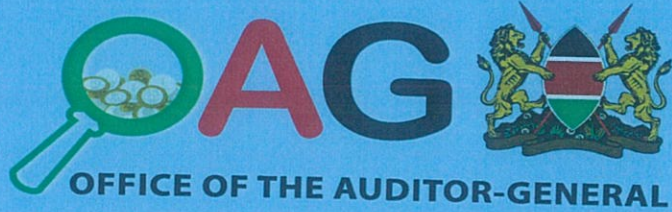


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

TECHNICAL UNIVERSITY OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2021**





THE TECHNICAL UNIVERSITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2021

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

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I. BRIEF BACKGROUND ON THE UNIVERSITY AND MANAGEMENT

(a) Background information

The Technical University of Kenya came into existence upon the award of charter on 15th January, 2013. The University grew out of the defunct Kenya Polytechnic. The Kenya Polytechnic was for many years the leading institution for education and training at the tertiary level in Kenya. Over the years the institution was known throughout Kenya and the East and Central African region for her high quality graduates in the technical and vocational fields. The students at the institution were typically enrolled in programmes that prepared them for diploma and certificate level qualifications. At its founding in 1961, the institution was designed to provide education and training in the technical and vocational fields to those who were already in employment.

The Technical University of Kenya has since exponentially expanded. The student population stands at 15,000 spread across the three faculties, where over 60 academic programmes are on offer. The students are tutored by some of the best scholars in this region using most modern workshop and laboratory equipment, and supported by up to date library resources. The University has retained its mandate as a TVET institution, in line with Kenya Vision 2030.

Vision

To be a top rated University of technology.

Mission

To provide technological education and training and to contribute towards the advancement of society through research and innovation.

(b) Principal Activity

The Technical University of Kenya summarises its core mandate as guided by the Charter as follows:

1. To provide post-secondary technological, professional, and scientific education and training up to and including degree level.
2. To undertake high quality research and dissemination of research outcomes, to advance knowledge and educate students in science, technology and innovation and other areas of scholarship that will best train for the real world in the 21st Century and beyond.

(c) Key Management

The University's day-to-day management is under the following key offices:

- Vice Chancellor
- Deputy Vice Chancellor – Institutional Advancement and Enterprise (IAE)
- Deputy Vice Chancellor – Research and Technology Development (RTD)
- Deputy Vice Chancellor – Academic and Student Affairs (ASA)
- Executive Dean - Faculty of Social Sciences & Technology (FSST)
- Executive Dean - Faculty Applied Sciences & Technology (FAST)
- Executive Dean - Faculty of Engineering & the Built Environment (FEBE)
- University Secretary & Chief Legal Officer
- University Registrar & Chief Administrative Officer
- University Bursar & Chief Financial Officer

(d) Fiduciary Oversight Arrangements

- University Council
- The University Senate
- University Management Board (UMB)
- Finance and General Purpose Committee of University Council
- Audit Committee of Council.

(e) Headquarters

Technical University of Kenya Building

Haile Selassie Avenue

P. O. Box 52428-00200

Nairobi.

(i) Principal Legal Advisor

Attorney General

Office of the Attorney General &
Department of Justice

Sheria House, Harambee Avenue

P.O. Box 40112-00100

Nairobi, Kenya

(f) Contacts

Telephone +0254 (020) 2219929,3343672

E- mail: vc@tukenya.ac.ke, finance@tukenya.ac.ke

Website: www.tukenya.ac.ke

Haile Selassie Avenue

P. O. Box 52428-00200

Nairobi.

(g) Bankers

i. Kenya Commercial Bank Ltd.

Moi Avenue

P. O. Box 30081-00100

Nairobi.

ii. Co-operative Bank of Kenya Ltd.

Haile Selassie Avenue

P. O. Box 48231- 00100

Nairobi.

iii. Equity Bank

Moi Avenue

P. O. Box 8180-00100

Nairobi.

(h) Independent Auditors

Auditor- General,


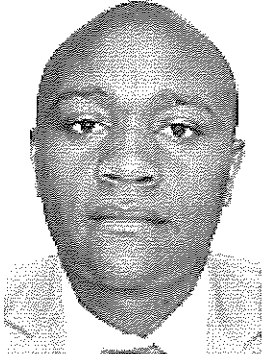
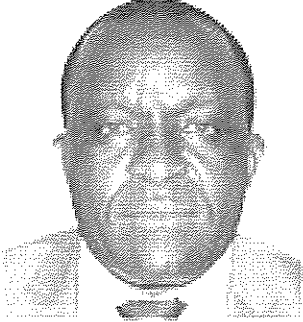
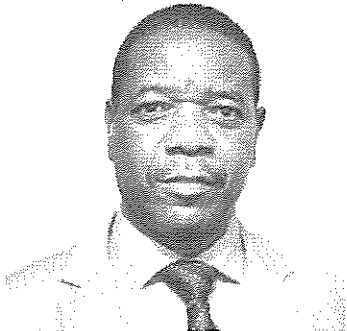
Anniversary Towers, University




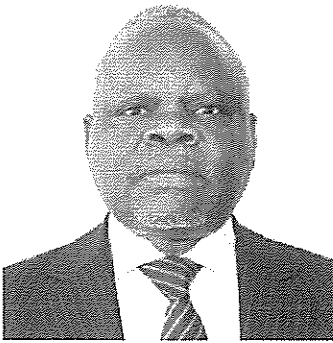
Way P.O. Box 30084 - 00100

Nairobi.

II. THE UNIVERSITY COUNCIL

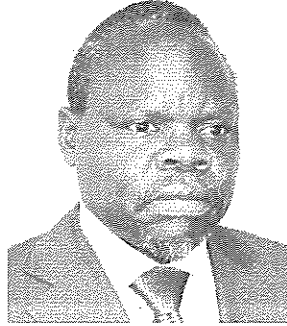
- | | |
|--------------------------------------|-------------------------------------|
| - Dr. Halima Saado | - Chairperson |
| - Dr. Angelina Kinya | - Member |
| - Hon. David Koech | - Member |
| - FA. Alexander Ngui | -Member |
| - Mr. Bernard Malenya | - Member |
| - Ms. Angelina Kigei | - Member/Rep. National Treasury |
| - Mr. James Kiburi | - Member/Rep. Ministry of Education |
| - Prof. Dr. Ing. Francis W. O. Aduol | - Member/Secretary |

