public Health. He was the Director of Veterinary Services (CVO) and OIE delegate and currently Veterinary Consultant Including lecturing. He is the Chairman of Human Resource, Governance and Staff Disciplinary Committee of Council.</p>
 <p><b>Dr. Jane Ngarari</b>  <i>Council Member</i>          Appointed on 29<sup>th</sup> September 2017</p>	<p>PhD in Education (Policy and Implementation). She chairs the Audit and Compliance Committee of Council.</p>
 <p><b>Mr. Alex Tom Majani</b>  <i>Council Member</i>          Appointed on 29<sup>th</sup> September 2017</p>	<p>Masters in Educational Planning and Management with long experience in teaching and educational management Positions in the government. Currently pursuing PhD in Education in Emergency and Management. He is the Chairman of Academic, Research, Extension, Students Affairs and Sealing Committee of Council.</p>

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 <p><b>Dr. Amenity P. Nyakundi</b>  <i>Council Member</i>          Appointed on 29<sup>th</sup> September 2017</p>	<p>Holder of PhD in Environmental Technology with a strong background in Energy Development, Urban and Regional Planning. Currently the Government of Kenya Advisor On Natural Resources Revenue. He is the Chairman of Finance, Administration, Strategy, Building and Development Committee of Council.</p>
 <p><b>F.A. Susan Karanja</b>  <i>Council Member</i>          Appointed on 16<sup>th</sup> April 2018</p>	<p><b>F.A. Susan Karanja holds a Master's degree in Business Administration from the Eastern and Southern African Management Institute (ESAMI), a Post Graduate Diploma in Corporate Governance from KCA University and a Bachelor of Commerce (Finance &amp; Accounting Major) from Nagpur University, India.</b></p> <p>Representative of the P.S National Treasury.</p>
 <p><b>Mr. Charles O. Nyakundi</b>          Appointed on 4<sup>th</sup> June 2018 to May 2019</p>	<p>Representative of the Principal Secretary- Ministry of Education.</p>

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MANAGEMENT TEAM

Name of the Staff	Qualifications
 <p><b>Prof. Anne K. Nangulu</b> Principal and Secretary to Council. Appointed on 20<sup>th</sup> August, 2019</p>	<p>Bachelor of Arts Degree (History) from the UON, Master of Arts (History) from UON, PhD in History from West Virginia University, USA. She has extensive experience in teaching, research and management in University education. She was the Deputy Commission Secretary in charge of Quality Audits and Standards at the Commission of University Education.</p> <p>Professor of History from Moi University.</p>
 <p><b>Prof. Loice Chemgetich Maru</b> Deputy Principal- Admin. &amp; Finance. Appointed on 20<sup>th</sup> August, 2019</p>	<p>Ph.D -Strategic Management (Moi University), MPhil - Entrepreneurship Development (Moi University), BBM-HRM (Moi University), HND - Entrepreneurship Development (KTTC), Diploma - Technical Education (KTTC). Professor of Entrepreneurship and Sustainability Management at Moi University.</p>
 <p><b>Professor George Orwa Otieno</b> Deputy Principal- Academics and Students Affairs Appointed on 20<sup>th</sup> August, 2019</p>	<p>Ph.D-Statistics from Jomo Kenyatta University of Science and Technology (JKUAT), MSC-Statistics (JKUAT), Bachelor of Science (JKUAT). Extensive knowledge in management of academics and general administration in University education.</p> <p>Professor of Mathematics from JKUAT.</p>
 <p><b>Prof. Thomas Kimeli Cheruiyot</b> Ag. Principal and Secretary to Council. Appointed on 16<sup>th</sup> October 2017 to 30<sup>th</sup> September, 2019.</p>	<p>PhD-Strategic Management (Moi), MSC. Management Studies (Wageningen University), AGBM (Egerton University). Professor of Corporate Social Responsibility, Sustainability and Strategy at Moi University.</p>

*Handwritten signatures and initials: Dan, AN*

 <p><b>Prof. Joshua Kwonyike</b>          Ag. Deputy Principal- Academic and Student Affairs          Appointed on 10<sup>th</sup> November 2017 to 30<sup>th</sup> September, 2019.</p>	<p>Ph.D - Customary Law (University of West of England - U.K)          Master of International Law (Kiev State University - KSU), PGD in Personnel Management - (Kiev State University), Certificate in Pedagogy (KIEV), Associate Professor of Socio - Legal Development at Moi University.</p>
 <p><b>C.P.A Daniel K. Kimaiyo</b>          Head of Finance          Appointed on 10<sup>th</sup> July 2018</p>	<p>Masters of Business Administration, Finance (University of Nairobi), B.A in Economics (Kenyatta University), Certified Public Accountant, C.P.A (KASNEB), Certified Investments and Financial Analysts, Section IV (KASNEB). Twelve years experience in Finance and Accounting having worked for 8 years as an Accountant in Finance department of Moi University.          I.C.P.A.K Member number 12579.</p>
 <p><b>Mr. Simon Loth Kipsaiya</b>          Head of Procurement          Appointed in July 2018</p>	<p>Masters of Science in Procurement and Logistics Management, JKUAT (2016), Bachelor of Business Management in Procurement, Moi University (2013), Certificate in Purchasing and Supplies Management, Kenya School of Government (2006). Total of ten years experience in Procurement in the Public sector.          KISM member no. 67444, Practicing Licence no. K585/2019.</p>

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### III. STATEMENT FROM THE CHAIRPERSON OF COUNCIL

I am pleased to present the second year Financial Statements for Bomet University College following inauguration of its Council on 10<sup>th</sup> November 2017.

Bomet University College continues to be a Premier Green University in fostering Research Excellence in Science, Technology and Innovation for advancement of humanity. The University College ensures that policies, processes and strategies are aligned in order to realise this vision as well as ensuring that the University College attains world class competitiveness. The University College operates in line with the Master Plan and the Strategic Plan as it guides in financial planning, development of academic programs, process efficiency, stakeholder engagement and overall infrastructure development.

The Strategic Plan covers the period 2018 to 2023 and it is founded on *green* philosophy as it endeavors to join the few *green* universities globally. The ultimate goal of this philosophy is sustainability for humanity. This *green* philosophy is based on principles of renewable energy, efficiency in design, water conservation, waste reduction and recycling, indoor air control, durability, merging of green environment among others. These principles are in line with the University's *green* orientation as a centre of applied science, technology and innovation. The Strategic Plan envisions teaching and learning environment that blends well with the natural and physical environment including the industry in order to meet the demands and expectations of all stakeholders while aligning to the stated strategic goals, Vision, Mission, Core Values and the Philosophy.

Bomet University College Master Plan has been developed to cover the period 2018 to 2068 (50 years) and is consistent with the Strategic Plan. The Master Plan will provide a coordinating strategy for a better teaching and learning environment and it represents a framework for a development process in which the whole will always be more than the sum of its parts. The Master Plan is a product and a process since it achieves continuity beyond a single building and encourages orderly Campus development within available resources. The Master Plan focuses on strategies to create accessible, inclusive and highly efficient utilization of space to create ambiance. Our own innovation of a solar farm, innovation Centre, mini industrial park, organic farm and a guest house for research, training and accommodation will go a long way in making Bomet University College a green sustainable Institution.

I would like to congratulate all of us who made this year a success by working beyond the usual working hours in order to see through all the activities of the University College. My sincere and deep gratitude to the Ministry of Education specifically the State Department of University Education for their invaluable support, Chancellor and Vice Chancellor of Moi University, Council Members of Bomet University College as well as our dedicated staff, local community and other stakeholders. Together we shall strive to steer the University College to greater heights as we work towards the award of the Charter.

  
..... 10<sup>TH</sup> FEB 2020  
**PROF. ESTHER W MUCHIRA TIRIMA**  
**CHAIRPERSON – BOMET UNIVERSITY COLLEGE COUNCIL**



#### **IV. REPORT OF THE COLLEGE PRINCIPAL**

Bomet University College is in the second year of operation and is very strategic in developing unique academic programs. Our Philosophy of a green University is captured in our 2018 Master Plan that is consistent with the strategic plan for 2018-2023 and it aims at delivering quality and relevant academic Programs. Financial constraints are a major challenge to universities in Kenya and Bomet University College is not an exception. In order to minimize this risk, the University College through its Resource Mobilization Policy has outlined various income alternatives that will reduce the financing dependence on the National Treasury.

During the year the University College recruited 4 senior lecturers, 4 lecturers and 8 tutorial fellows. In addition, a Senior Accountant, Senior Librarian, Procurement Officer, Internal Auditor, Assistant Registrar and Clerk of Works were recruited to head the respective departments. The numbers of staff are still not adequate for the University College and plans are underway to recruit 2 Management staff, 35 Technical staff and 9 ancillary staff in 2019/2020 Financial Year. Apart from the normal office duties, the newly recruited staff is assisting the University College Management in the development of various policies and structures for the achievement of its Mission and Vision.

BUC has a total student's population of 485 and it expects to receive 295 students to join the first year in 2019/2020 through KUCCPS. As a newly established University college, we still rely to a large extent on the support from the Government through the State Department of University Education and Research. The current critical needs for the University College includes hiring of core staff as proposed in 2019/2020 budget in order to meet the Commission for University Education standard requirements for service delivery. It is anticipated that operational expenses will increase in the subsequent financial year as the staff and the student population expands.

##### **Capital Projects:**

The Government approved a Capital Development grant in 2016/2017 Financial Year for the construction of Tuition Block, Library, Multipurpose Hall and 2 Hostels all totalling Ksh.1,391,982,469. The commencement date for the contract was 8<sup>th</sup> November 2016 and is expected to end 7<sup>th</sup> November 2018. However, inadequate funding is causing delay in the implementation of the project. At the moment, the overall completion of the project is 45% with Tuition Block, Library, Multipurpose Hall and Hostels at 99%, 40%, 60% and 0.6% respectively.

At the time of its establishment, Bomet University College did not have infrastructural facilities except for the Technology building that was inherited from Bomet Technical Training Institute (mentored by Eldoret National Polytechnic).

