

REPUBLIC OF KENYA

16



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
BOMET UNIVERSITY COLLEGE**

**FOR THE YEAR ENDED
30 JUNE 2018**



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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

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

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II. 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 10th 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.

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(a) Key Management

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

- University College Council
- College Principal
- Bomet University College Management
- Deans of Schools

(b) Fiduciary Management

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

No.	Designation	Name
Moi University Management		
1.	Acting Vice Chancellor	Prof. Laban P. Ayiro
2.	Acting DVC – Finance	Prof. Daniel K. Tarus
3.	DVC-Academics, Research and Extension	Prof. Isaac Kimengi
4.	DVC-Students Affairs & Acting DVC-Administration and Planning	Prof Nathan Ogechi
5	Acting Finance Officer	C.P.A George K. Aduda
Bomet University College Management		
6	Acting College Principal	Prof. Thomas K. Cheruiyot
7	Acting Deputy Principal- Administration and Finance	Prof. Loice Chemgetich Maru
8	Acting Deputy Principal- Academic and Student Affairs	Prof. Joshua Kwonyike

Notes to Fiduciary Management:

Funds relating to Bomet University College from the National Treasury were channelled through Moi University up to February 2018 and most of the transactions relating to Finance and Procurement were processed in Moi University. Bomet University College Council was appointed and inaugurated on 10th November 2017. The current acting College Principal was appointed on 10th October 2017 while the two acting deputy Principals were appointed on 9th November 2017. The University College was subsequently handed over by Moi University Council on 29th March 2018. Financial reconciliations were done and formed part of the handover report.

(c) Fiduciary Oversight Arrangements

The University College 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.

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 15th 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.

Financial reports, Regular and Ad-hoc audits will be provided to development partners who will provide funds to the University College. This is to ensure financial probity on the utilization of funds in Bomet University College.

(d) Headquarters

Head Office

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

(e) University Contacts

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

(f) 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

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Co-Operative Bank
Bomet Branch
P.O Box 501-20400
Bomet, Kenya

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

III. MEMBERS OF THE UNIVERSITY COLLEGE COUNCIL

Members of Bomet University College Council	Key Qualifications
 <p>Prof. Esther W Muchira Tirima Chairperson of Bomet University College Council Appointed on 29th September 2017</p>	<p>Holder of Doctorate In Education (Adult Education). Prof. Esther W Muchira is a consultant, Re-searcher, 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>Prof. Thomas Kimeli Cheruiyot Ag. Principal and Secretary to Council.</p>	<p>PhD-Strategic Management (Moi), MSC. Management Studies (Wagening University), AGBM (Egerton University), Professor of Corporate Social Responsibility, Sustainability and Strategy at Moi University.</p>
 <p>Bishop (Rev) Dr. Robert Kipkemoi Lang'at <i>Council Member</i> Appointed on 29th 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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Dr. Peter Maina Ithondeka
Council Member
Appointed on 29th September 2017

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.



Dr. Jane Ngarari
Council Member
Appointed on 29th September 2017

PhD in Education (Policy and Implementation). She chairs the Audit and Compliance Committee of Council.



Mr. Alex Tom Majani
Council Member
Appointed on 29th September 2017

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.



Dr. Peter Amenia Nyakundi
Council Member
Appointed on 29th September 2017

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.



F.A. Susan Karanja
Council Member
Appointed on 16th April 2018

Representing Principal Secretary of National Treasury.



Mr. Charles O. Nyakundi
Council Member
Appointed on 4th June 2018

Representative of the Principal Secretary- Ministry of Education Science and Technology (MOEST).

MANAGEMENT TEAM

Name of the Staff	Qualifications
 <p>Prof. Thomas Kimeli Cheruiyot Ag. Principal and Secretary to Council. Appointed on 16th October 2017</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>
 <p>Prof. Loice Chemgetich Maru Ag. Deputy Principal- Administration and Finance. Appointed on 10th November 2017</p>	<p>PhD -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>Prof. Joshua Kwonyike Ag. Deputy Principal- Academic and Student Affairs Appointed on 10th November 2017</p>	<p>PhD - 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>

IV. STATEMENT FROM THE CHAIRPERSON OF COUNCIL



I am pleased to present the first Financial Statements for Bomet University College following inauguration of its Council on 10th November 2017.

Bomet University College aspires 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. It is in this move that Bomet University College has developed the Master Plan and the Strategic Plan that will guide the University College 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 that drives Bomet University College 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 center of applied science, technology and innovation. The Strategic Plan envisions a 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. Equally, this Strategic Plan aligns the stated strategic goals to the University College's Vision, Mission, Core Values and the Philosophy. The Strategic Plan symbolizes values that will make our University College students great global citizens and change their perspectives forever.

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 conducive teaching and learning environment. The Plan 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.

Bomet University College is currently undertaking construction of Tuition Block, Library Complex, Multipurpose Hall and Student Hostels (two) at a total cost of Kshs.1.3 billion financed by Capital Development grant from the Government of Kenya. We expect that once the projects are completed, the University College can enroll more students.

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During the year 2017, Prof. Thomas Kimeli Cheruiyot was appointed as the Acting Principal of Bomet University College on 16th October 2017; Prof. Loice Chemgetich Maru and Prof. Joshua Kwonyike were appointed on 9th November 2017 as the Acting Deputy Principal in charge of Administration and Finance (A&F) and Academic and Student Affairs (A&SA) respectively.

I would like to congratulate all of us who made this year a success by going beyond our normal working hours and working tirelessly in the establishment of Bomet University College. My sincere and deep gratitude to the Chancellor and Vice Chancellor of Moi University, Council Members and Management of Moi University and 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.