No.	COUNCIL NAMES	QUALIFICATION	EXPERIENCE
1.	 Dr. Halima Saado Chairperson	M.Sc. (Moi), Ph.D (KwaZulu-Natal)	<ul style="list-style-type: none"> • Head of Research at the International Centre for Humanitarian Affairs -Kenya Red Cross Society
2.	 FA, CPA. Alexander Ngui	BA, MBA (UoN)	<ul style="list-style-type: none"> • Certified Investment and Financial Analyst (CIFA) • Certified Public Accountant • Banker
3.	 Mr. Bernard Malenya	B.Sc. (Mech. Eng.) (New Brunswick), M.Sc. (Illinois)	<ul style="list-style-type: none"> • Business Development Consultant and Educator
4.	 Hon. David Koech	B.Ed., M.Ed. (Admin.) (Moi)	<ul style="list-style-type: none"> • Private Consultant • Former Member of Parliament and Chairman of Parliamentary Education, Research and Technology Committee

5.	 Dr. Angelina Awino Kinya	B.Com. (Accounting), MBA, Ph.D. (BA)	<ul style="list-style-type: none"> Financial Management Expert
6.	 Mr. James Kiburi	B.Ed.(Science), M.Phil. (Education Psychology)	<ul style="list-style-type: none"> Representing PS, MoE
7.	 CPA Isabella Kogei	B.Com. (Accounting), M.Sc. (Finance) (KU), CPA (K)	<ul style="list-style-type: none"> Representing CS, NT & P
8.	 Prof. Dr. Ing. Francis Aduol	BSc Eng. MSc, MA (Nairobi), Dr-Ing (Stuttgart), MISK, FIET, LicSurv.	<ul style="list-style-type: none"> Professor of Geospatial Engineering Vice-Chancellor/ Secretary

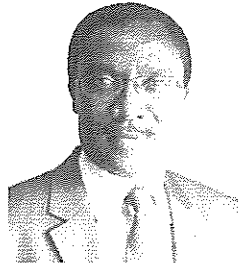
III. MANAGEMENT TEAM

The Vice Chancellor



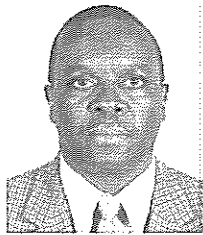
Prof. Dr-Ing. Francis Aduol
BSc Eng. MSc, MA (Nairobi), Dr-Ing (Stuttgart), MISK, FIET, LicSurv.

DVC - Academic & Student Affairs (ASA)



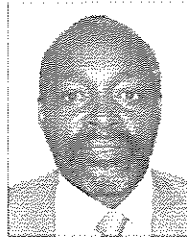
Prof. Paul M. Shiundu
BSc (Nairobi), CPGS (Cambridge), PhD (British Columbia)

Faculty of Engineering & the Built Environment (FEBE)



Prof. Dr-Ing. Edwin Ataro
B.Tech (Moi), Dr-Ing (Kassel), MSc (Kassel),
PhD (Kassel)

Executive Dean, Faculty of Applied Sciences and Technology (FAST)



Prof. Gathari F. Kimani
BEd, MSc (KU), PhD (UNSW)

Executive Dean, Faculty of Social Sciences & Technology (FSST)



Prof. Peter M. Matu
BA, MA (Nairobi), PhD (Free State)

University Registrar & Chief Administrative Officer



Dr. Hesbon Nyagowa
B Ed (KU), MBA (Nairobi), PhD (Zululand)

Ag. University Secretary & Chief Legal Officer



Mrs. Ruth Kirwa
LLB (Horti (Nairobi), Diploma (Kenya School of Law),
LLM (Widener)

Ag. Chief Financial Controller



FA. CPA Ben M. Sanda
BA Econ (Moi), MA Econ (Nairobi),
CPA (K), CIFA (EA)

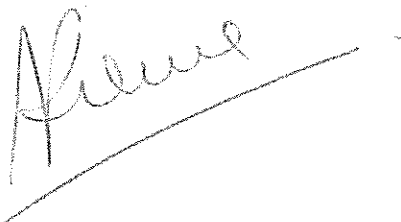
IV. STATEMENT FROM THE CHAIRMAN OF COUNCIL

The Technical University of Kenya (TU-K) was established through the elevation of The Kenya Polytechnic University College (KPUC) to full university status. TU-K was established as the first Technical University in Kenya in line with the provisions of the Universities Act, 2012. The technical university is a new type of university in Kenya, whose mandate shall be to offer higher education and research in technology. The Technical University, as a concept, was being created in Kenya with the objective to be a technological force behind the Vision-2030 drive and the general economic development of the nation. This has come about from the realisation that most countries that have been able to make major technological breakthroughs were heavily propelled through this by their technological universities.

As an institution of higher learning, TU-K offers degrees at the undergraduate and postgraduate levels. In this respect it will be noted that in the education of technical personnel at the university level, institutions of higher learning in Kenya have over the years only focused on the training of professionals at the level of engineers, architects, surveyors, planners, and estate managers. The education and training of the technologist has however been totally neglected in this structure. Given that the technologist is usually the 'driving engine' in the actual industrial production, it should be no surprise that Kenya has been unable to make serious breakthrough in industrialisation. To this extent, in addition to producing graduates at the fully professional degree level, TU-K continues in the tradition that had been set by its predecessor in offering as well degrees aimed at producing technologists.

The University recognises Kenya Vision 2030 economic blue-print strategy of realising knowledge led economic development. TU-K is therefore committed to enhancing its competitiveness in the higher education sector globally in line with its vision of being the top rated university of technology. The University will offer education and training that strategically focuses on application of technological knowledge and innovative skills as well as engaging in research geared towards solving immediate and future societal challenges.

On behalf of the Members of the Council, it is my pleasure to present the Annual Report and Financial Statements of the Technical University of Kenya for the year ended 30 June 2021.



PP: Dr. Halima Saado

CHAIRPERSON OF UNIVERSITY COUNCIL

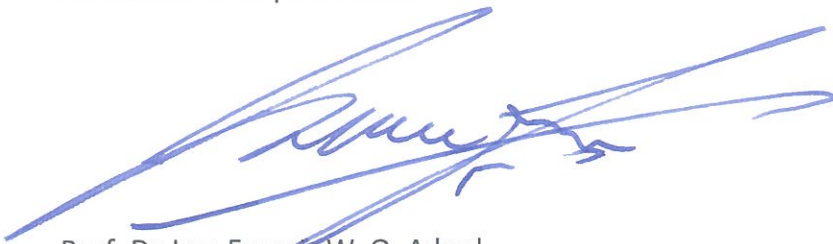
V. REPORT OF THE VICE CHANCELLOR

It is my pleasure to present the Annual Report and Accounts of the Technical University of Kenya for the Year ended 30 June 2021. The institution has been operating under very constrained financial situation ever since it was upgraded to the Kenya Polytechnic University College in 2007. The Government recurrent capitation received has not been sufficient for the smooth running of its operations. The financing constraint has forced the University to curtail some of its planned activities by under-spending on certain essential and core areas of its mandate such as teaching and learning, procurement of specialised materials and laboratories. The adverse financial environment has in addition led to accumulation of bills.

