

# REPORT OF THE AUDITOR-GENERAL ON ALUPE UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2017

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## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

I have audited the accompanying financial statements of Alupe University College set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2017 and the statement of comprehensive income, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Alupe University College as at 30 June 2017 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 Public Finance Management Act, 2012 and Alupe University Legal Order 2015.

Further, as required by Article 229(6) of the Constitution, except for the matters described in the Other Matter section of my report, based on the procedures performed, I confirm that , nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective manner.

### Basis for Opinion

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

### Key Audit Matters

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

### Other Matter

#### 1. Budgetary Performance

The approved recurrent budget for the University College was Kshs.20,000,000 against which expenditure of Kshs.45,671,336 equivalent to 228% of the budget was spent resulting in an over-expenditure of Kshs.25,671,336 as detailed below:

Budget Performance Analysis			
Item	Budgeted	Actual	Variance
REVENUE	Kshs	Kshs	Kshs

Government Grants	20,000,000	20,000,000	-
Catering Income	-	188,995	-188,995
Sale of quotation Forms	-	69,000	-69,000
<b>Total Income</b>	<b>20,000,000</b>	<b>20,257,995</b>	<b>-257,995</b>
<b>Expenses</b>			
Employee Costs	-	33,133,718	-33,133,718
General Expenses	5,069,487	5,421,633	-352,146
Directors Remuneration	7,596,817	6,503,595	1,093,222
Repairs & Maintenance	680,184	612,390	67,794
Student mattresses	800,000	-	800,000
Dining Hall Expenses	400,000	-	400,000
Student Furniture	1,696,715	-	1,696,715
Student Beds	1,500,000	-	1,500,000
Purchase of Equipment	715,259	-	715,259
Purchase of Computers	789,125	-	789,125
Purchase of Staff Furniture	752,413	-	752,413
<b>Total</b>	<b>20,000,000</b>	<b>45,671,336</b>	<b>-25,671,336</b>

In addition, the approved development expenditure was Kshs.155,000,000 while the actual expenditure was Kshs.14,918,000 resulting to an under-expenditure of Kshs.140,082,000 equivalent to 90% of the budget.

No plausible explanation has been provided by management for the very significant variation of recurrent and development expenditures from the budget during the year under review.

## 2. Weaknesses in the Internal Control Environment

The management of the University College are yet to publish an internal audit manual as well a risk management policy and framework approved by the Audit Committee. In addition, management have not established an information technology and communication department.

In the circumstances, the effectiveness of the internal control and internal oversight arrangements is doubtful.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the ability of the University College to continue offering services disclosing, as applicable, matters related to sustainability of services and using the going concern accounting assumption unless the management are aware of the intention to liquidate the University College or cease its operations. .

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

Those charged with governance are responsible for overseeing the University's financial reporting process.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 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.

As part of an audit in accordance with ISSAIs, I exercise professional judgment 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the University's 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 University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the consolidated/ 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

**14 August 2018**