

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT	DATE: 16 APR 2024
	DAY: TUESDAY
TABLED BY:	HON. DICK RAYA, U.S. MP DI-MAJORITY LEADER
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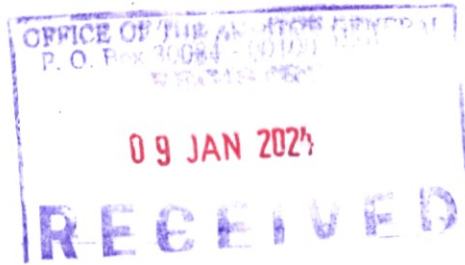
THE AUDITOR-GENERAL

ON

THE TECHNICAL UNIVERSITY OF KENYA

**FOR THE YEAR ENDED
30 JUNE, 2023**





THE TECHNICAL UNIVERSITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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



TABLE OF CONTENTS

1.	Acronyms, Abbreviations and Glossary of Terms.....	iii
2.	Brief Background on the University and Management	iv
3.	The University Council	vii
4.	The University Management	ix
5.	Statement from the Chairman of the Council	x
6.	Report of the Vice-Chancellor	xi
7.	Statement of Performance Against Predetermined Objectives	xii
8.	Corporate Governance Statement	xii
9.	Management Discussion and Analysis	xvii
10.	Environmental and Sustainability Reporting	xix
11.	Report of the Directors	xx
12.	Statement of University Council Responsibilities	xxi
13.	Report of the Auditor General	xxii
14.	Statement of Financial Performance for the Year Ended 30 June 2023.....	1
15.	Statement of Financial Position as At 30 June 2023	2
16.	Statement of Changes in Net Assets for the Year Ended 30 June 2023	3
17.	Statement of Cash Flows for the Year Ended 30 June 2023	4
18.	Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2023	5
19.	Notes to the Financial Statements	6
20.	Appendices.....	25

1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DVC	Deputy Vice Chancellor
ASA	Academic and Student Affairs
FSST	Faculty of Social Sciences & Technology
FAST	Faculty of Applied Sciences & Technology
FEBE	Faculty of Engineering & the Built Environment
KPUC	The Kenya Polytechnic University College
KES	Kenya Shillings
IAE	Institutional Advancement and Enterprise
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
RTD	Research and Technology Development
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
TU-K	Technical University of Kenya
VC	Vice Chancellor

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year - Means the prior period.

Chief Officers

- The University registrar and Chief Administrative Officer
- The University Secretary and Chief Legal Officer
- The University Bursar and Chief Financial Officer

2. KEY UNIVERSITY INFORMATION 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.

(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.

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.

(c) Key Management

The University's Day to day management is under the following organs:

- Vice-Chancellor
- Deputy Vice-Chancellors
- Executive Deans
- Chief Officers

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 are as listed below;

Designation	Name
Vice Chancellor*	Outgoing -Prof. Dr.-Ing. Francis W.O. Aduol Incoming -Prof. Dr.-Ing. Benedict M. Mutua,
Deputy Vice Chancellor – Institutional Advancement and Enterprise (IAE)	Prof Paul M.Wambua
Deputy Vice Chancellor – Research and Technology Development (RTD)	Prof Alfred Orina
Deputy Vice Chancellor – Academic and Student Affairs (ASA)	Prof.Paul M.Shiundu
Executive Dean - Faculty of Social Sciences & Technology (FSST)	Prof.Gatheri F.Kimani
Executive Dean - Faculty Applied Sciences & Technology (FAST)	Prof.Peter M.Matu
Executive Dean - Faculty of Engineering & the Built Environment (FEBE)	Prof.Dr.-Ing Edwin Ataro
University Secretary & Chief Legal Officer	Mrs Ruth Kirwa
University Registrar & Chief Administrative Officer	Dr.Hesbon Nyagowa
University Bursar & Chief Financial Officer	CPA Ben M. Sanda

*The term of Prof. Francis W. O. Aduol as the Vice Chancellor ended on 15th May 2023.

(e) Fiduciary Oversight Arrangements

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

(f) Technical University of Kenya Headquarters

P.O. Box 52428-00200
Haile Selassie Avenue
Nairobi, KENYA

(g) Technical University of Kenya Contacts

Telephone: (254) 020 2219929,3343672
E-mail: vc@tukenya.ac.ke
Website: www.tukenya.ac.ke

(h) Bankers

- Kenya Commercial Bank Ltd.
1. P. O. Box 30081-00100
Moi Avenue Nairobi.
Co-operative Bank of Kenya Ltd.
 2. Haile Selassie Avenue
P. O. Box 48231- 00100
Nairobi.
Equity Bank
 3. Moi Avenue
P.O.BOX 8120-00100 Nairobi







(i) **Independent Auditors**





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

(j) **Principal Legal Adviser**

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

3. THE UNIVERSITY COUNCIL

No.	COUNCIL NAMES	QUALIFICATION	EXPERIENCE
1.	 Dr. Idle Farah, OGW; PhD Chairperson of Council Appointed in July 2022	(Dr. Med. Sc) in Comparative Medicine (Uppsala University, Sweden)	<ul style="list-style-type: none"> Former Vice Chancellor Umma university Former University of Nairobi and; Former Chief Executive Officer of National Museum of Kenya
2.	 Dr. Hassan Khannenje Independent Member	PhD (Nova South Eastern University, USA) Chair Programmes, Statutes & Sealing Committee	<ul style="list-style-type: none"> Private consultant
3.	 Mr. Bernard Malenya Independent Member Appointed in November 2020	B.Sc. (Mech. Eng.) (New Brunswick), M.Sc. (Illinois) Member of Council Audit committee and Programmes, Statutes & Sealing Committee	<ul style="list-style-type: none"> Business Development Consultant and Educator
4.	 Hon. David Koech Independent Member Appointed in November 2020	B.Ed., M.Ed. (Admin.) (Moi) Chair of Programmes, Statutes & Sealing Committee (PS&SC) and member of FGPC	<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 Independent Member Appointed in November 2020	B.Com. (Accounting), MBA, Ph.D. (BA) Chair of Finance and General Purpose Committee(FGPC)	<ul style="list-style-type: none"> Financial Management Expert
6.	 Dr. John Nyangema Representative Principal Secretary Ministry of Education	PhD (Kenyatta); M.Phil Moi; B.Sc. (JKUAT) Member of Finance and General-Purpose Committee and Programmes, Statutes & Sealing Committee and Audit Committee	<ul style="list-style-type: none"> Representing PS, MoE

7.	 <p>FA, CPA Isabella Kogei Representative Principal Secretary The National Treasury</p>	<p>B.Com. (Accounting), M.Sc. (Finance) (KU), CPA (K), CIFA Member of Council's FGPC and Audit Committee</p>	<ul style="list-style-type: none"> • Representing CS, NT & P
8	 <p>Mr. Justin Kabuku Independent Member.</p>	<p>M.Sc (University of Queensland, Brisbane Australia) Member of Audit Committee</p>	<ul style="list-style-type: none"> • Private Consultant
9.	 <p>Prof. Dr.-Ing. F.W.O. Aduol Outgoing -Vice Chancellor</p>	<p>BSc Eng. MSc, MA (Nairobi), Dr-Ing (Stuttgart), MISK, FIET, LicSurv.</p>	<ul style="list-style-type: none"> • Professor of Geospatial Engineering • Out going Vice-Chancellor/ Secretary to the Council
10	 <p>Prof. Dr.-Ing. Benedict M. Mutua, PhD Incoming-Vice Chancellor</p>	<p>BSc Eng. (EU), MSc. (HEB), MEng.Sc. (MELB), PhD, Post Doc (BOKU), Post Doc (Stuttgart, Kiel, TelAviv, TU), EMBA (IIBMS), DMS (IIBM)</p>	<ul style="list-style-type: none"> • Professor of Water Resources, Hydraulics and Environmental Engineering. • Former Deputy Vice-Chancellor (Planning, Partnerships, Research and Innovation) at Kibabii University, Kenya. • In coming Vice-Chancellor/ Secretary to the Council

4. THE UNIVERSITY MANAGEMENT

Incoming-Vice Chancellor



Prof. Dr.-Ing. Benedict M. Mutua, PhD, Rer. Nat.
BSc Eng. (EU), MSc. (HÉB), MEng. Sc. (MELB), PhD, Post Doc (BOKU), Post Doc (Stuttgart, Kiel, TelAviv, TU), EMBA (IIBMS), DMS (IIBM)

Outgoing -Vice Chancellor



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

DVC- Academic & Student Affairs (ASA)



Prof. Paul M. Shiundu
B.Sc (Nairobi); CPGS (Cambridge); PhD (British Columbia)

DVC- Research & Technology Development (RTD)



Prof. Alfred Orina Isaac
B.Sc, M.Sc (Egerton; PhD Idaho, USA); PostDoc (CWRU, USA)

DVC- Institutional Advancement and Enterprise (IAE)



Prof. (Eng.) Paul M. Wambua
BSc. (Nairobi), MSc. (Leeds), PhD (Leuven), PE, FIEK

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. Gatheri 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)

Ag. 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 (Hons) (Nairobi); Diploma (Kenya School of Law), LLM (Widener)

Ag. University Bursar & Chief Financial Controller



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

5. 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 Period ended 30th June 2023.



Dr. Idle Farah, OGW; PhD

CHAIRPERSON OF UNIVERSITY COUNCIL

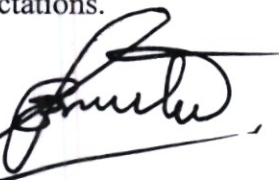
6. REPORT OF THE VICE-CHANCELLOR

It is my pleasure to present the Annual Report and Accounts of the Technical University of Kenya for the Year ended 30 June 2023. The institution has been operating under very constrained financial situation ever since it was upgraded to the Kenya Polytechnic University College in 2008. 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. 795,101,206** out of total income from Government, donors and internally-generated funds all amounting to **KSh. 2,805,616,706** against an expenditure of **KSh. 3,600,717,912**. 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. Benedict M. Mutua, PhD, Rer. Nat.

**Incoming Vice-Chancellor and Secretary to
University Council**

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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.

TU-K currently offers 11 PhD programmes, 28 Masters programmes, 59-degree programmes, and 63 diploma programmes and currently has over 3,000 students in engineering and thus having the largest school of engineering in Kenya. TUK through its campus outreach programmes has made tremendous efforts to demystify science among the youth with a view to encouraging them to take science-oriented courses this has seen proportion of student registering for science and technology upsurge to 82%. The university also engages in research with emphasis on practical solutions of immediate and future societal problems

8. CORPORATE GOVERNANCE STATEMENT

The statement outlines the key aspects of the University's corporate governance framework. Corporate governance is the process by which the University is directed, controlled and held to account. It provides the structure through which the strategic objectives of the University are set, and the means of attaining them as well as monitoring performance. Corporate Governance dictates the engagement between the University Council, Senate, Management Board, Regulators and all Stakeholders.

The University in its decision-making processes observes the highest ethical standards and benchmarks on global best practices in compliance with the applicable legal principles, its vision, mission, and core values for sustainability of the University.

The governing organs of the University are the University Council, the Senate of the University and the University Management Board. These organs have various committees within themselves that aids them in performing various tasks.

The membership of the various key management committees within the university is guided by the university statutes, the university council charter and the various university and government policies that guide operations within the public service.

The University Council

Council Charter - The Council is guided by the Council Charter which defines the governance guidelines within which the Council exists and operates. It clearly states the respective roles, responsibilities and authorities of the Council and its Committees.

Council Appointment and Composition - In accordance with the Universities Act No. 42 of 2012, clause 36(1) the Council consists of nine persons appointed by the Cabinet Secretary for a period of three years and who are eligible for re-appointment for a further one term. The persons are as follows:

- I. The Chairperson
- II. Principal Secretary, Ministry for the time being responsible for the University Education

- III. Principal Secretary, Ministry for the time being responsible for Finance and The National Treasury
- IV. Five members appointed by the Cabinet Secretary, Ministry for the time being responsible for University Education
- V. The Vice-Chancellor who is an ex-officio member of the Council.

The University Charter (Clause 17) requires that the members of the Council at the first meeting after their appointment determine by lot which of their number shall vacate office after a period of three and four years respectively.

Council Diversity - The Council members possess a broad range of skills, expertise, experience and knowledge essential to undertake the University's mandate.

Separation of Powers and Duties - The Chairman of Council's responsibilities include the operation, leadership and governance of the Council, ensuring its effectiveness and setting its agenda. The Vice-Chancellor's role and responsibilities include the day-to-day management of the University's business and overseeing the implementation of strategies and policies approved by the Council. This is clearly stipulated in the University Statutes.