In spite of the above mentioned financial challenges, TU-K currently offers 67 degree and 52 diploma programmes. Presently, the University has over 3,000 students in engineering, the largest number by a single institution in Kenya. Through its outreach programmes, TU-K has made tremendous efforts to demystify science among the youth with a view to encouraging them to take science-oriented courses. This has seen the proportion of students applying for places in science and technology rise to 81%. The University also engages in research with emphasis on practical solutions of immediate and future societal problems.

During the Year under review, the University recorded a deficit of **KSh.693,291,287** out of total income from Government, donors and internally-generated funds all amounting to **KSh.2,823,132,130** against an expenditure of **KSh.3,516,423,417**. I am proud of the management and staff and greatly appreciate their ability and commitment towards achieving the University's vision, mission and objectives.

I wish to thank the University Council for dedicating their time and effort to steer and provide governance support to the University affairs. I express my sincere gratitude to the Government, Ministry of Education, development partners and other stakeholders for their continued support. This has gone a long way towards building a solid institution that is true to its mandate and stakeholders' expectations.



Prof. Dr-Ing. Francis W. O. Aduol

Vice-Chancellor and Secretary to University Council

VI. REPORT OF THE UNIVERSITY COUNCIL

The Council submits its report together with the audited financial statements for the Year ended June 30, 2021 which show the state of the university's finances.

Principal activities

The Technical University of Kenya summarises its core mandate as guided by the Charter as follows:

1. To provide post-secondary technological, professional, and scientific education and training up to and including degree level.
2. To undertake high quality research and dissemination of research outcomes, to advance knowledge and educate students in science, technology and innovation and other areas of scholarship that will best train for the real world in the 21st century and beyond.

Results

The results of the University for the Year ended June 30, 2021 are set out on page 1.

University Council

The members of the university council who served during the Year are shown on page (v).

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the Public Finance Management (PFM) Act, 2012.

By Order of the University Council



Prof. Dr-Ing. Francis W. O. Aduol

Vice-Chancellor & Secretary to University Council

VII. STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITIES

Public Finance Management Act, 2012 and the State Corporations Act, require the Council to prepare financial statements for TU-K which gives a true and fair view of the state of affairs of the University at the end of a financial year and the operating results for that year. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy its financial position. The Council is also responsible for safeguarding the assets of the University.

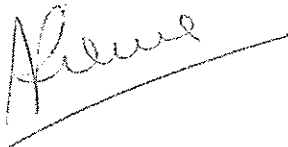
The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial Year ended on 30th June, 2021. This responsibility includes:

- (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 University;
- (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 accepts responsibility for the University's 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 and the State Corporations Act. The Council is of the opinion that the University's financial statements give a true and fair view of the state of its transactions during the financial Year ended June 30, 2021, and of the University's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

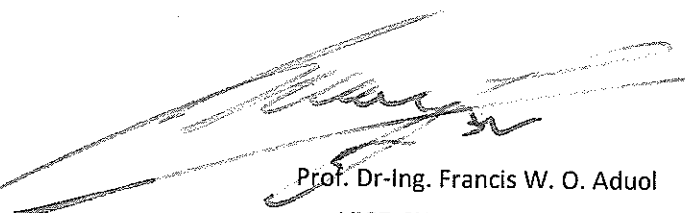
Nothing has come to the attention of the Council to indicate that the University will not remain a going concern for at least the next twelve months from the date of this statement.

The University's financial statements were approved by the Council and signed on its behalf by:



PP: Dr. Halima Saado

CHAIRPERSON OF COUNCIL



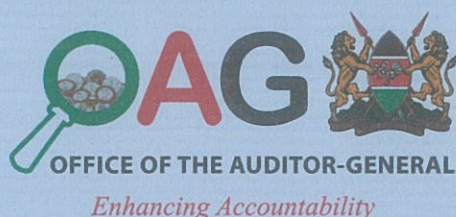
Prof. Dr-Ing. Francis W. O. Aduol

VICE-CHANCELLOR



REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TECHNICAL UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of the Technical University of Kenya set out on pages 1 to 15, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of cash flows,

statement of changes in accumulated funds 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Technical University of Kenya as at 30 June, 2021 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 do not comply with the Universities Act, 2012 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Employee Costs

1.1 Unsupported Staff Promotion Arrears

The statement of financial performance reflects employee costs of Kshs.3,074,569,949 as disclosed in Note 6(a) to the financial statements which includes personal emoluments of Kshs.2,845,908,175. The amount includes staff promotion arrears amounting Kshs.264,210,634. Records provided for audit indicated that arrears totalling Kshs.245,945,304 were paid outside the payroll. Further, review of a sample of sixteen (16) personal files for staff paid arrears revealed that only two (2) files had Payment Change Advice (PCA) to support the arrears calculation.

1.2 Unreconciled and Undescribed Statutory Deductions

The statement of financial performance reflects employee costs of Kshs.3,074,569,949 as disclosed in Note 6(a) to the financial statements which includes personal emoluments of Kshs.2,845,908,175. The amount includes Pay As You Earn (PAYE) deductions of Kshs.535,533,515. However, records provided for audit revealed that Kshs.130,013,238 was remitted to the Kenya Revenue Authority resulting to an un-reconciled variance of Kshs.405,520,277.

1.3 Unsupported Amount in Note 6(a)

The statement of financial performance reflects employee costs of Kshs.3,074,569,949 and as disclosed in Note 6(a) to the financial statements. Included in the amount is Kshs.47,598,243 which has no description in the Note to the financial statement.

In the circumstances, the accuracy and completeness of employee costs of Kshs.3,074,569,949 could not be confirmed.

2. Material Uncertainty on Sustainability of Services

The statement of financial performance reflects deficit of Kshs.693,291,287, (2020; Kshs.444,178,088) which increased the accumulated losses from Kshs.3,537,846,667 as at 30 June, 2020 to Kshs.4,231,137,954 as at 30 June, 2021. Further, the current liabilities of Kshs.4,674,256,467 exceeded the current assets of Kshs.1,099,015,100 resulting to a negative working capital of Kshs.3,575,241,367. Management has not disclosed the material uncertainty that casts significant doubt in the future existence of the University to continue to sustain its services by way of Notes to the financial statements. The financial statements have therefore been prepared on a sustainability basis on the assumption that the University will continue to receive financial support from the Government and its creditors.

In the circumstances, the financial statements do not comply with the Public Sector Accounting Standards Board Template.

3.0 Cash and Cash Equivalents

3.1 Unsupported Balances

The statement of financial position reflects cash and cash equivalents of Kshs.17,362,274 as disclosed in Note 9 to the financial statements. The balance includes cash in hand Kshs.934,310, students deposit caution money Kshs.296,006, students deposit saving fund Kshs.729,614, needy students fund Kshs.105,738 and fixed deposits Kshs.300,000. However, these balances were not supported by cash books, bank statements, bank reconciliation statements and certificates of bank balance.