##### **Establishment of Bomet University College:**

Bomet University College was gazetted as a Constituent College of Moi University on 4<sup>th</sup> August 2017. The University College Council was appointed and inaugurated on 10<sup>th</sup> November 2017. The University College was subsequently handed over by Moi University Council on 29<sup>th</sup> March 2018.

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**The Chancellor Moi University Prof. Miriam Were with Bomet University College Council during Bomet University College Council Inauguration on 10th Nov 2017**  
*From Left Seated: Prof Cheruiyot T. (Ag. Principal), Prof. Miriam Were, Prof. Esther W. M. Tirima (Council Chairperson), Bishop Dr. R. Langat, Dr. Ngarari J. Standing from right: Dr. Amenya P. Nyakundi A., Dr. P. Ithondeka and Mr. Alex Tom Majani.*



**Prof. Esther W. M. Tirima- Chairperson of Bomet University College Council with Dr. Jeremiah Koshal- Chairman of Moi University Council during the official handover of Bomet University College on 29<sup>th</sup> March 2018. Looking on are the Vice Chancellor of Moi University Prof. Isaac Kosgey and Bomet University College Council members**  
**Appreciation**

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On behalf of Management, I would like to express our sincere gratitude and appreciation to the Government and both Councils of Moi University and Bomet University College for the support, nurturing and advice that they accorded to us during the year.

I also want to thank our staff and students, other sponsors and all the stakeholders for the help and support that we continue to receive.



**PROF. ANNE K. NANGULU**  
**COLLEGE PRINCIPAL AND SECRETARY TO COUNCIL**

DATE: 10 Feb 2020



**V. CORPORATE GOVERNANCE STATEMENT**

The roles and functions of the College Council are clearly defined and it includes providing oversight of management and giving the strategic direction of the University College. The Council defines the University's College Strategic Goals, Strategies, Objectives, and Values and ensures that procedures and practices are put in place to ensure compliance. The Council develops short and long term goals of the University, develops strategies to achieve those goals and monitors the performance of the University College through Performance Contracting. The Finance, Administration, Strategy, Building and Development Committee of Council approves annual budgets, quarterly reports and spearheads the preparation of financial statements and finally reports to the full Council. In addition the same committee ensures that the University College has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity. The Audit and Compliance Committee of Council provides advice the University College on ways to improve internal control systems, financial reporting as well follow-up of audit recommendations. The University College Council has unrestricted access to timely and relevant information as well as advice and services of the College Principal to discharge its duties effectively.

The Council operates in compliance with the Mwongozo code that offers corporate governance framework for all state corporations. The Council prepares an annual almanac showing the schedule of meetings planned for each year. During the year, the University College Council held regular quarterly meetings, while special meetings were called when necessary.

The University Council is headed by the Chairperson and is composed of nine members inclusive of the College Principal who is the only executive member. The constitution of the Council considered the requirements of the education sector, diversity of skills, academic qualifications, gender, age and experience necessary to add value to the operations of the University College. The Council Members are appointed to various Council Committees with well defined terms of reference and mandated to carry out specific functions. The Members of Council therefore bring their diverse experiences in deliberations during the Council meetings. The Council committees have well defined terms of reference and are intended to facilitate efficient decision making in the full Council meetings.

**The Council committees are as follows:**

Name of the Committee	Members
Audit and Compliance Committee	Dr. Jane Ngarari – Chairperson <b>Members:</b> Mr. Alex Majani Mr. Charles O. Nyakundi F.A. Susan Karanja C.P.A Jones Kimeu- Co-opted from June 2018- December 2018.
Finance, Administration, Strategy, Building and Development Committee	Dr. Peter A. Nyakundi – Chairperson <b>Members:</b> Dr. Peter M. Ithondeka Bishop (Rev) Dr. R. K. Langat



	F.A. Susan Karanja
Academic, Research, Extension, Students Affairs and Sealing Committee	Mr. Alex Tom Majani - Chair <b>Members:</b> Bishop (Rev) Dr. R. K. Langat Dr. Jane Ngarari Mr. Charles O. Nyakundi
Human Resource, Governance and Staff Disciplinary Committee	Dr. Peter M. Ithondeka – Chairperson <b>Members:</b> Dr. Peter A Nyakundi Mr. Alex Majani Mrs. Susan Karanja
Appointments and Promotions Committee for Professors, Associate Professors, Deans, Directors and Equivalent.	Prof. Esther W. M Tirima- Chairperson Members will be constituted on need basis.

The board has a conflict of interest register and at every meeting, members are required to declare any conflict of interest with regard to the matters under discussion.

While the Council sets the direction and provide guidance of the overall strategy, the day to day running of the University College through implementation of the approved policies, has been delegated to the College Principal. However, the Council is responsible for the stewardship of the University College and assumes responsibility for the effective control of the University

## **VI. MANAGEMENT DISCUSSION AND ANALYSIS**

### **SECTION A: Operational and Financial Performance**

The financial performance analysis is based on the Rationalized Recurrent Budget for 2018/2019 following the supplementary exchequer grants of **Kshs. 19,666,507** approved by the National Treasury.

#### **(a) Academic Activities and Students Related Income**

The academic year had two semesters that ended in January and May 2019 respectively. The first semester began in October 2018 instead of September 2018 in order to allow time to complete the construction of the Green Tuition block for use by students. BUC has 485 students spread between Bomet Business School, School of Education and School of Arts and Social Sciences. It is worth noting that there was no disruption of academic activities in the entire 2018/2019 Financial Year.

During the period, five senior lecturers, five lecturers and seven tutorial fellows were appointed and reported to work. Apart from the duties of Teaching and Learning, the newly recruited staff is assisting the University College in the development of various policies and structures for the achievement of the Mission and Vision.

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### **Academic Orientation**

The University College endeavors to be oriented towards Applied Science, Technology and Innovation. As an integral part, all academic programmes and processes must incorporate *green* technology components for sustainability. Below is the list of proposed and existing schools.

### **Existing Schools**

- (i) School of Business and Economics
- (ii) School of Education
- (iii) School of Arts and Social Sciences

### **Academic Programmes**

Bomet University College offers the following Senate approved academic programmes of Moi University with 3 groups of students in first year second Semester and second year second semester and third year second semester:-

#### **School of Arts and Social Sciences**

- (i) Bachelor of Science in Communication and Public Relations
- (ii) Bachelor of Arts in Geography
- (iii) Bachelor of Arts in Kiswahili
- (iv) Bachelor of Arts (Religions, History, Linguistics, Literature)

#### **School of Business and Economics**

- (i) Bachelor of Science in Human Resource Management
- (ii) Bachelor of Science in Entrepreneurship
- (iii) Bachelor of Science in Project Planning and Management
- (iv) Bachelor of Business Management

#### **School of Education**

- (i) Bachelor of Education (Arts)
- (ii) Bachelor of Education (Business Studies)

Owing to the reduction in planned number of first year students from 420 to 68, the income from students and all related charges posted unfavourable variance of 57%. The total expected fees from students were Kshs.39 Million but it was further scaled down to Kshs.28.1 Million and only Kshs.16.8 million was collected thereby leaving a debtors balance of Kshs.4.9 Million. The total amount of fees owed by Moi University to Bomet University College is Kshs.5,005,560 broken down to HELB Loans of Kshs.2,889,500 and CDF with other deposits to MU Bank Accounts amounting to Kshs.2,116,060.

The reduction in the planned number of students has greatly affected the revenue from Tuition fees and related income and thereby leading to unfavourable variance of 57%. In addition, HELB, some CDF and other sponsors are still sending students monies to Moi University thereby hampering the cash flows of the University College.

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**(ii) Exchequer Grants:**

The total Exchequer grants received as at 30<sup>th</sup> June 2019 was Kshs. **111.8 million** out of the budgeted **Kshs. 111.8 million** thereby leading to a variance of 0%. The Government had reduced the annual capitation for exchequer grants from Ksh.114 million in 2018/2019 financial year to Ksh.111.8 million as per the Supplementary Budget Estimates I for 2018/2019 Financial Year. These change in capitation backdated and previous payments were treated as overpayments and were recovered in the subsequent payments to March 2019. The monthly capitation from the Exchequer has been received for the 12 months from July 2018 to June 2019. The additional supplementary exchequer grants amounting to **Kshs. 19,666,507** was received on 9th July 2019.

**Table 1: Summary of Monthly Capitation Received**

<b>NO.</b>	<b>DATE RECEIVED</b>	<b>AMOUNT</b>	<b>FOR MONTH</b>
1	2-Aug-18	9,512,366	July 2018
2	30-Aug-18	9,512,366	Aug 2018
3	1-Oct-18	9,512,366	Sept 2018
4	7-Nov-18	9,512,366	Oct 2018
5	3-Dec-18	13,697,807	Nov 2018
6	10-Jan-19	13,127,064	Dec 2018
7	1-Feb-19	6,341,577	Jan 2019
8	7-Mar-19	6,341,577	Feb 2019
9	28-Mar-19	5,770,835	March 2019
10	2-May-19	9,512,366	April 2019
11	6-Jun-19	9,512,366	May 2019
12	28-Jun-19	9,512,366	June 2019
13	3- July-19	19,666,578	Supplementary
	<b>TOTAL</b>	<b>131,532,000</b>	

**(iii) Expenditure:**

The total expenditure at the end of fourth quarter amounts to Kshs.183 million comprised of Personal Emoluments of Ksh.112.7 million (61.5%) and Operations and Maintenance Costs of Kshs.70.3 million (38.5%). The University College had planned to spend Ksh.170.6 million on all expenses but the actual expenditure at end of the Financial Year was Kshs, 183 million resulting into unfavourable variance of Kshs.12.4 million (7%).