.....
Prof. Esther W Muchira Tirima
CHAIRPERSON – Bomet University College Council

V. REPORT OF THE COLLEGE PRINCIPAL



The higher education sector has experienced dynamic changes and tremendous growth in the recent past. Currently, the country has 31 public universities and 6 constituent colleges, 18 private universities, 5 private constituent colleges and 14 private institutions operating with letters of interim authority. The expansion in the number of universities has increased access to higher education but at the same time also increased competition amongst the universities.

The most significant event in terms of enrolment for public universities during the year was the massive reduction in the number of students that qualified to join universities. This reduction had a huge negative impact in the University's revenue during this financial year.

In addition, the Council of University Education (CUE) is proposing changes in University Education. The report titled "Policy Advisory on Rationalisation of Universities and Programmes in Kenya", says the creation of the campuses from existing universities should be based on national development needs, existing infrastructure and resources, and regional balance. The proposed recommendations in this advisory will provide a framework for achievement of objectives of university education and the national development agenda.

Bomet University College is a new Constituent College of Moi University 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 in its *green* philosophy is in the process of establishing a Solar Park which will be a great milestone as it will reduce the financing dependence on the National Treasury.

As a newly established University college, we 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 2018/2019 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. With the current low level of Government Capitation and Appropriation in Aid, it will be an uphill task for Bomet University College to offer services to its stakeholders since the total revenues will not match the operational activities. We have therefore made an appeal to the State Department of University Education and Research to support our appeal for additional financing.

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Capital Projects:

The ongoing Government funded project in the University College includes construction of the Tuition Block, Library, Multipurpose Hall and Student Hostels (two) at a total approved cost of Kshs.1, 391,982,469. The overall completion of the project is at 24% apart from the tuition block which is 80% complete having been given priority in order to provide teaching space for the increasing number of students expected to report in September 2018. At the time of its establishment, Bomet University College did not have infrastructural facilities except for an old tuition block that was inherited from Technical Training Institute (mentored by Eldoret National Polytechnic) which also serves as a temporary office space for administrative and academic staff.

Establishment of Bomet University College:

Bomet University College was gazetted as a Constituent College of Moi University on 4th August 2017. The College had initially been established as a Campus of Moi University. Following the gazette, the University College Council was appointed and inaugurated on 10th November 2017. The University College was subsequently handed over by Moi University Council on 29th March 2018.



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 29th March 2018. Looking on are the Vice Chancellor of Moi University Prof. Isaac Kosgey and Bomet University College Council members

Appreciation

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. Thomas Kimeli Cheruiyot
Acting Principal and Secretary to Council

VI. 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 advises 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 Members: Mr. Alex Majani Mr. Charles O. Nyakundi C.P.A Jones Kimeu- Co-opted
Finance, Administration, Strategy, Building and Development Committee	Dr. Peter A Nyakundi – Chairperson Members: Dr. Peter M. Ithondeka Bishop (Rev) Dr. R. K. Langat

Academic, Research, Extension, Students Affairs and Sealing Committee	Mr. Alex Tom Majani - Chair Members: 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 Members: 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.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A: Operational and Financial Performance

Funds relating to Bomet University College from the National Treasury were channelled through Moi University up to February 2018 and most of the transactions relating to Finance and Procurement were processed in Moi University. Financial reconciliations were done and formed part of the handover report was done on 29th March 2018. We have therefore consolidated financial transactions that were realized in Moi University and Bomet University College in order to come up with these financial statements.

Academic Activities

There was no disruption of academic activities in the entire 2017/2018 financial year that affected majority of Public Universities as a result of the industrial action which occurred in January 2018. Bomet University College is still new and relies much on part time teaching since substantive teaching staff is in the process of being recruited.

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) Bomet Business School
- (ii) School of Education
- (iii) School of Humanities and Social Sciences

Proposed Schools

- (i) School of Green Agriculture and Environment
- (ii) School of Green Science and Technology
- (iii) School of Alternative Medicine
- (iv) School of Sustainable Tourism, Hospitality and Wildlife
- (v) School of Communication and Media
- (vi) Bomet Law School
- (vii) School of Green Built Environment
- (viii) Bomet Graduate School

Proposed Research Centers

- (i) Centre for Green Livestock Research
- (ii) Centre for Tea Research
- (iii) Centre for Research in Alternative Medicine
- (iv) Environmental and Climate Change Research Centre
- (v) Centre for Research in African Musicology

Academic Programmes

Bomet University College offers the following Senate approved academic programmes of Moi University with 2 groups of students in first year second Semester and second year second semester: -

School of Arts and Social Sciences (Total of 18 students):

- (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 (Total of 123 students)

- (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 (Total of 291 students)

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

Bomet University College will develop new academic programmes progressively as new Schools are established as proposed in the Strategic Plan.

Since there was no disruption of learning, the University College collected Ksh.13, 703, 461 in tuition fees and related charges for government sponsored program out of the budgeted Kshs. 13,220,160 for the financial year leading to a favourable variance of 4%. Likewise, Privately Sponsored Program (PSSP) achieved a favourable variance of Kshs. 334,726 as at 30th June 2018. Collections of kshs.9, 156,060 was budgeted for the PSSP program, however Kshs. 9,490,786 was received in 2017/2018 financial year.

The total student debtors as at 30th June 2018 were Kshs.1, 300,890.

Government Capitation

The University College received monthly capitation from the Exchequer up to the month of June 2018 (12 months) all totalling Kshs. 120,800,002. It is worth noting that the make-up of the exchequer grants was Kshs. 70,466,667 received in Moi University on behalf of Bomet University College for the months of July 2017 to January 2018 while Kshs. 50,333,335 were received in the bank account of Bomet University College.