3.2 Unsupported Debit Transactions

The statement of financial position reflects cash and cash equivalents of Kshs.17,362,274 as disclosed in Note 9 to the financial statements. Included is a balance of Kshs.3,757,060 in respect to production unit account. Review of cash book revealed two (2) debit transactions of Kshs.5,000,000 and Kshs.6,000,000 dated 21 January, 2021 and 23 June, 2021 respectively which were indicated as error correction and had no supporting documents and the corresponding credit entries were not identified. Further, another unsupported debit entry through a journal transfer of Kshs.2,000,000 was posted on 3 June, 2021 without approval. In addition, review of the cashbook revealed twenty-seven (27) transactions totalling Kshs.66,161,354 debited into the cashbook without supporting documents.

Further, review of main account overdrawn balance of Kshs.1,249,683 revealed two hundred and eighty seven (287) payment transactions which lacked unique identification reference numbers contrary to Regulation 104 of the Public Finance Management (National Government) Regulations, 2015, which requires that all payments should have pre-numbered payment vouchers.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.17,362,274 could not be confirmed.

4.0 Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables of Kshs.4,674,256,467 as disclosed in Note 8 to the financial statements. Included is balances owed to Office of Auditor-General amounting to Kshs.7,308,000, contractors and general creditors of Kshs.112,668,904, provision for Nairobi City County land rates of Kshs.6,443,144, and third-party funds of Kshs.283,304,628. However, these balances were not supported by primary or source documents that include invoices and claim forms duly approved. Further, Kshs.1,675,799,902 in respect to statutory obligations was not supported with accounting schedules and source documents.

In addition, Kshs.7,788,531 in respect to University of Nairobi salary reimbursement has been outstanding since 30 June, 2020 and had no supporting documents. Management did not provide explanation for the long outstanding debt.

In the circumstances, the accuracy and completeness of the trade and other payables of Kshs.4,674,256,467 could not be confirmed.

5. Unsupported Property, Plant and Equipment - Work in Progress

The statement of financial position reflects property, plant and equipment balance of Kshs.5,439,698,356 as disclosed in Note 7 to the financial statements which includes work in progress of Kshs.1,089,292,371. However, supporting documents which includes schedule of works in progress, contract value, work valuation certificates issued, retention monies, contract agreements and the projects status reports were not provided for audit.

In the circumstances, accuracy and completeness of the work in progress balance of Kshs.1,089,292,371 could not be confirmed.

6.0 Irregularities in General Expenses

6.1 Unsupported Rental Expenses

The statement of financial performance reflects Kshs.260,622,216 in respect to general expenses and as disclosed in note 6(c) to the financial statements. The amount includes Kshs.4,850,172 relating to land rates and rental expenses which further included rental expenses totaling Kshs.858,000 made to the University of Nairobi for the residential home of the University Vice Chancellor. However, review of records provided revealed that the monthly rental payment was Kshs.66,000 totalling to Kshs.792,000, for twelve (12) months resulting to an unexplained or unsupported excess payment of Kshs.66,000. Further, the Kshs.858,000 was not supported by any acknowledgments from the University of Nairobi for receipt of rental payments.

In the circumstances, the accuracy and completeness of the rental expense amount of Kshs.858,000 could not be confirmed.

6.2 Unsupported Examination Payment

The statement of financial performance reflects Kshs.260,622,216 in respect to general expenses as disclosed in Note 6(c) to the financial statements. The amount includes specialized, teaching materials and supplies of Kshs.97,308,503 which further includes Kshs.8,300,000 paid as examination payments to staff members from finance, examinations and administration departments. However, the expenditure was not supported with work plan and schedule of duties.

In the circumstance, the accuracy, completeness and regularity of examination payment expenditure of Kshs.8,300,000 expenditure could not be confirmed.

6.3. Unsupported Legal Expenses

The statement of financial performance reflects Kshs.31,533,916 in respect to contracted services as disclosed in Note 6(e) to the financial statements. The amount includes Kshs.959,000 paid to a law firm for legal services. However, the payment was not supported with a copy of court judgement, evidence that the legal firm represented the University, contract and a fee note on which the legal fees were based. Further, the law firm was not included in the list of prequalified firms for the financial year 2020/2021.

In the circumstances, the completeness and regularity of legal fees of Kshs 959,000 could not be confirmed.

6.4. Unsupported Allowances

The statement of financial performance reflects Kshs.260,622,216 in respect to general expenses as disclosed in Note 6(c) to the financial statements. The amount includes Kshs.97,308,503 in respect to specialized, teaching materials and supplies which further includes Kshs.740,680 paid as lunch and mileage allowance to staff members for project supervision of construction of stalls at City Market in Parklands. Twenty-two (22) staff were identified to supervise the fabrication of stalls between 24 August, 2020 and 9 September, 2020. Twenty (20) staff were each paid lunch and mileage allowance for 15 days while one (1) staff member was paid lunch and mileage allowance for 30 days. However, Management did not provide records of the specific dates the supervision was done and back to office reports. The approved days were thirteen (13) while days paid for were fifteen (15) and thirty (30).

In the circumstances, the completeness and regularity of allowances of Kshs740,680 could not be confirmed.

6.5. Unsupported Security Operations Expenses

The statement of financial performance reflects an amount of Kshs.31,533,916 and as disclosed in Note 6 (e) in respect to contracted services. Included in the amount is Kshs.6,061,000 paid to police officers in respect of security services. However, the payments were not supported by authority, signed schedules, approved rates and attendance registers.

In the circumstances, the accuracy and regularity of the Kshs.6,061,000 could not be confirmed.

7.0 Trade and Other Receivables

7.1 Unsupported and Long Outstanding Receivables

The statement of financial position reflects trade and other receivables of Kshs.1,073,200,754 as disclosed in Note 10 to the financial statements. The balance includes amounts of Kshs.104,350, Kshs.500,000 and Kshs.562,501 being deposits to suppliers, Nyayo vehicle project and dishonoured cheques respectively, which have been outstanding for long and whose supporting analysis and schedules were not provided for audit.

In the circumstances, recoverability of the long outstanding trade and other receivables of Kshs.1,166,851 could not be confirmed.

7.2 Inaccuracies in the Provision for Bad Debts

The statement of financial position reflects trade and other receivables of Kshs.1,073,200,754 as disclosed in Note 10 to the financial statements. Included in the balance is Kshs.119,244,528 in respect of provision for bad debts at 10% of the gross receivables of Kshs.1,192,445,283. However, in the calculation of the provision, the balances of outstanding staff imprests and salary advances totalling to kshs.6,323,894 and 3,483,464 respectively were included resulting to over provision of bad debts. Further, no approved policy on provision for bad debts was provided for audit.

