

REPUBLIC OF KENYA



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*By Hon. A. Duque (DPM)*  
*On Wed. 19.08.2015 (P)*  
*Mmm*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
TECHNICAL UNIVERSITY OF KENYA**

**FOR THE YEAR ENDED  
30 JUNE 2014**





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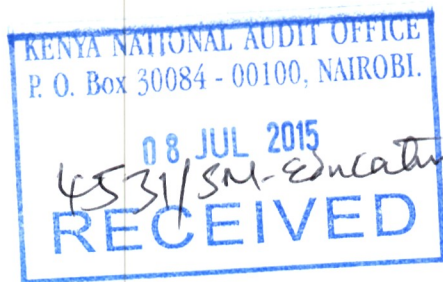
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# THE TECHNICAL UNIVERSITY OF KENYA

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## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2014

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

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## TECHNICAL UNIVERSITY OF KENYA INFORMATION

### I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

#### (a) Background information

The Technical University of Kenya (TU-K) is a State Corporation established by the Legal Notice No. 59 of 15th January, 2013 under the University Act (Cap210). It 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 proposed 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, is 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

#### Vision

To be a top rated University of technology

#### Mission

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

#### (b) Principal Activity

The core business of the Technical University of Kenya is to offer technical and vocational education and training (TVET) at both the polytechnic and university levels.

#### (c) Key Management

The university's day-to-day management is under the following key organs

- The Vice Chancellor
- Deputy Vice Chancellor – Administration, Planning and Infrastructure (API)
- Deputy Vice Chancellor – Academic, Research and Students (ARS)
- Deputy Vice Chancellor – Technology Innovation & Partnerships (TIP)
- Executive Dean - Faculty of Social Sciences & Technology (FSST)
- Executive Dean - Faculty Applied Sciences & Technology (FAST)
- Executive Dean - Faculty of Engineering Sciences & Technology (FEST)

#### (d) Fiduciary Oversight Arrangements

- University Council
- The University Senate
- University Management council (UMB)
- Human Resource Committee of Council
- Audit Committee of Council

**(e) Headquarters**

Technical University of Kenya Building  
Haile Selassie Avenue  
P. O. Box 52428-00200  
Nairobi, KENYA

**(f) Contacts**

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Website: [www.tuk.ac.ke](http://www.tuk.ac.ke)

**Haile Selassie Avenue**

P. O. Box 52428-00200  
Nairobi, Kenya

**(g) Bankers**

- i. Kenya Commercial Bank Ltd.  
Moi Avenue  
P. O. Box 30081-00100  
Nairobi, Kenya
  
- ii. Co-operative Bank of Kenya Ltd.  
Haile Selassie Avenue  
P. O. Box 48231- 00100  
Nairobi, Kenya
  
- iii. Equity Bank  
Moi Avenue  
P. O. Box  
Nairobi, Kenya

**(h) Independent Auditors**

Auditor General,  
Kenya National Audit Office  
Anniversary Towers, university way  
P.O. Box 30084 - 00100  
Nairobi, Kenya

**(i) Principal Legal Adviser**

Tongoi & Company Advocates  
Finance House  
P.O. Box 57229  
Nairobi.



## II. THE UNIVERSITY COUNCIL

- Prof. George Eshiwani -Chairman
- Eng. Mercy Muthoni Wambugu, - Member
- Ms. Isabella Ochola-Wilson, - Member
- Mr. Francis Mwaka, - Member
- Dr. Philip Toroitich Parklea, - Member
- Eng. Murunga Protas Ashiro - Member
- Mrs. Margret W. Muiru -Member/Rep. National Treasury
- Mr. Benard Malenya -Member/Rep. Ministry of Education,

NO	COUNCIL NAMES	DATE OF BIRTH	QUALIFICATION	EXPERIENCE
1.	Prof. George Eshiwani		MBS,EBS,B.sc,PH.D	Vice Chancellor
2.	Eng. Mercy Muthoni Wambugu		Bsc(Engineering)	Engineering
3.	Ms. Isabella Ochola-Wilson,		BA , MBA	Management, Consultancy and Marketing
4.	Mr. Francis Mwaka,		MBA,BA	Communication and Media
5.	Dr. Philip Toroitich Parklea,		MB,ChB,M.MED	Lecturer
6.	Eng. Murunga Protas Ashiro		B sc(Engineering)	Engineering
7.	Mrs. Margret W. Muiru		National Treasury	Civil Service
8	Mr. Benard Malenya		Ministry of Education,	Civil Service