Powers and Functions of the Council - The powers and functions of the Council include:

- a) To make new or additional Statutes, alter, amend or revoke existing Statutes in consultation with the Senate;
- b) To establish such standing or other committees with membership and with such terms of reference as it may deem fit;
- c) To make regulations in accordance with the Charter for any purpose in respect of which regulations may be made, provided that no regulations shall be made until Senate has had an opportunity of reporting thereon;
- d) To provide the land, building, premises, furniture and equipment, including specialized scientific equipments, vehicles, machinery, facilities and other means required for carrying out the work of the University;
- e) To determine method of recruitment, appointment and promotion of all staff of the University;
- f) To make the appointments authorized by the Charter and the Statutes and to determine the terms and conditions of service for all staff of the University;
- g) To provide for the welfare of every person in the employment of the University;
- h) To establish, confirm, abolish or hold in suspense any professorship, lectureship or other academic, as well as other senior administrative posts in consultation with the Senate;
- i) To confer, after report from Senate, the title of Professor Emeritus, Adjunct Professor, Adjunct Faculty and other senior staff;
- j) To receive, consider and approve from University Management Board estimates of expenditure required to carry out the work of the University and to provide the requisite in so far as the estimates are approved and accepted by the Council;
- k) To provide control and regulate the finances of the University as the Council may provide in the Statutes or Regulations from time to time;
- l) To control, manage and regulate accounts, investment property and all the business affairs of the University and for that purpose appoint bankers, auditors, lawyers or any other agent as the Council may deem necessary from time to time;
- m) To promote and make financial provisions and facilities for research within the University;

- n) To determine, after considering the recommendations of Senate, all fees payable to the University;
- o) To invest any moneys belonging to the University including any unapplied income, in such stocks, funds, fully paid shares or securities as Council may from time to time think fit, in accordance with the general law for the investment of trust moneys or in the purchase of freehold or leasehold properties, including rent and subject to the Charter with the power of varying such investment from time to time by sale or re-investment or otherwise;
- p) To sell, buy, exchange, lease, grants or take on lease moveable and immovable property on behalf of the University, pursuant to section 17 of the Charter;
- q) To borrow money on behalf of the University, and for that purpose and subject to the Charter, to mortgage or charge all or any part of the property unless the conditions of the property so held provide otherwise, and to give such other security whether upon moveable property or otherwise as the Council may deem fit;
- r) To enter into, vary, carry out or terminate contracts on behalf of the University;
- s) To select a Seal, Arms and Mace for the University and to have the sole custody and use of the Seal;
- t) To provide by Statutes for the creation of new Colleges, Campuses, Schools, Departments, Directorates, Institutes, Centres or other bodies of learning and research in the University and for the abolition from time to time of any such bodies, and to approve the establishment, abolition or sub-division of any such bodies on the recommendation of Senate;
- u) To institute, on the recommendation of Senate, donors' fellowships, studentships, exhibitions, bursaries, prizes and other aids to study and research where appropriate and upon conditions acceptable to the Council;
- v) To determine the terms and conditions upon which Internal and External Examiners shall be appointed by the Senate;
- w) To consider and give effect to reports from Senate on those matters upon which Senate is authorized or required to make by the Statute;
- x) To exercise powers of removal from office for good cause of any officer or staff member and other disciplinary controls in the University;
- y) May empower any of its committee to act jointly with any committee appointed by the Senate, provided that the Council shall not delegate to the Chairperson or to a committee the powers to approve without further reference to the Council the annual Estimates of Expenditure;
- z) May refer any financial matters affecting the academic policy of the University to the Senate for advice;
- aa) Shall determine the method and condition of appointment and promotion, terms of service and remuneration of all staff of the University;
- bb) Shall authorize or control the establishment and disestablishment of Campuses, Colleges, cc) Schools, Departments, Directorates, Institutes, Bureau, Units and Centres;
- dd) Shall authorize or control the establishment and disestablishment of academic, library, administrative, technical, secretarial and all other posts in the University necessary for the proper functioning of the University;
- ee) Shall control the appointment of any other persons working for the University, pay honoraria, fees and other remuneration as the Council may determine from time to time.

Meetings of the Council - The Council is responsible for its agenda. The Chairperson of council and the council secretary consult and prepares the council's Annual Council Work Plan and Agenda for the Council meetings. Meetings of the Council are held at least four times in each calendar year at such a place and time as the Chairperson may determine unless the Council determines otherwise. At all meetings of the Council, a quorum is the nearest whole number above half the membership of the Council. Where consensus is not achieved, decisions of the Council may be by a simple majority vote of those present and voting, provided that the Chairperson of the council shall have a casting vote in case of an equality of votes. The Chairperson may at any time call a meeting of the Council within twenty-eight (28) days of receiving request for that purpose addressed to him and signed by at least a half of the membership of Council.

Councils' Effectiveness - In order to ensure that the Council members are effective in their contribution to the management of the University. The University has also developed a comprehensive induction program and inducts all new board members.

Evaluation - The Council has put in place evaluation system to ensure that the Council achieves its objective.

Council Remuneration -The University Non-Executive Council Members are paid a sitting allowance for every meeting attended. They are not eligible for pension scheme membership. However the Chairman of Council receives honoraria on a monthly basis as indicated in Note 14 of the Financial Statements.

Council allowances are based on approved rates and guidance provided in Government Circulars

Conflict of Interest -The Council members are obligated to fully disclose to the Council any real or potential conflict of interest, which comes to any Council member's attention, whether direct or indirect. At any meeting the Council members are expected to make a declaration of any interest they may have in the business under discussion. In the financial year under review, there were no transactions with any of the Council members or their related parties.

Code of Conduct and Ethics -The University has a code of conduct and ethics policy that binds the Council members, management and employees. When joining the University, every employee is provided with a copy of the code of conduct and ethics policy and must commit to abide by its requirements as part of the employment contract with the University.

Whistle Blowing Policy -This is provided for in TU-K Anti-Corruption Policy Clause 17, which states that the University undertakes to protect the identity of persons making corruption disclosures, and the information provided therein shall be handled in utmost confidentiality. Allegations that are false and made with malicious intent are discouraged. Where such malicious or allegations are discovered, the person who made the allegation shall be subjected to disciplinary action.

Risk Management and Internal Controls -The University Council is responsible for the University system of risk management and internal control, which is designed to identifying potential risks in advance, analyzing them and taking precautionary steps to reduce/curb the risk.

The Council has delegated responsibility for the ongoing monitoring of the effectiveness of this system to the Audit Committee. Details in relation to the Audit Committee's work in this regard are set out in the University Statutes.

The Vice-Chancellor is responsible for implementing the system, including a system of internal controls and audits, to identify and manage risks that are material to the University. Independent review of the risk management framework is carried out through the University Internal Audit function that carries out risk based internal audit on regular basis.

The University has an in-house legal officer and has appointed advocates to advise on litigation risks. The identification and management of risk is a continuous process linked to the achievement of the University's objectives. The University Council through its Audit Committee receives regular reports during the year on internal controls and risks.

Compliance -The Council operates in a manner reflecting the University's values and in accordance with the Corporate Guidance, the University Act, and University Charter, University Statutes, Council Charter, Mwongozo and all other applicable regulations.

The Council is committed to ensuring that it complies with all applicable laws and regulations

Governance Audit -The University occasionally conduct governance audit.

Stakeholders -Stakeholders may be categorized, on the basis of location, into internal and external. Internal stakeholders include those inside the University. These include students and employees. On the other hand, external stakeholders are based outside the University, but have implications for survival of the University. These include customers, suppliers, government agencies, development partners, local communities, alumni, external examiners and trade unions.

A. The Senate of the University

The membership of the Senate is as follows: -

- a) The Vice-Chancellor, who shall be the Chairperson;
- b) The Deputy Vice-Chancellors;
- c) The Principals of each Constituent College;
- d) The Principals of each College within the University;
- e) Executive Directors;
- f) Executive Deans;
- g) Directors of Campuses;
- h) Chairpersons of Departments;
- i) Full Professors of the university
- j) The Chief University Librarian;
- k) Director of Student Affairs;
- l) Director Information, Communication and Technology Services (ICT);
- m) Two members elected by the students' organization, who shall be entitled to attend deliberations of the Senate on matters which are considered by the Chairperson of the Senate to be confidential of which relate to examinations, the general discipline of students, and other related matters; and
- n) Such other member as Council may determine in accordance with the Statute

The Deputy Vice-Chancellor is in charge of Academic affairs shall be secretary to the senate.

The Senate shall have the following powers and duties: -

- a) To satisfy itself regarding the content and academic standard of any course of study in respect to any degree, diploma, certificate or other award of the University;
- b) To propose regulations to be made by the Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;
- c) To propose regulations to be made by the Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;
- d) To decide which person has attained such standard of proficiency and are otherwise fit to be granted a degree, diploma, certificate or other awards of the University;
- e) To make regulations governing such other matters as are within its powers in accordance with this Charter or the Statutes.

- f) The Senate may, subject to the Act, the Charter, Statutes and Regulations, establish committees consisting of such members of the Senate or any other persons as it may deem fit and may delegate any of its powers or duties to the Chairperson or any of its committee (s).

B. The University Management Board

Members of the University Management Board comprises;

- I. The Vice-chancellor, who shall be the Chairperson;
- II. The Deputy Vice-Chancellors;
- III. The executive Deans;
- IV. University Secretary and Chief Legal Officer
- V. University Registrar and Chief Administrative Officer
- VI. University Bursar and Chief Finance Officer
- VII. Such other member of senior management as the Council may determine and as provided for in the statutes.

The University Management Board shall assist the Vice-Chancellor in;

- a) The Management of urgent day-to-day academic, administrative, research, development and outreach issues;
 - b) The efficient management of the human, physical, and financial resources of the University;
 - c) Coordination of University and colleges strategic and development plans;
 - d) Make proposals to Senate and Council on issues that have University-wide application;
 - e) Receive proposals from different sectors of the University for recommendation for Council consideration;
 - f) The implementation of Council and Senate approved policies;
- Any other matters related to the management of the University.

9. MANAGEMENT DISCUSSION AND ANALYSIS

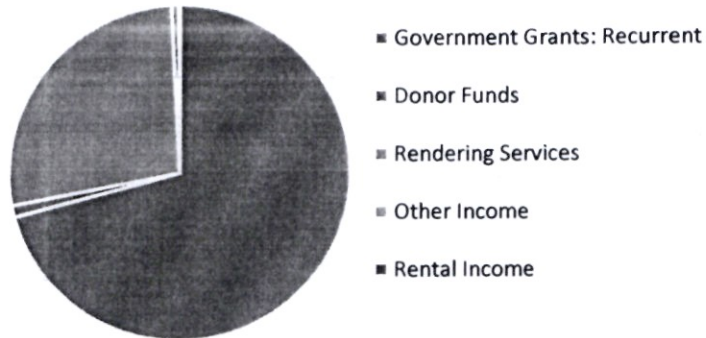
Revenues

The Technical University of Kenya University has three main sources of revenue namely: -

- I. Government Grants – This includes both the Recurrent and Development grants
- II. Internally generated funds- Tuition and other income generating activities.
- III. Externally sourced funds- Donations and grants

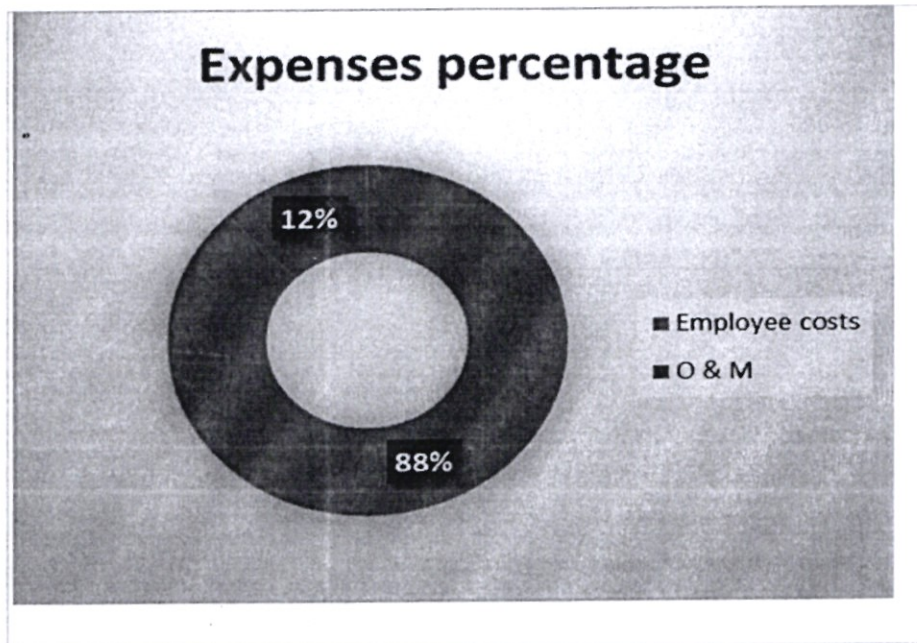
In the fiscal period under consideration, the University has reported total revenue of KES 2,805,616,706 comprising Government recurrent grants of KES 1,988,880,331 donor funds of KES 31,259,947, KES 763,751,675 from rendering of services which is majorly collection of fees, rental income of KES 3,282,450 and other incomes amounting to KES 18,442,302. The same is illustrated in the pie chart below;

Revenue Streams KES



Expenses

The total expenses (recurrent costs) for the University for the Year ended 30th June 2023 inclusive of depreciation and amortization expenses amounted to KES 3,600,717,912. The Employee cost (personnel emoluments-PE) accounts for 88% of the total expenses while operations and maintenance (O&M) accounts for the remaining 12% as diagrammatically shown below;



The statement of changes in accumulated funds for the period ended 30th June 2023 is composed of Revenue Reserve of Kshs. - 5,475,520,278, capital Funds of Kshs. 2,073,999,195 and Revaluation Surplus of Kshs. 4,057,083,331 all totaling KES 655,4562,248.

