

Annual Report and Financial Statements for the Financial Year Ended 30th June, 2018



TAITA TAVETA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2018

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



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I. KEY TAITA TAVETA UNIVERSITY INFORMATION AND MANAGEMENT

a. Background information

Taita Taveta University, a former Constituent College of Jomo Kenyatta University of Agriculture and Technology via Legal Notice Number 156 dated 18th October, 2011, was elevated to a fully-fledged University through award of Charter on **7th October, 2016**. Since it was Chartered, and particularly over the financial year 2017/2018, the University Council, Management, staff and students have collectively embarked on a transformative journey aimed at positioning Taita Taveta University as a strategic player in national and regional development, and an academic centre of excellence with a special focus on Mining, Mineral Processing and Natural Resource Management. The University hosts the National Mining Institute launched by H.E President Uhuru Kenyatta in March, 2017 and is the 8th African Centre of Excellence in Mining, Environmental Engineering and Natural Resource Management (CEMEREM) supported by the DAAD of Germany.

b. Principal Activities

The principal activity of Taita Taveta University is teaching, research and community outreach. The vision, mission and core values that underpin our principal activity are as outlined below.

c. Vision Statement

To be a premier institution in education, training, research, innovation and community outreach for sustainable development.

d. Mission Statement

To produce leaders and professionals in engineering, science and entrepreneurship through knowledge creation, dissemination and application for socio-economic development.

e. Core Values

- i) **Result oriented** - Budgeting and planning is geared toward achieving desired objectives.
- ii) **Quality** - All work is done to ensure products of the highest quality are produced.
- iii) **Transparency and Accountability** - All dealings should be open, above board and accountable to stakeholders.
- iv) **Innovativeness** - In the face of many challenges, innovation is championed to ensure set targets are achieved efficiently.
- v) **Professionalism and ethical conduct** - Staff are required to uphold the highest professional and ethical standards.

f. Key Management

The Taita Taveta University's day-to-day management falls under the following three key Offices:

1. Vice Chancellor/CEO - Administrative and Academic Head
2. Deputy Vice Chancellor (Administration, Finance & Planning)– Divisional Head
3. Deputy Vice Chancellor (Academic, Research & Outreach) – Divisional Head



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g. Fiduciary Management

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

Designation	Name
Ag. Vice Chancellor and Deputy Vice Chancellor (AFP)	- Prof. Fred Simiyu Barasa
Deputy Vice Chancellor (Academic, Research & Outreach)	- Prof. Christine Akoth Onyango

h. Fiduciary Oversight Arrangements

A. University Council
Membership is as listed under University Council in Part II below.

B. Finance, Development and General Purpose Committee	
1. Mr. Tom Kiptoon Kandagor	Chairman
2. Mr. Isaac Gitahi Thuita- Representing PS MOEST ²	Member
3. Ms. Sophia Akinyi Yiega	Member
4. Mr. Joseph Kiarie - Representing PS The National Treasury	Member

C. Audit Committee	
1. Ms. Jane Mumbi Weru	Chairman
2. Mr. Isaac Thuita- Representing PS MOEST	Member
3. Mr. Joseph Kiarie - Representing PS The National Treasury	Member
4. Ms. Jane Kimbwarata	Member
5. Mr. Dalton Mwaghogho-C.I.A Secretary (Ex-Official)	Member

D. Human Resource Committee	
1. Ms. Jane Kimbwarata	Chairman
2. Dr. Rashid Abdi Aman	Member
2. Mr. Isaac Thuita - Representing PS MOEST	Member
3. Mr. Joseph Kiarie - Representing PS The National Treasury	Member

i. Taita Taveta University Head quarters

Taita Taveta University
Main Campus (off Voi-Mwatate Road)
P. O. Box 635 – 80300, VOI, KENYA.

j. Taita Taveta University Contacts

Telephone :(254) 020 2437266
E-mail: vc@ttu.ac.ke
Website: www.ttu.ac.ke

²MOEST – Ministry of Education, Science and Technology



k. Taita Taveta University Bankers

Kenya Commercial Bank Ltd
Voi Branch
P.O. Box 137 - 80300
Voi, Kenya

Equity Bank Ltd
Voi Branch
P.O. Box 325 - 80300
Voi, Kenya

l. Independent Auditors







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

m. Principal Legal Adviser

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






II. UNIVERSITY COUNCIL

<p>1. Dr. Morompi Ole Ronkei</p> 	<p>Born:1960 Doctor of Philosophy (Univ. Of Oregon) He had previously worked at Daystar University, and later at Compassion International as CEO for many years, and is currently working as a communications consultant. He is the chairman of Council.</p>
<p>2. Ms. Jane Kimbwarata</p> 	<p>Born: 1972 Master of Science, Information Science, Moi University. She is the Chair of the Human Resource Development Committee of Council. She has 19 years' experience working in the Public Sector,</p>
<p>3. Dr.Rashid Abdi Aman</p> 	<p>Born:1954 Post doctoral fellowship, School of Medicine Stanford University, USA. PhD in Pharmaceutical chemistry, and has over 24 years experienced as pharmacist.</p>
<p>4. Mr.Isaac Gitahi Thuita</p> 	<p>Born: 1959 M.E.D ,Administration and Planning(Kenyatta University).BED,(University of Nairobi),Higher Diploma, (University of KwaZulu-Natal).Secretary General, Kenya Colleges and Schools sports Council and has over 30 years' experience in Education and Training.</p>
<p>5. Mr.Tom Kiptoon Kandagor</p> 	<p>Born 1955. MBA Maaschric University. He has over 26 years experience in the Banking industry. He is the chairman of Finance, Development and General Purpose Committee of Council. .</p>
<p>6. Ms.Sophia Akinyi Yiega</p> 	<p>Born 1968. Master of Education in Psychology. Has over 20 years working experience, 10 years of which she has worked with the National government and the other 10 years working with NGO's in education, civil society and community development.</p>