The various sub heads of Operations and Maintenance expenses are reflected in the Table below:

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**Summary of Budget Comparison Report**

	APPROVED ESTIMATES	REVISED ESTIMATES	CUMMULATIVE ACTUAL	VARIANCE	% VARIANCE
	2018/2019	2018/2019	AS AT 30/06/2019	AS AT 30/06/2019	AS AT 30/06/2019
PARTICULARS	KSHS '000'	KSHS '000'	KSHS '000'	KSHS '000'	PERCENTAGE
<b>INCOME</b>					
Exchequer Grants	111,865	111,865	111,865	0	0
Supplementary Funds- Recurrent	-	19,667	19,667	-	
Tuition & Related Charges	39,086	39,086	16,847	(22,238)	(57)
<b>TOTAL</b>	<b>150,951</b>	<b>170,617</b>	<b>148,379</b>	<b>(20,898)</b>	<b>(20)</b>
<b>EXPENDITURE</b>					
Personal Emoluments	89,574	101,017	112,760	(12)	(17)
Council Expenses	16,000	20,000	19,587	413	2
Contracted Services	2,600	1,200	927	273	14
Expenses Relating to Core Mandate	15,862	16,029	6,744	9,285	114
Administrative Expenses	20,329	24,895	31,686	(6,791)	(27)
Repairs and Maintenance	1,485	2,375	2,212	163	7
Depreciation and Amortization	5,100	5,100	9,141	(4,041)	(79)
<b>GROSS EXPEENDITURE</b>	<b>150,950</b>	<b>170,616</b>	<b>183,058</b>	<b>(12,441)</b>	<b>(7%)</b>
<b>SURPLUS/(DEFICIT)</b>	<b>-</b>	<b>-</b>	<b>(34,679)</b>		

Bomet University College is in the second year of operation and therefore most activities under operations and maintenance related to recruitment of staff, setting up processes and follow-up of ownership and amalgamation of land titles. Some of the activities did not match with the low budgetary provisions thereby leading to high spending in some of the vote heads.

**SECTION B**

**Entity's Compliance with Statutory Requirements**

During the period ended 30<sup>th</sup> June 2018/2019, the University College complied with statutory requirements with regard to deduction and remittance of PAYE, Withholding VAT, NHIF, Pension and NSSF. However, the staff salary for June 2019 was outstanding as at 30<sup>th</sup> June and it was paid in the first week of July 2019 together with the respective statutory deductions.

*Dm* *AN*

SECTION C

**Key Projects and Investment Decisions the Entity is Planning/Implementing**

The Government approved a Capital Development grant in 2016/2017 Financial Year for the construction of Tuition Block, Library, Multipurpose Hall and 2 Hostels all totalling Ksh.1, 391,982,469. The commencement date for the contract was 8<sup>th</sup> November 2016 and was expected to run for 104 weeks to be completed on 7<sup>th</sup> November 2018. However, the request from the contractor for extension by one year was approved and it is therefore expected to end in November 2019. Inadequate funding and the earlier site challenges caused the delay in implementation.

At the moment, the overall completion of the project is 45% with Tuition Block, Library, Multipurpose Hall and Hostels at 99%, 40%, 60% and 0% respectively. Below is the progress of payments made as at 30<sup>th</sup> June 2019.

**Table 1: Ongoing Project Payment Details (Kshs '000')**

Total Cost	Payments Made (Cert 1 to 16)	% of Payment	Balance to Completion	Approved Budget 2019/2020
1,391,982	434,395	31%	957,587	275,000

The total amount approved for Capital Development in 2018/2019 Financial Year was Ksh.250 million and the whole amount had been received as at 30<sup>th</sup> June 2019 translating to an absorption rate of 100%.

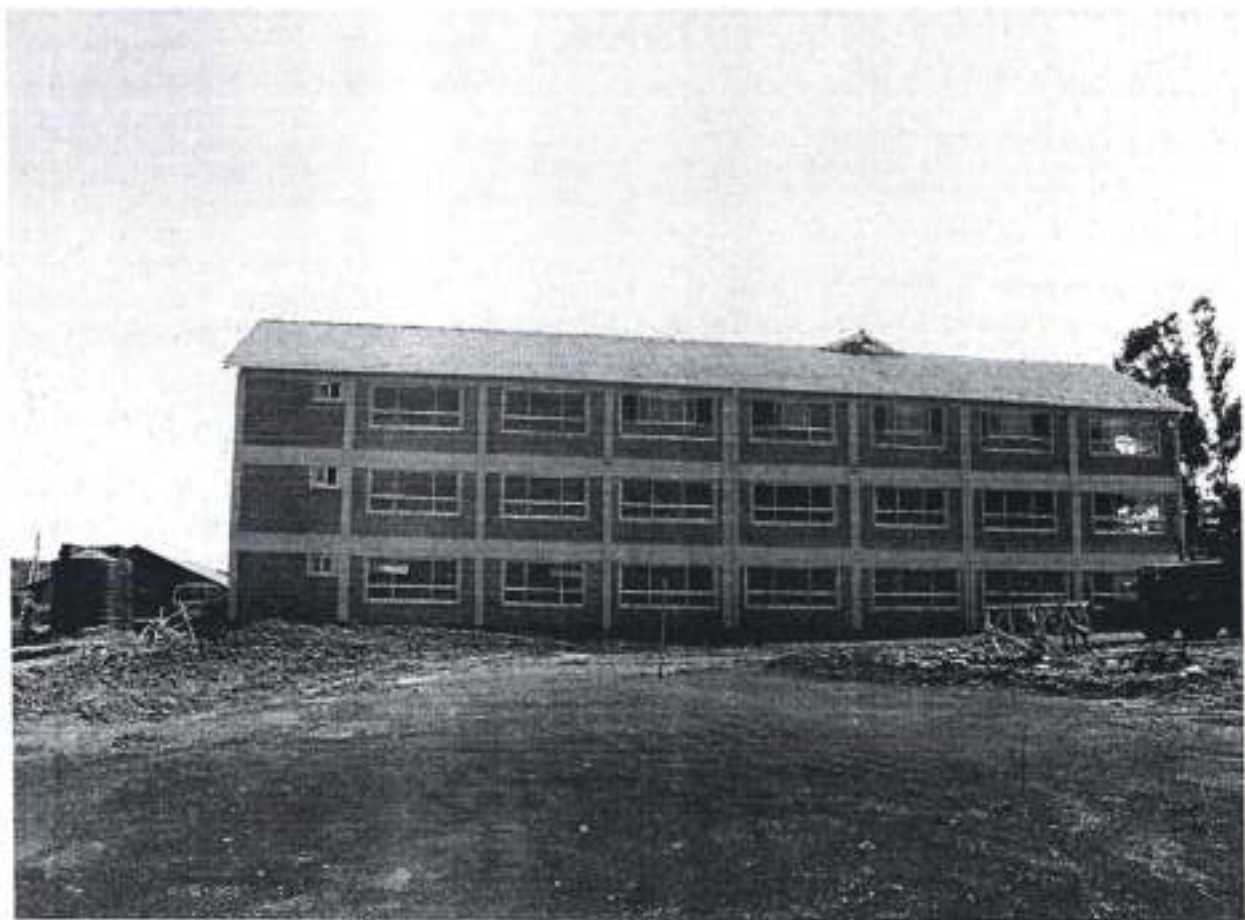
**Table C1: Capital Development Payments for 2018/2019 Financial Year**

Particulars	Approved Budget 2018/2019	Revised Budget 2018/2019	Payments as at 30 June 2019
	Kshs. '000'	Kshs. '000'	Kshs. '000'
Construction of Tuition Block, Library, Multipurpose Hall and 2 Hostels	157,000	337,000	233,435
Furnishing and equipping of the tuition block	20,000	20,000	16,565
Borehole Drilling and reticulation for tuition block	3,000	3,000	0
Enterprise Resource Planning System	40,000	40,000	0
Civil works	30,000	0	0
<b>Total Expenses</b>	<b>250,000</b>	<b>400,000</b>	<b>250,000</b>

*[Handwritten signatures and initials]*

**Table C2: Pending Capital Development Requests**

Document No.	Sub-Contractor/Supplier	Particulars	Amount (Ksh) '000'
Interim Cert. 17	Smith and Gold Productions Ltd	Main Contractor	60,241
Interim Cert. 18	Stimacont Ltd	Sub Contractor	4,194
Interim Cert. 19	Pong Agencies Ltd	Sub Contractor	2,635
Interim Cert. 20	Smith and Gold Productions Ltd	Main Contractor	45,842
	<b>Total</b>		<b>112,912</b>



*Picture 1: BUC Green Tuition Block- Side Elevation (99% completion)*

*Dw* *AN*





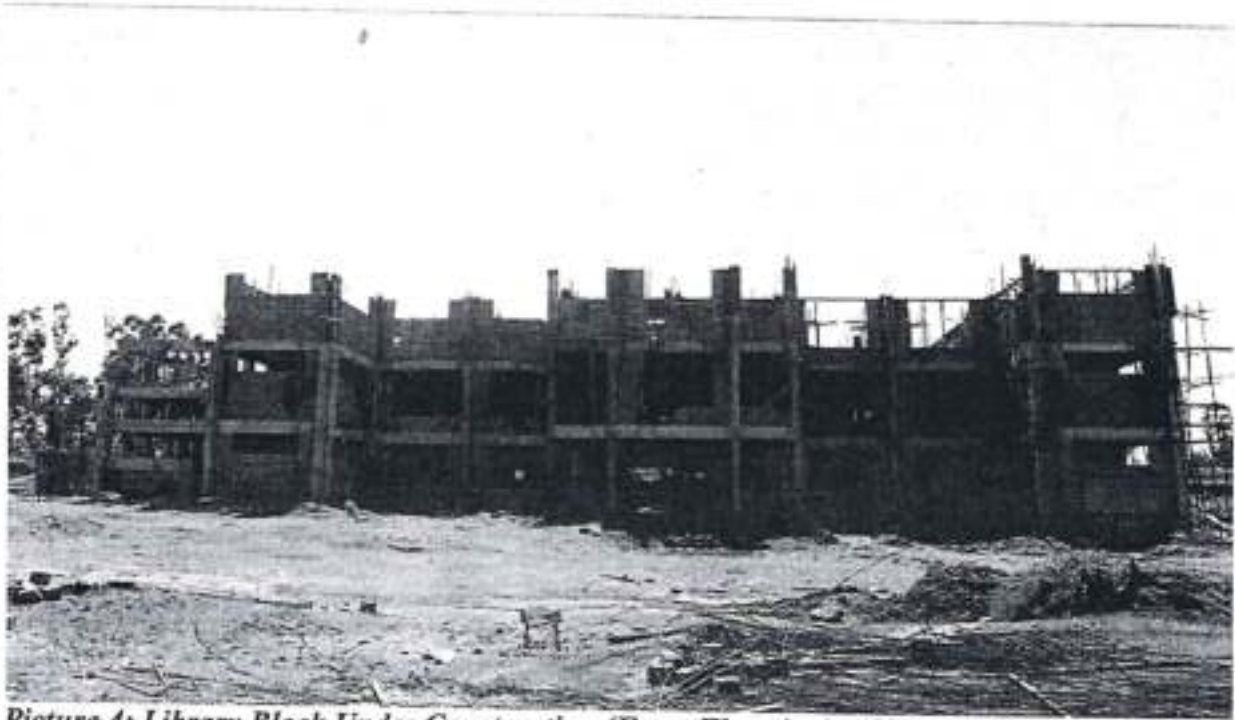
*Picture 2: BUC Green Tuition Block- Front Elevation (99% completion) - Entry rum under construction.*