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Summary of Monthly Capitation Received

Month	Amount (Kshs)	Received at MU/Bomet University College
July, 17	8,400,000.00	MU
Aug-17	8,400,000.00	MU
Sep-17	8,400,000.00	MU
Oct-17	8,400,000.00	MU
Nov-17	8,400,000.00	MU
July 2017-Nov 2017	8,333,333.00	MU
Dec-17	10,066,667.00	MU
Jan-18	10,066,667.00	MU
Feb-18	10,066,667.00	MU
Mar-18	10,066,667.00	Bomet University College
Apr-18	10,066,667.00	Bomet University College
May-18	10,066,667.00	Bomet University College
Jun-18	10,066,667.00	Bomet University College
TOTAL	<u>120,800,002.00</u>	

Bomet University College spent a total of Kshs.61, 210,012 on all personal emoluments, casuals and part time lecturers. The financial report on personnel emoluments centred on staff who were actively working in Bomet University College between July 2017 and June 2018. There were a total of 35 permanent staff working in Bomet University College as at 30th June 2018 and the institution is in the process of recruiting staff in order to meet the needs of the various academic programs and operational support as per the requirements of the commission of University Education. Owing to this, part time lecturers and casual staff have been engaged to bridge the gap until the proposed staff establishment is achieved. We therefore expect the positive variance to reduce once the relevant staffs have been recruited into the various positions.

17 number of staff recruited to various departments are reporting in July 2018 and we expect the monthly gross salary payment excluding that for casuals and part time teaching claims to be Kshs. 8.2 million per month up from the current Kshs.3.8 million monthly. However, the current staff recruited will not be sufficient and therefore it is anticipated that the current rate of capitation will not suffice the University College in the preceding financial year.

Bomet University College will therefore request the Government to increase the financing support in order to enhance teaching facilities, infrastructure and academic programs that will subsequently lead to increased revenue from exchange transactions.

In order to enhance operational efficiency and cost savings, the University College will procure an Integrated Enterprise Resource Planning system in 2018/2019 financial year.

SECTION B

Compliance with Statutory Requirements

During the financial year 2017/2018 the University College complied with statutory requirements with regard to deduction and remittance of PAYE, Withholding VAT, NHIF and NSSF. Moi University will continue to remit other payroll deductions since they are using funds of Bomet University College received in their bank accounts. The operational issues relating to the payments were agreed amicably between Moi and Bomet University College and documented in the handover/takeover report of 29th March 2018. Any remittance from payroll deductions up to 30th June 2018 which includes pension, bank loans and insurance premiums rests on Moi University.

SECTION C

Key Projects and Investment Decisions the Entity is Planning/Implementing

The ongoing project is for the construction of Tuition Block, Library, Multipurpose Hall and 2 Hostels all totalling Kshs.1, 391,982,469. As at 30th June 2018, the tuition block was 80% complete and this was given much priority given that the number of students is increasing hence the need for teaching space as from September 2018. The Library and Multipurpose Hall is 2% while the hostels are at 0%.

New Tuition Block Under Construction



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Library Block Under Construction



SECTION D

Major risks facing the University

The University's activities are exposed to a number of risks that may hamper smooth operations. The risks include liquidity risk, credit risk and market risks, among others. 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.

The credit risk arising from student fees payments will be managed by ensuring that students pay the requisite fees at the time of registration and signing of nominal rolls and also before sitting for their examinations. The market risk results from anticipated reduction in the number of privately sponsored students admitted to the University. This is 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.

Bomet University College will deal with this risk by 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 arrears in statutory/financial obligations

There were court cases between Bomet County Government versus Moi University challenging the establishment of the University College in the current location. However, the court case was positively concluded in November 2017 in favour of Moi University and the verdict of the court was that each party to bear its costs of the law suit.

SECTION F

Financial probity and serious governance issues

There were no financial probity and governance issues during the financial year 2017/2018.

VIII. REPORT OF THE UNIVERSITY COLLEGE COUNCIL

The Council Members submit their report together with the financial statements for the year ended June 30, 2018 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 consolidated results of the entity for the year ended June 30, 2018 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 10th 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. Thomas Kimeli Cheruiyot

Professor of Corporate Social Responsibility, Sustainability & Strategy
Secretary to Council

IX. 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.

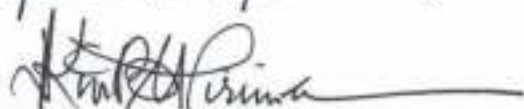
The Council Members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University College for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining 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, 2018, 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 April 24, 2019 ~~2018~~ and signed on its behalf by:



Chairperson of Council



Ag. College Principal

Bomet University College
Annual Report and Financial Statements
For the year ended June 30, 2018

X. REPORT OF THE INDEPENDENT AUDITORS ON BOMET UNIVERSITY COLLEGE

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Bomet University College set out on pages 1 to 31, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bomet University College as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act No.42 of 2012 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

The opening balances for furniture, plant and equipment of Kshs 8,448,026 and computers of Kshs 1,647,989 under property, plant and equipment disclosed in Note 20 to the financial statements have not been supported by a valuation report from an expert as at the date of their transfer from Moi University to Bomet University College on 29 March 2018. In the circumstances, it cannot be ascertained whether property plant and equipment balance of Kshs 1,296,755,099 as at 30 June 2018 is fairly stated.

2. Capital Work-in-Progress

Included in the property, plant and equipment balance of Kshs 1,296,755,099 is an amount of Kshs 202,000,000 in respect of capital work-in-progress. However, the figure has not been adequately supported by relevant architect certificates and ledger account. Consequently, the completeness and accuracy of the value of work-in-progress as reflected in the financial statements cannot be confirmed.