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<p>7. Ms. Jane Mumbi Weru</p> 	<p>Born 1963. Master in Management of NGO's. A lawyer by profession with over 20 years working experience. She is the chairman of the Audit, Risk and Governance committee of Council.</p>
<p>8. Mr. Joseph Kiarie</p> 	<p>Born: 1966 Bachelor of Commerce (B.Com), Accounting Option, University Of Nairobi (UON). He has over 20 years' experience in Public Finance Management. He is currently working in the National Treasury and is a member of Institute of Certified Financial Analysts (ICFA).</p>
<p>9. Prof. Fred Simiyu Barasa, PhD</p> 	<p>Born: 1960 PhD in Comparative and International Education (University of Natal); MA(Ed.) and BED (Sc) – Kenyatta University; Has previously served as the Executive Director/CEO of the African Council for Distance Education (ACDE); Manager (Academic Program Development and Management at the African Virtual University (AVU); Director, College of Distance Education (Egerton University); Dean, School of Education, Arts and Theology (Kabarak University); Dean, Faculty of Education and Human Resources (Egerton University), and Chairman, Department of Educational Foundations. He has also served as Deputy Principal (Administration, Finance and Planning), TTUC as well as Deputy Vice Chancellor (Administration, Finance and Planning), TTU. He is currently the Acting Vice Chancellor. Ex-officio member.</p>



III. MANAGEMENT TEAM



1. Prof. Fred Simiyu Barasa
PhD in Comparative and International Education,
University of Natal, RSA

**Ag. Vice Chancellor and Deputy Vice
Chancellor (Administration, Finance and
Planning)**

Accounting Officer/ Chief Administrative and Academic Head of the Institution. He is also the Head of Division and responsible for Administration, Finance and Planning functions of the institution.



2. Prof. Christine Onyango
PhD in Food Science and Post-Harvest Technology,
Jomo Kenyatta University Of Agriculture and
Technology

**Deputy Vice Chancellor
(Academic, Research and Outreach)**

Head of Division and responsible for Academic, Research and Outreach functions of the institution.



IV. CHAIRMAN'S STATEMENT

Taita Taveta University was awarded a Charter to be a fully-fledged University on 7th October, 2016. Prior to that the University was a Constituent College of Jomo Kenyatta University of Agriculture and Technology since 18th October, 2011 vide the Legal Notice Number 156 in the Kenya Gazette Supplement number 140. Accordingly, the financial year 2017/2018 marks the sixth year of our stewardship over financial and other resources entrusted to us. To this end, the University Council, Management, staff and students have collectively maintained focus on the transformative journey of positioning Taita Taveta University as a strategic player in national and regional development, and as an academic Centre of Excellence with special focus on Mining, Mineral Processing Engineering and Natural Resource Management.

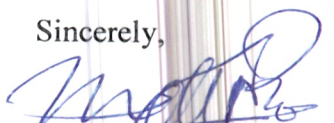
Conscious of our mandate and guided by our motto of "Home of Ideas", we endeavour to prudently manage resources at our disposal in addition to offering the highest quality of service to our clients and all stakeholders. Taita Taveta University continues to ensure strict financial discipline, focused execution of the management agenda and resolute pursuit of agreed strategies.

The FY 2017/2018 presented great opportunities for development and growth. The resources allocated and received have been instrumental in facilitating infrastructure and human resource development. These include: enhanced clean water supply through construction of a water treatment plant at both Main Campus and at the School of Agriculture Earth and Environmental Sciences (SAEES); significant progress towards completion of Phase II of the state-of-the art Centre for Mines, fuels and Mineral Processing Engineering; Completion of Fencing of the 50 acre Taveta Land and support for various staff pursuing PhD, Master and Bachelor degree study programmes. Further, the University continued delivering academic programmes prudently while maintaining and securing her assets. The University was also privileged to be visited by His Excellency, Uhuru Kenyatta, President of the Republic of Kenya who officially launched the establishment of the National Mining Institute to be hosted at Taita Taveta University.

Despite the development and growth achievements highlighted above, Taita Taveta University faced and still faces many challenges. Inadequate funding from the exchequer, reduction in capital funds originally allocated to the University for FY 2017/2018, and low staffing levels for both academic and administrative staff are among the challenges experienced. As Taita Taveta University transits and implements Commission for University Education Regulations, Universities Standards and Guidelines increasing staffing levels, construction of a Modern Library, expansion of office and classroom space, equipping and modernizing laboratories and workshops, and further enhancement of clean water supply through connection to Mzima Springs pipeline, will continue being the University's highest priority.