## III. MANAGEMENT TEAM

- **The Vice Chancellor**  
Prof. Francis W. O. Aduol, BSc Eng (Nairobi), MSc (Nairobi), MA (Econ), Dr-Ing (Stuttgart), MISK, Lic Surv.
- **Deputy Vice Chancellor – Academics Research and Students**  
Prof. Paul M. Shiundu, BSc (Nairobi), PhD (British Columbia)

- **Deputy Vice Chancellor Administration Planning and Infrastructure**  
Prof. J. Kiplang'at ,Bsc.(Hons) inf Sci,MPhil (Inf Sci),PhD.
  
- **Deputy Vice Chancellor – Technology Innovation and Partnerships**  
Prof. Suki K. K. Mwendwa, BA (Nairobi), MA (Cornell), PhD (UC Berkeley)
  
- **Executive Dean, Faculty of Applied Sciences and Technology (FAST)**  
Prof. Michael L. Muia, BSc (Nairobi), MSc (Nairobi), PhD (Antwerp)
  
- **Executive Dean, Faculty of Social Sciences & Technology (FSST)**  
Prof. Emily A. Akuno, B.Ed. (Music) (Kenyatta), MMus (Music) Northwestern State University Louisiana, PhD (Music) Kingston University
  
- **Executive Dean, Faculty of Engineering Sciences & Technology (FEST)**  
Prof. Alex M. Muumbo, B-Tech (Moi),MSc (Bradford-UK),PhDNagoya-Japan



#### **IV. STATEMENT FROM THE CHAIRMAN OF COUNCIL**

The Technical University of Kenya (TU-K) was established through the elevation of The Kenya Polytechnic University College (KPUC) to full university status. TU-K was established as the first Technical University in Kenya in line with the provisions of the proposed 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, is 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 shall offer undergraduate degrees at the Bachelor's level. 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 consistently 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 has been set by KPUC in offering as well degrees aimed at producing technologists.

On behalf of the Members of the Council, it is my pleasure to present the Annual Report and Financial Statements for The Technical University of Kenya operations for the year ended 30th June 2014.

  
Ms Isabella Ochola-Wilson  
**COUNCIL MEMBER**

## **V. REPORT OF THE VICE CHANCELLOR**

It is my pleasure to present the Annual Report and Accounts of the Technical University of Kenya for the year ended 30<sup>th</sup>, June 2013. During the year under review, the University recorded a surplus of Kshs. 46,785,237 out of total income from Government, donors, internally generated funds all amounting to Kshs. 1,799,099,086 against an expenditure of Kshs. 1,752,313,849. The management and staff have risen to the challenges with a great deal of resourcefulness, diligence, resilience and determination. I am proud of the team and greatly appreciate their ability and commitment towards achieving the university vision, mission and objectives

I wish to thank the university council for dedicating their time and effort to steer and manage the university affairs. Their advice and guidance has played a key role in the successes of the university.

I express my sincere gratitude to the Government of Kenya, 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 responsive to its mandates and stakeholders' expectations.



Prof. Dr. Ing. Francis W. O. Aduol  
**Vice Chancellor**



## VI. REPORT OF THE UNIVERSITY COUNCIL

The council submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the university's affairs.

### Principal activities

The core business of the Technical University of Kenya is to offer technical and vocational education and training (TVET) at both the polytechnic and university levels.

### Results

The results of the University for the Year ended June 30, 2014 are set out on page 12

### University Council

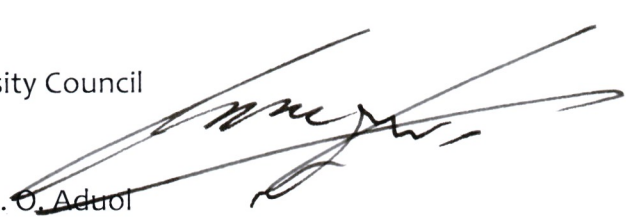
The members of the university council who served during the year are shown on page 4

### Auditors

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

By Order of the university Council

Prof. Dr. Ing. Francis W. O. Adulo  
Vice Chancellor



## VII. STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITIES


Public Finance Management Act, 2012 and the State Corporations Act, require the council to prepare financial statements for the TU-K which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The Council is also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. 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 (period) ended on June 30, 2014. 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 accept 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 (IPAS), 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 university's transactions during the financial year ended June 30, 2014, and of the university's financial position as at that date. The council further confirm the completeness of the accounting records maintained for the university, which have been relied upon in the preparation of the university's financial statements as well as the adequacy of the systems of internal financial control.