TU-K has been operating under very constrained financial position ever since it was upgraded to the Kenya Polytechnic University College in 2008. The recurrent capitation allocation has been inadequate to finance the employee costs/payroll. This has seen the university posting budget deficits over the years. In the last two years, the University has reported deficit of KES 449M and 795M for FY2021/2022 and FY2022/2023 respectively. However, we are optimistic that the situation will improve as the Ministry of Education has been looking into means and ways of increasing the funding to the University.

University's Compliance with Statutory Requirements

The University has endeavored to comply with statutory requirement; however, due to the financial constraint the university has been undergoing for the last two years the University has not been able to fully remit payroll statutory deductions as indicated in note 8 on trade and other payables of the Financial Statements.

Key Projects and Investment Decisions the University is Planning/Implementing

SN	PROJECT NAME	COMMENCEMENT DATE	EXPECTED COMPLETION DATES	% OF COMPLETION	ESTIMATED PROJECT COST	COST INCURRED TO DATE	PROGRESS REPORT
2	Construction of Block I and senate towers (T)	2015	DEC 2026	11%	1.4B	200M	Ongoing

Major Risks facing the University

The University has identified the following Key Risks;

- i. Financial Risk- the University is exposed to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency.
- ii. Credit risk: The university is exposed 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.
- iii. Commercial Risk-The intense competition among the universities for module II students exposes the University to commercial risk as there has been a drastic reduction in the number of self-sponsored students.

Material Arrears in Statutory/Financial Obligations

The University has not been in a position to meet its expenditures as and when they fall due. At the end of the financial year 2022/2023 the University had outstanding obligations as per note 20, 21 & 22 of the Financial Statement.

Going Concern

The Council is committed to ensuring that the University has adequate resources to continue in operational existence for the foreseeable future and have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the university's ability to continue as a going concern for a period of at least twelve months. For this reason, the university continues to adopt the going concern basis in preparing the financial statements.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

As Kenya continues to pursue sustainable economic growth by investing in infrastructure projects and extraction of natural resources, the expected manufacturing boom will be followed by a demand for technically skilled workers. Presently, demand for tertiary and higher education has seen rise of private institutions of higher learning. This has resulted in increased competition in the education sector. The competition has had two dimensions; first, it has affected attraction of key faculty that would facilitate development of market driven study programs. Secondly, there is limited pool of students seeking higher education. TU-K's challenge is to innovate ways to attract the key personnel and students, in this competitive environment where quality has been admittedly a key concern. TU-K aims to differentiate itself in the education sector by addressing the quality of technical education & training offered and most importantly address existing inefficiencies to achieve its strategic goals. TUK through its campus outreach programmes/Corporate social responsibility has made tremendous efforts to demystify science among the youth with a view to encouraging them to take science-oriented courses this has seen upsurge in the proportion of student registering for science and technology courses

11. REPORT OF THE DIRECTORS

The Council submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the university's affairs.

i) **Principal activities**

The principal activities of the Technical University of Kenya continue to be as below;

- a) To provide post-secondary technological, professional, and scientific education and training up to and including degree level;
- b) To undertake high quality research and dissemination of research outcomes;
- c) 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

ii) **Results**

The results of the Technical University of Kenya for the year ended June 30, 2023, are set out on page 1

iii) **Council Members**

The Council Members who served during the year are shown on page vii and viii.

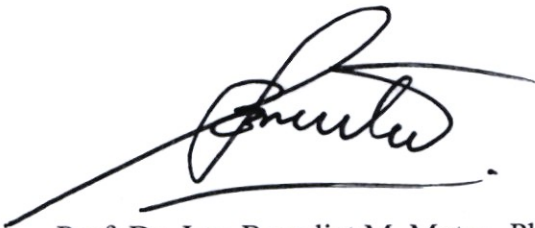
iv) **Surplus remission**

The Technical University of Kenya did not make any surplus during the period under review

v) **Auditors**

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

By Order of the Board



Prof. Dr.-Ing. Benedict M. Mutua, PhD, Rer. Nat.

Vice-Chancellor & Secretary to University Council

12. 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, 2023. This responsibility includes:

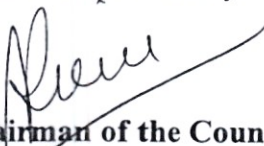
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University;
- (iii) designing, 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 30 June, 2023, 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.

Approval of the financial statements

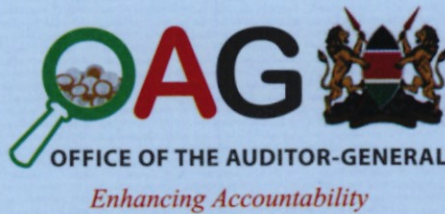
The University's financial statements were approved by the Council on 25th September 2023 and signed on its behalf by:


pp. **Chairman of the Council**
Dr. Idle Farah, OGW; PhD


Vice Chancellor
Prof. Dr.-Ing. Benedict M. Mutua, PhD

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON THE TECHNICAL UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2023

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 the 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

Qualified Opinion

I have audited the accompanying financial statements of The Technical University of Kenya set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual

amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the 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 The Technical University of Kenya as at 30 June, 2023 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 Public Finance Management Act, 2012 and the Universities Act, 2012.

Basis for Qualified Opinion

1. Unsupported Balances

1.1 Unsupported Revenue from Exchange Transactions - Rendering Services

The statement of financial performance reflects revenue from rendering services amount of Kshs.763,751,675 as disclosed in Note 8 to the financial statements. However, Management did not provide schedule of receipts to ascertain how much had been received. It was therefore not possible to confirm accuracy and completeness of the reported amount in the financial statements.

1.2 Unsupported Expenditure on Donor Funds

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects donor funds totalling Kshs.31,259,947. Sampled donors records as detailed below revealed that these funds were received by the University for research purposes;

- i. Leuven Fund (Global Minds) PhD Scholarship for a PhD student – an amount of Kshs.2,228,981,
- ii. University of Leeds (Dara Project) – an amount of Kshs.969,985, Chemonics Kenya Ltd. Research and Innovation Systems for Africa (RISA Project) - an amount of Kshs.16,575,899,
- iii. UNCTAD (United Nations) Sustainable Leather Tanning and Trading Technologies in Kenya Leather Sector an amount of Kshs.4,655,000.

However, no documentary evidence was provided in support of the expenditure as indicated in the funding summaries for the projects. Further, the project files to confirm how the projects were implemented and progressed were not provided for audit review.

1.3 Unsupported and Long Outstanding Receivables from Non-Exchange Transactions

The statement of financial position and as disclosed in Note 19 to the financial statements, reflects a balance of Kshs.7,833,591 in respect of receivables from non-exchange

transactions. Included in the balance is unsupported amount of Kshs.104,350, Kshs.500,000 and Kshs.562,501 in respect of deposits to suppliers, Nyayo Vehicles Project and dishonored cheques all totalling Kshs.1,166,851. Further, these amounts were brought forward from previous years and have been outstanding for a long period.

In the circumstances, the accuracy, completeness and regularity of the financial statements could not be confirmed.

2. Delay in Payments of Trade and Other Payables

The statement of financial position and as disclosed in Note 22 to the financial statements reflects trade and other payables balance of Kshs.3,125,726,027 which is an increase of Kshs.400,396,294 or 15% from a balance of Kshs.2,725,329,733 in the year ended 30 June, 2022. Examination of records provided revealed the following;

2.1 Non-Remittance of Bank Loan and Insurance Premium Deductions

Analysis of the payables data revealed increments of Kshs.131,912,690 and Kshs.2,665,446 or 402% and 260% in respect of unremitted bank loans and insurance premiums from prior year audited financial statements. Analysis of the payroll reflects salary deductions in respect to the above commitments hence failure by the Institution to honor and remit loans and premium deductions to the respective Banks and Insurance Companies as entrusted by their employees. This poses a risk of penalties by the banks to the employees, a liability which should be fully owned by the University for breach of the law.

In addition, the aging analysis presented for audit revealed that the University had not paid its creditors since May, 2018. The creditors had increased by Kshs.130,876,873 or 134% from the prior year balance of Kshs.97,990,744. It was not possible to determine why the Institution made payments for some of its most recent suppliers while leaving out long outstanding trade payables stretching way back from the year 2018.

2.2 Non-Compliance with Deduction and Remittance of Statutory Dues-PAYE

The trade and other payables balance of Kshs.3,125,726,027 includes statutory obligations amounting to Kshs.2,012,983,064 as disclosed in Note 22 to the financial statements. The ledger provided for audit revealed that this amount was owed to Kenya Revenue Authority being PAYE deducted but not remitted. However, the repayment plan on how the University plans to settle the outstanding amount was not provided for audit.

In the circumstances, Management is not able to meet its short-term obligations as and when they fall due and is exposed to loss of funds through fines and penalties.

3. Unsupported and Non-Remittance of Staff Pension

The statement of financial position and as disclosed in Note 24 of the financial statements reflects employee benefit obligation balance of Kshs.3,011,248,440. By failing to remit pension deductions, the University is exposed to loss of funds in case of litigation cases and was in breach of Section 53A.(1)(3) of the Retirement Benefits Act, 2017 that requires an employer to remit employee's pension emoluments within fifteen (15) days of the deduction and shall attract a compound interest at the rate of three percent per month.

Further, Management did not provide schedule to support the amount stated in the financial statements. In addition, Management is exposed to loss of funds through penalties and fines.

In the circumstances, regularity, completeness and accuracy of the employee benefit obligation balance of Kshs.3,011,248,440 could not be confirmed.

4. Irregularities in the Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.5,446,516,422 and as disclosed in Note 21 to the financial statements. However, scheduled breakdown for each class of assets and current value were not provided for audit. Further, the following issues were noted;

4.1 Grounded Motor Vehicles

Physical verification of motor vehicles revealed that four (4) vehicles modeled; Peugeot 504 Saloon KAL 279U, Toyota Avanza KBL 291G, Peugeot 406 KAV 060E, and Isuzu Minibus KAC 125G of undetermined value were not functional and had been grounded for a long period of time. An internal memo from the Fleet and Transport Manager to the Vice Chancellor dated 5 May, 2023 issued an inspection report of grounded University vehicles and recommendation for disposal. Further, records provided revealed that a vehicle VW Passat Reg No. KBJ 466 attached to the Vice Chancellor's Office developed gearbox problems in 2021 and was taken to D.T Dobie for diagnosis. The vehicle was declared to be worn out beyond repair, and the dealer gave a quotation of Kshs.1,950,000 for a new gearbox. The Transport Department recommended that the University should consider disposing off this vehicle in its present mechanical condition and in its place purchase a new saloon car of comparable class for the Vice Chancellor's Office. However, the current position of the grounded vehicles could not be established.

4.2 Work-In-Progress - Kasarani Technical and Vocational College

Technical University of Kenya as the mentor Institution for Kasarani Technical and Vocational College was in charge of the construction of the Technical and Vocational College tuition block. However, it was noted that the Company that had been contracted did not hand over the project valued at Kshs.66,642,639 considering the contract was awarded on 14 October, 2014 for ten (10) Months period. Further, details of the building disclosed under the property, plant and equipment may be misleading since Kasarani Technical and Vocational College is currently an independent reporting entity.

In the circumstances the accuracy, completeness and existence of the property, plant and equipment balance of Kshs.5,446,516,422 could not be confirmed.

5. Failure to Disclose Material Uncertainty in Relation to Sustainability of Services

The statement of financial position reflects total current assets balance of Kshs.1,484,037,600 against total current liabilities of Kshs.6,274,991,774 resulting to a negative working capital of Kshs.4,790,954,174. Further, the statement of financial performance indicated that the University recorded a deficit of Kshs.795,101,206 resulting to increase of accumulated deficit from Kshs.4,680,419,072 as at 30 June, 2022 to Kshs.5,475,520,278 as at 30 June, 2023.

This material uncertainty casts significant doubts on the University's ability to continue to sustain its services. The above financial status indicates that the University is technically insolvent and may not be able to meet its current obligations as and when they fall due.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of The Technical University of Kenya Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis totalling Kshs.3,959,898,868 and Kshs.2,805,616,706 respectively, resulting to an underfunding amounting to Kshs.1,154,282,163 or 29% of the budget. Similarly, the University expended an amount of Kshs.3,600,717,912 against an approved budget of Kshs.3,914,775,405 resulting to an under-expenditure of Kshs.314,057,494 or 8% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

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. There were no key audit matters to report in the year under review.