The University Council is committed to continuous improvement in the governance and management of Taita Taveta University.

Sincerely,


Dr. Morompi Ole Ronkei
Chairman of Council



V. REPORT OF THE VICE CHANCELLOR

Introduction and Financial Performance

The financial year 2017/2018 has been an eventful year. We have struggled with insufficient cash flows, increasing food prices, industrial unrest among staff relating to national level Collective Bargaining Agreement (CBA) negotiations and implementation, and reduction in development capital. Further, we struggled with but successfully managed our service providers, especially suppliers and Part-Time Lecturers. However, we have made some progress, including award of Charter, becoming International Organization for Standardization (ISO) Certified, and winning a competitive bid for establishment of the African Centre of Excellence for Mining, Environmental Engineering and Resource Management (CEMEREM) at Taita Taveta University in collaboration with German Universities; supported by DAAD. We appreciate the support and goodwill of the University Council and the Government of Kenya. Despite the challenges, they have continued to support our innovative ideas and Taita Taveta University has made good progress on all fronts.

In the FY 2017/2018, Taita Taveta University received from the Government of Kenya a total of **Kshs. 470,880,068** for recurrent expenditure and **Kshs. 65,986,176** for development expenditure and was able to generate Appropriation-in-Aid of **Kshs.134,835,166**. This budget supported 239 full time staff, 3,000 students, over ten academic programmes focusing on Mining Engineering, Computer Science, Information Technology, Business Management and Entrepreneurship, Applied Science, Horticulture and Governance. Further, in the year under review, the University made remarkable investment and progress in staff training, automation through installation of an ERP system, teaching and learning infrastructure, and launching of new academic programmes.

During the year under review, the University realized a deficit of (**Kshs52, 841,473**). The deficit was an increase compared to previous year's deficit of (**Kshs42, 391,287**). The increase was attributed to decline in A.I.A which was as a result of various prolonged strikes by University staff country wide despite allocation by the Government of additional supplementary budget of **Kshs94, 419,273**. It is also worthy to note that part of the deficit is contributed by depreciation charge on property, plant and equipment of **Kshs.42,485,101** for the financial year under review.

Conclusion

The University is grateful to the Government of Kenya and the Ministry of Education, Science and Technology for their continued support. The Taita Taveta University community will continue to work hard to meet targets as set in the Strategic Plan and mandate as provided in the Universities Act 2012 and the Taita Taveta University Charter, 2016.

Prof. Fred Simiyu Barasa, PhD
Ag. Vice Chancellor, Taita Taveta University



VI. CORPORATE GOVERNANCE STATEMENT

The University is being managed by a Council constituted in accordance with Universities Act 2012 and the 2016 amendments. The Council members were appointed for a period of 3 years with effect from 10th March, 2017 vide Gazette Notice Number 2350 dated 14th March, 2017.

Taita Taveta University is required to prepare financial statements, which give a true and fair view of the state of affairs of the University as at the end of financial year, and of its surplus or deficit for the year.

The University is required to ensure that proper accounting records that disclose, with reasonable accuracy, at any time the financial position of the University, are maintained.

The University Council is also responsible for safeguarding the assets of the University. The University Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards.

The University Council confirms that the financial statements give a true and fair view of the state of financial affairs of the University as at 30th June 2018 and its deficit for the year that ended. The University Council further confirms the accuracy and completeness of the accounting records maintained by the University, which may be relied upon in the presentation of the financial statements, as well as on the accuracy of the systems of internal controls.

Nothing has come to the attention of the University Council to indicate that the University will not remain a going concern for at least twelve months from the date of this statement. The University Council thanks the Staff for their dedication and hard work in the last financial year.

The statement is approved by the University Council and signed by/or on its behalf:

Prof. Fred Simiyu Barasa, PhD
Ag. Vice Chancellor, Taita Taveta University



VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Taita Taveta University is committed to continuous engagement with the local communities, the County Government of Taita Taveta and the National Government to fight poverty, ignorance and environmental degradation so as to contribute to sustainable development. Some of the strategies deployed at Taita Taveta University towards Corporate Social Responsibility are anchored in our Strategic Plan that covers the period (2013-2018). They include:

1. Short Courses in relevant subjects targeting community needs, like Gemology.
2. Employing an open door policy towards members of the community and other stakeholders so as to provide an opportunity for continuous engagement.
3. Offering scholarship programs for students from the community in collaboration with the Taita Taveta County Government.
4. Introducing more tailor made courses for capacity building of the community.
5. Identifying and researching on challenges and problems afflicting the community.
6. Entering into collaborations with local communities and the Taita Taveta County Government on various developmental issues.
7. Engaging the community and other stakeholders in the provision of services to them and vice-versa.

In this respect, during the financial year under review, the University conducted various capacity building workshops involving teachers, students, local community, secondary school students within Taita Taveta County and senior officials of the Taita Taveta County Government. The University also hosted an international conference at the institution under Centre of Excellence for Mining, Environmental Engineering and Resource Management (CEMEREM) Project.