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

The university's financial statements were approved by the council and signed on its behalf by:

  
Prof. Francis W. O. Aduol,  
VICE CHANCELLOR

  
Ms Isabella Ochola-Wilson  
COUNCIL MEMBER



# REPUBLIC OF KENYA

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NAIROBI



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON TECHNICAL UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Technical University of Kenya set out on pages 11 to 26, which comprise the statement of financial position as at 30 June 2014, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have not obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of



accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Property, Plant and Equipment**

As similarly reported in the financial year 2012/13, the property, plant and equipment balance of Kshs.4,692,155,807 as at 30 June 2014 includes four (4) parcels of land reference Nos.209/7203, 209/8726, 209/16715, 11381 and motor vehicles owned by the University which still bear the name of the defunct Kenya Polytechnic. Further, the property, plant and equipment balance includes work-in-progress totalling Kshs.501,606,053 which includes an expenditure of Kshs.1,542,800 in respect of consultancy services on Human Immunodeficiency Virus (HIV) which has been capitalized under work-in-progress. This is contrary to paragraph 12 of International Public Sector Accounting Standards No.17 which defines property, plant and equipment as tangible assets held for use in the production or supply of goods or services, for rental and for administrative services and are expected to be used during more than one reporting period. Paragraph 13 further states that an item of property, plant and equipment should be recognized as an asset when it is probable that future economic benefit or service potential associated with the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

In the circumstances, it has not been possible to confirm the accuracy and ownership status of the property, plant and equipment balance of Kshs.4,692,155,807 as at 30 June 2014.

#### **2. Going Concern**

Although the University recorded a surplus of Kshs.46,785,237 during the year under review, the current liabilities of Kshs.836,519,819 as at 30 June 2014 exceeded the current assets of Kshs.489,036,465 resulting into a negative working capital of Kshs.347,483,354. In particular the University was unable to remit pension deductions amounting to Kshs.391,861,174 as at 30 June 2014 to the Pension Scheme. The University is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption of continued financial support from the Government and its creditors.

#### **3. Unsupported Balances**

During the year under review, the supporting schedules of the following balances reflected in the financial statements were not availed for audit verification:

<b>Item</b>	<b>Amount Kshs</b>
(a) Trade and Other receivables	
(i) Salary advances	562,345



(ii)	Deposits to Suppliers	104,350
(iii)	Nyayo vehicle project	500,000
(iv)	Dishonored cheque	562,501
(b)	Inventories	4,946,167
(c)	Trade and other payables	
(i)	Contractors & general creditors	84,532,037
(ii)	Third party funds	22,604,888
(d)	Income-Donor funds	6,081,550

In the circumstances, the validity and accuracy of the financial statement balances for the year ended 30 June 2014, could not be confirmed.

#### 4. Cash and Cash Equivalents

4.1 As disclosed under note 9 (a) to the financial statements, the cash and cash equivalents balance of Kshs.160,668,439 includes a balance Kshs.631,731 in respect of student deposit – caution money, Kshs.105,738 under needy students funds and Kshs.300,000 in respect of fixed deposit whose bank balance confirmation certificates were not availed for audit verification.

4.2 A review of bank reconciliation statements availed for audit review, revealed some old outstanding payments and outstanding deposits totalling Kshs.227,751 and Kshs.5,415,472 respectively, some of which date back to 2011/2012 financial year, that were still reflected as reconciling items as detailed below;

Account	Outstanding	Outstanding
	Payments	Deposits
	Kshs	Kshs
Hostel fund account	186,431	768,326
Fund account	<u>41,320</u>	<u>4,647,146</u>
<b>Total</b>	<b><u>227,751</u></b>	<b><u>5,415,472</u></b>

4.3 The following differences were noted between balances reflected in the financial statements and the balances in the cashbooks:

	Financial Statements Balance Kshs.	Cash book Balance Kshs.	Variance Kshs.
Production Unit	4,110,730	4,264,148	(153,418)
Fund Account	166,499	4,773,033	(4,606,534)

Equity Collection Account	20,152,880	20,131,835	21,045
Machine Replacement	769,795	1,008,826	(239,031)

In addition, the cashbook in respect of production unit savings account balance of Kshs.431,311 and the main account balance of Kshs.5,718,067 were not availed for audit verification. Further, the current status of unrepresented cheques totalling to Kshs.69,000,000 in the main account as at 30 June 2014 was not provided for audit review.