Other Matter

1. Long Outstanding Debtors

The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,453,421,741 as disclosed in Note 18 to the financial statements which relates to outstanding students' fees and provision for bad debts balance of Kshs.1,614,913,045 and Kshs.161,491,305, respectively. However, students fees debts totalling Kshs.145,534,175 relate to the year 2007. Further, Management has not provided measures taken to recover funds from the concerned students and no policy for provision of bad debts was provided.

In the circumstances, the recoverability of receivables from exchange transactions balance of Kshs.145,534,175 could not be confirmed.

2. Long Outstanding UoN Salary Reimbursement and Audit Fee

The statement of financial position and as disclosed in Note 22 to the financial statements reflects trade and other payables balance of Kshs.3,125,726,027 which includes a

balance of Kshs.2,788,531 and Kshs.8,932,000 in respect of UoN salary reimbursement and audit fee respectively which have been carried forward over the years. Analysis of the UoN salary reimbursement revealed that the amount has been accruing at a constant amount while the audit fee charged yearly has been accruing at an amount of Kshs.812,000 annually since 2013. No reasons were provided as to why the University had not cleared the balances.

In the circumstances, Management is not able to meet its short-term obligations as and when they fall due and may expose the University to legal suits.

3. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on effectiveness of internal controls, risk management and governance. However, the Management had not resolved the issues nor given any explanation for the failure to implement the recommendations.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the 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. Unapproved Over Expenditure

The University expended an amount of Kshs.3,600,717,912 against an approved budget of Kshs.3,600,717,912 resulting to an under-expenditure of Kshs.314,057,494 or 8% of the budget. However, Management incurred expenditure above the budgeted amounts totalling Kshs.29,965,143 on the following four items;

	Item	Actual Expenditure (Kshs.)	Budget Amount (Kshs.)	Variance (Kshs.)
1	Council Expenses	9,959,226	9,360,182	599,044
2	Repairs and Maintenance	48,857,628	24,203,188	24,654,440
3	Hospitality Supplies and Services	21,692,508	17,552,507	4,140,001
4	Foodstuffs Supplies	8,986,047	8,414,389	571,658
	Total			29,965,143

The over expenditure was not explained or supported with an approval. Further, no explanation was provided for failure to include capital expenditure in the budget.

In the circumstances, budget and budgetary controls could not be confirmed.

2. Employee Cost

2.1 Non-Compliance with the Law on Fiscal Responsibility and Unsustainable Wage Bill

The statements of financial performance reflects an expenditure of Kshs.3,182,329,831 on employees' costs representing 113% of the total receipts amount of Kshs.2,805,616,706. This is contrary to Regulations 26(a) of the Public Finance Management (National Government) Regulations, 2015 which states that expenditure on the employee's costs shall not exceed 35 percent of the National Government's equitable share of the revenue raised nationally plus other revenues generated. In addition, the circumstances in which employee costs exceeded the revenue generated were not explained or supported.

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

2.2 Non-Compliance with the One-Third of Basic Salary Rule

During the month of January, 2023, thirty-six (36) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. The Management has not given an explanation for the failure to comply with the policy.

In the circumstances, the Management contravened Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016 and this may expose the staff to pecuniary embarrassment.

2.3 Staff in Acting Position for More than Six Months

The statement of financial performance reflects employee costs amount of Kshs.3,182,329,831 as disclosed in Note 11 to the financial statements which includes acting allowance totalling Kshs.5,709,460. Examination of the payroll and other staff records revealed that fourteen (14) employees serving in various capacities continued to serve in acting positions and receive acting allowances beyond six (6) months. This is contrary to Section C.14 (1) of the Public Service Commission (PSC) Human Resource Policies, 2016.

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

3. Irregularities in the Procurement Process

3.1 Procurement for the Construction of Block I & T

During the year under audit, the University carried out procurement process for the construction of Block I & T. The procurement was an open tender advertisement on 20 April, 2022 through the University boards, website and the Public Procurement Information Portal. Tender opening took place on 10 May, 2022 after an addendum postponing it from 3 May, 2022 with a validity period was one hundred and fifty (150) days. Evaluation took place on 29 May, 2022 and the tender was awarded to an International Company in a joint venture with a Local Company at a contract sum of

Kshs.1,245,225,049. Analysis of the professional opinion and other procurement documents presented for audit review, revealed the following issues;

- i. The professional opinion by Head of Procurement was dated 27 June, 2022, however, the notice of award was issued three (3) weeks prior to the professional opinion on 3 June, 2022.
- ii. The winning bidder presented his acceptance to carry out the works on 14 June, 2022 two (2) weeks before the professional opinion was signed by the Accounting Officer.
- iii. The law requires that contract signing should take place within thirty (30) days after award of the tender, however, the contract signing took place after four and a half months from the award date on 18 October, 2022.
- iv. Due diligence to the winning bidder took place on 7 June, 2022 four (4) days after the Accounting Officer had already issued a letter of award to the winning bidder.
- v. Clause 18.1 of the contract agreement on Management meeting requires that, there shall be monthly meetings by the Project Manager, Contractor and the employer representative to review plans of the remaining work and deal with any matters raised. No reports or minutes of the respective meetings were presented for audit review.
- vi. Review of the requisition form from the Director of Properties to procurement department dated 4 April, 2022 requesting for construction of Block I & T as per the approved drawings had the winning supplier name and contract sum of Kshs.1,245,225,049. This may be an indication that Management was already aware of the winning bidder and the exact contract sum. Therefore, it was not possible to confirm authenticity of the whole procurement process for the construction of Block I & T.
- vii. Three (3) members of the tender opening committee did not sign the minutes contrary to the law.
- viii. The University had written to the Inspector General Corporations in request for additional funding of Kshs.413,818,623. In his response, the Inspector General requested the University to submit a report on the procurement process from the inception to contract award by 4 November, 2022. However, the said report was not presented for audit review hence it was not possible to confirm whether the University Management complied with the Director's request.
- ix. The University Management did not tender for consultancy services for the specific project but rather used an existing consultancy contract that was signed on 15 July, 2015. No explanation was provided for above anomalies.

3.2 Irregularities in the Procurement for Small Project Works

During the financial year under review, the Department of Properties and Facilities Management had a works related budget of Kshs.1,976,422,638 as approved in the

University procurement plan. Analysis of the payment vouchers and procurement documentations revealed the following issues:

3.2.1 Upgrading of Centre for Language and Communication Studies

The University awarded a contract for the upgrading of Centre for Language and Communication Studies at a contract sum of Kshs.2,097,230. Analysis of the procurement documentations and payment voucher presented for review revealed the following issues;

- i. The quotation document stated closing date as 19 October, 2022 while the professional opinion stated that the quotations were opened on 26 October, 2022, one week after the closing date in the quotation document.
- ii. The provisional sum of Kshs.450,000 was not accounted for.
- iii. Opening minutes were not presented for review.
- iv. Contract progress and inspection reports were not presented for audit review hence it was not possible to confirm the authenticity of the payment certificates attached to the payment vouchers.
- v. There was no signed contract document hence not possible to confirm the contract terms and duration of completion.
- vi. The contractor was paid in full without withholding retention money.
- vii. The University did not maintain a project file hence it was not possible to confirm the procurement process used in contracting the respective contractor.

3.2.2 Proposed Painting of Library

Payment voucher number 33300 of Kshs.2,340,103 paid to a contractor for proposed painting of Library, Block F & G revealed the following issues;

- i. Payment certificate number 1 of Kshs.2,340,103 stated that the works were 80% complete. However, the tender document indicated that certificate number 1 should be paid upon 100% completion of works hence an irregular variation of the contract terms.
- ii. The University Management varied works totalling Kshs.560,850 and Kshs.176,300 for the decoration works at DVC Office and painting works at Student Centre respectively. No variation minutes were presented for audit.
- iii. Documentation on completion of works totalling Kshs.517,000 and Kshs.588,000 for Block G & H which was noted as incomplete in certificate number 1 was not provided. It was not possible to confirmed whether the works were done or not.
- iv. The quotation document indicated duration for the works as ten (10) days. However, after one month the contractor had only completed 80% of the works. No explanation was provided to justify the delay in completion of the works.

3.2.3 Electrical Works and Associated Services for Block G

Payment voucher number 34173 reflects an amount of Kshs.1,038,018 paid to a contractor for electrical works and associated services for Block G. The supporting documents presented for audit review revealed the following issues;

- i. Payment certificate number 1 had unapproved variations totalling Kshs.140,000.
- ii. The quotation document and the professional opinion indicated total contract sum of Kshs.999,200 while the supplier was paid a total amount of Kshs.1,092,650. No explanation was provided as to why the contractor was paid more than the quoted contract sum by an amount of Kshs.93,450.
- iii. The project progress, inspection reports, registered list of AGPO Suppliers, quotation and LPO stating the contract duration were not presented for review.
- iv. The professional opinion was signed on 14 October, 2022 while the LPO was signed two (2) days before the professional opinion on 12 October, 2022. It was not possible to confirmed the basis in which the Accounting Officer awarded the contract without recommendations from the procurement department.

3.2.4 Upgrading of Room N 102

Examination of payment voucher number 34561 reflects an amount of Kshs.1,442,888 and Kshs.84,04 paid to a contractor through certificate number 1 and 2 respectively for the upgrading of Room N 102. Analysis of the supporting documents revealed that the payment certificate number 1 reflected a contract variation of Kshs.634,100, whose approval was not provided. Further, it was noted that the University did not maintain a project file for the works hence it was not possible to confirm whether the project adhered to the Procurement Act in contracting for the project.

In addition, it was noted that the quotation had a validity period of ninety (90) days. However, the quotations were opened on 19 October, 2022 and LPO issued on 6 March, 2023, a period of one hundred and forty (140) days. No minutes of the variation were presented for audit review.

3.2.5 Proposed Reroofing of Lecture Theatre

Payment voucher number 33176 reflects payment of Kshs.1,870,515 to a contractor under certificate no. 1; being 85% works done for the proposed reroofing of a lecture theatre contrary to the provisions of the tender document which required certificate number 1 to be raised after 100% project completion. Further, the quotation was floated to AGPO Suppliers only. In addition, it was noted that the University Management did not maintain a procurement file for the said project hence it was not possible to confirm the procurement process from sourcing to payment of retention money. Similarly, approval of the variation of Kshs.770,350 was not provided.

In the circumstances, value for money from the above procured projects could not be confirmed. Further, Management was in breach of the law.

4. Irregular Management of Framework Agreements

Analysis of the procurement documents presented for audit revealed that the University advertised for framework agreements of various categories on 17 June, 2022. However, it was noted that, The University used quotation method to procure for supply of goods already signed for in the framework agreements which include foodstuff and stationeries from the list of prequalified suppliers. This was in contravention of Regulations 106 of the Public Procurement and Asset Disposal Regulations, 2020 which states that a procuring entity is not required to advertise or invite quotations from persons not shortlisted under the framework agreement where a framework agreement has been entered into by the procuring entity.

Further, it was noted that the Head of Procurement Unit did not prepare and submit to the Accounting Officer a copy to the Internal Auditor quarterly reports detailing an analysis of items procured through framework contracts and the reports include an analysis of pattern of usage, procurement costs in relation to the prevailing market rates and any recommendations.

In addition, analysis of all payment documents revealed that goods are received directly by the University procurement unit without verification by the receiving and inspection committee. It was therefore not possible to confirm compliance in terms of contract specifications of goods received.

In the circumstances, value for money on the contracts procured could not be confirmed.

Further, Management was in breach of the law.

5. Irregular Approval and Application of the Procurement Plan

During the financial year under audit, Management prepared and approved a procurement plan with an estimated cost of Kshs.271,062,761. Analysis of the approved procurement plan document revealed several irregularities concerning the approval as detailed below;

- i. The procurement plan presented for audit review was signed on 6 October, 2022 contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer to prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.
- ii. The approved procurement plan presented for audit had several gaps which include; procurement items listed with no indication of the method to be used as the case of all items under University Health and Wellness Services. This was contrary to Section 53(10) of the Public Procurement and Asset Disposal Act, 2015, which provides that, the procurement and disposal plans approved under Subsection (5) shall include choice of procurement and disposal methods. Further, the approved procurement plan had gaps on items required where amounts were indicated with the item to be procured not listed and the amount is

tallied to the sub totals as in the case number 72 of Property and Facilities Management.

- iii. The procurement plan presented for audit review approved procurement of up to Kshs.925,000,000 and Kshs.300,000,000 to be procured through request for quotation as per item number 82 and 83 of the Property and Facilities Management contrary to the threshold matrix under the Second Schedule of the Public Procurement and Asset Disposal Regulations, 2020 that has capped the threshold of project works through request for quotation at Kshs.5,000,000.
- iv. An amount of Kshs.178,000,000 was planned and approved in the procurement plan under Engineering Professional Services to be procured through request for quotation. However, the category could not be traced in the list of prequalified suppliers presented for audit.
- v. The procurement plan items listed to be procured through request for quotations did not agree with the framework agreements and list of prequalified suppliers presented for audit review.
- vi. Non-procurement categories which include subsistence allowance, travelling expenses and passage and baggage were listed in the approved procurement plan, fully costed and procurement method indicated as request for quotation as the case of Electrical and Electronic Engineering number 24, 25 and 26.