3. Exchequer Grant

The statement of financial performance reflects an amount of Kshs. 145,750,002 under transfers from other governments - gifts and services in kind which consists of an operational grant of Kshs.120,800,002 and an amount of exchequer grant brought forward of Kshs.24,950,000. The exchequer grants were received by Moi University on behalf of the Bomet University College. However, the amount of the exchequer grant transferred to Bomet University College has not been adequately supported by documents such as vouchers and bank account details. Consequently, the accuracy and completeness of the reported amount of the exchequer grant received in the year under review can not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For the key audit matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor-General's Responsibilities for the Audit section of the report, including in relation to this matter. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matter below, provide the basis for my audit opinion on the accompanying financial statements.

Financial Operations of Bomet University College

Bomet University College was established as a constituent College of Moi University through the Legal Notice No.145 of 27 July 2017. However, the Bomet University College Council was inaugurated on 10 November 2017. During the transition period, all development and recurrent expenditure were paid by Moi University on behalf of Bomet University College.

The audit addressed this key audit matter by vouching all the revenue earned and expenditure incurred during the transition period.

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 Qualified Opinion and

Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Control, Risk Management and Governance sections 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. Legal Fees

Moi University settled a total of Kshs.11,223,200 in legal fees on behalf of Bomet University College to Advocates in respect of a land case which was concluded before the inauguration of Bomet University College Council on 10 November 2017. However, a review of the approved budget for the financial year 2017/2018 revealed that there was no allocation for legal fees in the year under review yet this payment was made from the exchequer grants received on behalf of Bomet University College.

2. Construction of Library, Student Hostels, Lecture Halls, Kitchen and Multipurpose Hall at Bomet University College

Moi University advertised Tender No.MU/7/7/2016-2017 for the proposed construction of two library blocks, 4 No. student hostels, 2 No. lecture halls and 2 No. dining/kitchen and 2 No. Multi-purpose Halls for Bomet University College in Bomet County and Mama Ngina College Campus in Kiambu County. The University subsequently awarded the contract to a firm at a sum of Kshs.2,700,000,000 with the expected completion period of 104 days. However, after notification of the award but before signing of the contract, the scope of work changed to include Bomet University College only following the transfer of mentorship of Mama Ngina College Campus to Kenyatta University on 8 November 2018.

However, the following anomalies have been noted:

- i) The initial tender involved construction works in Bomet University College and Mama Ngina College Campus. Both projects totalling Kshs.2,770,000,000 were advertised as one tender contrary to the provision of the Public Procurement and Assets Disposal Act, 2015 which prohibits combining two high value procurements for works as one project.
- ii) Mentorship of Mama Ngina College Campus was later taken over by Kenyatta University after the tender had been awarded and award notification sent to the bidder who had won the tender. Moi University and the contractor thereafter proceeded to sign a reduced contract of Kshs.1,300,000,000 for Bomet University College. Although the scope of the contract had substantially reduced by about 50%, the contractor was allowed to continue with the work instead of floating a new tender contrary to the provision of the Public Procurement and Assets Disposal Act, 2015.

3. Encroachment on University Land

Two parcels of land - LR No.307 and LR No.308 in Bomet town which are owned by Bomet University College have been encroached on by third parties and squatters. These parcels of land do not have perimeter fencing around their boundaries for security purposes. Consequently, the University College risks losing part of its land to unauthorized third parties.

4. Construction of Dinning Hall

Included in the trade and other payables from exchange transactions balance of Kshs.33,225,371 is a contingent liability of Kshs.4,980,675 relating to construction of a temporary dining hall that was done during 2015-2016 financial year. However, tender documents and evaluation report, progress reports and certificate of completion in respect of the project have, however, not been provided for audit review.

Physical verification of the project revealed poor workmanship and low quality of materials used in the construction. The building remains incomplete, has not been commissioned and is currently not in use.

5. Failure to Remit Gratuity and Pension Contributions

Included in the employees' cost of Kshs.61,210,012 for the year under review is an amount of Kshs.3,561,325 relating to the gratuity and pension contributions for employees which were deducted from the payroll by Moi University on behalf of Bomet University College but had not been remitted to the relevant bodies as of 30 June 2018. Failure to remit statutory deductions exposes the University College to penalties and interest on any outstanding amount.

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 INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Weak Internal Controls

The University College does not have enough staff in its finance department to enable segregation of duties in order to strengthen the internal controls. Further, most of the transactions during the year under review were handled at Moi University before the University College recruited a Senior Accountant in July 2018.

2. Senior Officers of the University College not in Substantive Appointment

Senior officers namely; the Principal, Deputy Principal -Finance and Administration, and Deputy Principal - Academic and Student Affairs are not in substantive appointment and thus, creating management challenges in the running of the

University College. Consequently, some key resolutions of the Council may not be implemented owing to lack of substantive appointments in senior positions.

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

Responsibilities of Management and Those Charged with Governance

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

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

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.