*Picture 3: BUC Green Tuition Block- Front Elevation (99% completion)*

AW

Dr. [Signature] [Signature]



*Picture 4: Library Block Under Construction (Front Elevation)- 40% completion*



*Picture 5: Library Block Under Construction (Side Elevation)- 40% completion*

Dm AN





*Picture 6: Students Multipurpose Hall (Front Elevation)- 60% completion*



*Picture 7: Students Multipurpose Hall (Side Elevation) - 60% completion*

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**SECTION D**

**Major Risks Facing the Entity**

The Council of Bomet University College is aware of activities that could expose the institution to a number of risks hence hampering smooth operations. Various mitigating measures have therefore been put in place internally as well externally. Some of the risks with various mitigation measures are outlined below:

- i) Liquidity risk may arise from the University College failure to meet its obligations as a result of financial difficulties. The University College will manage this risk by continuously reviewing its cash flow forecasts and strengthening internal controls as well observing adherence to spending per vote heads.
- ii) The credit risk may arise by the failure of students to pay the whole fees as required to run the operations of the University College. This risk will be managed by ensuring that students pay the requisite fees at the time of registration and signing of nominal rolls and another check by way clearance for examinations.
- iii) The market risk results from anticipated reduction in the number of Government and privately sponsored students admitted to the University. This can be caused by the lowering of cut off points by KUCCPS for students joining the regular program and the Commission of University Education maintaining high admission requirements for students joining the Private Program. BUC will deal with this risk through aggressive marketing of programs, re-engineering its academic programs to meet unique market needs and above all adopting open learning systems to capture students in diverse locations.

**SECTION E**

**Material Areas in Statutory/Financial Obligations**

None.

**SECTION F**

**The entity's financial probity and serious governance issues**

There were no financial probity and governance issues during the period under review.



## VII. REPORT OF THE UNIVERSITY COLLEGE COUNCIL

The Council Members submit their report together with the financial statements for the year ended June 30, 2019 which show the state of the University's affairs.

### Principal activities

The principal activity of the University College is to continue to provide university education through teaching, research and outreach.

### Results

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

### Members of Council

The members of the University Council who served during the year are shown on page VI. The University College Council were appointed and inaugurated on 10<sup>th</sup> November 2017.

### Auditors

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

By Order of the Council



PROF. ANNE K. NANGULU  
COLLEGE PRINCIPAL AND SECRETARY TO COUNCIL

DATE: 10 Feb. 2020



### VIII. STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 47 of the Universities Act require the University College Council to prepare financial statements in respect of the University College, which give a true and fair view of the state of affairs of the University College at the end of the financial year and the operating results of the University College for that year. 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 University College. The Council Members are also responsible for safeguarding the assets of the University.

The Council Members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University College for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the University College financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Universities Act. The Council Members are of the opinion that the University's financial statements give a true and fair view of the state of Bomet University College transactions during the financial year ended June 30, 2019, and of the University College financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University College 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 University College financial statements were approved by the University College Council on ~~15th~~ 2020 and signed on its behalf by:

  
15TH FEB 2020  
Council Member

  
Council Member







# REPUBLIC OF KENYA

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NAIROBI

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Bomet University College set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Bomet University College as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Inaccuracies in the Financial Statements**

The balances reflected in the financial statements are at variance with the figures in the supporting documents availed as detailed below:-

<b>Details</b>	<b>Financial Statements Balance (Kshs.)</b>	<b>Supporting Document Balance (Kshs.)</b>	<b>Variance (Kshs.)</b>
Revenue from Other Governments	131,532,000	111,865,422	19,666,578
Remuneration of Directors/Council	19,587,000	19,977,000	(390,000)
Operations and Maintenance Sub-total-revised Estimates	1,200,000	21,200,000	(20,000,000)
Operations and Maintenance Sub-total-Actuals	927,000	20,903,000	(19,976,000)

*Report of the Auditor-General on Bomet University College for the year ended 30 June, 2019*



Details	Financial Statements Balance (Kshs.)	Supporting Document Balance (Kshs.)	Variance (Kshs.)
Operations and Maintenance	273,000	297,000	(24,000)
Sub-total-Variance			
Non-current Assets	1,595,304,000	1,600,949,000	(5,645,000)

The variances have not been reconciled or explained.

Consequently, the accuracy of the financial statements for the year ended 30 June, 2019 could not be confirmed.

## 2. Unsupported Revenue from Exchange Transactions

As disclosed under Note 7 to the financial statements, the statement of financial performance reflects revenue from exchange transactions – rendering of goods and services balance of Kshs.16,847,000. However, the balance has not been broken down into the individual revenue sources but was aggregated together as a single figure.

Consequently, it has not been possible to confirm the accuracy and completeness of the balance reflected in the statement of financial performance for the year ended 30 June, 2019.

## 3. Inaccuracies in General Expenses

As disclosed under Note 12 to the financial statements, the statement of financial performance reflects general expenses balance of Kshs.39,357,000. Included in the balance are non-expenditure items, being outstanding debts and revaluation of fixed assets of Kshs.7,577,000 and Kshs.875,000 respectively. No adjustments have been made to the financial statements to correct this anomaly.

Consequently, the accuracy and completeness of general expenses of Kshs.39,357,000 reflected in the statement of financial performance for the year ended 30 June, 2019 could not be confirmed.

## 4. Property, Plant and Equipment

As disclosed under Note 20 to the financial statements, the statement of financial position reflects non-current assets balance of Kshs. 1,595,304,000. The balance constitutes the value of land amounting to Kshs.934,800,000 which includes two (2) parcels of land with a total value of Kshs.334,800,000. However, Management did not provide any ownership documents such as title deed or allotment letter for audit review.

Further, and as previously reported, two parcels in Bomet town owned by the College have been encroached upon by third parties and informal settlers. The parcels of land have not been secured by a perimeter fence. No measures or plans have been taken to reclaim back the two (2) land parcels.



In addition, the above balance includes property, plant and equipment and computer balances of Kshs.8,448,026 and Kshs.1,647,989 respectively, that were transferred from Moi University to the College when it ceased to be a constituent college on 29 March, 2018. The balances were not supported by any valuation report.

Consequently, the ownership and valuation of assets totalling Kshs.344,896,015 reflected in the statement of financial position as at 30 June, 2019 could not be ascertained.

#### **5. Unreconciled Receivables from Exchange Transactions**

As disclosed under Note 14 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.4,407,000. However, the student ledger presented in support of the balance reflected an amount of Kshs.3,558,950, resulting to an unreconciled balance of Kshs.848,050.

Consequently, the accuracy and completeness of receivables from exchange transactions balance of Kshs.4,407,000 reflected in the statement of financial position as at 30 June 2019 could not be confirmed.

#### **6. Unsupported Contingent Liability**

As disclosed under Note 17 to the financial statements, the statement of financial position also reflects trade and other payables from exchange transactions balance of Kshs.55,926,000. Included in the balance is contingent liabilities balance of Kshs.4,981,000 which relates to liability for the supply of goods and services during the construction of the College's temporary dining hall and kitchen in 2016. However, Management did not avail supporting documents such as local purchase orders, local service orders, delivery notes and invoices for audit review.

Consequently, the fair value of the reported contingent liability balance of Kshs.4,981,000 reflected in the statement of financial position as at 30 June, 2019 could not be ascertained.

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

#### **Key Audit Matters**

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

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.170,617,000 and Kshs.148,379,000 respectively, resulting to a revenue shortfall of Kshs.22,239,000 or 13% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.144,316,000 and Kshs.153,402,000 respectively, resulting to an over expenditure of Kshs.9,086,000 or 6% of the budget. Further, the statement has not incorporated the development activities components.

Consequently, the activities planned for the year not undertaken may have negatively impacted on service delivery to the College stakeholders.

### **2. Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved all issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref. PASB/12/1/ (144) of June ,2019.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Overpayment of Top Management**

During the period between October, 2017 and June, 2019, the former principal and two deputy principals of the College served in acting capacity whereupon, they drew basic salaries for the upper substantive positions contrary to the advisory of the State Corporations Advisory Committee as detailed below:

Designation	Substantive Basic Salary (Kshs.)	Acting Allowance at 15% (Kshs.)	Total Entitlement (Kshs.)	Actual Basic Paid (Kshs.)	Overpayment (Kshs.)
Ag Principal	4,477,242	671,586	5,148,829	6,904,529	1,755,700
Ag Deputy Principal	4,152,359	622,854	4,775,213	6,404,332	1,629,119
Ag Deputy Principal	3,989,567	598,435	4,588,002	6,404,332	1,816,330
<b>Total</b>	<b>12,619,168</b>	<b>1,892,875</b>	<b>14,512,044</b>	<b>19,713,193</b>	<b>5,201,149</b>

This resulted in an overpayment of Kshs.5,201,149 which the audit and compliance committee of the University Council resolved to be recovered effective January, 2019. However, as at the time of audit in December, 2019, there was no evidence of the recoveries having been effected as directed.

In the circumstance, the Management is in breach of the law.

## 2. Unremitted Pension and Gratuity Deductions

As previously reported an amount of Kshs.3,561,325 relating to gratuity and pension contributions for employees was deducted through Moi University payroll on behalf of Bomet University College. However, the Management has not availed any evidence to confirm the amounts have been remitted to the relevant bodies as at 30 June, 2019. This is contrary to the provisions of the Retirement Benefits Act, 1997.