In the circumstances, the validity and accuracy of cash and cash equivalents balance of Kshs.160,668,439 as at 30 June 2014 could not be confirmed.

## 5. Inaccuracies in the Financial Statements

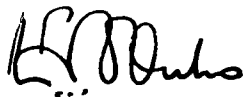
The following differences were noted between the financial statement balances and the supporting schedule balances:

	Financial Statements Balances Kshs	Supporting Schedule Balances Kshs	Variance Kshs
Trade and other receivables			
(i) Outstanding students fees	304,009,318	76,716,873	227,292,445
(ii) Contracted services	10,187,415	10,208,679	(21,264)

In the circumstances, the validity and accuracy of outstanding students fees balance of Kshs.304,009,318 and contracted services figure of Kshs.10,187,415 for the year ended 30 June 2014 could not be confirmed.

## Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the University as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012.



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

**Nairobi**

**25 June 2015**



## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2014

	Notes	2014 Kshs.	2013 Kshs.
<b>INCOME</b>			
<b>Revenue from non-exchange transactions</b>			
Government Grants: Recurrent	4(a)	1,040,500,036	824,114,980
Donor Funds	4(b)	6,081,550	2,919,000
<b>Revenue from exchange transactions</b>			
Rendering Services	5(a)	705,218,301	377,131,479
Other Income	5(b)	47,299,199	38,069,578
<b>Total Revenue</b>		<b>1,799,099,086</b>	<b>1,242,235,037</b>
<b>EXPENSES</b>			
Employee costs	6(a)	1,471,484,803	987,253,160
Depreciation and amortization expense	6(b)	49,455,031	46,232,200
General Expenses	6(c)	160,024,070	77,514,579
Water and Electricity	6(d)	35,076,386	31,502,852
Contracted services	6(e)	10,187,026	6,353,780
Repairs and Maintenance	6(f)	18,137,080	11,486,807
Remuneration of Council members	6(g)	7,137,453	4,043,510
Audit fees	6(h)	812,000	700,000
<b>Total Expenses</b>		<b>1,752,313,849</b>	<b>1,186,635,723</b>
<b>Surplus for the year</b>		<b>46,785,237</b>	<b>55,599,314</b>

STATEMENT OF FINANCIAL POSITION  
AS AT 30<sup>TH</sup> JUNE 2014

	Notes	2014 Kshs.	2013 Kshs.
<b>ASSETS</b>			
Trade and Other Receivables(Exchange)	10(a)	274,999,464	211,393,851
Trade and Other Receivables(Non exchange)	10(b)	48,422,395	57,034,499
Cash and Cash Equivalents	9(a)	160,668,439	54,195,121
Inventories	11	4,946,167	-
		<b>489,036,465</b>	<b>322,623,471</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	7	4,692,155,807	4,598,158,008
<b>TOTAL ASSETS</b>		<b>5,181,192,272</b>	<b>4,920,781,479</b>
<b>LIABILITIES</b>			
Trade and other payables	8	836,512,658	643,036,151
Bank Overdraft	9(b)	7,161	123,306,942
<b>TOTAL LIABILITIES</b>		<b>836,519,819</b>	<b>766,343,093</b>
<b>NET ASSETS</b>		<b>4,344,672,453</b>	<b>4,154,438,386</b>
Capital Fund	3(a)	478,866,014	335,417,184
Revenue Reserve	3(c)	(191,276,892)	(238,062,129)
Revaluation Surplus	3(b)	4,057,083,331	4,057,083,331
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>5,181,192,272</b>	<b>4,920,781,479</b>