In the circumstances, it was not possible to confirm, the lawfulness of procurements carried out under the University's approved procurement plan in 2022/2023. Further, 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 THE 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 matter described in the Basis for Conclusion on 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. Lack of Policy Documents

1.1 Risk Management Policy

During the audit, it was noted that the University lacks a Risk Management Policy thus it does not have a framework for management of risk and hence not possible to identify, assess and control risk. In the circumstances, the University lacks fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

1.2 Disaster Recovery Plan

During the audit, it was noted that the University did not have in place a disaster recovery or business continuity plan. In the absence of a disaster recovery or business continuity plan, the Institution lacks a blue print for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted.

In the circumstances, the University lacks the ability to meet its obligations of providing basic services or its financial commitments, identify the financial problems and be designed to place the National Government in a sound and sustainable financial condition.

2. Unapproved ICT Policy

Review of the University ICT environment during the year ended 30 June, 2023 revealed that there was no formal approved ICT policy in place to enable the University manage business processes for the delivery of services to the stakeholders in an effective and efficient manner.

In the circumstances, the IT operations may not have been effectively managed and aligned to support the operations of the entity during the year under review.

3. Outstanding Staff Imprests

The statement of financial position and as disclosed in Note 19 to the financial statements reflects a total balance of Kshs.7,833,591 in respect of receivables from non-exchange transactions which include outstanding staff imprest amounting to Kshs.2,569,914. No explanation was provided as to why the imprest had not been surrendered as at 30 June, 2023.

In the circumstances, the recoverability of the outstanding imprest could not be confirmed.

4. Failure to Tag and Update the Fixed Asset Register

Note 21 to the financial statements reflects property, plant and equipment additions totalling Kshs.152,168,180 in respect of furniture and fittings, computers, printer and software, machinery and equipment and work in progress of Kshs.3,393,060, Kshs.2,696,100 Kshs.2,857,505 and Kshs.143,221,515, respectively. However, it was noted that the fixed asset register was not updated to include the details of code list, payment voucher numbers and the cheque numbers of each of the assets acquired.

Further, it was noted that most of the University's assets have not been tagged which assist in unique identification of assets.

In the circumstances, the internal controls put in securing of fixed assets could not be confirmed.

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

Responsibilities of Management and 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 controls 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 governance.

In preparing the financial statements, Management is responsible for assessing the University's ability to continue to sustain 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 University 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 controls 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 controls 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 controls 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 University's 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 Management's use of the 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 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 March, 2024

14. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE PERIOD ENDED 30 JUNE 2023

	Notes	2023 Kshs.	2022 Kshs.
INCOME			
Revenue from non-exchange transactions			
Government Grants: Recurrent	6	1,988,880,331	1,990,463,289
Donor Funds	7	31,259,947	46,321,736
Revenue from exchange transactions			
Rendering Services	8	763,751,675	961,527,179
Other Income	9	18,442,302	30,778,365
Rental Income	10	3,282,450	3,154,250
Total Revenue		2,805,616,706	3,032,244,819
EXPENSES			
Employee costs	11	3,182,329,831	3,000,688,256
Depreciation and amortization expense	12	71,511,413	79,567,071
Use of Goods and Services	13	258,999,412	311,159,620
Contracted services	14	29,060,401	37,510,817
Repairs and Maintenance	15	48,857,628	47,743,257
Council Expenses	16	9,959,226	4,856,916
Total Expenses		3,600,717,912	3,481,525,938
Surplus before tax(Deficit) for the year		(795,101,206)	(449,281,118)

The Financial Statements were signed on behalf of the Council by:



Vice-Chancellor

Prof. Dr.-Ing. Benedict M.
Mutua, PhD, Rer. Nat.

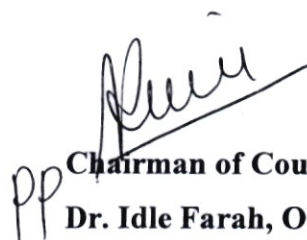
8th January 2024



Financial Controller

CPA B.M SANDA
ICPAK No: 11018

8th January 2024



Chairman of Council

Dr. Idle Farah, OGW; PhD

8th January 2024

15. STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	2023 Kshs.	2022 Kshs.
CURRENT ASSETS			
Cash and Cash Equivalents	17	15,037,859	26,135,736
Receivables from Exchange	18	1,453,421,741	1,346,042,591
Receivables from Non Exchange	19	7,833,591	13,590,826
Inventories	20	7,744,409	6,422,923
TOTAL CURRENT ASSETS		1,484,037,600	1,392,192,076
NON CURRENT ASSETS			
Property, Plant and Equipment	21	5,446,516,422	5,365,859,656
TOTAL ASSETS		6,930,554,022	6,758,051,732
CURRENT LIABILITIES			
Trade and other payables	22	3,125,726,027	2,725,329,733
Refundable Deposits	23	138,017,307	114,741,129
Employee Benefit Obligation	24	3,011,248,440	2,502,804,999
TOTAL CURRENT LIABILITIES		6,274,991,774	5,342,875,861
NET ASSETS			
Capital Fund		2,073,999,195	2,038,511,612
Revenue Reserve		(5,475,520,278)	(4,680,419,072)
Revaluation Surplus		4,057,083,331	4,057,083,331
TOTAL NET ASSETS		655,562,248	1,415,175,871
TOTAL FUNDS AND LIABILITIES		6,930,554,022	6,758,051,732

The Financial Statements were signed on behalf of the Council by:



Vice-Chancellor

Prof. Dr.-Ing. Benedict M.
Mutua, PhD, Rer. Nat.

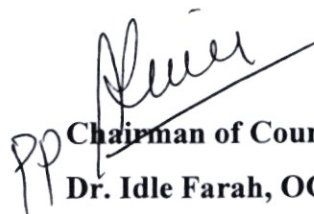
8th January 2024



Financial Controller

CPA B.M SANDA
ICPAK No: 11018

8th January 2024



Chairman of Council

Dr. Idle Farah, OGW; PhD

8th January 2024

**16. STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED 30 JUNE 2023**

	<u>Capital Fund</u>	<u>Revaluation Reserve</u>	<u>Revenue reserve</u>	<u>Total</u>
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2021	2,038,511,612	4,057,083,331	(4,231,137,954)	1,864,456,989
Funds received during the Period	-			-
Surplus for Period			(449,281,118)	(449,281,118)
As at 30 June 2022	2,038,511,612	4,057,083,331	(4,680,419,072)	1,415,175,871

	<u>Capital Fund</u>	<u>Revaluation Reserve</u>	<u>Revenue reserve</u>	<u>Total</u>
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2022	2,038,511,612	4,057,083,331	(4,680,419,072)	1,415,175,871
Funds received during the Period	35,487,583			35,487,583
Surplus for Period			(795,101,206)	(795,101,206.10)
As at 30 June 2023	2,073,999,195	4,057,083,331	(5,475,520,278)	655,562,248

17. STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2023

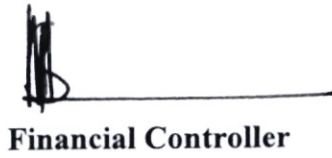
Notes	2023 Kshs.	2022 Kshs.
Cash flow from operating activities:		
Receipts		
Government Grants	1,988,880,331	1,990,463,289
Donor funds	31,259,947	46,321,736
Tuition Fees	763,751,675	961,527,179
Other Incomes	18,442,302	30,778,365
Rental Income	3,282,450	3,154,250
	2,805,616,706	3,032,244,819
Payments		
Compensation of employees	3,182,329,831	3,000,688,256
Goods and services	<u>346,876,667</u>	<u>401,270,611</u>
	3,529,206,498	3,401,958,867
(Increase)/Decrease in current receivable	(101,621,915)	(286,432,663)
(Increase)/Decrease in inventory	(1,321,486)	2,029,149
Increase in payables	<u>932,115,913</u>	<u>668,619,394</u>
Net cash from Operating Activities	105,582,720	14,501,832
Cash flows from investing activities		
Purchase of property plant and Equipment & IA	<u>(152,168,180)</u>	<u>(5,728,370)</u>
Net Cash flows used in investing activities	(152,168,180)	(5,728,370)
Cash flows from financing activities		
Development grants received	<u>35,487,583</u>	-
Net Cash flows used in financing activities	35,487,583	-
Net increase/decrease in cash and Cash Equivalent	(11,097,877)	8,773,462
Cash and Cash equivalents at beginning of period	<u>26,135,736</u>	<u>17,362,274</u>
Cash and Cash equivalent at end of period	<u>15,037,859</u>	<u>26,135,736</u>

The Financial Statements were signed on behalf of the Council by:


Vice-Chancellor

Prof. Dr.-Ing. Benedict M.
Mutua, PhD, Rer. Nat.

8th January 2024


Financial Controller

CPA B.M SANDA
ICPAK No: 11018

8th January 2024


Chairman of Council
Dr. Idle Farah, OGW; PhD

8th January 2024

**18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2023
Budget Approved on the Cash Basis
(Classification of Payments by Functions)**

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	%tage of Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
	a	b	c=(a+b)	d	e=(c-d)	F=(d/c*100)
CASH INFLOWS						
Government Grants-Recurrent	1,988,880,331	-	1,988,880,331	1,988,880,331	-	100
Grants , Dev't Partner t (Donor Partner)	43,027,089	-	43,027,089	31,259,947	11,767,142	73
Rendering Services	938,000,000	-	938,000,000	763,751,675	174,248,325	81
Other Income -Recurrent (IGU)	986,918,448	-	986,918,448	18,442,302	968,476,146	2
Rental Income	3,073,000	-	3,073,000	3,282,450	(209,450)	107
Total Receipts	3,959,898,868	-	3,959,898,868	2,805,616,706	1,154,282,163	71
CASH OUTFLOWS						
Employee Costs	3,413,206,667	-	3,413,206,667	3,182,329,831	230,876,836	93
Council Expenses	9,360,182	-	9,360,182	9,959,226	(599,044)	106
Bulk Purchases of Water and Electricity	49,615,835	-	49,615,835	35,818,792	13,797,043	72
Repairs & Maintenance	24,203,188	-	24,203,188	48,857,628	(24,654,440)	202
Depreciation		-		71,511,413	(71,511,413)	
Contracted Professional Services	41,297,105	-	41,297,105	29,060,401	12,236,704	70
Provision for Audit Fees	1,068,840	-	1,068,840	812,000	256,840	76
General Expenses						
Printing and Advertising expenses	15,395,413	-	15,395,413	4,952,060	10,443,353	32
Land Rates and Rentals	23,790,298	-	23,790,298	6,553,000	17,237,298	28
Staff Training Expenses	14,945,246	-	14,945,246	7,940,072	7,005,174	53
Hospitality Supplies and Services	17,552,507	-	17,552,507	21,692,508	(4,140,001)	124
Medical & Insurance Expenses	51,667,006	-	51,667,006	41,198,056	10,468,950	80
Specialized, Teaching Materials \$ Supplies	140,022,659	-	140,022,659	82,152,426	57,870,234	59
Provision for Bad Debt		-		11,752,171	(11,752,171)	
General Supplies	29,536,112	-	29,536,112	20,553,070	8,983,042	70
Communication Supplies & Services	30,283,917	-	30,283,917	9,759,102	20,524,814	32
Foodstuffs supplies	8,414,389	-	8,414,389	8,986,047	(571,658)	107
Gas & Lubricants	15,677,725	-	15,677,725	860,062	14,817,663	5
Other Operating Expenses	28,738,316	-	28,738,316	5,970,047	22,768,269	21
Total Payments	3,914,775,405	-	3,914,775,405	3,600,717,912	314,057,494	92
NET CASH OUT FLOWS	45,123,463	-	45,123,463	(795,101,206)	840,224,669	(1,762)

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Technical University of Kenya is established by and derives its authority and accountability from the University Act 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is to provide quality education and training.

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 Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Entity. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the public universities 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. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

Not applicable to the University

IPSAS 42: Social Benefits **Applicable: 1st January 2023**
The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:

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

Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments **Applicable: 1st January 2023:**

- Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.
- Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.
- Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.
- Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

Not applicable to the University

Other improvements to IPSAS **Applicable 1st January 2023**

- IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008).
- IPSAS 39: Employee Benefits.* Now deletes the term composite social security benefits as it is no longer defined in IPSAS.
- IPSAS 29: Financial instruments: Recognition and Measurement.** Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

Not applicable to the University

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
IPSAS 43	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii. Early adoption of standards

The University did not early – adopt any new or amended standards in the year.

4. Summary of significant accounting policies

(a) Revenue Recognition

i) Revenue from non-exchange transaction

Fees, taxes and fines

The TU-K 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 TU-K and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transaction

Rendering of services

The TU-K 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 University.

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.

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

(b) Budget information

The original budget for FY 2022-2023 was approved by the Ministry of Education on 24th June 2022 while the supplementary budget was approved on 5th April 2023. The original budget is adjusted with subsequent revisions or additional appropriations upon receiving the respective approvals from the appropriate authorities to form the final budget. The TU-Ks 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.

(c) 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.

(d) 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 University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are as tabulated below;

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.