In the circumstances, the accuracy and completeness of the Kshs.1,073,200,754 in respect to trade and other receivables could not be confirmed.

8.0 Revenue from Rendering of Services

The statement of financial performance reflects Kshs.518,374,890 in respect to revenue from exchange transactions under rendering of services and as disclosed in Note 5 9a). A review of records and operating systems revealed the following issues;

8.1 Failure to Invoice Active Students

Review of documents provided revealed that one hundred and twenty-four (124) students were in session however, they had not been invoiced contrary to Section 2 of the Technical University Charter, statute no. XLIV on fees which provides that all fees and other charges due shall be paid at the commencement of the semester and not later than the third week of the semester. No student shall be allowed into lectures; examination rooms or participates in activities which have not been fully paid for, except with approval of the University Management Board. In addition, five thousand, four hundred and twenty (5,420) students who were inactive were invoiced a total of Kshs.263,740,681.

In the circumstances, the completeness and accuracy of the amount totalling to Kshs.518,374,890 in respect to rendering of services could not be confirmed.

8.2 Inconsistency in Issue of Receipts

Analysis of the receipts maintained in the University's financial management system indicated that there were receipts generated without a proper sequence of unique receipt numbers all amounting to Kshs.383,770,182, Further analysis of the receipt revealed that some of the receipt numbers were duplicated.

In the circumstances, the completeness and accuracy of the Kshs.518,374,890 in respect to rendering of services could not be confirmed.

9.0 Doubtful Recovery of Outstanding Balances

The statement of financial position reflects Kshs.1,073,200,754 in respect to trade and other receivables which includes 1,181,471,074 in respect to outstanding students' fees. However, a comparison of invoices with the graduation list revealed that there were eight hundred and twenty eight (828) students who had graduated with outstanding balances totalling to Kshs.10,728,677 contrary to Section 3; (iv) of the Technical University Charter, statute no. XXXVII on Award of Degrees, which provide that no student shall be awarded the bachelor's degree unless: the student shall have paid such fees to the University as may be determined by the Council.

In the circumstances, the recoverability of the Kshs.10,728,677 is doubtful.

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

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Charge of Rental Expenditure

The statement of financial performance reflects Kshs.260,622,216 in respect to general expenses as disclosed in Note 6(c) to the financial statements. The amount includes Kshs.4,850,172 relating to land rates and rental expenses of which Kshs.487,049 is legal charges arising out of non-payment of rent. The expenditure was charged under land rates and rental expenses. However, there was no budgetary provision for legal under this expenditure item. This is contrary to Section 44 (2)(a) of the Public Procurement and Assets Disposal Act, 2015 which provides that an Accounting Officer shall ensure that procurements of goods, works and services of the public entity are within approved budget of that entity.

In the circumstances, the Management was in breach of the law.

2. Irregular Procurement of Telephone and Airtime Expenses

The statement of financial performance reflects Kshs.260,622,216 in respect to general expenses, as disclosed in Note 6(c) to the financial statements which includes an amount

of Kshs.21,971,573 in respect of communication, supplies and services. Review of documents revealed that the Management procured airtime totalling to Kshs.1,788,813 and mobile phones at a cost of Kshs.251,500 through direct procurement using Imprests. This is contrary to Section 103. (2)(a) of the Public Procurement and Assets Disposal Act,2015 which provides that a procuring entity may use direct procurement if the goods, works or services are available only from a particular supplier or contractor, or a particular supplier or contractor has exclusive rights in respect of the goods, works or services, and no reasonable alternative or substitute exists.

In the circumstances, Management was in breach of the law.

3. Non-Remittance of Statutory Payments and Other Staff Deductions

The statement of financial position reflects Kshs.4,674,256,467 in respect to trade and other payables as disclosed in Note 8 to the financial statements. However, statutory obligations, employees Sacco deductions, loan deductions, insurance premium deductions and other payroll deductions of Kshs.1,675,799,902, Kshs.14,244,128, Kshs.1,461,042, and Kshs.76,518,955 respectively, were not remitted to the respective institutions and the University may face sanctions in accordance with Section 204 (1)(f) of the Public Finance Management Act , 2012 which states that the Cabinet Secretary may apply sanctions to a National Government entity that creates liabilities in excess of its ability to finance those liabilities.

In the circumstances, Management was in breach of the law.

4. Direct Procurement of Goods and Services

The statement of financial performance reflects Kshs.260,622,216 in respect to general expenses as disclosed in Note 6 (c) to the financial statements which includes an amount of Kshs.16,315,963 spent on procurement of goods and services through direct cash purchases by members of staff issued with imprests to facilitate the purchases. The goods and services were not inspected contrary to Section 48 of the Public Procurement and Assets Disposal Act,2015 and were not taken on charge in the stores.

In the circumstances, the propriety, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Grounded Motor Vehicles

The statement of financial position reflects Kshs.5,439,698,356 in respect to property, plant and equipment as disclosed in Note 7 to the financial statements which includes Kshs.71,629,618 for motor vehicles. Physical inspection revealed that three (3) vehicles of undetermined value were non-functional and had been grounded. Management did not provide explanation for not servicing or disposing the motor vehicles.

In the circumstances, value for money on these motor vehicles may not be realized.

2. Un-Operationalized Bank Accounts

The statement of financial position reflects Kshs.17,362,274 in respect of cash and cash equivalents as disclosed in Note 9 (a) to the financial statements which includes five (5) bank account balances totalling Kshs.2,532,176 which have remained unutilized and attracted bank charges of Kshs.24,465. No explanation was provided for maintaining dormant accounts which were attracting bank charges.

In the circumstances, the University did not realise value for money not utilized.

3. Lack of Proper Segregation of Duties

The University uses TuSoft ERP and Examination Data Processing System (EDPS) for examination management. Analysis of the audit trail from the TuSoft ERP and the user privileges established that there is no proper segregation of duties as there are employees who have roles which should ordinarily be segregated such as creating and deleting records.

In the circumstances, lack of strong internal controls would result to increase of system risks.

4. Lack of System Integration

The University uses Sage Expressions for accounting and TuSoft ERP and Examination Data Processing System (EDPS) for examination management. Review of these systems established that receipts and examination data are manually uploaded into these systems. Further, after reviewing audit logs it was noted that lack of integration results to errors which are rectified by deletion of records. No evidence of management reviews for system logs were provided hence posing a risk to unauthorized activities on the use of these systems. This exposes the University to human error as a result of manual intervention.

In the circumstances, lack of proper controls would result to inaccurate and unreliable systems.