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

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

  
Ms Isabella Ochola-Wilson  
COUNCIL MEMBER

  
Tom O. Okungu  
FINANCIAL CONTROLLER

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 Kshs.	2013 Kshs.
<b>Cash flow from operating activities:</b>			
<b>Receipts</b>			
Government Grants		1,040,500,036	824,114,980
Donor funds		6,081,550	2,919,000
Tuition Fees		705,218,301	377,131,479
Other Incomes		47,299,199	38,069,578
		<b>1,799,099,086</b>	<b>1,242,235,037</b>
<b>Payments</b>			
Compensation of employees		1,471,484,803	987,253,160
Goods and services		230,494,348	254,981,877
		<b>1,701,979,151</b>	<b>1,131,260,925</b>
<b>Net cash from Operating Activities</b>		<b>97,119,935</b>	<b>110,974,112</b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and Equipment		(143,448,830)	(110,870,192)
Increase in non- current receivable		(54,993,509)	(82,283,381)
Increase in inventory		(4,946,167)	-
<b>Net Cash flows used in investing activities</b>		<b>(203,388,506)</b>	<b>(193,153,573)</b>
<b>Cash flows from financing activities</b>			
Development grants received		143,448,830	99,227,525
Increase in payables		193,476,507	(89,640,930)
<b>Net Cash flows used in financing activities</b>		<b>336,041,670</b>	<b>9,586,595</b>
<b>Net increase in cash and Cash Equivalent</b>		<b>229,773,099</b>	<b>(72,592,866)</b>
<b>Cash and Cash equivalents at 1 July</b>		<b>(69,111,821)</b>	<b>3,481,045</b>
<b>Cash and Cash equivalent at 30 June</b>		<b>160,661,278</b>	<b>(69,111,821)</b>



**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	Capital Fund	Revaluation Reserve	Revenue reserve	Total
<b>At 30 June 2012</b>	222,273,799	3,819,583,331	(293,661,443)	3,748,195,687
Funds received during the year	113,143,385	237,500,000	-	350,643,385
Surplus for the Year			55,599,314	55,599,314
<b>As at 30 June 2013</b>	<b>335,417,184</b>	<b>4,057,083,331</b>	<b>238,062,129)</b>	<b>4,154,438,386</b>
<b>At 30 June 2013</b>	335,417,184	4,057,083,331	(238,062,129)	4,154,438,386
Funds received during the year (Note 12)	143,448,830	-	-	143,448,830
Surplus for the Year			46,785,237	46,785,237
<b>As at 30 June 2014</b>	<b>478,866,014</b>	<b>4,057,083,331</b>	<b>(191,276,892)</b>	<b>4,344,672,453</b>

**TECHNICAL UNIVERSITY OF KENYA**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**  
**Budget Approved on the Cash Basis**  
**(Classification of Payments by Functions)**

	Actual Amount	Final Budget	Difference Final Budget and Actual
	Kshs.	Kshs.	Kshs.
<b>CASH INFLOWS</b>			
Government Grants-Recurrent	1,040,500,036	1,040,500,000	36
Grants , Dev't Partner Recurrent (Donor Partner )	118,800,000	118,800,000	0
Rendering Services	705,218,301	640,000,000	65,218,301
Other Income -Recurrent (IGU)	47,299,199	35,000,000	12,299,199
<b>Total Receipts</b>	<b>1,911,817,536</b>	<b>1,834,300,000</b>	<b>77,517,536</b>
<b>CASH OUTFLOWS</b>			
Employee Costs	1,471,484,803	1,674,017,000	-202,532,197
Council Expenses	7,137,453	7,476,000	-338,547
Bulk Purchases of Water and Electricity	35,076,386	48,911,000	-13,834,614
Repairs & Maintenance	18,137,080	20,923,000	-2,785,920
Depreciation	49,455,031	0	49,455,031
Contracted Professional Services	101,870,026	11,923,000	89,947,026
Provision for Audit Fees	812000	800000	12,000
<b>General Expenses</b>			
Printing and Advertising expenses	18,988,672	33,825,000	-14,836,328
Land Rates and Rentals	5,730,959	4,934,000	796,959
Staff Training Expenses	27,482,456	24,089,000	3,393,456
Hospitality Supplies and Services	11,300,549	18,602,000	-7,301,451
Medical & Insurance Expenses	23,470,432	86,594,000	-63,123,568
Specialized, Teaching Materials \$ Supplies	23,253,649	67,079,000	-43,825,351
Provision for Bad Debt	6,110,390	3,486,000	2,624,390
General Supplies	20,224,496	20,224,000	496
Communication Supplies & Services	11,542,159	11,542,000	159
Foodstuffs supplies	6,651,700	6,652,000	-300
Fuel , Gas & Lubricants	3,593,284	3,593,000	284
Other Operating Expenses	1,676,724	1,676,000	724
<b>Total Payments</b>	<b>1,843,998,249</b>	<b>2,046,346,000</b>	<b>-202,347,751</b>
<b>NET CASH OUT FLOWS</b>	<b>67,819,287</b>	<b>-212,046,000</b>	<b>279,865,287</b>