(e) Intangible assets

Intangible assets such as patent rights 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. 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.

(f) Research & Development Costs

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

- i. The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii. Its intention to complete and its ability to use or sell the asset.
- iii. How the asset will generate future economic benefits or service potential
- iv. The availability of resources to complete the asset.
- v. 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.

(g) Financial Instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the University's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The University classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts less outstanding cash imprests and advances to staff at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The University assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

b) Financial liabilities

Classification

The University classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

(h) 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:

- i. Raw materials: purchase cost using the weighted average cost method.
- ii. 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 University.

(i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the University will incur in fulfilling the present obligations represented by the liability.

(j) Employee Benefits

The University operates a defined contribution benefit scheme, for its employees who are on permanent employment. Defined contribution plans are post-employment benefit plans under which a University 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.

(k) 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.

(l) 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 borrowing costs have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

(m) 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. For the purposes of these financial statements, cash and cash equivalents include short term deposits, cash on hand and cash at bank at the end of the financial year.

(n) Provision on bad and doubtful debts

The University provides for bad and doubtful debts at the rate of 10% of the outstanding debtors, less outstanding staff imprests and salary advances.

(o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the period under review

(p) Related Parties

The University 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. The National Government, Council Members and Members of Management Board are regarded as related parties.

(q) Comparative figures

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

(q) 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. There were no any foreseeable contingent liability for the reporting period.

(r) 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. There were no any foreseeable contingent assets for the reporting period.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the University'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.

Estimates and assumptions

The University did not make any 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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:

- a. The condition of the asset based on the assessment of experts employed by the Entity.
- b. The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c. The nature of the processes in which the asset is deployed.
- d. Availability of funding to replace the asset.
- e. Changes in the market in relation to the asset

Provisions

The university recognized provisions when there is 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.

NOTES TO THE FINANCIAL STATEMENTS CONT

6 REVENUE FROM NON-EXCHANGE TRANSACTIONS	2023	2022
Description	Kshs.	Kshs.
Unconditional Grants		
Recurrent Grants	1,988,880,331	1,990,463,289
Other Grants	-	-
Total Unconditional Grants	1,988,880,331	1,990,463,289
Conditional Grants		
Other Organizational Grants	-	-
Total Government Grants And Subsidies	1,988,880,331	1,990,463,289
7 PUBLIC CONTRIBUTIONS AND DONATIONS	2023	2022
	Kshs.	Kshs.
Donor Funds	31,259,947	463,217,364
Total	2,020,140,278	2,036,785,025
REVENUE FROM EXCHANGE TRANSACTIONS	2023	2022
	Kshs.	Kshs.
8 Rendering Services	763,751,675	961,527,179
9 Other Income	18,442,302	30,778,365
10 Rental Income	3,282,450	3,154,250
Total Exchange Revenue	785,476,427	995,459,794
11 EMPLOYEE COSTS	2023	2022
	Kshs.	Kshs.
Personal Emoluments	2,899,591,553	2,745,917,752
Overtime	979,415	1,076,879
Gratuities	44,170,865	42,114,938
Other Employer Contributions	193,745,534	180,504,811
N.S.S.F	7,895,740	2,939,800
Domestic Travel	25,974,251	17,921,156
Foreign Travel	9,972,474	10,212,921
Total	3,182,329,831	3,000,688,256
12 DEPRECIATION AND AMORTIZATION EXPENSES	2023	2022
	Kshs.	Kshs.
Buildings	21,463,772	22,014,125
Motor Vehicles	2,420,877	3,227,837
Property plant and equipment	47,626,764	54,325,109
Total depreciation and amortization	71,511,413	79,567,071

NOTES TO THE FINANCIAL STATEMENTS CONT

13 USE OF GOODS AND SERVICES	2023	2022
	Kshs.	Kshs.
Printing, Advertising & Publicity	4,952,060	9,333,886
Land Rates & Rental Expenses	6,553,000	6,346,778
Staff Training Expenses	7,940,072	7,478,208
Hospitality Suppliers & Services	21,692,508	11,377,703
Medical & Insurance Expenses	41,198,056	45,049,071
Specialized ,Teaching Materials & Supplies	82,152,426	97,131,292
Provision for bad debts(Increase/ Decrease)	11,752,171	30,873,184
General Supplies	20,553,070	24,933,279
Communication Supplies & Services	9,759,102	24,271,318
Penalties	-	-
Foodstuffs Supplies	8,986,047	7,364,409
Gas & Lubricants	860,062	2,771,313
Other Operating Expenses	5,970,047	6,215,742
Bulk purchase of water	8,084,584	8,925,410
Bulk purchase of Electricity	27,734,208	28,276,028
Audit Fees	812,000	812,000
Total	<u>258,999,412</u>	<u>311,159,620</u>
14 CONTRACTED SERVICES	2023	2022
	Kshs.	Kshs.
Contracted Legal Services	4,725,829	10,184,689
Contracted Security Services	22,970,412	24,310,188
Contracted Consultancy Services	1,364,160	3,015,940
Total Contracted Services	<u>29,060,401</u>	<u>37,510,817</u>
15 REPAIR AND MAINTENANCE	2023	2022
	Kshs.	Kshs.
Maintenance of Motor Vehicles	17,519,608	13,006,265
Maintenance of other Assets	31,338,021	34,736,993
Total	<u>48,857,628</u>	<u>47,743,257</u>
16 COUNCIL EXPENSES	2023	2022
	Kshs.	Kshs.
Chairman's Honoraria	682,048	368,900
Sitting Allowances	3,912,000	2,058,000
Induction and Training	180,215	101,800
Travel and Accommodation	4,577,759	1,895,728
Insurance	487,204	408,488
Other Allowances	120,000	24,000
Total	<u>9,959,226</u>	<u>4,856,916</u>

NOTES TO THE FINANCIAL STATEMENTS CONT

17 CASH AND CASH EQUIVALENTS	2023	2022
	Kshs.	Kshs.
Cash in hand	623,245	335,305
Production Unit Account- 110163686	1,830,468	1,490,571
Hostel Fund Account- 1101631791	925,767	931,307
Fund Account-01109148224	46,972	52,212
Cash at Bank- Coop Collection account	2,605,878	1,643,542
Cash at Bank- Equity Collection account	290,733	1,262,383
Students Deposit-1107252822-Caution Money	282,918	289,649
Machine Replacement Fund-1105828646	996,385	1,001,925
Staff Pension Fund -1122174462	552,962	558,502
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	1,593,883	8,201,802
Enterprise Development Fund-1101631953	55,787	892,620
Production Unit Savings-1107289408	406,351	412,582
KESSP Account-1108979432	135	175
Main Account- 1109148135	2,211,441	6,443,187
Kasarani TTI Account-1160726485	1,479,583	1,484,623
	15,037,859	26,135,736
18 RECEIVABLES FROM EXCHANGE TRANSACTIONS	2023	2022
	Kshs.	Kshs.
Outstanding Students fees	1,614,913,045	1,495,602,879
Less: Provision for bad Debts @ 10%	(161,491,305)	(149,560,288)
Net Debtors from Exchange Trans.	1,453,421,741	1,346,042,591
19 RECEIVABLES FROM NON EXCHANGE	2023	2022
	Kshs.	Kshs.
Outstanding Staff Imprest	2,569,914	5,971,037
Salary Advances	1,856,466	2,602,972
Medical Advances	2,618,939	4,407,390
Deposits to Suppliers	104,350	104,350
Nyayo Vehicle Project	500,000	500,000
Dishonored cheque	562,501	562,501
Ministry of Education	-	-
	8,212,170	14,148,250
Less:10% Provison for bad debts	(378,579)	(557,424)
Net Debtors from Non-Exchange Trans.	7,833,591	13,590,826
20 INVENTORY	2023	2022
	Kshs.	Kshs.
Consumable stores	7,744,409	6,422,923

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. PROPERTY, PLANT & EQUIPMENT

	LAND		BUILDINGS		MOTOR VEHICLES		FURNITURE & COMPUTERS, FITTINGS		MACHINERY & EQUIPMENT		WORK IN PROGRESS		KASARANI TTI-WIP		TOTAL	
	KSHS	0%	KSHS	2-50%	KSHS	25%	KSHS	12-50%	KSHS	30%	KSHS	12-50%	KSHS	KSHS		KSHS
At 30 June 2022	3,068,000,000		1,167,170,000		71,629,618		59,740,518		125,388,973		880,773,937		1,022,649,732		66,642,639	6,461,995,416
Valuation/Additions	-		-		3,393,060		3,393,060		2,696,100		2,857,505		143,221,515		-	152,168,180
Completed Projects																
At 30 June 2023	3,068,000,000		1,167,170,000		71,629,618		63,133,578		128,085,073		883,631,442		1,165,871,247		66,642,639	6,614,163,596

DEPRECIATION:

At 30 June 2022	-	308,619,125	61,946,108	39,081,444	105,417,540	581,071,543	-	-	-	-	-	-	-	-	-	1,096,135,761
Charges for the Period		21,463,772	2,420,877	3,006,517	6,800,260	37,819,987										71,511,413
As at 30 June 2023		330,082,897	64,366,986	42,087,961	112,217,800	618,891,530										1,167,647,174

NET BOOK VALUE:

At 30 June 2023	3,068,000,000		837,087,103		7,262,632		21,045,617		15,867,273		264,739,912		1,165,871,247		66,642,639	5,446,516,422
At 30 June 2022	3,068,000,000		858,550,875		9,683,510		20,659,074		19,971,432		299,702,394		1,022,649,732		66,642,639	5,365,859,656

(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)

21. PROPERTY, PLANT & EQUIPMENT

	LAND		BUILDINGS		MOTOR VEHICLES		FURNITURE & COMPUTERS, FITTINGS		MACHINERY & EQUIPMENT		WORK IN PROGRESS		KASARANI TTI-WIP		TOTAL
	KSHS	0%	KSHS	2.50%	KSHS	25%	KSHS	12.50%	KSHS	30%	KSHS	12.50%	KSHS	KSHS	
At 30 June 2021	3,068,000,000		1,167,170,000		71,629,618		59,094,873		880,543,997		1,022,649,732		66,642,639		6,456,267,046
Valuation/Additions	-		-		645,645		4,852,785		229,940		-		-		5,728,370
Completed Projects															
At 30 June 2022	3,068,000,000		1,167,170,000		71,629,618		59,740,518		880,773,937		1,022,649,732		66,642,639		6,461,995,416
DEPRECIATION:															
At 30 June 2021	-		286,605,000		58,718,271		36,130,148		96,858,355		-		-		1,016,568,690
Charges for the Period			22,014,125		3,227,837		2,951,296		8,559,185		-		-		79,567,071
As at 30 June 2022			308,619,125		61,946,108		39,081,444		105,417,540		-		-		1,096,135,761
NET BOOK VALUE:															
At 30 June 2022	3,068,000,000		858,550,875		9,683,510		20,659,074		299,702,394		1,022,649,732		66,642,639		5,365,859,656
At 30 June 2021	3,068,000,000		880,565,000		12,911,347		22,964,725		342,287,082		1,022,649,732		66,642,639		5,439,698,356

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22 TRADE AND OTHER PAYABLES	2023	2022
	Kshs.	Kshs.
Auditor General	8,932,000	8,120,000
Contractors & General Creditors	228,867,617	97,990,744
Provision for NCC - Land Rates	-	-
UoN Salary Reimbursement	2,788,531	2,788,531
Gratuities	304,422,789	248,814,681
Third Party Funds	313,585,516	283,751,111
Statutory Obligations	2,012,983,064	1,982,621,700
Sacco Deductions	24,361,237	13,502,067
Bank Loan Deductions	164,697,833	32,785,143
Insurance Premium Deductions	3,691,251	1,025,805
Other Payroll deductions	61,396,189	53,929,949
	<u>-</u>	<u>-</u>
	<u>3,125,726,027</u>	<u>2,725,329,733</u>
23 CURRENT LIABILITIES	2023	2022
	Kshs.	Kshs.
Refundable Deposits(Prepaid Fees)	138,017,307	114,741,129
	2023	2022
	Kshs.	Kshs.
24 EMPLOYEE BENEFIT OBLIGATION	3,011,248,440	2,502,804,999
Staff Pension Fund	3,011,248,440	2,502,804,999

25 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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The University's does not hedge any risks and has in place policies which states among other things:

- i. All fees and other charges due shall be paid at the commencement of the semester they are due and not beyond the third week of the semester. No student shall be allowed into the lecture, examination room or participate in activities which they have not fully paid for.
- ii. The University shall withhold any and all services, examination results, conferment of any degree, certificate and diploma until all outstanding fees are settled and further reserve the right to institute legal recovery proceedings against students with outstanding fees and also surcharge an interest at a rate to be determined by the council from time to time.

The University has endeavored to enforce the above in order to reduce the student debtors.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

i) Credit risk

The University 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 10% allowances for doubtful receivables, based on provision for doubtful debt policy and prior year practices.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the University's Council, which 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.

iii) Market risk

The Council has put in place an internal audit function to assist it in assessing the risk faced by the University on an ongoing 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 University'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 and Risk Management Committee.