VIII. REPORT OF THE COUNCIL

The University Council submit their report together with the draft Financial Statements for the year ended June 30th, 2018 which shows the state of the Taita Taveta University affairs.

Principal activities

The principal activities of the Taita Taveta University are Teaching, Research and Community Outreach.

Results

The results of the Taita Taveta University for the year ended 30th June, 2018 are set out on page 14 to page 37.

Council

The members of the University Council who served during the year are shown on page 4 and 5.

Auditors

The Auditor General is responsible for the statutory audit of the Taita Taveta University in accordance with Article 129 (4) of The Constitution of Kenya, Section 89 of the Public Finance Management (PFM) Act, 2012 and Public Audit Act, 2015.

By Order of the University Council

Ag. Vice Chancellor
Taita Taveta University
Voi
Date: 26th July, 2018.



IX. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 89 of the Public Finance Management Act, 2012 and cap 446 section 14 of the State Corporations Act, require the Council Members to prepare financial statements in respect of Taita Taveta University, which give a true and fair view of the state of affairs of the Taita Taveta University at the end of the financial year/period and the operating results of the Taita Taveta University for that year/period. The Council Members are also required to ensure that the Taita Taveta University keeps proper accounting records which disclose with reasonable accuracy the financial position of the Taita Taveta University. The Council Members are also responsible for safeguarding the assets of the Taita Taveta University.

The Council Members are responsible for the preparation and presentation of the Taita Taveta University financial statements, which give a true and fair view of the state of affairs of the Taita Taveta University for and as at the end of the financial year (period) ended on 30th June, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Taita Taveta 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 Taita Taveta University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the Taita Taveta University financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act, 2012. The Council Members are of the opinion that the Taita Taveta University financial statements give a true and fair view of the state of Taita Taveta University transactions during the financial year ended 30th June, 2018, and of the Taita Taveta University financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the Taita Taveta University, which have been relied upon in the preparation of the Taita Taveta University financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council Members to indicate that the Taita Taveta 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 Taita Taveta University financial statements were approved by the Council on _
2018 and signed on its behalf by:

Ms Jane Kimbwarata

Mr. Tom Kiptoon Kandago

REPUBLIC OF KENYA

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON TAITA TAVETA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Taita Taveta University set out on pages 14 to 38, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect 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 Taita Taveta University as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012.

Basis for Qualified Opinion

1. Financial Performance

The statement of financial position reflects total current liabilities of Kshs.210,240,211 which exceeded total current assets balance of Kshs.54,973,804 resulting to a negative working capital of Kshs.155,266,407. Further, the University realized a loss of Kshs.52,841,473, resulting to negative revenue fund of Kshs.338,740,672 as at 30 June 2018.

Consequently, the University may not be in a position to meet its financial obligations as and when they fall due and its continued existence as a going concern depends on its continued support from the Government, bankers and creditors.

2. Cash and Cash Equivalents

The statement of financial position as at 30 June 2018 reflects cash and cash equivalents balance of Kshs.14,615,790 of which the following observations were made:

Report of the Auditor-General on the Financial Statements of Taita Taveta University for the year ended 30 June 2018

2.1. Kenya Commercial Bank Ltd Student Fees Account

The statement of financial position as at 30 June 2018 reflects cash and cash equivalents balance of Kshs.14,615,790, out of which Kshs.1,121,208 is a balance in Kenya Commercial Bank Ltd Student Fees A/C. The bank reconciliation statement as at 30 June 2018 for this account reflects receipts in bank statement not yet recorded in cash book of Kshs.1,621,602, some dating as far back as April 2016. The amounts mainly were fees payments not receipted in cash book and in the relevant student accounts. Management has not explained the reason for not recording the receipts promptly.

2.2. Kenya Commercial Bank Ltd – Catering Account

The cash and cash equivalents balance of Kshs.14,615,790 includes an amount of Kshs.757,863.50 held in Kenya Commercial Bank Ltd Catering A/C whose bank reconciliation statement reflects receipts in bank statement not yet recorded in cash book of Kshs.101,233. Further, the bank balance of Kshs.757,863.50 was used in these financial statements instead of the cash book of Kshs.656,630.50 as at 30 June 2018.

Consequently, the accuracy and completeness of cash and bank balance of Kshs.14,615,790 as at 30 June 2018 could not be confirmed.

3. Audit Fees

Included in central services balance of Kshs.148,549,324 and as disclosed in Note 13 to the financial statements for the year ended 30 June 2018 is audit fees amount of Kshs.284,482. However, this is contrary to costs incurred by the Auditor-General to audit the financial statements of the University and whereby the audit fees charged by the Office of the Auditor-General in year 2017/2018 is Kshs.548,000. Records from the Office of the Auditor-General also indicates that the University had outstanding audit fees amounting to Kshs.1,096,000 as at 30 June 2018. Included in this outstanding balance is Kshs.548,000 which has been outstanding for more than two years, contrary to Section 41 of the Public Audit Act, 2015 which provides that 'funds for the Auditor-General shall consist of audit fees charged at rates prescribed by the Auditor-General.