\* Actual amounts encompass both cash and third party settlements.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**2. Summary of significant accounting policies**

**(a) Revenue recognition**

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

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2014

(b) **In-kind contributions**

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

(c) **Property, plant and equipment**

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

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

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

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

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

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

(d) **Intangible assets**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**(e) Inventories**

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

**(f) Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**(g) Cash and cash equivalents**

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

**(h) Trade and other payables**

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

**(i) Retirement benefit obligations**

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

**(j) Comparative figures**

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

**(k) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2014

3		NET ASSETS		2014	2013
	Capital Fund	3(a)	478,866,014	335,417,184	
	Revenue Reserve	3(c)	(191,276,892)	(238,062,129)	
	Revaluation Surplus	3(b)	4,057,083,331	4,057,083,331	
			<u>4,344,672,453</u>	<u>4,154,438,386</u>	
4		REVENUE FROM NON-EXCHANGE TRANSACTIONS			
		Notes	2014 Kshs.	2013 Kshs.	
4a	Government Recurrent Grants		1,040,500,036	824,114,980	
4b	Donor Funds		6,081,550	2,919,000	
4c	Government Development Grants		118,160,990	99,227,525	
5		REVENUE FROM EXCHANGE TRANSACTIONS			
5a		Rendering of services			
			2014 Kshs.	2013 Kshs.	
	Tuition fees		705,218,301	377,131,479	
5b	Other Income		47,299,199	38,069,578	



**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

<b>6. EXPENSES</b>		<b>2014</b>	<b>2013</b>
		<b>Ksh</b>	<b>Ksh</b>
<b>6(a)</b>	<b>Employee Costs</b>		
	Personal Emoluments	1,361,146,773	911,232,439
	Employer Contributions	79,952,305	62,899,233
	Domestic Travel	22,914,092	7,771,865
	Foreign Travel	7,471,633	5,349,623
	<b>Total</b>	<b>1,471,484,803</b>	<b>987,253,160</b>
<b>6(b)</b>	<b>Depreciation and Amortization</b>	<b>49,455,031</b>	<b>46,232,200</b>
<b>6(c)</b>	<b>General Expenses</b>		
	Printing, Advertising & Publicity	18,988,672	9,517,644
	Land Rates & Rental Expenses	5,730,959	9,872,918
	Staff Training Expenses	27,482,456	10,513,770
	Hospitality Suppliers & Services	11,300,549	7,757,963
	Medical & Insurance Expenses	23,470,032	10,810,956
	Specialized ,Teaching Materials & Supplies	23,253,649	3,821,600
	Provision for bad debts(Increase/ Decrease)	6,110,390	9,142,598
	General Supplies	20,224,496	6,788,521
	Communication Supplies & Services	11,542,159	11,783,754
	Penalties	-	5,027,258
	Foodstuffs Supplies	6,651,700	9,174,449
	Fuel, Gas & Lubricants	3,593,284	1,294,604
	Other Operating Expenses	1,675,724	112,013
	<b>Total</b>	<b>160,024,070</b>	<b>77,514,579</b>
<b>6(d)</b>	<b>Purchases of water and electricity</b>		
	Water Expenses	25,176,906	7,407,234
	Electricity Expenses	9,899,480	24,095,618
		<b>35,076,386</b>	<b>31,502,852</b>
<b>6(e)</b>	<b>Contracted Services</b>	<b>10,187,415</b>	<b>6,353,780</b>
<b>6(f)</b>	<b>Repair and Maintenance</b>		
	Maintenance of Motor Vehicles	14,644,253	5,173,579
	Maintenance of other Assets	3,492,827	6,313,228
	<b>Total</b>	<b>18,137,080</b>	<b>11,486,807</b>
<b>6(g)</b>	<b>Remuneration of Council members</b>		
	Sitting Allowances	6,177,453	3,083,510
	Honoraria	960,000	960,000
		<b>7,137,453</b>	<b>4,043,510</b>
<b>6(h)</b>	<b>Provision for audit fees</b>	<b>812,000</b>	<b>700,000</b>