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

Auditor-General's Responsibilities for the Audit

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

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Bomet University College to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are

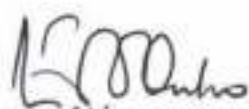
inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University College to cease sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Bomet University College to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

From the matters communicated with management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

Nairobi

04 July 2019

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

Particulars	Note	2017/2018	2016/2017
Revenue from Non-exchange Transactions		Kshs	Kshs
Transfers from other governments–gifts and services-in-kind	6	145,750,002	-
		145,750,002	
Revenue from exchange transactions			
Rendering of good & services	7	15,358,850	-
Other Incomes		-	-
Finance income - external Investments		-	-
		15,358,850	-
Total revenue		161,108,852	
Expenses			
Employee costs	8	61,210,012	-
Remuneration of Directors	9	10,955,571	-
Depreciation and amortization expense	10	5,088,852	-
Repairs and maintenance	11	4,410,603	-
General expenses	12	36,228,720	-
Finance costs		-	-
Total expenses		117,893,758	-
Other gains/(losses)			
Gain/(Losses) on sale of assets		-	-
Total other gains/(losses)		-	-
Surplus for the period		43,215,094	-

The notes set out on pages 8 to 28 form an integral part of these Financial Statements

Bomet University College
Reports and Financial Statements
For the year ended June 30, 2018

XII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

Particulars	Note	2017/2018	2016/2017
Assets		Kshs	Kshs
Current assets			
Cash and cash equivalents	13	27,382,112	-
Receivables from exchange transactions	14	1,705,400	-
Receivables from non-exchange transactions	15	23,614,489	-
Inventories	16	975,604	-
Investments		-	-
Total Current Assets		53,677,604	-
Non-current assets			
Property, plant and equipment	20	1,296,755,099	-
Investments		-	-
Total Non-Current Assets		1,296,755,099	-
Total Assets		1,350,432,703	-
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	33,225,371	-
Provisions	18	130,000	-
Fees Prepayments	19	2,542,710	-
Total Current Liabilities		35,898,081	-
Non-current liabilities			
Borrowings		-	-
Total liabilities		35,898,081	-
Net assets		1,314,534,622	-
Capital Reserves		1,271,319,528	-
Accumulated surplus		43,215,094	-
Total net assets		1,314,534,622	-
Total net assets and liabilities		1,350,432,703	-

The Financial Statements set out on pages 1 to 31 were signed on behalf of the University College Council by:



Prof. Esther W. Muchira Tirima
Chairperson of Council; Date..... April 24
2019



Prof. Thomas Kimeli Cheruiyot
Acting Principal; Date..... 24/04/19



Prof. Loice Chemgetich Maru
Acting Deputy Principal- Administration and Finance; Date..... 24/4/2019

XIII. STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2018

	Capital Reserves	Revenue Reserves	Total
	Kshs	Kshs	Kshs
Balance as at 1 July 2017	0	0	
Surplus for the year	-	43,215,094	43,215,094
Capital Grants received during the year	30,144,518	-	30,144,518
Valuation of fixed assets	1,241,175,010	-	1,241,175,010
Balance as at 30 June 2018	1,271,319,528	42,646,036	1,314,534,622

Capital Reserves relates to revaluation surplus on revaluation of fixed assets and capital development grants received from the Government. The University College valued its land, motor vehicles, and buildings including work in progress in order to prepare the financial statements.

Five parcels of land in Sigor have since been amalgamated into one piece of land measuring approximately 57.08 acres 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 4.16 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 to the National Treasury (Bomet University College) as Bomet Town/308 and Bomet Town/307 measuring approximately 18.23 hectares or 44.997 acres and on a 99 years lease from the County Government of Bomet with effect from 1st April 2015.

XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2018

Particulars		2017/2018	2016/2017
		Kshs.	Kshs.
Cash and cash equivalents at the beginning of the year		96,016,168	-
Cash flows from operating activities			
Receipts			
Transfers from other governments–gifts and services-in-kind	6	145,750,002	-
Rendering of good & services	7	15,358,850	-
Other Incomes		-	-
Total Receipts		161,108,852	-
Payments			
Employee costs	8	61,210,012	-
Remuneration of Directors	9	10,955,571	-
Depreciation and amortization expense	10	(5,088,852)	-
Repairs and maintenance	11	4,410,603	-
General expenses	12	36,228,720	-
Total Income		107,716,053	-
Net cash flows from operating activities		53,392,799	-
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	20	(138,996,760)	-
Purchase of Motor vehicles	20	(13,174,613)	-
Net cash flows used in investing activities		(152,171,373)	-
Cash flows from financing activities			
Capital development grants from GOK		30,144,518	-
Capital development grants transferred to Rivatex E.A Ltd		-	-
Net cash flows used in financing activities		30,144,518	-
Net increase/(decrease) in cash and cash equivalents		(68,634,056)	-
Cash and cash equivalents at end of the quarter		27,382,112	-