In the circumstance, the Management is in breach of the law.

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

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

### Conclusion

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

## **Basis for Conclusion**

### **1. Lack of Segregation of Duties over Payroll**

The payroll system was managed by a sole member of staff, whose duties included data capture, approval, change management and authorization of payment. Further, admin rights over the payroll system continue to be solely held by the vendor in exclusion of the Management.

Consequently, there is lack of segregation of duties in the payroll process and control of the system by the vendor exposes the College to the risk of unauthorized access.

### **2. Lack of Risk Management Policy**

The College does not have a risk management policy in place that guides on assessment and evaluation of risk and development of the strategies to mitigate them. Such policy would have ensured that the College develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal controls that builds robust business operations.

Consequently, service delivery could be adversely affected by if the risks were to crystalize.

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

## **Responsibilities of Management and the University Council**

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

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

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



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

The University Council is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the College monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the College to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
Nancy Gathungu  
AUDITOR-GENERAL

Nairobi

21 July, 2021



X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

INCOME	Note	2018/2019	2017/2018
Revenue from non exchange transactions		Kshs '000'	Kshs '000'
Transfers from other governments—gifts and services-in-kind	6	131,532	145,750
<b>Sub-Total</b>		<b>131,532</b>	<b>145,750</b>
Revenue from exchange transactions			
Rendering of good & services	7	16,847	15,359
Other Income			
Finance income - External Investments			
<b>Sub-Total</b>		<b>16,847</b>	<b>15,359</b>
<b>Total revenue</b>		<b>148,379</b>	<b>161,109</b>
Expenses			
Employee costs	8	112,760	61,210
Remuneration of Directors/Council	9	19,587	10,956
Depreciation and amortization expense	10	9,141	5,089
Repairs and maintenance	11	2,212	4,411
General expenses	12	39,357	36,228
<b>Total expenses</b>		<b>183,057</b>	<b>117,894</b>
Other gains/(losses)			
Gain/(Losses) on sale of assets		-	
<b>Total other gains/(losses)</b>		<b>-</b>	
<b>Surplus (Deficit) for the period</b>		<b>(34,678)</b>	<b>43,215</b>

The notes set out on pages 10 to 36 form an integral part of these Financial Statements

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XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

PARTICULARS	Note	2018/2019	2017/2018
ASSETS		Kshs '000'	Kshs '000'
<b>Current Assets:</b>			
Cash and cash equivalents	13	9,922	27,382
Receivables from exchange transactions	14	4,407	1,705
Receivables from non-exchange transactions	15	5,175	23,614
Inventories	16	1,808	975
<b>Total Current Assets</b>		<b>21,312</b>	<b>53,676</b>
<b>Non-current assets</b>			1,296,754
Land	20	934,800	
Buildings	20	113,386	
Motor vehicles	20	7,551	
Furniture	20	14,105	
Computers	20	4,596	
Capital in Progress	20	520,866	
<b>Total Non-Current Assets</b>		<b>1,595,304</b>	<b>1,296,754</b>
<b>TOTAL ASSETS</b>		<b>1,616,616</b>	<b>1,350,430</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Trade and other payables from exchange transactions	17	55,926	33,226
Provisions	18	100	130
Fees Prepayments	19	867	2,543
<b>Total Current Liabilities</b>		<b>56,893</b>	<b>35,899</b>
<b>Non-current liabilities</b>			
Borrowings			
<b>TOTAL LIABILITIES</b>		<b>56,893</b>	<b>35,899</b>
<b>Net assets</b>		<b>1,559,723</b>	<b>1,314,531</b>
Capital Reserves		1,594,401	1,271,316
Accumulated Surplus (Deficit)		(34,678)	43,215
<b>Total net assets</b>		<b>1,559,723</b>	<b>1,314,531</b>
<b>Total net assets and liabilities</b>		<b>1,616,616</b>	<b>1,350,430</b>

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*Dr. J. O. O. O.*



**Bomet University College**  
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**For the year ended June 30, 2019**

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The Financial Statements set out on pages 1 to 36 were signed on behalf of the University College Council by:



**PROF. ANNE K. NANGULU**  
**COLLEGE PRINCIPAL AND SECRETARY TO COUNCIL**

DATE: 10 Feb 2020



**PROF. LOICE CHEMGETICH MARU**  
**DEPUTY PRINCIPAL, ADMINISTRATION AND FINANCE**

DATE: 10<sup>TH</sup> FEBRUARY 2020



**PROF. ESTHER W. MUCHIRA TIRIMA**  
**CHAIRPERSON OF COUNCIL**

DATE: 10<sup>TH</sup> FEB 2020





**XII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019**

Particulars	Capital Reserves	Revenue Reserves	Total
	Kshs'000	Kshs'000	Kshs'000
<b>Balance as at 1 July 2017</b>	0	0	
Surplus for the year	0	43,269	43,269
Capital Grants received during the year	30,145	0	30,145
Valuation of fixed assets	1,241,175	0	1,241,175
<b>Balance as at 30 June 2018</b>	<b>1,271,320</b>	<b>43,269</b>	<b>1,314,589</b>
Deficit for the year	0	-34,678	-34,678
Capital Grants received during the year	253,481	-	253,481
Additional Valuations- Project Interim Certificates	26,331	-	26,331
<b>Balance as at 30 June 2019</b>	<b>1,551,132</b>	<b>8,591</b>	<b>1,559,723</b>

Capital Reserves is attributed to interim valuations of the ongoing project and capital development grants received from the Government in 2018/2019 Financial Year.

Bomet University College owns five parcels of land in Signor which have been amalgamated into one piece of land measuring approximately 57.08 acres (23.1hectares) and registered as KER/SIGOR/1834 in favour of County Government of Bomet and reserved for Bomet University College. There are no encumbrances registered against the title as it was inspected during the valuation. There is a parcel measuring 4.7 hectares or 10.3 acres situated within Bomet town, off Quarry road next to St. Michael Primary school and is where the Bomet University College is currently located. Registration of the land is ongoing but details pertaining to it are contained in FR 328/28 at the Bomet Land registry. Finally the University College owns land adjacent to Bomet stadium and Bomet Teachers Training College. The land is registered in the name of Cabinet Secretary National Treasury (Bomet University College) as Bomet Town/308and Bomet Town/307 measuring approximately 18.3 hectares or 44.997 acres.

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**III. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2019**

<b>PARTICULARS</b>	<b>Note</b>	<b>2018/2019</b>	<b>2017/2018</b>
		<b>Kshs '000'</b>	<b>Kshs '000'</b>
Cash and Cash Equivalents at the beginning of the year		27,382	96,692
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Transfers from State Department of University Education	6	111,865	145,750
Rendering of good & services	7	16,847	15,359
Other Incomes			-
<b>Total Receipts</b>		<b>128,712</b>	<b>161,109</b>
<b>Payments</b>			
Employee costs	8	112,760	61,210
Remuneration of Directors	9	19,587	10,956
Depreciation and amortization expense	10	9,141	-
Repairs and maintenance	11	2,212	5,089
General expenses	12	39,357	4,411
<b>Total Expenses</b>		<b>183,057</b>	<b>107,716</b>
<b>Net Cash Flows from Operating Activities</b>		<b>(54,345)</b>	<b>53,393</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant, equipment and intangible assets	20	(252,494)	(138,997)
Purchase of Motor vehicles	20	-	(13,175)
Decrease/(increase) in receivables-Exchange Transactions		(2,702)	-
Decrease/(increase) in receivables-Non Exchange Transactions		18,439	
(Decrease)/Increase in Payables		20,994	-
Decrease/(Increase) in Inventories		(833)	-
<b>Net Cash Flows used in Investing Activities</b>		<b>(216,596)</b>	<b>(152,171)</b>
<b>Cash Flows from Financing Activities</b>			
Capital development grants from GOK		253,481	30,145
<b>Net Cash Flows used in Financing Activities</b>		<b>253,481</b>	<b>30,145</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(17,460)</b>	<b>(68,633)</b>
Cash and Cash Equivalents at end of the year		9,922	27,382
<b>PER FINANCIAL STATEMENTS</b>		<b>9,922</b>	<b>27,382</b>

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XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

		Approved Estimates	Changes	Revised Estimates	Actual	Variance	% Variance
NO.		2018/2019	2018/2021	2018/2019	30/06/2019	30/06/2019	30/06/2020
	PARTICULARS	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	%
	<b>INCOME</b>						
1	Exchequer Grants	114,148	(2,283)	111,865	111,865	0	0
	Supplementary Funds- Recurrent	-	19,667	19,667	19,667	-	
2	Tuition & Related Charges	19,754	(5,334)	14,420	16,847	22,239	-57
3	Privately Sponsored Students Fees	14,100	(3,807)	10,293			
4	Students Accommodation Fees	6,000	(1,620)	4,380			
5	Students Field Trips/Courses	6,000	(1,620)	4,380			
6	Students Activities	1,365	(369)	996			
7	Caution Money	910	(246)	664			
8	Games and Sports	910	(246)	664			
9	Commission of University Education Fees	910	(246)	664			
10	KUCCPS Fees	561	(151)	410			
11	Teaching Practice	3,032	(819)	2,213			
	<b>TOTAL</b>	<b>167,690</b>	<b>2,927</b>	<b>170,617</b>	<b>148,379</b>	<b>22,239</b>	<b>20</b>
	<b>EXPENDITURE</b>						
	<b>Personal Emoluments</b>						
12	Basic Salaries	41,866	5,826	47,692	48,599	(907)	-2
13	House allowance	18,254	2,661	20,915	19,920	995	5
14	Commuting and Car Allowances	9,048	(163)	8,885	8,320	565	6
15	Gratuity & Pension contribution	6,424	(424)	6,000	5,900	100	2
16	Other Personal Allowances	6,759	1,191	7,950	8,697	(747)	-9
17	Casuals	5,083	1,992	7,075	13,664	(6,589)	-93
18	Part Time Teaching Claims	4,236	(1,736)	2,500	7,661	(5,161)	-206
	<b>SUB TOTAL P.EMOLUMENTS</b>	<b>91,670</b>	<b>9,347</b>	<b>101,017</b>	<b>112,760</b>	<b>(11,743)</b>	<b>-17</b>
	<b>OPERATIONS AND MAINTENANCE</b>						
19	Council Expenses	13,000	7,000	20,000	19,587	413	2
20	Medical expenses	4,500	(4,000)	500	424	76	15
21	Insurance expenses	1,000	(800)	200	-	200	100
22	Legal Expenses	500	(300)	200	202	(2)	-1
23	Contract Services & Subscriptions	600	(300)	300	300	(0)	0
	<b>Sub-Total</b>	<b>6,600</b>	<b>(5,400)</b>	<b>1,200</b>	<b>927</b>	<b>273</b>	<b>14</b>
	<b>Expenses Relating to Core Mandate:</b>						
24	Development of Green Academic Programs	500	(500)	-	-	-	0