In addition, note 24 to the financial statements discloses an outstanding audit fees balance of Kshs.618,000, hence understating the creditors balance by Kshs.478,000.

Consequently, the University is in breach of the Law and the accuracy of audit fees amount of Kshs.284,482 for the year ended 30 June 2018 could not be ascertained.

4. Bank Overdraft

As previously reported, the statement of financial position as at 30 June 2018 reflects bank overdraft balance of Kshs.73,599,080 for Kenya Commercial Bank Ltd – Main account. However, as per the availed approval letter from National Treasury, the University was approved an overdraft facility of Kshs.50 million. However, the overdraft amount had escalated to figures beyond the approved figure of Kshs.50 million by Kshs.23 million without obtaining additional approval.

This is contrary to Section 82(7) of the Public Finance Management (National Government) Regulations, 2015, which stipulates that 'no official Government bank account shall be overdrawn beyond the limit authorized by the National Treasury'.

Further, the overdraft amounts and the bank loans had resulted to huge bank interests totaling to Kshs.8,437,314 which has been wrongly classified as bank charges. As a result, the finance cost amount of Kshs.1.5 million has been understated by Kshs.8,437,314.

Consequently, the accuracy and validity of the bank overdraft balance of Kshs.73,599,080 as at 30 June 2018 could not be ascertained.

5. Trade and Other Payables from Exchange Transactions

As previously reported, included in the trade and other payables balance of Kshs.132,747,008 as at 30 June 2018 (2016/2017 Kshs.152,259,969) and disclosed in Note 24 to the financial statements is a balance of Kshs.35,155,485 for sundry creditors. However, the sundry creditors balance includes Kshs.727,236 whose confirmation certificates from creditors amounted to Kshs.1,089,600, resulting to a variance of Kshs.362,364 which has neither been explained nor reconciled to date.

Consequently, it has not been possible to ascertain that trade and other payables balance of Kshs.132,747,008 as at 30 June 2018 is fairly stated.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the issues described in the basis for qualified opinion section of my report, there were no Key Audit Matters to report in the year under review.

Other Matter

1.0. Budgetary Controls and Performance

During the year under review, the University had expenditure budget of Kshs.759,295,784 against actual expenditure of Kshs.648,116,034 or 85%, resulting to net under-expenditure of Kshs.111,179,750 or 15% as detailed below:

Item	Final Budget (Kshs.)	Actual Expenditure (Kshs)	Over Expenditure (Kshs.)	Under Expenditure (Kshs.)	Over Expenditure %	Under Expenditure %
Personal emoluments	460,129,002	481,829,393	21,700,391		5	
Academic costs	47,005,398	25,157,218		21,848,180		46
Administrative cost	8,325,527	6,400,229		1,925,298		23
Students welfare cost	16,509,485	10,144,930		6,364,555		39
Maintenance work cost	2,409,688	1,152,139		1,257,549		52
Central services cost	139,981,251	81,976,463	-	58,004,788		41
Council Activities	10,705,770	9,374,074	-	1,331,696		12
Donor project-Payments	74,229,663	32,081,588	-	42,148,075		57
Total	759,295,784	648,116,034	(21,700,391)	132,880,141	5	15

The under expenditure of Kshs.132,880,141 may be due to possible over budgeting which may have a negative impact on implementation of planned activities and service delivery to the stake holders. Further, the Council approval of the over-expenditure of Kshs.21,700,391 on personnel costs was not availed for audit verification.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

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. A review is limited primarily to analytical procedures and to inquiries, and therefore provides less assurance.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance and Qualified Opinion sections of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Auditor-General's Responsibilities for the Audit

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.

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

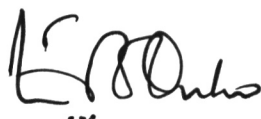
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue 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 as a going concern or to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

20 March 2019



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

X. REPORT OF THE AUDITOR-GENERAL ON TAITA TAVETA UNIVERSITY FOR THE YEAR ENDED 30TH JUNE, 2018



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

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

	Note	2017/2018 Kshs	2016/2017 Kshs
REVENUE			
<u>Revenue from non-exchange transactions</u>			
Government Grant Income	3	470,880,068	376,460,800
Other Incomes (Donations)	4	32,081,587	
		502,961,656	376,460,800
<u>Revenue from exchange transactions</u>			
Tuition Fees Income	5	120,550,707	115,792,404
Income from Other Services Rendered	6	13,875,662	17,197,902
Income from other activities	7	408,797	2,289,680
		134,835,166	135,279,985
Total revenue		637,796,822	511,740,785
EXPENDITURE			
Personal Emoluments	8	481,829,393	361,462,397
Academic Costs	9	25,157,218	31,513,168
Administrative Departments Costs	10	6,400,229	6,865,103
Students Welfare Costs	11	15,322,615	20,037,083
Maintenance Work Costs	12	2,414,944	2,289,317
Central Services Costs	13	148,549,324	114,386,611
Council, Activities	14	9,374,074	11,369,747
Finance Cost	15	1,590,499	6,208,645
Total expenses		690,638,295	554,132,072
(Deficit) / Surplus for the year		(52,841,473)	(42,391,287)
<i>Other income/(costs)</i>		-	-
		-	-
NET PROFIT/(LOSS) BEFORE TAX		(52,841,473)	(42,391,287)
Tax expense		-	-
		-	-
RETAINED EARNINGS/(DEFICIT)		(52,841,473)	(42,391,287)

*-Taxation expense

The University is a public institution hence exempted from paying corporate tax.