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

No.	Particulars	Approved Budget	Revised Budget	Actual	Variance	% Variance
		2017/2018	2017/2018	As at 30th June 2018	As at 30th June 2018	As at 30th June 2018
		Ksh.	Ksh.	Ksh.	Ksh.	%
	INCOME					
1	Exchequer Grants	100,800,000	100,800,000	120,800,002	20,000,002	20
2	Exchequer Grants B/F(2016/2017)	12,138,590	24,862,465	24,950,000	87,535	0
3	Tuition & Related Charges	14,300,160	14,300,160	15,358,850	1,058,690	7
	TOTAL	127,238,750	139,962,625	161,108,852	21,146,227	15
	EXPENDITURE					
	Personal Emoluments	Ksh.	Ksh.	Ksh.	Ksh.	%
4	Basic Salaries	50,293,032	50,293,032	25,642,306	24,650,726	49
5	Casuals	7,400,000	7,400,000	9,006,833	(1,606,833)	(22)
6	Part Timers	3,615,200	3,615,200	3,474,941	140,259	4
7	Gratuity & Pension contribution	3,025,895	3,025,895	3,561,325	(535,430)	(18)
8	Salary Arrears		-	1,666,482	(1,666,482)	
9	House allowance	21,594,636	21,594,636	10,514,327	11,080,309	51
10	Other personal allowance	13,806,910	13,806,910	3,353,776	10,453,134	76
11	House to Office allowance	2,664,341	2,664,341	3,804,121	(1,139,780)	(43)
12	Passage & Leave expenses	60,000	60,000	185,900	(125,900)	(210)
	Sub-total	102,460,014	102,460,014	61,210,012	41,250,002	40
	Operations & Maintenance:	Ksh.	Ksh.	Ksh.	Ksh.	%
13	Medical expenses			108,981	(108,981)	-
14	Transport operating expenses	666,614	666,614	117,190	549,424	82
15	Travelling & Accom. exps.	510,000	510,000	6,495,262	(5,985,262)	(1,174)
19	External Examiners	240,000	240,000	94,300	145,700	61
20	Postal & Telegram expenses		-	10,960	(10,960)	-
21	Internet Expenses	1,200,000	1,200,000	2,038,809	(838,809)	(70)
22	Deans & Senate comm. exp.	500,000	500,000	205,200	294,800	59
23	Council Expenses	5,000,000	5,000,000	10,955,571	(5,955,571)	(119)
24	Public celebration & funerals	121,000	121,000	-	121,000	100
25	Electricity, water & conservancy	280,000	280,000	1,202,257	(922,257)	(329)
26	Teaching materials	156,000	156,000	26,494	129,506	83
27	Publishing & printing expenses	13,500	13,500	-	13,500	100
28	Purchase of uniform & clothing	22,460	22,460	146,688	(124,228)	(553)
29	Library Expenses	42,000	42,000	109,750	(67,750)	(161)
30	Purchase of Stationery	178,750	178,750	1,852,981	(1,674,231)	(937)
31	Advertising & Publicity	1,262,500	1,262,500	99,150	1,163,350	92
32	Payment of rent/rates	11,500,000	5,000,000	7,377,543	(2,377,543)	(48)
33	Computer Expenses	243,180	243,180	111,700	131,480	54
34	Insurance expenses		4,000,000	853,921	3,146,079	79
35	Legal Expenses		-	11,222,400	(11,222,400)	0
36	Cleaning Materials & Detergents	291,000	291,000	153,207	137,793	47

Bomet University College
Annual Report and Financial Statements
For the year ended June 30, 2018

37	Purchase of Motor Vehicles		12,723,875	13,174,613	(450,738)	-4
38	Purchase of Plant & Equipment	1,107,672	1,107,672	1,023,323	84,349	8
39	Inter-University Games	38,500	38,500	471,878	(433,378)	(1,126)
40	Purchase of medical Equip.	17,500	17,500	-	17,500	100
41	Maintenance of Plant & Equip.	12,250	12,250	-	12,250	100
42	Refurbishment and Maintenance of Buildings	10,500	10,500	2,016,413	(2,005,913)	(19,104)
43	Equipping and Maintenance of Hostels	70,000	70,000	2,277,000	(2,207,000)	(3,153)
44	Maintenance of water supplies	35,000	35,000	-	35,000	100
45	Maintenance of Playgrounds	18,750	18,750	-	18,750	100
46	Contract Services & Subscriptions	402,500	402,500	162,232	240,268	60
47	Students Field Trips/Courses	120,960	120,960	320,500	(199,540)	(165)
48	Students Activities	560,600	560,600	799,467	(238,867)	(43)
49	Contingent Liabilities	87,500	87,500	70,310	17,190	20
50	ISO & ISO Related Expenses	35,000	35,000	-	35,000	1
51	Strategic Plan Implementation & Monitoring	35,000	2,535,000	2,144,729	390,271	15
52	Admission Expenses		-	150,000	(150,000)	-
	Sub-total	24,778,736	37,502,611	65,792,829	(28,290,218)	(75)
	Gross Expenditure	127,238,750	139,962,625	127,002,842	12,959,783	9
	Net Surplus/(Deficit)	-	-	34,106,010		

Note:

The surplus above differs from what has been projected in the Statement of Financial Position since it includes purchase of motor vehicles and plant and equipment amounting to Kshs. 13,174,613 and Kshs. 1,023,323 respectively. In addition, the depreciation expense of Kshs. 5,088,852 had not been budgeted for as an expense in the period under review.

Budget notes

- (a) **Item 1:** The government increased the monthly capitation in December 2017 by Kshs.1, 666,667 monthly and backdated it to July 2017 thereby resulting into a total favourable variance of Kshs. 20,000,002 representing 20%.
- (b) **Item 2:** Moi University had received Kshs.200 million on 13 April 2016 on behalf of Bomet University College and out of this amount; Moi University Council approved Kshs.150 million to be used for capital development expenditure and the balance of Kshs.50 million to be used for recurrent expenditure. While preparing the recurrent budget for 2017/2018, Kshs.24, 950,000 out of the Kshs.50 million was considered to be utilized for recurrent expenditure. The remaining amount out of Kshs. 50 million had been utilized in the recurrent budget of 2016/2017 financial year and the relevant expenses were paid by Moi University on behalf of Bomet University College.
- (c) **Personal Emoluments:** The total positive variance of 40% is contributed by the fact that the University College had a staff number of only 35 and had not employed staff in the sections required as per the staff establishment. Owing to this, part time lecturers and casual staff have been engaged to bridge the gap until the proposed staff establishment is achieved. We therefore expect the positive variance to reduce once the relevant staffs have been recruited into the various positions.
- (d) **Item 17:** Medical expenses had not been budgeted for in 2017/2018 financial year since Bomet University College staffs were under the medical scheme of Moi University. The expenses relate to purchase of medical drugs for newly established Bomet University College clinic.