**TECHNICAL UNIVERSITY OF KENYA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2014**

**7. PROPERTY, PLANT & EQUIPMENT**

Depreciation Rates	LAND		BUILDINGS		MOTOR VEHICLES		FURNITURE & FITTINGS		COMPUTERS, PRINTER & SOFTWARE		MACHINERY & EQUIPMENT		WORK IN PROGRESS		TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	
0%		2.5%	25%	12.50%	12.50%	30%									
At 1 July 2013	3,065,500,000	1,167,170,000	29,780,000	25,067,316	39,552,797	31,100,469	383,445,063	4,741,615,645							
Valuation/Additions	-	12,644,000	2,245,679	7,088,790	46,641,587	3,309,371	118,160,990	143,448,830							
As at 30 June 2014	<b>3,065,500,000</b>	<b>1,167,170,000</b>	<b>42,424,000</b>	<b>27,312,995</b>	<b>46,641,587</b>	<b>34,409,840</b>	<b>501,606,053</b>	<b>4,885,064,475</b>							
<b>DEPRECIATION:</b>															
As at 30 June 2013	-	86,684,831	17,216,563	7,954,005	22,606,890	8,995,348	-	143,457,637							
Charges for the year	-	29,179,250	6,301,859	2,419,873	7,210,409	4,343,640	-	49,455,031							
As at 30 June 2014	<b>115,864,081</b>	<b>23,518,422</b>	<b>10,373,878</b>	<b>29,817,299</b>	<b>13,338,988</b>	<b>192,912,668</b>									
<b>NET BOOK VALUE:</b>															
At 30 June 2014	3,065,500,000	1,051,305,919	18,905,578	16,939,117	16,824,288	21,070,852	501,606,053	4,692,155,807							
At 30 June 2013	<b>3,065,500,000</b>	<b>1,080,485,169</b>	<b>12,563,437</b>	<b>17,113,311</b>	<b>16,945,907</b>	<b>22,105,121</b>	<b>383,445,063</b>	<b>4,598,158,008</b>							

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2014

PROPERTY, PLANT & EQUIPMENT AS AT 30TH JUNE 2013

	LAND	BUILDINGS	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTERS, PRINTER & SOFTWARE	MACHINERY & EQUIPMENT	WORK IN PROGRESS	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS.
Depreciation Rates	0%	2.5%	25%	12.50%	30%	12.50%		
At 1 July 2012	2,828,000,000	1,167,170,000	29,780,000	23,727,706	30,613,316	27,463,700	284,217,538	4,390,972,260
Valuation/Additions	237,500,000	-	-	1,339,610	8,939,481	3,636,769	99,227,525	350,643,385
As at 30 June 2013	3,065,500,000	1,167,170,000	29,780,000	25,067,316	39,552,797	31,100,469	383,445,063	4,741,615,645
<b>DEPRECIATION:</b>								
As at 30 June 2012	-	57,505,581	13,028,750	5,509,246	15,344,387	5,837,473	-	97,225,437
Charges for the year	-	29,179,250	4,187,813	2,444,759	7,262,503	3,157,875	-	46,232,200
As at 30 June 2013	-	86,684,831	17,216,563	7,954,005	22,606,890	8,995,348	-	143,457,637
<b>NET BOOK VALUE:</b>								
At 30 June 2013	3,065,500,000	1,080,485,169	12,563,437	17,113,311	16,945,907	22,105,121	383,445,063	4,598,158,008
At 30 June 2012	3,065,500,000	1,107,164,419	16,751,250	18,218,460	15,268,861	21,626,227	284,217,538	4,291,246,754



**THE TECHNICAL UNIVERSITY OF KENYA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**8. TRADE AND OTHER PAYABLES**

	2014 Kshs.	2013 Kshs.
Auditor General	1,624,000	700,000
Contractors & General Creditors	84,532,037	181,528,794
Provision for NCC - Land Rates	3,221,572	10,048,930
UoN Salary Reimbursement	6,197,082	7,194,396
Provision for Gratuities	145,762,324	145,762,324
Staff Pension Fund	391,861,174	229,957,698
Third Party Funds	22,604,888	22,604,888
Statutory Obligations	103,503,104	19,013,644
Sacco Deductions	66,096,335	16,906,647
Bank Loan Deductions	10,314,560	8,627,010
Insurance Premium Deductions	795,582	691,820
Other Payroll deductions	-	-
Deposits Control Account	-	-
	836,512,658	643,036,151