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25	External Examiners	600	20	620	618	2	0
26	Postal & Telegram expenses	15	(6)	9	11	(2)	-22
27	Senate Expenses	600	400	1,000	1,031	(31)	-3
28	Teaching materials	500	(200)	300	275	25	8
29	Publishing & printing expenses	150	(60)	90	-	90	100
30	Library Expenses	8,153	(1,992)	6,161	781	5,380	87
31	University research program	1,672	(1,272)	400	327	73	18
32	Inter-University Games	683	(273)	410	408	2	0
33	Students Field Trips/Courses	4,500	(2,800)	1,700	301	1,399	82
34	Students Activities	1,024	1,076	2,100	2,036	64	3
35	Admission Expenses	200	(20)	180	171	9	5
36	Teaching Practice	2,729	(1,309)	1,420	275	1,145	81
37	Commission of University Education Fees	910	(409)	501	440	61	12
38	KUCCPS Fees	561	(252)	309	71	239	77
39	Caution Money Refund	910	(409)	501	-	501	100
40	Student Smart Card System	546	(218)	328	-	328	100
	<b>Sub-Total</b>	<b>24,253</b>	<b>(8,224)</b>	<b>16,029</b>	<b>6,744</b>	<b>9,285</b>	<b>114</b>
	<b>Administrative Expenses:</b>						
41	Public celebration & funerals	300	(200)	100	96	4	4
42	Electricity, water & conservancy	1,400	440	1,840	1,831	9	0
43	Travelling & Accommodation	4,000	800	4,800	4,782	18	0
44	Telephone expenses	100	(40)	60	-	60	100
45	Internet Expenses	2,100	400	2,500	2,459	41	2
46	Purchase of uniform & clothing	250	(100)	150	52	98	65
47	Purchase of Stationery	1,500	100	1,600	1,729	(129)	-8
48	Advertising & Publicity	600	600	1,200	1,195	5	0
49	Audit expenses	500	(120)	380	377	3	1
50	Payment of rent/rates	7,000	(2,800)	4,200	3,647	553	13
51	Computer Expenses	900	(350)	550	544	6	1
52	Cleaning Materials & Detergents	300	250	550	473	77	14
53	Payment of outstanding debts		-	-	7,577	(7,577)	0
54	ISO & ISO Related Expenses	366	(66)	300	56	244	81
55	Conference and Workshops	1,400	460	1,860	1,851	9	0
56	Training Expenses	550	600	1,150	1,128	22	2
57	Team Building	600	150	750	746	4	1
58	Official Refreshments	300	(120)	180	199	(19)	-11
59	Strategic Plan Implementation & Monitoring	800	250	1,050	1,069	(19)	-2
60	Launch of Tuition Block	-	600	600	997	(397)	-66
61	Performance Contracting	500	(300)	200	-	200	100
62	Revaluation of fixed assets	900	(25)	875	875	(0)	0
	<b>Sub Total</b>	<b>24,366</b>	<b>529</b>	<b>24,895</b>	<b>31,686</b>	<b>(6,791)</b>	<b>-27</b>
	<b>Repairs and Maintenance:</b>						
63	Transport operating expenses	300	750	1,050	1,034	16	2
64	Maintenance of Plant & Equip.	200	(120)	80	60	20	25
65	Refurbishment and Maintenance of Buildings	500	400	900	831	69	8
66	Equipping and Maintenance of	1,500	(1,355)	145	129	16	11

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	Hostels						
67	Maintenance of water supplies	100	-	100	60	40	40
68	Maintenance of Playgrounds	100	-	100	99	1	1
	<b>Sub-Total</b>	<b>2,700</b>	<b>(325)</b>	<b>2,375</b>	<b>2,212</b>	<b>163</b>	<b>7</b>
69	Depreciation and Amortization	5,100	-	5,100	9,141	(4,041)	-79
	<b>SUB TOTAL-OPS &amp; MAINT.</b>	<b>76,019</b>	<b>(6,420)</b>	<b>69,599</b>	<b>70,297</b>	<b>(698)</b>	<b>-1</b>
	<b>GROSS EXPENDITURE</b>	<b>167,690</b>	<b>2,928</b>	<b>170,617</b>	<b>183,058</b>	<b>(12,441)</b>	<b>-7</b>
	<b>NET SURPLUS/(DEFICIT)</b>	<b>-</b>	<b>(1)</b>	<b>0</b>	<b>(34,679)</b>		

**Recurrent Budget Comparison Report Notes:**

**Item 1;** The total Exchequer grants received as at 30<sup>th</sup> June 2019 was Kshs. 111.8 million out of the budgeted Kshs. 111.8 million thereby leading to a variance of 0%. The Government had reduced the annual capitation for exchequer grants from Ksh.114 million in 2018/2019 financial year to Ksh.111.8 million as per the Supplementary Budget Estimates 1 for 2018/2019 Financial Year. However, towards the end of the Financial Year, Kshs. 19,666,507 supplementary funds were approved by the National Treasury and received in the University College account on 9<sup>th</sup> July 2019.

**Item 2 to 11;** The planned number of first year students reduced from 420 to 68, the resulting to unfavourable variance of all students' related income at 57% amounting to Kshs.22.2 Million. The total expected fees from students were Kshs.39 Million but it was further scaled down to Kshs.28.1 Million and only Kshs.16.8 million was collected thereby leaving a debtors balance of Kshs.4.9 Million.

**Item 17 and 18;** The expenditure on casuals and Part Time Teaching expenses posted unfavourable variance owing to lack of adequate staff as a result of increased academic programs and relocation to the Green Tuition block requiring cleaning services.

**Item 24 to 40;** Vote heads with positive variances in this category were caused by delayed spending owing to some activities like attachment supervision, field trips, caution money refund, student Smart Card System and teaching practice that all crossed over to the September 2019.

**Item 26;** The Postal & Telegram expenses posted unfavorable variance of 22% (Kshs. 2,000) and this was majorly attributed to under budgeting.

**Item 30;** Library expenses posted favourable variance of 87% (Kshs, 5,380,000) since the procurement process for library books and other materials had not been completed as at 30<sup>th</sup> June 2019. Most suppliers declined to supply books with LPO owing to negative experience of non payments from public universities.

**Item 54;** ISO & ISO Related Expenses posted a favorable variance of 81% since BUC did not manage to commence the roadmap to ISO. The same has been planned to take place in 2019/2020 Financial Year.

**Item 60;** Launch of Tuition Block posted unfavorable variance of 66% owing to increased requirements of the Presidential visit Planning team that was beyond the control of BUC.

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**Item 61;** Performance Contracting posted a favorable variance of 100% since BUC was not taken into Performance Contracting for the Financial Year. However like ISO, this has been planned to take place in the next financial year.

In Conclusion, the deficit of Kshs. 34.6 Million has been majorly contributed by depreciation expense of Kshs.9.1 Million, payment of outstanding debts amounting to Kshs.7.5 Million and the reduction of students' related income from the targeted.

**Capital Development Budget Comparison:**

The approved Capital Development funds for 2018/2019 Financial Year were Ksh 250 Million. However, the University College received Ksh 253,481,114 which includes Ksh 3,481,114 received from the Ministry of Education on 30<sup>th</sup> July 2018 for Interim Certificates issued in 2017/2018 Financial Year. This resulted into a variance of 0% on income received for Capital Development activities. On the other hand, the total Capital Development payments for 2018/2019 Financial Year are shown in the Cash flow Statement as Ksh 252,494,000 resulting into an unfavorable variance of Ksh 0.4%.

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## XV. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Bomet University College is established by and derives its authority and accountability from the Universities Act and the Legal Order establishing Bomet University College. The University College is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is the provision of university education through teaching, research and outreach.

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Bomet University College accounting policies. There are no areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements.

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

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

### 3. ADOPTION OF NEW AND REVISED STANDARDS

#### i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>There is no impact of this standard in the financial reporting of BUC since it is a single entity.</i>

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

**Standard IPSAS 41: Financial Instruments**

**Effective date and impact: Applicable: 1<sup>st</sup> January 2022:**

The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

- Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;
- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and
- Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

*BUC does not have financial assets or liabilities and therefore no impact in this financial reporting.*

**IPSAS 42: Social Benefits**

**Applicable: 1<sup>st</sup> January 2022**

The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:

- (a) The nature of such social benefits provided by the entity;
- (b) The key features of the operation of those social benefit schemes; and
- (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

*BUC does not operate any social benefit and therefore no impact in this financial reporting.*

iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

**Fees, taxes and fines**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

**Rendering of services**

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

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

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

**Interest income**

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

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

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**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for FY 2018-2019 was approved by the National Assembly in July 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the National Treasury. The Financial Performance analysis is based on the Rationalized Recurrent Budget for 2018/2019 following the supplementary exchequer grants of Kshs. 19,666,507 approved by the National Treasury. The circular from the Chief Administrative Secretary and Principal Secretary at the Ministry of Education dated 3<sup>rd</sup> July 2019, Ref: MOEST/FIN/11/21 Vol. XIII requires the University College to rationalize the budget of 2018/2019 in line with the additional funds from the exchequer. The funds were paid to BUC account in the next Financial Year- July 2019 and it was planned to clear the outstanding financial commitments as at 30<sup>th</sup> June 2019.

The additional appropriations of Kshs.19.6 Million were added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented in these financial statements.

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.





### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### *Sales tax*

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation for the year has been computed as per the depreciation/amortisation policy of Moi University and posted into the Fixed Assets Register. The University depreciation policy is that fixed assets are depreciated on a reducing balance basis at annual rates estimated to write off the carrying values of the assets over their expected useful lives.

The annual rates are as follows:

Buildings	2%
Furniture, Plant and Equipment	12.5%
Motor Vehicles, Motorcycles and Tractors	25%
Computer and Related Equipment	33.3%

Freehold land is not depreciated. Leasehold land is amortized over the unexpired portion of lease.

**f) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also

recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**h) Research and development costs**

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development. Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

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i) **Financial instruments**

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

*Loans and receivables*

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

*Held-to-maturity*

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

*Impairment of financial assets*

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

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All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**i) Inventories**

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

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 a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.
- After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

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

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

**j) Provisions**

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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



*Contingent liabilities*

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

*Contingent assets*

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

**k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. The University's reserves are disclosed in the statement of changes in net assets.

**l) Changes in accounting policies and estimates**

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the

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reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**o) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**p) Related parties**

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

**q) Service concession arrangements**

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

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and which were not surrendered or accounted for at the end of the financial year.

**s) Comparative figures**

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

**t) Subsequent events**

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

**4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

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

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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

**5) Transfers from State Department of University Education**

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	2016-2017
			Kshs	Kshs	Kshs
Ministry of Education	131,532,000	-	253,481,114	385,013,114	150,944,920
<b>Total</b>	<b>131,532,000</b>	<b>-</b>	<b>253,481,114</b>	<b>385,013,114</b>	<b>150,944,920</b>

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(The details of the reconciliation have been included under appendix iii)

Description	2018/2019 Kshs '000'	2017/2018 Kshs '000'
<b>6. Transfers from State Department of University Education</b>		
Operational Grant	131,532	120,800
<b>b). Transfers from Ministries, Departments and Agencies</b>		
Exchequer Grants B/F(2016/2017)	-	24,950
<b>Total</b>	<b>131,532</b>	<b>145,750</b>

**7. Goods and Services**

Tuition & Related Charges		
Privately Sponsored Students Fees		
Students Accommodation Fees		
Students Field Trips/Courses		
Students Activities		
Caution Money	16,847	15,359
Games and Sports		
Commission of University Education Fees		
KUCCPS Fees		
Teaching Practice		
<b>Total</b>	<b>16,847</b>	<b>15,359</b>

**8. Employee Costs:**

Basic Salaries	48,599	27,308
House allowance	19,920	10,514
Commuting and Car Allowances	8,320	3,804
Gratuity & Pension contribution	5,900	3,562
Other Personal Allowances	8,697	3,540
Casuals	13,664	9,007
Part Time Teaching Claims	7,661	3,475
<b>Total</b>	<b>112,760</b>	<b>61,210</b>

**9. Remuneration of Directors:**

Chairman's Honoraria	1,044	605
Other Allowances	18,543	10,351
<b>Total</b>	<b>19,587</b>	<b>10,956</b>

**10. Depreciation and Amortization Expense:**

Buildings	2,314	-
Motor vehicles	2,517	3,356
Furniture Plant and Equipments	2,015	1,184
Computers	2,295	549
<b>Total</b>	<b>9,141</b>	<b>5,089</b>

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**11. Repairs and Maintenance of Facilities:**

Property, Plants & Equipments	1,179	4,294
Vehicles - Transport Operating Expenses	1,034	117
<b>TOTAL</b>	<b>2,212</b>	<b>4,411</b>

**12. General expenses:**

<b>Contracted Services:</b>		
Medical expenses	424	109
Insurance expenses	-	854
Legal Expenses	202	11,222
Contract Services & Subscriptions	300	162
<b>Sub-Total</b>	<b>927</b>	<b>12,347</b>
<b>Expenses Relating to Core Mandate:</b>		
Development of Green Academic Programs	-	
External Examiners	618	94
Postal & Telegram expenses	11	11
Senate Expenses	1,031	205
Teaching materials	275	27
Publishing & printing expenses	-	
Library Expenses	781	110
University research program	327	
Purchase of Motor Vehicles	-	
Inter-University Games	408	472
Students Field Trips/Courses	301	321
Students Activities	2,036	800
Admission Expenses	171	150
Teaching Practice	275	
Commission of University Education Fees	440	
KUCCPS Fees	71	
Caution Money Refund	-	
Student Smart Card System	-	
<b>Sub-Total</b>	<b>6,744</b>	<b>2,190</b>
<b>Administrative Expenses:</b>		
Public celebration & funerals	96	
Electricity, water & conservancy	1,831	1,202
Travelling & Accommodation	4,782	6,495
Telephone expenses	-	
Internet Expenses	2,459	2,039
Purchase of uniform & clothing	52	147
Purchase of Stationery	1,729	1,853
Advertising & Publicity	1,195	99
Audit fees	377	
Payment of rent/rates	3,647	7,377
Computer Expenses	544	112
Cleaning Materials & Detergents	473	153
Launch of Tuition Block	997	
Purchase of medical Equipment	-	
Contingent Liabilities	-	70
Payment of outstanding debts	7,577	
ISO & ISO Related Expenses	56	
Conference and Workshops	1,851	

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Training Expenses	1,128	
Team Building	746	
Official Refreshments	199	
Strategic Plan Implementation& Monitoring	1,069	2,144
Performance Contracting	-	
Revaluation of fixed assets	875	
<b>Sub-Total</b>	<b>31,686</b>	<b>21,691</b>
<b>Total General Expenses</b>	<b>39,357</b>	<b>36,228</b>

**13. Cash and cash equivalents**

Current account	9,890	27,382
Petty Cash	32	
Transfers to Capital Development	-	
<b>Total cash and cash equivalents</b>	<b>9,922</b>	<b>27,382</b>
<b>a) Current Accounts</b>		
<b>Financial institution</b>		
KCB- Payment Account	44	132
KCB- Capital Development	9,597	20,135
KCB-Research	-	
National Bank- Deposit	27	5,872
National Bank- Payments	74	1,195
National Bank- Collections	48	46
Co-Operative Bank- Collections	101	2
<b>Sub- total</b>	<b>9,890</b>	<b>27,382</b>

**14. Receivables from exchange transactions**

<b>Current receivables</b>		
Student Debtors	4,897	1,705
Less: impairment allowance	490	
<b>Net Receivables from Exchange Transactions</b>	<b>4,407</b>	<b>1,705</b>
<b>15. Receivables from Non-exchange transactions</b>		
Students Fees paid to Moi University	5,006	23,614
Staff Debtors- Imprests Advance not Accounted	169	
<b>Sub- total</b>	<b>5,175</b>	<b>23,614</b>

**16. Inventories**

Stationeries	929	314
Cleaning Materials	263	53
Maintenance	221	411
Electricals Materials	53	53
Games and Sports	342	31
Drugs and Equipment	-	113
<b>Total Inventories at the Lower of Cost and Net Realizable Value</b>	<b>1,808</b>	<b>975</b>

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

Trade payables	21,275	9,633
10% Project Retention Monies- Cert no. 1 to 16	29,670	18,612
Project Interim Cert number 17-20	-	

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Other Payables- Contingent Liabilities	4,981	4,981
<b>Total</b>	<b>55,926</b>	<b>33,226</b>

**18. Provisions**

Provision for Utilities (Electricity and Water)	100	130
<b>Total Provisions</b>	<b>100</b>	<b>130</b>

**19. Fees Prepayments**

	<b>867</b>	<b>2,543</b>
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**Note 20: Non-Current Assets - Kshs. '000'**

Particulars	Land	Buildings	Motor vehicles	Furniture Plant and Equipments	Computers	Capital In Progress	Total
As at 1 July 2017	-		250	8,448	1,648	64,027	74,373
Additions (Valuations done)	1,075,300		13,175	1,023	-	137,973	1,227,471
Disposals	-		-	-	-	-	-
Transfers/adjustments	-		-	-	-	-	-
<b>At 30 June 2018</b>	<b>1,075,300</b>		<b>13,425</b>	<b>9,471</b>	<b>1,648</b>	<b>202,000</b>	<b>1,301,844</b>
<b>Depreciation and impairment</b>							
Depreciation			3,356	1,184	549	-	5,089
On Disposals	-		-	-	-	-	-
Impairment	-		-	-	-	-	-
<b>At end of year - 30 June 2018</b>	<b>-</b>		<b>3,356</b>	<b>1,184</b>	<b>549</b>	<b>-</b>	<b>5,089</b>
<b>Net Book Values at 30 June 2018</b>	<b>1,075,300</b>		<b>10,068</b>	<b>8,287</b>	<b>1,099</b>	<b>202,000</b>	<b>1,296,755</b>
Additions (Valuations done)	934,800	115,700	-	7,832	5,792	318,866	1,382,990
Disposals	-		-	-	-	-	-
Transfers/adjustments	-		-	-	-	-	-
<b>As at 30th June 2019</b>	<b>934,800</b>	<b>115,700</b>	<b>10,068</b>	<b>16,120</b>	<b>6,891</b>	<b>520,866</b>	<b>1,604,445</b>
Depreciation		2,314	2,517	2,015	2,295	-	9,141
<b>Net Book Values at 30 June 2019</b>	<b>934,800</b>	<b>113,386</b>	<b>7,551</b>	<b>14,105</b>	<b>4,596</b>	<b>520,866</b>	<b>1,595,304</b>

**Note 20 (a): Details of Land and Buildings- Kshs. '000'**

LOCATION	REF. NO.	SIZE	LAND VALUE	BUILDINGS
Bomet Town adjacent to St. Michael Secondary School	Plot No. 2'' Bomet Town	4.7 Ha.	310,000,000	51,700,000
Signor located in Signor High School	BMT / SIGOR / 1834	23.1 Ha.	24,800,000	64,000,000
Bomet Town adjacent to Bomet Stadium	BMT Town Plot 308/307	18.3 Ha	600,000,000	
<b>TOTAL</b>			<b>934,800,000</b>	<b>115,700,000</b>



Note 20 (b): Additions to Capital Work- in- Progress

Payment Date	Payee	Certificate Number	Amount
26/07/2018	M/S Smith and Gold Productions Ltd	8	40,110
25/10/2018	M/S Smith and Gold Productions Ltd	9	19,875
29/11/2018	Smith and Gold Productions Limited	10	40,814
05/02/2019	Smith and Gold Productions Limited	11	24,902
14/12/2018	Bowl Plumbers Ltd	12	7,148
06/02/2019	Stoma Cont Ltd	13	5,367
06/02/2019	Smith and Gold Productions Limited	15	65,848
27/03/2019	Central Electricals International Ltd	16	1,790
16/04/2019	Smith and Gold Productions Limited	17	60,341
16/04/2019	Stoma Cont Ltd	18	4,194
16/04/2019	Pong Agencies Limited	19	2,635
16/04/2019	Smith and Gold Productions Limited	20	45,842
	<b>TOTAL</b>		<b>318,866</b>

## 21. Financial Risk Management

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University's overall risk management programme focuses on unpredictability of changes in teaching, research and learning environment and seeks to minimise the potential adverse effect of such risks on its performance.