- (e) **Item 19;** Bomet University College is a new Institution and requires so much to be put in place in terms of infrastructure, policies and structures. Owing to this the University College had to facilitate staff both from Bomet campus and Moi University to ensure that the requirements are met and this included expenses of handing over the University College.
- (f) **Item 22;** The variance was caused by increased internet capacity leading to increased quarterly spending by KENET from Kshs.373, 284 to Kshs.699, 965.
- (g) **Item 24;** Bomet University College Council was very active in the initial stages of establishment thereby leading to increased expenses. In addition, the Council expenses includes the cost of inauguration in March 2017 and handover of Bomet University College in March 2018 amounting to Kshs. 951,600 and Kshs. 708,200 respectively. These were expenses for the two councils of both Bomet University College and Moi University.
- (h) **Item 33;** Bomet University College does not have hostels for students and it was considered necessary to map out and rent good premises in order to encourage students to the new institution. Students pay for accommodation fees but the University College subsidises a portion of it since students are out of session between May and August and yet the lease agreements cover a period of one year.
- (i) **Item 36;** there was a court of Bomet County Government versus Moi University regarding the establishment of the University College but it was positively concluded and Moi University was granted a green light to establish Bomet University College.
- (j) **Item 38;** Bomet University College did not have vehicles for use and the only saloon vehicle was on loan from Moi University. The budget was revised to allow purchased a Toyota Prado to be used by the principal and a Toyota Hiace to support other activities of the University. This has now been considered as a capital development expense.
- (k) **Item 44;** Bomet University College bought beds, mattresses and reading furniture for the leased hostels.
- (l) **Item 52;** Bomet University College prepared the Strategic Plan and Master Plan in 2017/2018 and the budget was revised for anticipated costs.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Bomet University College is established by and derives its authority and accountability from Universities Act and the Moi University Charter 2013. The University 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. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx. 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 2018

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

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

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

iii. **Early adoption of standards**

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

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

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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.

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 2017-2018 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 appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs. 12,723,875 on the 2017-2018 budgets following the University College Council approval.

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

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.

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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.

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.

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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 the 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.

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 an 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 an 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.

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.

j) 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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 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.

p) 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.

q) 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.

r) 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.

s) 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.

t) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly in July 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs. 12,723,873 on the 2017-2018 budgets following the approval from the University College Council.

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

u) Comparative figures

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

v) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

5. SIGNIFICANT 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

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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.

6) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

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	120,800,002	-	30,144,518	150,944,520	-
					-
Total	120,800,002	-	30,144,518	150,944,920	-

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

7) REVENUE FROM EXCHANGE TRANSACTIONS-(Amounts in Kshs)

Goods and Services	2017/2018	2016/2017
Tuition & Related Charges	15,358,850	-

8) EMPLOYEE COSTS- (Amounts in Kshs)

Particulars	2017/2018	2016/2017
Basic Salaries	25,642,306	-
Casuals	9,006,833	-
Part Timers	3,474,941	-
Gratuity & Pension contribution	3,561,325	-
Salary Arrears	1,666,482	-
House allowance	10,514,327	-
Other personal allowance	3,353,776	-
House to Office allowance	3,804,121	-
Passage & Leave expenses	185,900	-
Total	61,210,012	-

9) REMUNERATION OF DIRECTORS- (Amounts in Kshs)

9. Remuneration of directors	2017/2018	2016/2017
Chairman's Honoraria	604,360	-
Other Allowances	10,351,211	-
Total	10,955,571	-

10) DEPRICIATION AND AMORTISATION EXPENSE- (Amounts in Kshs)

Particulars	2017/2018	2016/2017
Motor vehicles	3,356,153	-
Furniture Plant and Equipment's	1,183,919	-
Computers	548,780	-
Total	5,088,852	-

11) REPAIRS AND MAINTENANCE OF FACILITIES- (Amounts in Kshs)

Particulars	2017/2018	2016/2017
Property, Plants & Equipment's	4,293,413	-
Vehicles - Transport Operating Expenses	117,190	-
TOTAL	4,410,603	-

12) GENERAL EXPENSES- (Amounts in Kshs)

Particulars	2017/2018	2016/2017
Medical expenses	108,981	-
Travelling & Accom. exps.	6,495,262	-
External Examiners	94,300	-
Postal & Telegram expenses	10,960	-
Internet Expenses	2,038,809	-
Deans & Senate comm. exp.	205,200	-
Electricity, water & conservancy	1,202,257	-
Teaching materials	26,494	-
Purchase of uniform & clothing	146,688	-
Library Expenses	109,750	-
Purchase of Stationery	1,852,981	-
Advertising & Publicity	99,150	-
Payment of rent/rates	7,377,543	-
Computer Expenses	111,700	-
Insurance expenses	853,921	-
Legal Expenses	11,222,400	-
Cleaning Materials & Detergents	153,207	-
Inter-University Games	471,878	-
Contract Services & Subscriptions	162,232	-
Students Field Trips/Courses	320,500	-
Students Activities	799,467	-

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Contingent Liabilities	70,310	-
Strategic Plan Implementation & Monitoring	2,144,729	-
Admission Expenses	150,000	-
Total	36,228,720	-

13) CASH AND CASH EQUIVALENTS (Amounts in Kshs)

Financial institution	2017/2018	2016/2017
KCB- Payment Account	132,398	-
KCB- Capital Development	20,134,556	-
KCB-Research	-	-
National Bank- Deposit	5,871,766	-
National Bank- Payments	1,194,814	-
National Bank- Collections	46,385	-
Co-Operative Bank- Collections	2,192	-
Sub- total	27,382,112	-
Grand total	27,382,112	-

14) RECEIVABLES FROM EXCHANGE TRANSACTIONS- (Amounts in Kshs)