5. Lack of a Fixed Asset Register

Note 7 to the financial statements reflects a property, plant and equipment net book value of Kshs.5,439,698,356 comprising of seven (7) classes of fixed assets. However, the Management did not provide an updated fixed asset register to support the balances on specific class of assets and for standard assets, an asset register to indicate the financier, tag number, serial number, model number, date of delivery, payment voucher number and the acquisition value.

Further, for land and buildings, a register to indicate the mode of acquisition, category of land, land registry number, certificate number, document of ownership held, size of land, acquisition date, registration date, encumbrances, planning status and the cost of acquisition was not provided for audit. In addition, for motor vehicles a register to indicate the financier, engine number, chassis number, tag number, year of purchase, payment voucher number and the acquisition value was not also provided for audit.

In the absence of an updated asset register, it was not possible to confirm the effectiveness of controls over fixed assets, status, accuracy, completeness and existence contrary to The National Treasury Circular and template, No. 5/2020 dated 25/02/2020.

The Management was in breach of the circular.

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

Responsibilities of Management and Council

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

The Council is responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how Management 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 controls 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 controls.
- 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University 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 controls 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 October, 2022

IX. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 Kshs.	2020 Kshs.
INCOME			
Revenue from non-exchange transactions			
Government Grants: Recurrent	4(a)	2,204,190,196	2,116,430,160
Donor Funds	4(b)	78,584,651	41,494,941
Revenue from exchange transactions			
Rendering Services	5(a)	518,374,890	525,479,810
Other Income	5(b)	19,425,644	31,975,776
Rental Income	5(c)	2,556,750	2,415,600
Total Revenue		2,823,132,130	2,717,796,286
EXPENSES			
Employee costs	6(a)	3,074,569,949	2,718,431,817
Depreciation and amortization expense	6(b)	89,208,844	98,365,898
General Expenses	6(c)	260,622,216	234,873,389
Purchases of Water and Electricity	6(d)	32,747,302	41,311,546
Contracted services	6(e)	31,533,916	29,424,464
Repairs and Maintenance	6(f)	22,554,118	32,224,451
Remuneration of Council members	6(g)	4,375,072	6,530,810
Audit fees	6(h)	812,000	812,000
Total Expenses		3,516,423,417	3,161,974,375
Surplus(Deficit) for the year		(693,291,287)	(444,178,088)

X. STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	2021 Kshs.	2020 Kshs.
CURRENT ASSETS			
Trade and Other Receivables	10	1,073,200,754	825,978,522
Cash and Cash Equivalents	9(a)	17,362,274	17,497,922
Inventories	11	8,452,072	5,399,328
NON CURRENT ASSETS		1,099,015,100	848,875,771
Property, Plant and Equipment	7	5,439,698,356	5,512,157,242
TOTAL ASSETS		<u>6,538,713,456</u>	<u>6,361,033,013</u>
CURRENT LIABILITIES			
Trade and other payables	8	4,674,256,467	3,826,840,652
Bank Overdraft	9(b)	-	-
TOTAL CURRENT LIABILITIES		<u>4,674,256,467</u>	<u>3,826,840,652</u>
FUNDS			
Capital Fund	3(a)	2,038,511,612	2,014,955,697
Revenue Reserve	3(c)	(4,231,137,954)	(3,537,846,667)
Revaluation Surplus	3(b)	4,057,083,331	4,057,083,331
		1,864,456,989	2,534,192,361
TOTAL FUNDS AND LIABILITIES		<u>6,538,713,456</u>	<u>6,361,033,013</u>

The financial Statements were approved by the Council and were signed on its behalf by:


Prof. Dr. Ing. Francis W.O. Aduol
VICE CHANCELLOR


FA, CPA, Ben Sanda
Ag. CHIEF FINANCIAL OFFICER & UNIVERSITY BURSAR

**XI. STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE YEAR ENDED 30 JUNE 2021**

	<u>Capital Fund</u>	<u>Revaluation Reserve</u>	<u>Revenue reserve</u>	<u>Total</u>
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2019	1,956,733,087	4,057,083,331	(3,093,668,579)	2,920,147,839
Funds received during the period	58,222,610			58,222,610
Surplus for period			(444,178,088)	(444,178,088)
As at 30 June 2020	2,014,955,697	4,057,083,331	(3,537,846,667)	2,534,192,361

	<u>Capital Fund</u>	<u>Revaluation Reserve</u>	<u>Revenue reserve</u>	<u>Total</u>
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2020	2,014,955,697	4,057,083,331	(3,537,846,667)	2,534,192,361
Funds received during the Period	23,555,915			23,555,915
Surplus for Period			(693,291,287)	(693,291,287)
As at 30 June 2021	2,038,511,612	4,057,083,331	(4,231,137,954)	1,864,456,989

XII. STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

Notes	2021 Kshs.	2020 Kshs.
Cash flow from operating activities:		
Receipts		
Government Grants	2,204,190,196	2,116,430,160
Donor funds	78,584,651	41,494,941
Tuition Fees	518,374,890	525,479,810
Other Incomes	19,425,644	31,975,776
Rental Income	2,556,750	2,415,600
	2,823,132,130	2,717,796,286
Payments		
Compensation of employees	3,074,569,949	2,718,431,817
Goods and services	352,644,624	345,176,660
	3,427,214,573	3,063,608,477
(Increase)/Decrease in current receivable	(247,222,233)	79,101,971
(Increase)/Decrease in inventory	(3,052,744)	2,825,753.18
Increase in payables	847,415,815	177,856,130
Net cash from Operating Activities	(6,941,604.58)	(86,028,337)
Cash flows from investing activities		
Purchase of property plant and Equipment	(16,749,958)	(26,657,889)
Net Cash flows used in investing activities	(16,749,958)	(26,657,889)
Cash flows from financing activities		
Development grants received	23,555,915	58,222,610
Net Cash flows used in financing activities	23,555,915	58,222,610
Net increase/decrease in cash and Cash Equivalent	(135,648)	(54,463,616)
Cash and Cash equivalents at beginning of period	17,497,922	71,961,538
Cash and Cash equivalent at end of period	17,362,274	17,497,922

**XIII.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2021
Budget Approved on the Cash Basis
(Classification of Payments by Functions)**