**9(a). CASH AND CASH EQUIVALENTS**

	2014 Kshs.	2013 Kshs.
Cash in hand	337,643	368,129
Production Unit Account- 1101631686	4,110,730	24,284,574
Hostel Fund Account- 1101631791	1,136,174	1,141,104
Fund Account-1109148224	166,499	4,777,963
Cash at Bank- Coop Collection account	125,345,544	6,388,478
Cash at Bank- Equity Collection account	20,152,880	3,450,272
Students Deposit-Caution Money	631,731	631,731
Machine Replacement Fund-1105828646	769,795	1,469,795
Staff Pension Fund -1122174462	565,219	9,510,955
Students Deposit savings Fund-1107252822	727,429	1,425,349
Needy Students Fund	105,738	101,738
Fixed Deposit	300,000	300,000
Environment Education Fund-1101632445	4,490	11,220
Enterprise Development Fund-1101631953	165,189	331,874
Production Unit Savings-1107289408	431,311	-
KESSP Account-1108979432	-	1,939
Main Account- 1109148135	5,718,067	-
	160,668,439	54,195,121

**9(b). BANK OVERDRAFT**

Main Account- 1109148135	-	(119,166,972)
Production Unit Account- 1101631686	-	(4,139,970)
Hostel Fund Account- 1101631791	-	-
Fund Account- 1109148224	-	-
KESSP Account-1108979432	(7,161)	-
	(7,161)	(123,306,942)

**TECHNICAL UNIVERSITY OF KENYA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 30 JUNE 2014**

<b>10. TRADE AND OTHER RECEIVABLES</b>	<b>2014</b>	<b>2013</b>
<b>10(a) Exchange</b>	<b>Kshs</b>	<b>Kshs.</b>
Outstanding Staff Imprest	5,196,712	14,155,802
Poly Business Advances		-
Salary Advances	562,345	562,345
Outstanding Students fees	304,009,318	225,334,225
Sundry debtors	-	-
Deposits to Suppliers	104,350	104,350
Nyayo Vehicle Project	500,000	500,000
Dishonored cheque	562,501	562,501
<b>Total</b>	<b>310,935,226</b>	<b>241,219,223</b>
<b>10(b) Non-Exchange</b>		
Ministry of Education	48,422,395	57,034,499
Provision for bad debts (10%)	(35,935,762)	(29,825,372)
	<u>323,421,859</u>	<u>268,428,350</u>

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

	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs.</b>
<b>11 INVENTORY</b>	4,946,167	-

Inventory is mainly composed of stationery and other consumables. The value of inventories was arrived at after stock take exercise that was conducted by Board of Survey Committee for closure of the year. This is the first time stock has been captured in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**FOR THE YEAR ENDED 30 JUNE 2014**

**12 GOK DEVELOPMENT GRANTS**

NO	CONTRACTOR	CONTRACT SUM	AMOUNT PREVIOUSLY PAID	BUILDING	AMOUNT PAID/ CERTIFIED
1	CENTRAL ELECTRICAL	26,253,400	NIL	BLOCK M	22,884,912
2	APE ENGINEERING	60,275,725	NIL	BLOCK Q	54,129,867
5	TINFRA	60,765,742	38,132,505	SCH. OF ARCHITECTURE	2,824,372
6	VEE VEE	113,293,388	107,867,701	BLOCK S	5,295,471
8	MECOY	15,603,748	NIL	BLOCK R & S	15,603,748
9	ECOSPACE			BLOCK R & S	1,564,116
10	OCHIENG ABUODHA	5,924,613	NIL	BLOCK R & S	5,924,613
11	WEST CONSULT	4,914,954	NIL	BLOCK M & Q	4,914,954
12	EZATWA	7,507,160	NIL	PARTITIONING IN MAIN CAMPUS	5,018,937
	<b>SUB TOTAL</b>				<b>118,160,990</b>

**OTHER FIXED ASSETS**

1	MOTOR VEHICLES				12,644,000.00
2	FURNITURE & FITTINGS				2,245,679.00
3	COMPUTERS, PRINTER & SOFTWARE				7,088,790.00
4	MACHINERY & EQUIPMENT				3,309,371.00
	<b>SUB TOTAL</b>				<b>25,287,840.00</b>

**GRAND TOTAL**

**143,448,830**

Construction was being done on reimbursable basis from the Ministry



TECHNICAL UNIVERSITY OF KENYA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2014

13 PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS

Reference on external Audit Report	Issues observation from Auditor	Management Comment	Focal Point person to resolve the issue	Status: Resolved/Not resolved	