Particulars	2017/2018	2016/2017
Current receivables		
Student Debtors	1,705,400	-
Net Receivables from Exchange Transactions	1,705,400	-

15) RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS- (Amounts in Kshs)

Particulars	2017/2018	2016/2017
Balance of Government Grants from Moi University	23,614,489	

16) INVENTORIES- (Amounts in Kshs)

Particulars	2017/2018	2016/2017
Stationaries	313,793	-
Cleaning Materials	53,302	-
Maintenance	411,160	-
Electricals Materials	53,000	-
Games and Sports	31,077	-
Drugs and Equipment	113,272	-
Total inventories at the lower of cost and net realizable value	975,604	-

17) TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS-
(Amounts in Kshs)

Particulars	2017/2018	2016/2017
Trade payables	9,633,093	-
10% Project Retention Monies- Cert no. 1 to 7	18,611,603	-
Other payables- Contingent Liabilities	4,980,675	-
Total	33,225,371	-

18) PROVISIONS- (Amounts in Kshs)

Particulars	2017/2018	2016/2017
Provision for Utilities	130,000	
Total Provisions	130,000	

19) Students' Fees Prepayments, 2,542,710

20) Property, Plant and Equipment's

Particulars	Land and Buildings	Motor vehicles	Furniture Plant and Equipment's	Computers	Capital In Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2017	-	250,000	8,448,026	1,647,989	64,026,563	74,372,578
Additions (Valuations done)	1,075,300,000	13,174,613	1,023,323	-	137,973,437	1,227,471,373
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-
At 30 June 2018	1,075,300,000	13,424,613	9,471,349	1,647,989	202,000,000	1,301,843,951
Depreciation and impairment						
Depreciation		3,356,153	1,183,919	548,780	-	5,088,852
On Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At end of year - 30 June 2018	-	3,356,153	1,183,919	548,780	-	5,088,852
Net Book Values at 30 June 2018	1,075,300,000	10,068,460	8,287,430	1,099,209	202,000,000	1,296,755,099

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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 the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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.

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from exchange transactions	1,705,400	1,705,400		
Receivables from non-exchange transactions	-	-		
Bank balances	27,382,112	27,382,112		
Total	29,087,512	29,087,512		

The students/customers under the fully performing category are paying their debts as they continue learning/trading. 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.

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

The University College Council sets the University's credit 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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	-	4,352,093	28,873,278	33,225,371
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	2,542,710	-	-
Employee benefit obligation	-	-	-	-
Total	-	6,894,803	28,873,278	33,225,371

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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. 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 after 30 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;

	2018	2017
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Government	150,944,520	-
Grants from County Government	-	-
Donations in kind	-	-
Total	150,944,520	-
b) Key management compensation		
Directors' emoluments	10,955,571	
Compensation to key management	17,459,415	
Total	28,414,986	

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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 followed and therefore relevant documents for payment were not provided. The claims in question were a subject of Audit in Moi University for 2016/2017 Financial Year and therefore the matter has not been fully settled.

The Vice Chancellor of Moi University appointed an Ad-Hoc Committee in April 2018 to look into the issue. The detailed report from the committee signed on 7th May 2018 was provided for audit purposes. The Council of BUC is in the process of verifying quantity and value for money as well as measure actual materials used in the Dining Hall and other projects which were running concurrently to form a basis for final determination of the matter.

24. CAPITAL COMMITMENTS

Capital Commitments	2017-2018 (Kshs) Cert. no. 3 to 7	2016-2017 (Kshs) Cert no. 1&2
Authorized and Contracted for-paid out to contractor	136,597,437	53,283,004

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 I: PROJECTS IMPLEMENTED BY THE ENTITY

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Tuition Block, Library, Multipurpose Hall and 2 Hostels.	1,391,982,469	189,880,440	24			GoK

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APPENDIX II: INTER-ENTITY TRANSFERS

Bomet University College			
Break down of Transfers from the State Department of University Education			
FINANCIAL YEAR			
2017/2018			
A. Recurrent Grants			
Month	Bank Statement Date	Kshs.	Financial Year
July, 17	8/1/2017	8,400,000	2017/2018
Aug-17	9/4/2017	8,400,000	"
Sep-17	10/3/2017	8,400,000	"
Oct-17	11/3/2017	8,400,000	"
Nov-17	12/1/2017	8,400,000	"
July 2017-Nov 2017	12/1/2017	8,333,333	"
Dec-17	1/2/2018	1,666,667	"
Dec-17	1/2/2018	8,400,000	"
Jan-18	2/8/2018	1,666,667	"
Jan-18	2/8/2018	8,400,000	"
Feb-18	3/13/2018	1,666,667	"
Feb-18	3/13/2018	8,400,000	"
Mar-18	4/6/2018	8,400,000	"
Mar-18	4/6/2018	1,666,667	"
Apr-18	5/2/2018	8,400,000	"
Apr-18	5/2/2018	1,666,667	"
May-18	6/11/2018	8,400,000	"
May-18	6/11/2018	1,666,667	"
Jun-18	6/28/2018	8,400,000	"
Jun-18	6/28/2018	1,666,667	"
TOTAL		120,800,002	
B. Development Grants			
Month	Bank Statement Date	Kshs.	Financial Year
Jul-17	7/5/2017	30,144,518	2017/2018
TOTAL		30,144,518	

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

Head of Finance
Bomet University College

Sign




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APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - 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	08 July 2017 to 28 June 2018	Recurrent	120,800,002	120,800,002	-	-	-	-	120,800,002
State Department of University Education	07 May 2017	Development	-	-	30,144,518	-	-	-	30,144,518
Total			120,800,002	120,800,002	-	-	-	-	150,944,520