	Actual Amount	Final Budget	Difference Final Budget
	Kshs	Kshs	Kshs
CASH INFLOWS			
Government Grants-Recurrent	2,204,190,196	1,883,599,835	(320,590,361)
Grants , Dev't Partner t (Donor Partner)	78,584,651	32,729,165	(45,855,486)
Rendering Services	518,374,890	909,795,189	391,420,299
Other Income -Recurrent (IGU)	19,425,644	20,396,926	971,282
Rental Income	2,556,750	2,607,885	51,135
Total Receipts	2,823,132,130	2,849,129,000	25,996,870
CASH OUTFLOWS			
Employee Costs	3,074,569,949	3,022,768,146	(51,801,803)
Council Expenses	4,375,072	8,231,975	3,856,903
Bulk Purchases of Water and Electricity	32,747,302	44,717,964	11,970,662
Repairs & Maintenance	22,554,118	20,340,473	(2,213,645)
Depreciation	89,208,844		(89,208,844)
Contracted Professional Services	31,533,916	32,680,654	1,146,738
Provision for Audit Fees	812,000	1,068,840	256,840
General Expenses			
Printing and Advertising expenses	12,476,995	14,577,881	2,100,886
Land Rates and Rentals	4,850,172	21,044,083	16,193,911
Staff Training Expenses	4,836,812	-	(4,836,812)
Hospitality Supplies and Services	11,205,684	22,789,551	11,583,867
Medical & Insurance Expenses	48,031,176	48,657,490	626,314
Specialized, Teaching Materials \$ Supplies	97,308,503	117,639,389	20,330,886
Provision for Bad Debt	27,469,137	-	(27,469,137)
General Supplies	24,199,688	26,124,144	1,924,456
Communication Supplies & Services	21,971,573	22,351,373	379,800
Foodstuffs supplies	4,526,249	6,995,006	2,468,757
Gas & Lubricants	1,055,619	11,610,428	10,554,809
Other Operating Expenses	2,690,608	27,634,394	24,943,786
Total Payments	3,516,423,417	3,449,231,791	(67,191,627)
NET CASH OUT FLOWS	(693,291,287)	(600,102,791)	93,188,496

* Actual amounts encompass both cash and third party settlements.

** The "Difference..." column is not required. However, a comparison between actual and the original or the final budget, clearly identified as appropriate, may be included.

XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation – IPSAS 1

TU-K financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

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

2. Summary of significant accounting policies

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the University and the revenue can be reliably measured. Revenue is recognised as the fair value of consideration received or expected to be received in the ordinary course of the University's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the University's activities as described below.

- i) Revenue from the sale of goods and services is recognised in the year in which the University delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government are recognised in the year in which the University actually receives such grants.
- iii) Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Rental income is recognised in the income statement as it accrues using the effective lease agreements.
- v) Other income is recognised as it accrues.

(b) In-kind contributions

In-kind contributions are donations that are made to the University in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the university includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2021

(c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

Land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Land	-
Buildings	2.5%
Motor Vehicles	25%
Furniture & Fittings	12.5%
Computer & Printers	30%
Office Equipment	12.5%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

(d) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value.

XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

(f) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

(g) 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 various commercial banks at the end of the financial year.

(h) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the University or not, less any payments made to the suppliers.

(i) Retirement benefits obligations

The University operates a defined contribution scheme for all full-time employees. The scheme is administered by Octagon Africa Financial Services Group and is funded by contributions from both the University and its employees. The University also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The University's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KSh.200 per employee per month.

(j) Comparative figures

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

(k) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the Year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2021

3 NET ASSETS

	3a Capital Fund	3b Revaluation Reserve	3c Revenue reserve	Total
At 30 June 2020	2,014,955,697	4,057,083,331	(3,537,846,667)	2,534,192,361
Funds received during the year	23,555,915	-	-	23,555,915
Surplus for the Year			(693,291,286.93)	(693,291,286.93)
As at 30 June 2021	2,038,511,612	4,057,083,331	(4,231,137,954)	1,864,456,989

	2021 Kshs.	2020 Kshs.
Government Development Grants	23,555,915	58,222,610

4 REVENUE FROM NON-EXCHANGE TRANSACTIONS

	2021 Kshs.	2020 Kshs.
4a Government Recurrent Grants	2,204,190,196	2,116,430,160
4b Donor Funds	78,584,651	41,494,941
Total	2,282,774,847	2,157,925,100

5 REVENUE FROM EXCHANGE TRANSACTIONS

	2021 Kshs.	2020 Kshs.
5(a) Rendering Services	518,374,890	525,479,810
5(b) Other Income	19,425,644	31,975,776
5(c) Rental Income	2,556,750	2,415,600
Total Exchange Revenue	540,357,284	559,871,186

6(a) Employee Costs

	2021 Kshs.	2020 Kshs.
Personal Emoluments	2,845,908,175	2,509,606,773
	47,598,243	15,778,549
Employer Contributions	152,399,089	162,241,830
Domestic Travel	25,517,394	21,257,307
Foreign Travel	3,147,048	9,547,359
Total	3,074,569,949	2,718,431,817

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	Kshs.	Kshs.
6(b) Depreciation and Amortization	89,208,844	98,365,898
6(c) General Expenses		
Printing, Advertising & Publicity	12,476,995	11,487,775
Land Rates & Rental Expenses	4,850,172	4,697,963
Staff Training Expenses	4,836,812	6,533,453
Hospitality Suppliers & Services	11,205,684	21,448,046
Medical & Insurance Expenses	48,031,176	36,192,856
Specialized ,Teaching Materials & Supplies	97,308,503	118,239,673
Provision for bad debts(Increase/ Decrease)	27,469,137	(8,789,108)
General Supplies	24,199,688	19,610,095
Communication Supplies & Services	21,971,573	15,660,632
Penalties		500,000
Foodstuffs Supplies	4,526,249	5,737,418
Gas & Lubricants	1,055,619	1,610,275
Other Operating Expenses	<u>2,690,608</u>	<u>1,944,312</u>
Total	<u>260,622,216</u>	<u>234,873,389</u>
6(d) Bulk purchases of water and electricity		
Bulk purchase of water	9,136,100	12,501,050
Bulk purchase of Electricity	<u>23,611,202</u>	<u>28,810,496</u>
	<u>32,747,302</u>	<u>41,311,546</u>
6(e) Contracted Services	<u>31,533,916</u>	<u>29,424,464</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	Kshs.	Kshs.
6(f) Repair and Maintenance		
Maintenance of Motor Vehicles	8,896,486	9,094,295
Maintenance of other Assets	<u>13,657,632</u>	<u>23,128,955</u>
Total	<u>22,554,118</u>	<u>32,223,251</u>
6(g) Remuneration of Council members		
Sitting Allowances	3,714,072	5,974,310
Honoraria	<u>661,000</u>	<u>556,500</u>
	<u>4,375,072</u>	<u>6,530,810</u>
6(h) Provision for audit fees	812,000	812,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2021