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

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

a) Foreign currency risk

The university has 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. The University manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Capital Risk Management

The objective of the University's capital risk management is to safeguard the Council's ability to continue as a going concern. The University's capital structure comprises of the following funds:

	Capital Fund Kshs.	Revaluation Reserve Kshs.	Revenue reserve Kshs.	Total Kshs.
At 30 June 2022	2,038,511,612	4,057,083,331	(4,680,419,072)	1,415,175,871
Funds received during the Period	35,487,583			35,487,583
Surplus for Period			(795,101,206)	(795,101,206.10)
As at 30 June 2023	2,073,999,195	4,057,083,331	(5,475,520,278)	655,562,248

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

b) Interest rate risk

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

26 Related Party Disclosures

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 Technical University of Kenya, holding 100% of the TU-K equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Other related parties include:

- i) The Ministry of Education
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Commercial Banks.
- v) Key management.
- vi) Council Members.

27. Appendix

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
1.	<p>Inaccurate Revenue From Exchange Transactions</p> <p>The statement of financial performance indicated that the amount of revenue from exchange transactions was 995,459,794. Note 8(a) to the financial statement indicated an amount of 961,527,179 was revenue from rendering services, review of records from student enrolment and invoicing revealed that the year under review, 17873 were registered and invoicing undertaken in July and October, 2021 and January and April 2022. However, 4683 students were not invoiced were not invoiced in July, 2021, 6124 in October, 2021, while 6001 students were not invoiced in January and April, 2022. in addition, ten (10) students were not invoiced during the four invoicing times. No reason for failure to invoice the students was provided. Further, revenue amount from exchange transactions included other income amount of Ksh. 30,778,365 and rental income amount of Ksh. 3,154,250. However, other critical documents in support of these revenue streams were not provided for audit review including:</p> <ul style="list-style-type: none"> i. List of students under KUCCPS and self-sponsored students. ii. Fee structure, most current one iii. Fees distribution per module. iv. List of students with fee arrears. v. List of students with fee arrears but have graduated. vi. M-Pesa statements and pay bill numbers for fee collection, senior staff common room and hotel accommodation. vii. Banking deposit for revenue under other incomes. viii. List of rentals. <p>In the circumstances, the accuracy of the revenue amount from exchange transactions of Ksh.995,459,419 could not be confirmed.</p>	<p>The amount of revenue from exchange transactions reported in the statement of financial performance is KES 961,527,179 which tally with Note 8 (a) to the financial statement. The Auditors might have not seen this clearly.</p> <p>Only students who are in session are invoiced. Those who are out of session or have deferred or discontinued their studies are only invoiced once they are reinstated back on session.</p> <p>Revenue amount from exchange transactions includes other incomes amounting to KES 30,778,365 and rental income amounting to KES 3,154,250 whose supporting schedules were provided for audit verification.</p>	Resolved	
2.	<p>Inaccurate Employee Costs</p> <p>The statement of financial performance as is disclosed in Note 9 to the financial statements reflected employee costs totalling to Ksh. 3,000,688,256. The expenditure included Ksh. 17,921,156 and Ksh. 10,212,921 in respect of domestic travel and foreign travel respectively. This expenditure related to local and foreign travel expenses including local and foreign subsistence allowance, passage and baggage allowances which are facilitative and not remunerative and were supposed to have been charged under use of goods and services. In addition, the statement of comparison of budget and actual amounts indicated that employee costs actual amount as Ksh. 2,972,554,179 while the statement of financial performance indicated an expenditure of Ksh. 3,000,688,256 resulting to unexplained variance of Ksh. 28,134,077.</p>	<p>The university has historically reported employees costs inclusive of domestic and foreign travel expenses with breakdown of the figures in the notes to the accounts since such costs are budgeted under employees' costs. This is consistent with note 16 and 17 of the IPSAS template page 35 which provides that "Where, Travel, accommodation, subsistence and other allowances has been budgeted under employee costs, they should be reported under employees cost". Annex 3 .We have maintained the same in our reporting for purposes of consistency.</p>	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	In the circumstances, the accuracy of the employee costs of Ksh. 3,000,688,256 could not be confirmed.	We had initially wanted to review our financial statement to reclassify both the domestic and foreign travel costs in response to the management letter and in the process adjusted the actual employees costs to KES 2,972,554,179 which is exclusive of both the domestic and foreign travel costs. This has since been reinstated in the revised financial statement to KES 3,000,688,256 as per our first submission and is consistent with note 9 to the financial statement.		
3.	<p>Unsupported Cash and Cash Equivalents Balance The statement of financial position and as disclosed in Note 15 to the financial statements reflected a cash and cash equivalents balance of Ksh. 26,135,736. The cash and cash equivalents balance included balances in seventeen (17) bank accounts whose certificates of bank balances and bank reconciliation statements were not provided for audit verification. The list of all Bank accounts under its operation, date they were opened, purpose of opening and the approval for opening and maintaining the bank accounts were also not provided. Further, the cash and cash equivalent balance included a balance in a fixed deposit account which appear to be an investment and which was not disclosed as so. In the circumstances, the accuracy of cash and cash equivalents balance of Ksh.26,135,736 could not be confirmed.</p>	All the documents including board of survey report, certificate of account balances in support of the financial statement figures have been severally availed for audit verification. Annex 4. The fixed deposit account which appears to be an investment is actually not an investment by the university. However, it was an account inherited from the defunct Kenya Polytechnic and has remained in our financial statements ever since. The University Council is yet to deliberate on the possibility of writing it off since the bank has not been able to trace the account.	Not Resolved	
4	<p>Unsupported Receivables from Exchange Transactions The statement of financial position and as disclosed in Note 16 to the financial statements reflected receivables from exchange transactions balance of Ksh. 1,346,042,591. Included in this balance are outstanding student fee balances totalling to Ksh. 1,495,602,879 some of which appear to be long outstanding and uncollectible.</p> <p>The management made a provision of 10% for bad and doubtful debts amounting to Ksh.149, 560,288 which appear grossly inadequate to cover the long outstanding fee balances all of which appear unrecoverable.</p> <p>In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Ksh.1, 346,042,591 could not be confirmed.</p>	It is the policy of the University to provide for bad and doubtful debts at the rate of 10% of the outstanding debtors, less outstanding staff imprests and salary advances. It is true that the outstanding student fee balance as at 30th June 2022 stood at KES 1,495,602,879. The University withholds certificates for those who have graduated with fees balances and only releases the certificated upon full clearance of the outstanding fees. The management is also considering other means of recovering the outstanding fees from the graduates which is not limited to appointing a debt recovery agent and liaison with other government agencies in order to recover the debts.	Not resolved	
5	<p>Unsupported Receivables from Non-Exchange Transactions Balance The statement of financial position and as disclosed in Note 17 to the financial statements reflected receivables from non-exchange transactions balance of Ksh. 13,590,826. Included in this balance are balances from the previous years of Ksh. 104,350, Ksh. 500,000,</p>	Deposits to suppliers totaling Kshs 104,350.00, Nyayo vehicle Project Kshs 500,000.00 and Dishonored cheques Kshs 562,501.00 were inherited from the defunct Kenya Polytechnic and has remained in	Ongoing	XYrs

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	and Ksh.562,501 in respect of Nyayo Vehicle Project, dishonoured cheque and Ministry of Education respectively and which appear unrecoverable. The supporting schedules in respect to these long outstanding receivables were not provided while no explanation was provided as to why the debts have not been recovered. No documentary evidence was provided in form of correspondences while the debtors showing efforts made by the Management to recover the outstanding balances. Management made a provision of 10% for bad debts amounting to Ksh.557,424 which appear grossly inadequate to cover the long outstanding balances. Included balance is Ksh.5,971,037 and Ksh.2,602,972 in respect of outstanding staff imprest and staff advances respectively. The University has not provided any supporting documentation to support the receivables. In the circumstances, the accuracy and completeness of the receivables from non-exchange transactions balance of Ksh.13,590,826 could not be confirmed.	our financial statements ever since. The provision of these debts has become extremely doubtful to realize and is yet to be deliberated by the University Council for possibility of being written off as bad debts. As earlier mentioned, the university has historically been providing for provision for bad debts at 10% of the outstanding debtors, less outstanding staff imprests and salary advances		
6.	<p>Accuracy of Current Liabilities Balance</p> <p>The statement of financial position reflected a balance of Ksh. 5,342,875,861 in respect of current liabilities. Included in this balance is Ksh. 2,725,329,733 in respect of trade and other payables, Ksh. 114,741,129 in of refundable deposits and Ksh. 2,502,804,999 in respect of unremitted employee benefit obligation contrary to Section 53A(1) of the Retirement Benefits Act, 2012 that requires an employer to remit employee's pension emoluments within fifteen days of the deduction and may incur penalties prescribed in section 53A(3). Further, the current liabilities include balances that have been outstanding for more than one year.</p> <p>In the circumstances, the accuracy and veracity of the current liabilities balance of Ksh. 5,342,875,861 could not be confirmed.</p>	<p>The university has not been able to settle all its financial obligations as and when they fall due because of the financial constraints. The University has been under-capitalized over the years it has been in existence as a University College and subsequently a fully-fledged University. The Appropriation-in-Aid (A-in-A) has not been adequate to cover the annual deficit experienced by the University. The increase in the total revenue has not been commensurate with increase in the total expenditure especially during the period that the university experienced tremendous growth in establishment of the various degree programmes and the accompanying infrastructures for teaching, learning and research.</p> <p>Collectively, this adverse financial disposition has negatively impacted on our liquidity resulting to these unremitted deductions. The University has on several occasions written to the parent Ministry and the Treasury appealing for additional financial support and indeed it is very optimistic that its annual recurrent capitation would be enhanced to enable the University meet its obligations as and when they fall due.</p>	Not Resolved	
7. i	<p>Lack of Fixed Asset Register</p> <p>The University did not maintain a fixed asset register showing a list of all its assets specifying the date of acquisition, names, serial numbers and location of the assets as a result of which it was not able to possibly verify the existence, ownership and value of assets acquired by the university over the years.</p>	The university assets were last valued in May 2012 by Syagga & Associates Ltd. The university is considering revaluations of its assets from which it shall derive and maintain an updated asset register in the prescribed format as required by the National Treasury Circular and template, No. 5/2020 dated 25/02/2020.	Not Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
7. ii	<p>Work-In-Progress(WIP)</p> <p>Included in the property, plant and equipment balance is Ksh. 1,089,292,371 relating to work-in-progress. This balance remained the same from the previous year. However, supporting documents in respect of the WIP including the schedule of the work in the progress by the name of the project showing the contract value, work valuation certificate issued, retention monies under construction and interim certificates issued for them, contract agreements for the projects and the projects status reports were not provided for audit review.</p>	<p>The schedule of the works in progress, valuation certificates, retention monies under construction and interim certificates, contract agreements for the projects and the projects status reports have been requested from the quantity surveyor and shall be availed for audit review.</p>	Not Resolved	
7. iii	<p>Grounded Motor Vehicles</p> <p>Included in the property, plant and equipment balance is Ksh. 9,638,510 in respect of motor vehicles three (3) of which had been grounded for a long time and whose value was undetermined. There was no indication whether the vehicles had been recommended for disposal as they were unserviceable.</p> <p>In the circumstances, the accuracy, validity and existence of property, plant and equipment balance of Ksh. 5,365,859,656 could not be confirmed.</p> <p>The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Technical University of Kenya 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.</p>	<p>The grounded motor vehicles will be evaluated and those found unserviceable shall be considered for disposal in accordance to the existing Public Procurement and Asset Disposal Act, 2015.</p>	Not Resolved	
	<p>Emphasis of Matter</p> <p>Failure to Disclose Material Uncertainty in Relation to Sustainability of Services</p> <p>The statement of financial position reflected total current assets of Ksh. 1,392,192,076 and total current liabilities of Ksh. 5,342,875,861 resulting to current liabilities exceeding current assets by Ksh. 3,950,683,785. Further, the statement of financial performance indicated that the University recorded a deficit of Ksh. 449,281,118 resulting to increase of accumulated deficit from Ksh. 4,231,137,954 as at 30 June 2021 to Ksh. 4,680,419,072 as at 30 June 2022.</p> <p>This material uncertainty casts significant doubts on the University's ability to continue to sustain its services and the University may not be able to meet its current obligations as and when they fall due.</p> <p>Key Audit Matters</p> <p>Key audit matters are those that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.</p> <p>Other Matter</p> <p>Prior Year Audit Issues</p> <p>In the audit report of the previous year, several matters were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Appendix 1 in the financial statements on implementation status of Auditor-General's recommendations indicate that most of the issues have been resolved. However, Management has not provided evidence on how the resolution was arrived at.</p>	<p>Material Uncertainty in Relation to Sustainability of Services</p> <p>The University has been under-capitalized over the years it has been in existence as a University College and subsequently a fully-fledged University despite the resilient efforts by Council and the Management, The Appropriation-in-Aid (A-in-A) has not been adequate to cover the annual deficit experienced by the University. The increase in the total revenue has also not been commensurate with increase in the total expenditure especially during the period that the university experienced tremendous growth in establishment of the various degree programmes and the accompanying infrastructures for teaching, learning and research.</p> <p>Collectively, this adverse financial disposition has negatively impacted on our liquidity resulting in accumulated operating deficits. This has impacted negatively on the Going concern of the University. The University has on several occasions written to the parent Ministry and the Treasury appealing for additional financial support and indeed it is very optimistic that its</p>	Not Resolved	


Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	Therefore. The matters remain unresolved.	annual recurrent capitation would be enhanced to enable the University meet its obligations as and when they fall due.		
1	<p>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</p> <p>Conclusion As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in use of Public Resources and Basis for conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.</p> <p>Basis for Conclusion</p> <p>Non-Compliance with Public Sector Accounting Standards Board Reporting Template Review of the financial statements for the year ended 30 June 2022 provided for audit revealed that Management omitted critical information on presentation of financial statements contrary to Section 194 of the Public Finance Management Act, 2012 which requires the Public Sector Accounting Standards Board to issue on annual basis the format for presentation and disclosures required for preparation of financial statements in a given accounting cycle detailing necessary information that should be included in the financial statements. The National Treasury issued a Circular Ref:AG.4/16/3 Vol. II (66) on revised annual financial reporting templates for National and County Government entities dated 06 July 2022. Information omitted in the financial statements presented for audit review included: a) Cash generated from operations b) Financial risk management c) Related party balances d) Contingent assets and liabilities in circumstances, Management was in breach of the law.</p>	The university has since revised its annual report and financial statements and submitted the same for audit review.	Not Resolved	
2.	<p>Irregular Procurement of Legal Services The statement of financial performance and as disclosed in Note 12 to the financial statements indicated that Ksh. 37,510,817 was incurred on contracted services. Included in this expenditure is Ksh. 10,184,689 in respect of legal fees paid to various firms of advocates. Review of payment records revealed the payments were not supported with formal instructions to the firms for representation, details of cases in which the firms represented the institution, approval from the Office of the Attorney General to engage the private law firms, contrary to Section 17 of the Attorney General Act, 2012 which requires Ministries and state departments to seek approval and be granted approval by the Attorney General to engage the services of a consultant to render legal services and certified copies of the judgements for the respective cases as stipulated in the civil procedure rules. Further, the services were directly procured contrary to the provisions of Section 103 of the Public Procurement and Asset Disposal Act, 2015. In addition, review of payments and documents provided for audit in respect of the expenditure revealed that the institution</p>	There is an existing service level agreement for provision of legal services between the law firms and the Technical University of Kenya (Annex 1B). All the paid legal fees were determined and agreed upon in accordance to the advocates remuneration order.	Not resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	procured legal services without valid contracts contrary to Section 135 of Public Procurement and Asset Disposal Act, 2015. In the circumstances, Management was in breach of the law.			
3	Irregular Procurement of Maintenance of Other Assets Services The statement of financial position and as disclosed in Note 13 to the financial statements indicated that Ksh. 47,743,257 was spent on repairs and maintenance. Included in this expenditure is Ksh. 34,736,993 incurred on maintenance of other assets. Review of sampled payment documents totalling to Ksh. 7,039,830 procurement for water proofing for library roof works, upgrading of rooms D12 and D14 and construction works at South C Boundary revealed that the quotations were opened on dates earlier than those indicated on the quotations. In addition, appointment of evaluation of committee members was not provided. In the circumstances, the propriety of expenditure on maintenance of other assets of Ksh.34,736,993 could not be confirmed.	<p>The quotations for construction of the South C Boundary Wall were opened earlier than the closing date since the South C land was invaded by strangers who wanted to grab the land and a decision had to be made quickly to safeguard the land by marking the boundary. The quotations were sent and the first 3 quotations that were received were opened, the committee was appointed for evaluation and the final award. The Procurement law gives us the maximum days for quotations but does not give the minimum.</p> <p>The quotations for upgrading of office D22 and D14- were sent out on 19th /04/2021 and closing date was 26/04/2021. The quotations were opened the same date and thereafter evaluation was done.</p> <p>The quotation for water Proofing of the library roof were sent out on 19/06/2020, due to its natures of complexity the suppliers took time to find out the best solution for the water proofing, hence the first the quotation was received but was not opened until the quorum of 3 quotations were reached. The quotations were then opened on 20/8/200 followed by evaluation and award.</p> <p>All the supporting documents for the above transactions including appointment letters of the evaluation committee are available for audit review. Annex 4B</p>	Not Resolved	
4	Irregular Expenditure on Mobile Phone Airtime The statement of financial performance and as disclosed in Note 11 to the financial statements reflects use of goods and services amount of Ksh. 311,159,620. Included in this expenditure is Ksh. 24,271,318 on communication, supplies and services. Further, review if records revealed that items worth Ksh. 5,933,896 were purchased through imprest contrary to guidelines issued through Treasury Circular 3/2010 dated 07 May 2010 which states that temporary imprests should not be issued for miscellaneous/incidental expenses and/or for procurement of goods and services. Management did not ensure that the items were supported by store receipts and store ledger cards contrary to Section 159(2) of Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall record goods, works and services received in an inventory of the procuring entity as shall be prescribed.	The university issues airtime credits to head of departments/units and other users in essential areas for effective communication. The airtime credit cards were purchased through use of imprest because they are occasionally purchased depending on the cashflow status of the university as the university has been facing financial constraints. The prices of the airtime cards are also standardized.	Not Resolved	

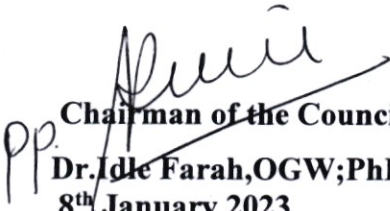
Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	In the circumstances, the propriety of expenditure on communication supplies and services of Ksh.24,271,318 could not be confirmed.			
5	<p>Irregular Procurement of Foodstuffs The statement of financial performance and as disclosed in Note 11 to the financial statements reflects use of goods and services amount of Ksh. 311,159,620. Included in this amount is Ksh. 7,364,409 that was incurred on foodstuff supplies. Out of the total expenditure on foodstuffs, Ksh. 1,679,758 was in respect of perishable goods. However, the inspection and acceptance reports were not provided for audit review. In addition, records in support of payment totalling to Ksh. 2,098,611 were not provided for audit review. The list of at least seven (7) bidders engaged through the framework agreement for supply of foodstuff was not provided for audit review contrary to Section 114 of the Public Procurement and Asset Disposal Act, 2015 on framework agreement which states that a procuring entity may enter into a framework agreement through open tender if the procurement value is within the thresholds prescribed under the regulations to this Act; the required quantity of goods, works or non-consultancy services cannot be determined at the time of entering into the agreement; and a minimum of seven (7) alternative vendors are included for each category. In the circumstances, Management was in breach of the law.</p>	All the requested payment vouchers together with supporting documents were availed for audit review.	Not Resolved	
6.	<p>Employee Costs The statement of financial performance and as disclosed in Note 9 to the financial statements reflects employee costs amount of Ksh.3,000,688,256. Review of payments and other related records revealed several unsatisfactory issues as indicated below:</p> <p>Flouting of the Third of Basic Rule Included in the employee costs is Ksh. 2,745,917,752 in respect of personal emoluments out of which Management made deduction and recoveries from the employees. However, deduction and recoveries from thirteen (13) employees exceeded the two-thirds of the basic pay contrary to Section 19 of the Employment Act, 2012 on deduction of wages which provides that no employer shall make a deduction from the wages payable to an employee as an advance of wages in consideration of, or as a reward for, the provision of employment for that employee, or for retaining the employee in employment and that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of Sub-Section (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employee or any trade or industry.</p>			
6.i		The university has entrenched the 1/3 rule on salary for staff. In a few related cases where staff have gone below, it was established that such staff took multiple loans during the Covid-19 PAYE tax reducing period. The 1/3 threshold was affected with the ending of the tax reduction incentive which resulted in reduction in net salaries. In some cases this was also brought about by staff who had unsurrendered imprest which had to be recovered in full as per government policy. A memo has been sent to all staff stressing the need to comply with the 1/3 rule.		
6.ii	<p>Irregular Retention of Staff Beyond Mandatory Retirement Age Review of records revealed that Management retained twenty-four (24) members of non- academic staff who had attained the mandatory requirement age of sixty (60) and (2) members of academic staff who had attained the mandatory retirement age of seventy (70) years as at 30 May 2022 on its payroll of June 2022 who continued to draw salaries form the University</p>	The university offers post retirement contracts to few administrative staff with crucial skills and institutional memory for purposes of ensuring that they transfer such skills and memory to their mentees for posterity and documentation. Senior academic staff with special academic		

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	with others having overstayed in the system by more than two (2) years contrary to Section D.21 of the Human Resource Policies and Procedures Manual of the Public Service, 2016 provides that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years, 65 years for persons with disabilities and/or as may be prescribed by the government from time to time and Article 77(4) of the constitution of Kenya that directs that a full-time state officer shall not participate in any other gainful employment while a retired state officer shall not receive remuneration from public funds other than as contemplated in clause.	qualifications and rare skills are also offered post retirement contracts where it is difficult to source for personnel with such skills and qualifications.		
6.iii	<p>Irregular Recruitment of Members of Staff</p> <p>During the year under review, thirty (30) new recruitments were undertaken in various departments and positions. However, Management carried out the recruitments without vacancy announcements and interviews contrary to Section B.4(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that Ministries/State Departments/Corporations will advertise all vacant posts in a manner that reaches the widest pool of potential applicants and allow for at least twenty-one (21) days before closing the advert. The advert shall include the title of the post, number of vacancies, job description, person specification and the proposed remuneration while Sub-Section 2 provides that the advert shall be delivered in soft copy to the Public Service Commission to be posted in its website. In addition, Management did not provide human resource and annual recruitment plans contrary to Section B.2 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that every Ministry/State Department shall prepare Human Resource Plans to support achievement of goals and objectives in their Strategic plans. The plans shall be based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs and that on the basis of these Human Resource Plans, Ministries /State Departments shall be required to develop annual recruitment plans which will be forwarded to the Public Service Commission at the beginning of each financial year to enable it to plan to fill the vacancies. Review of the personal files provided for audit also revealed that the new recruits did not provide all the necessary details at the time of recruitment.</p>	All recruitments done during the year in review were demand driven. The applicants were subjected to due process of shortlisting and interviews where successful ones were offered employment.		
6.iv	<p>Irregular Expenditure on Staff Training</p> <p>The statement of financial performance and as disclosed in Note 11 to the financial statements indicated that Ksh. 311,159,620 was spent on use of goods and services. Included in this expenditure is Ksh. 7,478,208 on staff training expenses. However, critical supporting documents for this expenditure including proof of attendance, attendance register, payment without invoices, authorizations for events such as retreats and training content and proof of completion and certificates were not provided for audit verification. Further the need assessment and training policy was not provided for verification contrary Public Audit Act, 2015 Section 9(1e) which states that without prejudice to the powers given under the Constitution and this Act and for the purposes of carrying out his or her duties effectively, the Auditor-General, or an officer authorized for the purpose of this Act, shall have powers of unrestricted access to all books, records, returns, reports, electronic or otherwise</p>	All the supporting documents for the expenditures under the staff training are available for audit verification		

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	and other documents of entities listed under Article 229(4) of the Constitution. In the circumstances, Management was in breach of the law.			
6.v	<p>Unbalanced Budget</p> <p>The statement of comparison of budget and actual amounts reflect final budgeted income amounting to Ksh. 3,785,478,856 and final budgeted expenditure amounting to Ksh. 3,741,411,048 resulting to unbudgeted surplus of Ksh. 44,067,808 contrary to the provisions of Regulation 33(C) of Public Finance Management (National Government) Regulations, 2015 on budget guidelines which states that budget shall be balanced.</p> <p>In the circumstances, Management was in breach of the law.</p> <p>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.</p>	The statement of comparison of budget and actual amounts reflects final budgeted income which is slightly higher than the expenditures by KES 44,067,808. This was due to uncertainty in the estimation of other incomes which includes incomes from income generating activities (IGUs)	Unresolved	yrs


Vice Chancellor

Prof. Dr.-Ing. Benedict M. Mutua,
8th January 2023


Chairman of the Council

Dr. Idle Farah, OGW; PhD
8th January 2023

Appendix II: Projects implemented by The Technical University of Kenya

Projects implemented by the Technical University of Kenya and Funded by the Government of Kenya

Project title	Project Number	Donor/Financier	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Construction of studios, computers laboratories, classrooms and offices for the department of geospatial science and engineering (Block S)		GoK	11yrs	Nil	No	Yes
Kasarani TTI		GoK	2	Nil	No	Yes
Construction of block T & Senate Tower		GoK	4yrs	Nil	No	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction of studios, computers laboratories, classrooms and offices for the department of geospatial science and engineering	1.2B	1,022.6M	99%	0	0	GoK
2	Kasarani TTI		66.6M	100%	0	0	GoK
2	Construction of block T & Senate Tower	1.4B	200M	6%	0	0	GoK