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

### (i) Credit risk

The University College has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. The credit risk may arise by the failure of students to pay the whole fees as required to run the operations of the University College. This risk will be managed by ensuring that students pay the requisite fees at the time of registration and signing of nominal rolls and another check by way clearance for examinations.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the University's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	4,897,000	4,407,000		490,000
Receivables from non-exchange transactions	5,006,000	5,006,000		
Bank balances	9,890,000	9,890,000		
<b>Total</b>	<b>19,793,000</b>	<b>19,303,000</b>		<b>490,000</b>

The students under the fully performing category are paying their debts as they continue learning. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the University College has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The University has significant concentration of credit risk on amounts due from students' fees debtors.

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

**(ii) Liquidity risk management**

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

<b>At 30 June 2019</b>				
General payables	-	21,375,000	34,651,000	55,926,000
Current portion of borrowings	-	-	-	-
Provisions	100,000	-	-	100,000
Deferred income	-	867,000	-	867,000
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>100,000</b>	<b>22,242,000</b>	<b>34,651,000</b>	<b>56,893,000</b>

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(iii) **Market risk**

The University Council has put in place an internal audit function to assist it in assessing the risk faced by the University on an on-going basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

In the context of University Education, Market Risk can result from anticipated reduction in the number of Government and privately sponsored students admitted to the University. This can be caused by the lowering of cut off points by KUCCPS for students joining the regular program and the Commission of University Education maintaining high admission requirements for students joining the Private Program. BUC will deal with this risk through introduction of unique academic programs in line with its *green mandate* in order to meet unique market needs and above all adopting open learning systems to capture students in diverse locations.

Overall responsibility for managing market risk rests with the Audit, Risk and Compliance Committee of Council.

The University's Finance Division is responsible for the development of detailed risk management policies (subject to review and approval by Audit, Risk and Compliance Committee) and for the day to day implementation of those policies.

There has been no change to the University College exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The University has minimal transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid within 90 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

**b) Interest rate risk**

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

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.



## 22. RELATED PARTY BALANCES

### a) Nature of related party relationships

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

#### Government of Kenya

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

- i) The National Government;
- ii) The Ministry of Education
- iii) University Council members
- iv) Key Management of Bomet University College
- v) Moi University Management
- vi) Key management;

Transactions with related parties		
<b>a) Grants from the Government</b>		
Grants from National Govt	361,868,422	150,944,520
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	<b>361,868,422</b>	<b>150,944,520</b>
<b>b) Key management compensation</b>		
Directors' emoluments	19,586,573	10,955,571
Compensation to key management	27,794,808	17,459,415
<b>Total</b>	<b>47,381,381</b>	<b>28,414,986</b>

## 23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

### Pending bills

The University College has various pending bills arising out of the construction of temporary dining hall and Kitchen in 2016 amounting to Kshs.4, 980,675. The claims have not been paid since the procurement process was not duly followed and therefore relevant documents for payment were not provided. The claims in question were a subject of Audit in Moi University and one of the suppliers has filed a case in court demanding payment for the materials supplied.



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The Vice Chancellor of Moi University appointed an Ad-Hoc Committee in April 2018 to look into the issue. The detailed report from the ad-hoc committee is dated 7<sup>th</sup> May 2018 and it was presented to the Audit Committee of Bomet University College. The Audit Committee of BUC Council through its Minutes of 26<sup>th</sup> September 2018 recommended constitution of another ad-hoc committee with clear guidelines to verify quantity and value for money as well as measure actual materials used in the Dining Hall and other projects which were running concurrently at the time.

**24. CAPITAL COMMITMENTS**

Capital Commitments	2018-2019 (Kshs '000')	2017-2018 (Kshs '000')
Authorized and Contracted for-paid out to the contractors	434,395	189,880

**25. EVENTS AFTER THE REPORTING PERIOD**

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

**26. ULTIMATE AND HOLDING ENTITY**

The University College is a Semi- Autonomous Government Agency under the Ministry of Education, Science and Technology. Its ultimate parent is the Government of Kenya.

**27. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

**28. Ultimate and Holding Entity**

The University is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

**29. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

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

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

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*Dr. [Signature]* *[Signature]* *[Signature]*

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Basis for Qualification 1.	Opening balance of FPE (Kshs.8,448,026) and Computers (Kshs.1,647,989) were not supported by valuation report	The FPE and Computers were handed over by Moi University (MU) and their values are based on the cost price.	Head of Finance BUC	addressed	
Basis for Qualification 2.	WIP of Kshs.202 million have not been supported by architect certificates and ledger account	The amount of WIP was arrived at by valuation report conducted by Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works dated July 2018 ( annexure 2)	Head of Finance BUC	addressed	
Basis for Qualification 3.	Exchequer grant of kshs.24,950,000 b/f from Moi University has not been fully supported.	The amount of kshs.24,950,000 was arrived through reconciliation of receipts and payments done in MU on behalf of BUC	Head of Finance	addressed	
Basis of Conclusion 1.	Legal fees of Kshs. 11,223,200 paid were not budgeted for.	MU prequalified the service provider on behalf of BUC and paid for the costs using funds for BUC held in their bank accounts.	V.C- M.U	addressed	
Basis of Conclusion 2.	2 high value projects involving construction of Mama Ngina College Campus and BUC all totalling Kshs.2,770,000,	Mentorship for Mama Ngina Campus was transferred to Kenyatta University vide letter dated 24 <sup>th</sup> October 2016 from the Cabinet Secretary Ministry of Education to the	V.C- M.U	In Progress	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	000 were combined as one project.	Chair of Moi University Council. MU then handed over the project to BUC for implementation vide the handover report dated 29 <sup>th</sup> March 2018.			
Basis of Conclusion 3.	LR No.307 and LR No.308 have been encroached by third parties	We have identified the boundaries of the University land in question and fencing shall commence in 2019/2020 Financial year.	Assistant Registrar BUC	In progress	
Basis of Conclusion 4.	Tender documents and evaluation report, progress reports and completion certificate of the Dining Hall was not provided to ascertain the Contingent Liability of Kshs.4,980,675	The liability arose from the claims from various suppliers of building materials and which were not supported by the standard procurement documents. The management of MU noted this anomaly and Vice Chancellor appointed an ad-hoc committee in April 2018.	V.C M.U	In progress	
Basis of Conclusion 5.	Failure to remit pension as at 30 <sup>th</sup> June 2018 amounting to Kshs.3,561,325.	MU paid salaries for staff in BUC during the year under review by utilizing BUC funds in their bank accounts. The outstanding liability is in records of MU.	V.C- M.U Principal-BUC	In progress	

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**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

*Prof. Anne K. Nangulu*

**PROF. ANNE K. NANGULU**  
**COLLEGE PRINCIPAL AND SECRETARY TO COUNCIL**

**DATE:** *10 Feb. 2020*

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APPENDIX II: PROJECTS IMPLEMENTED BY BOMET UNIVERSITY COLLEGE

Status of Projects completion

	Project	Total project Cost Kshs. '000'	Total expended to date Kshs. '000'	Completion % to date	Budget Kshs. '000'	Actual Kshs. '000'	Sources of funds
1	Tuition Block, Library, Multipurpose Hall and 2 Hostels.	1,391,982	434,395	45%	250,000	253,481	GoK

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**APPENDIX III: TRANSFERS FROM STATE DEPARTMENT OF UNIVERSITY  
 EDUCATION**

Break down of Transfers from the State Department of University Education			
A. Recurrent Funds			
NO.	DATE RECEIVED	AMOUNT	FOR MONTH
1	2-Aug-18	9,512,366	July 2018
2	30-Aug-18	9,512,366	Aug 2018
3	1-Oct-18	9,512,366	Sept 2018
4	7-Nov-18	9,512,366	Oct 2018
5	3-Dec-18	13,697,807	Nov 2018
6	10-Jan-19	13,127,064	Dec 2018
7	1-Feb-19	6,341,577	Jan 2019
8	7-Mar-19	6,341,577	Feb 2019
9	28-Mar-19	5,770,835	March 2019
10	2-May-19	9,512,366	April 2019
11	6-Jun-19	9,512,366	May 2019
12	28-Jun-19	9,512,366	June 2019
13	9-Jul-19	19,666,578	Supplementary
	<b>TOTAL</b>	<b>131,532,000</b>	
B. Capital Development Funds			
1	30 July 2018	3,481,114	
2	27 Nov 2018	40,814,276	
3	19 Oct 2018	59,984,348	
4	12 Feb 2019	133,726,042	
	22 March 2019	15,475,334	
	<b>Total</b>	<b>253,481,114</b>	

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

**HEAD OF FINANCE  
 BOMET UNIVERSITY COLLEGE**

Sign  Date 06/02/2020.

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APPENDIX IV: RECORDING OF TRANSFERS FROM STATE DEPARTMENT OF UNIVERSITY EDUCATION

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KSHS	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
State Department of University Education	July 2018 to June 2019	Recurrent	131,532,000	131,532,000	-	-	-	-	131,532,000
State Department of University Education	July 2018 to June 2019	Development	-	-	253,481,114	-	-	-	253,481,114
<b>Total</b>			<b>131,532,000</b>	<b>131,532,000</b>	<b>253,481,114</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>385,013,114</b>

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