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

XII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2018

<u>ASSETS</u>	Note	2017/2018 Kshs	2016/2017 Kshs
CURRENT ASSETS			
Cash and cash equivalent	16	14,615,790	9,476,382
Receivables from Exchange transactions	17	32,445,188	60,346,889
Inventories	18	7,196,827	14,401,720
Biological Assets	19	716,000	716,000
		<u>54,973,804</u>	<u>84,940,991</u>
NON CURRENT ASSETS			
Property, Plant and Equipment	20	3,702,019,879	3,710,120,219
Intangible Assets	21	17,666,811	17,703,971
		<u>3,719,686,690</u>	<u>3,727,824,191</u>
TOTAL ASSETS		<u>3,774,660,494</u>	<u>3,812,765,181</u>
FUNDS, GRANTS AND LIABILITIES			
FUNDS AND GRANTS			
Capital fund	Pg 16	832,546,365	766,560,189
Reserve fund	Pg 16	(338,740,672)	(285,899,199)
Revaluation Reserve	Pg 16	3,030,774,525	3,072,378,256
		<u>3,524,580,218</u>	<u>3,553,039,246</u>
LONG TERM LIABILITIES			
IPPUCCF (GoK)	22	35,200,000	35,200,000
KCB Loan	23	4,640,065	2,511,273
		<u>39,840,065</u>	<u>37,711,273</u>
CURRENT LIABILITIES			
KCB Loan	23	3,894,123	6,319,636
Trade and other Payables from exchange transactions	24	132,747,008	152,259,969
Bank Overdraft	25	73,599,080	63,435,058
		<u>210,240,211</u>	<u>222,014,663</u>
TOTAL FUNDS, GRANTS AND LIABILITIES		<u>3,774,660,494</u>	<u>3,812,765,181</u>


Dr. Morompi Ole Ronkei
COUNCIL CHAIRMAN


Prof. Fred Simiyu Barasa, PhD
AG. VICE CHANCELLOR



XIII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE, 2018

	Capital development replacement reserve	Accumulated Reserve Fund	Revaluation Reserve	Total
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
<i>year ended 30-06-2018:</i>				
As at 1 st July 2017	766,560,189.00	(285,899,199)	3,072,378,256	3,553,039,246
Surplus / (Deficit) for the period		(52,841,473)		(52,841,473)
Additions in the year	65,986,176			65,986,176
Depreciation			(41,603,731)	(41,603,731)
At 30 June 2018	832,546,365	(338,740,672)	3,030,774,525	3,524,580,218
 <i>year ended 30-06-2017:</i>				
As at 1 st July 2016	706,212,261.00	(243,507,912)	3,115,263,694	3,577,968,043
Surplus / (Deficit) for the period		(42,391,287)		(42,391,287)
Additions in the year	60,347,928			60,347,928
Depreciation			(42,885,438)	(42,885,438)
At 30 June 2017	766,560,189	(285,899,199)	3,072,378,256	3,553,039,246



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

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

	Note	2017/2018	2016/2017
		Kshs	Kshs
Cash flows from operating activities			
Surplus/(Deficit) for the year	page 6	(52,841,473)	(42,391,287)
Adjustment for:			
> Depreciation		42,485,101	39,511,900
> Amortization		37,161	53,087
> Prior Year Adjustment**		(8,288,252)	(30,169,509)
Operating profit before working capital changes		(18,607,464)	(32,995,809)
>> Receivables – decrease (increase)	17	27,901,701	(7,072,174)
>> Inventories – decrease (increase)	18	7,204,893	(4,016,190)
>> Payables - (decrease) increase	24	(19,512,961)	65,295,969
>> Prepayments– decrease (increase)			3,000,000
Net Cash generated from operations		(3,013,831)	24,211,796
Cash flows from investing activities			
Interest paid		-	(841,364)
Purchase of Furniture & fixtures	20a	(419,650)	-
Additions in Work In Progress	20a	(60,025,974)	(71,951,864)
Purchase of Computers and Equipment	20a	(9,159,051)	(6,323,523)
Net cash from investing activities		(69,604,675)	(79,116,751)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital fund		65,986,176	60,347,928
Loan advance		7,388,055	
Repayment of loan		(5,780,339)	(44,986,751)
Net Cash from Financing Activities		67,593,892	(15,361,177)
Net Increase or decrease		(5,024,614)	(39,543,778)
Net Increase (Decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		(53,958,676)	(14,414,898)
Cash and cash equivalents at the end of the year		(58,983,290)	(53,958,676)
SUMMARY OF CASH AND BANK BALANCES			
Cash Book Balance		14,615,790	9,476,382
(Negative) Cash and Bank Balance		(73,599,080)	(63,435,058)
TOTAL		(58,983,290)	(53,958,676)

** This relates to loan repayment difference as at the end fy 2016/2017 where the repayment was under deducted by Kshs.1, 904,436.69 and the other amount of Kshs.6, 383,815.59 is attributable to erroneous invoicing of students that was rectified in the proceeding period.