7. PROPERTY, PLANT & EQUIPMENT		LAND		BUILDINGS		MOTOR VEHICLES		FURNITURE & COMPUTERS, FITTINGS		PRINTER & SOFTWARE		MACHINERY & EQUIPMENT		WORK IN PROGRESS		TOTAL	
		KSHS	0%	KSHS	2.50%	KSHS	25%	KSHS	12.50%	KSHS	30%	KSHS	12.50%	KSHS	KSHS	KSHS	KSHS.
Depreciation Rates																	
COST/VALUATION:																	
At 30 June 2020		3,068,000,000		1,167,170,000		71,629,618		58,650,683		110,054,400		879,816,444		1,084,195,944		6,439,517,000	
Valuation/Additions		-		-		-		444,190		10,481,788		727,553		5,096,427		16,749,995	
At 30 June 2021		3,068,000,000		1,167,170,000		71,629,618		59,094,873		120,536,188		880,543,997		1,089,292,371		6,456,267,000	
DEPRECIATION:																	
At 30 June 2020		-		264,026,410		54,414,489		32,849,473		86,710,713		489,358,761		-		927,359,800	
Charges for the year				22,578,590		4,303,782		3,280,675		10,147,642		48,898,155		-		89,208,800	
As at 30 June 2021				286,605,000		58,718,271		36,130,148		96,858,355		538,256,915		-		1,016,568,600	
NET BOOK VALUE:																	
At 30 June 2021		3,068,000,000		880,565,000		12,911,347		22,964,725		23,677,832		342,287,082		1,089,292,371		5,439,698,300	
At 30 June 2020		3,068,000,000		903,143,590		17,215,129		25,801,210		23,343,687		390,457,683		1,084,195,944		5,512,157,200	

(1). In the opinion of the Council there is no impairment in the value of property, plant and equipment.

(2). All classes of the University assets were valued to fair market values by independent contracted professional valuers, Syagga and Associates Limited. The valuation report included also assets bought during the year. The report was issued in September 2011.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2021

7. PROPERTY, PLANT & EQUIPMENT		BUILDINGS	MOTOR VEHICLES	FURNITURE & COMPUTERS, FITTINGS	PRINTER & SOFTWARE	MACHINERY & EQUIPMENT	WORK IN PROGRESS	TOTAL
LAND	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS.
0%	2.50%	25%	12.50%	30%	12.50%			
At 30 June 2019	3,068,000,000	1,167,170,000	71,629,618	55,939,438	102,213,983	878,810,606	1,069,095,555	6,412,859,1
Valuation/Additions	-	-	-	2,711,245	7,840,417	1,005,838	15,100,389	26,657,8
At 30 June 2020	3,068,000,000	1,167,170,000	71,629,618	58,650,683	110,054,400	879,816,444	1,084,195,944	6,439,517,0
DEPRECIATION:								
At 30 June 2019	-	240,868,882	48,676,113	29,163,586	76,706,275	433,579,092	-	828,993,9
Charges for the year	-	23,157,528	5,738,376	3,685,887	10,004,437	55,779,669	-	98,365,8
As at 30 June 2020	264,026,410	54,414,489	32,849,473	86,710,713	489,358,761	-	-	927,359,8
NET BOOK VALUE:								
At 30 June 2020	3,068,000,000	903,143,590	17,215,129	25,801,210	23,343,687	390,457,683	1,084,195,944	5,512,157,2
At 30 June 2019	3,068,000,000	926,301,118	22,953,505	26,775,852	25,507,707	445,231,514	1,069,095,555	5,583,865,1

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2021

8. TRADE AND OTHER PAYABLES

	2021 Kshs.	2020 Kshs.
Auditor General	7,308,000	6,496,000
Contractors & General Creditors	112,668,904	104,208,227
Provision for NCC - Land Rates	6,443,144	6,443,144
UoN Salary Reimbursement	7,788,531	7,722,531
Provision for Gratuities	247,115,242	190,367,966
Staff Pension Fund	2,231,841,865	1,681,723,683
Third Party Funds	283,304,628	234,119,112
Statutory Obligations	1,675,799,902	1,492,755,284
Sacco Deductions	14,244,128	20,606,059
Bank Loan Deductions	-	18,654,748
Insurance Premium Deductions	1,461,042	2,091,911
Other Payroll deductions	76,518,955	61,651,986
Prepaid Students Fees	9,762,126	-
Deposits Control Account	-	-
	<u>4,674,256,467</u>	<u>3,826,840,652</u>

9. CASH AND CASH EQUIVALENTS

	2021 Kshs.	2020 Kshs.
Cash in hand	934,310	591,470
Production Unit Account- 110163686	3,757,060	77,843
Hostel Fund Account- 1101631791	936,347	942,452
Fund Account-01109148224	58,443	64,548
Cash at Bank- Coop Collection account	1,626,705	1,399,391
Cash at Bank- Equity Collection account	934,471	120,559
Students Deposit-1107252822-Caution Mon	296,006	458,002
Machine Replacement Fund-1105828646	1,006,965	1,012,005
Staff Pension Fund -1122174462	563,542	568,582
Students Deposit savings Fund	729,614	729,614
Needy Students Fund	105,738	105,738
Fixed Deposit	300,000	300,000
Cash at Bank- KCB Collection account	5,095,837	5,290,127
Enterprise Development Fund-1101631953	356,727	1,205,670
Production Unit Savings-1107289408	418,813	422,053
KESSP Account-1108979432	1,715	6,755
Main Account- 1109148135	-1,249,683	2,708,410
Kasarani TTI Account-1160726485	1,489,663	1,494,703
	<u>17,362,274</u>	<u>17,497,922</u>

9(b). BANK OVERDRAFT

Main Account- 1109148135	-	-
Production Unit Account- 110163686	-	-
Hostel Fund Account- 110914224	-	-
Fund Account	-	-
KESSP Account	-	-
	<u>-</u>	<u>-</u>

The carrying amounts of the cash and cash equivalents are denominated in Kenya Shillings.

There is a bank guarantee of Kshs. 1.5 Million for the supply of motor vehicle fuel by Kenya Shell Ltd.

10. Trade and Other Recievables

	2021 Kshs.	2020 Kshs.
Outstanding Staff Imprest	6,323,894	2,860,322
Salary Advances	3,483,464	3,364,939
Outstanding Students fees	1,181,471,074	910,361,801
Deposits to Suppliers	104,350	104,350
Nyayo Vehicle Project	500,000	500,000
Dishonored cheque Ministry of Education	562,501	562,501
	-	-
Total Debtors	<u>1,192,445,283</u>	<u>917,753,913</u>
Provision for bad debts (10%)	<u>(119,244,528)</u>	<u>(91,775,391)</u>
	<u>1,073,200,754</u>	<u>825,978,522</u>

Provision for bad debts: It is the policy of the university to provide for bad debts at 10% the outstanding debtors

11. INVENTORY

	2021 Kshs.	2020 Kshs.
INVENTORY	8,452,072	5,399,328

Inventory is mainly composed of stationery and other consumables. The value of inventories was arrived at after stock take exercise that was conducted by Board of Survey Committee