**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30TH JUNE, 2018**

Particulars	Original budget (A)	Adjustment s (B)	Final budget (C=A+B)	Actual on comparable basis	Performance difference	Percentage of Budget Utilization	Explanation of material variance
	2017/2018	2017/2018	2017/2018	2017/2018	2017/2018		
	Kshs	Kshs	Kshs	Kshs	Kshs		
Revenue							
Government grant income	376,460,800	94,419,273	470,880,073	470,880,068	5	100%	
Tuition fees income	149,709,283	-	149,709,283	120,550,707	29,158,576	81%	a
Income from other services rendered	26,500,000	(5,083,860)	21,416,140	14,284,459	7,131,681	67%	b
Donor project-Receipts	-	74,229,663	74,229,663	32,081,588	42,148,075	43%	
Total income	552,670,083	163,565,076	716,235,159	637,796,822	78,438,337	89%	
Expenses							
Personal emoluments	396,186,999	63,942,003	460,129,002	481,829,393	(21,700,391)	105%	c
Academic costs	52,808,810	5,803,412	47,005,398	25,157,218	21,848,180	54%	d
Administrative cost	5,886,000	2,439,527	8,325,527	6,400,229	1,925,298	77%	
Students welfare cost	11,465,000	5,044,485	16,509,485	10,144,930	6,364,555	61%	e
Maintenance work cost	1,670,000	739,688	2,409,688	1,152,139	1,257,549	48%	f
Central services cost	127,318,874	12,662,377	139,981,251	81,976,463	58,004,788	59%	g
Council Activities	7,334,400	3,371,370	10,705,770	9,374,074	1,331,696	88%	h
Donor project-Payments		74,229,663	74,229,663	32,081,588	42,148,075	43%	
Total expenditure	602,670,083	156,625,701	759,295,784	648,116,034	111,179,750		
Surplus/(Deficit) for the year	(50,000,000)	6,939,375	(43,060,625)	(10,319,212)	(32,741,413)		

Explanation of the variances

- The variance of Kshs. 29,158,576 was as a result of prolonged lecturers' strike which affected the academic year hence payment of fees by students.
- The variance of Kshs. 7,131,681 is attributable to the lecturers' strike which caused most students to be away from the University hence few customers in our student mess and staff cafeteria leading to low revenue collection from sale of food and other beverages.



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- c. The over expenditure of Kshs. 9,185,943 is due to payment of gratuity to the executives and staff whose contracts expired.
- d. The lecturers' strike affected the academic year calendar resulting to postponement of academic field attachments and academic trips, hence the variance of Kshs. 24,669,036.
- e. The variance of Kshs. 2,787,897 is due to cost cutting austerity measures put in place by management and low cash flows.
- f. The variance of Kshs. 1,487,918 is due to interruption of the calendar of events because of the lecturers' strike which meant some activities could not be done.
- g. The variance of Kshs. 1,010,683 was due to cost cutting austerity measures put in place by management; hence planned payments on maintenance were not incurred.
- h. The variance of Kshs. 14,852,558 was due to cost cutting austerity measures implemented by management resulting to not spending some of the central costs.
- i. During the year under review, some planned council activities were not implemented, hence the variance of Kshs. 2,877,853.



XVI. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Taita Taveta University financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Taita Taveta University. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis

2. Summary of significant accounting policies

2.1 Revenue Recognition

Revenues are recognized as income during the actual period in which such revenues become due. If such revenue is not received, a debtor is created in the ledger.

2.2 Revenue from non-exchange transactions – IPSAS 23

Other incomes, donations

The Taita Taveta University recognizes revenues from donations 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.

Government grants

Non-exchange transactions revenue from government entities are recognized as an asset when, and only when it is probable that the future economic benefits or service potential related to the asset will flow to Taita Taveta University and the fair value of the asset can be measured reliably.

2.3 Revenue from exchange transactions – IPSAS 9

Rendering of services

The Taita Taveta University 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 fees payable.

Sale of goods and services

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 Taita Taveta University.



2.4 Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. During the year Taita Taveta University Budget was prepared using historical cost but during adoption it was apportion on cash basis based on printed estimated allocated to the university therefore there are differences that would require reconciliation between the actual comparable amounts in the statement of budget and actual and statement of Financial performance amounts presented. Original budget is the initial approved budget for the budget period

2.5 Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at revalued amount, which is fair value at revaluation date less subsequent depreciation and impairment losses. Revaluation of respective classes of assets is carried out regularly.

When significant parts of property, plant and equipment are required to be replaced at intervals, Taita Taveta University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized as recurrent expenses (in surplus or deficit) as incurred.

2.6 Depreciation and impairment of property, plant and equipment

Assets are usually depreciated, using the reducing balance approach, in order to offset the impact of increasing maintenance costs occasioned by wear and tear as the asset grows old. However, where an asset’s maintenance does not greatly vary with age such assets are depreciated on an even basis e.g. land and building. In the case of investment properties, no depreciation is provided as such properties are often maintained in good shape in order to attract good business. Investment properties are normally stated at their market value. With the exception of investment property therefore, assets are depreciated evenly over its useful life.

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:

CATEGORY	RATE	ASSET LIFE EST.	BASIS
Land & Building	2%	50yrs	Even
Motor Vehicles	20%	5yrs	Even
Office Equipment	30%	3yrs	Even
Furniture	10%	10yrs	Even
Tools	10%	10yrs	Even
Computers	30%	3yrs	Even

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

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an 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.



2.7 Intangible assets – IPSAS 31

Intangible assets acquired are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

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. Development costs of intangible assets are capitalized only after technical and commercial feasibility of the resulting product or service have been established.

2.8 Amortisation and impairment of intangible assets

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.

2.9 Borrowing costs- IPSAS 5

Taita Taveta University capitalize borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset.

All other borrowing costs that do not satisfy the conditions for capitalization are expensed when incurred.

2.10 Inventories – IPSAS 12

Stock are stated at the lower of the cost or their net realizable value IPSAS (12). Library Books and Perishables are written off to expenditure as incurred.

2.11 Changes in accounting policies and estimates – IPSAS 3

The Taita Taveta University recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

2.12 Pension

Taita Taveta University has established a pension scheme for her staff which has now been operationalized. The employer contributes 20% while the employee remits 10% of the basic pay. Additionally a contribution of Ksh. 200 for staff on contract is submitted to NSSF.

2.13 Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Taita Taveta University, as a public entity, is exempted from corporate tax of 30%.

2.14 Biological Assets

Agricultural activities at the School of Agriculture, Earth and Environmental Sciences (SAEES) have been accounted as per IPSAS 27. All Biological assets are measured at fair value less costs to sell. Under IPSAS 27 Agricultural Produce is measured at fair value at the point of harvest less costs to sell.

2.15 RELATED PARTY DISCLOSURES

i. Government of Kenya

The Government of Kenya is the principal shareholder of the University. The Government of Kenya has provided full guarantees to all long-term lenders of the entity.

ii. Inter Public Universities Consultative Council Forum(IPUCCF)

Taita Taveta University benefited from Collective Bargaining Agreements between Trade Unions and Inter Public Universities Consultative Council Forum (IPUCCF) in the year 2012/2013, Ksh 69,600,000 and the year 2013/2014, Ksh 69,600,000 which totalled to Ksh 139,200,000. The University refunded Kshs.42, 423,070 in the financial year 2013/2014 and Kshs.61, 576,930 in the year 2014/2015.

2.16 Comparative

This is the sixth year of preparing financial statements. Comparison is made with the fifth year, financial year 2016/2017.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the commercial banks at the end of the financial year and reconciled bank balances.

2.18 Significant judgments and sources of estimation uncertainty

(a). Going concern

The financial statements of the University were prepared on the assumptions that it is a going concern. The Accrual method of income and expenditure recording was also applied in maintaining the books of accounts.

(b). Estimates and assumptions

Taita Taveta University based its assumptions and estimates on parameters available when the financial statements were prepared. It assumed that learning sessions will go on uninterrupted and the government, through Ministry of Education, Science & Technology, will remit the amounts due to the University in time. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes shall be reflected in the assumptions when they occur.



(c). Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The date the asset is put into use
- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset.

(d). Provision for bad debts

The University makes a provision for bad debts at a rate of 5% of the total outstanding student fees balances as per the University Bad Debts Policy. This is the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. When reviewed, it will be reported in the Financial Report at the time of Revision as per IPSAS 19.

Provision is made for the estimated cost to be incurred in case the debtors failed to honour its obligations in full. The provision is based the provisions of the International Public Sector Accounting Standards (IPSAS19).



NOTES TO THE FINANCIAL STATEMENTS

3. Revenue from Non Exchange Transactions

Capitation (Recurrent Grant)				
	2017/2018		2016/2017	
Month	Kshs.	Month	Kshs.	
Jul-18	92,679,227	Jul-16	30,121,733	
Aug-18	31,371,733	Aug-16	30,121,733	
Sep-18	31,371,733	Sep-16	30,121,733	
Oct-18	31,371,733	Oct-16	30,121,733	
Nov-18	45,168,306	Nov-16	30,121,733	
Dec-18	34,131,048	Dec-16	30,121,733	
Jan-18	34,131,048	Jan-17	30,121,733	
Feb-18	34,131,048	Feb-17	30,121,733	
Mar-18	34,131,048	Mar-17	30,121,733	
Apr-18	34,131,048	Apr-17	30,121,733	
May-18	34,131,048	May-17	30,121,733	
Jun-18	34,131,048	Jun-17	45,121,733	
Total	470,880,068		376,460,800	

4. Other Incomes

Donor Funded Projects		
	2017/2018	2016/2017
Project Name	Kshs	Kshs
TAITAGIS	9,514,138.85	-
CEMERE M	10,716,043.50	-
NRM	7,268,500.00	-
BRICS	4,582,904.65	-
	32,081,587.00	-
Total	32,081,587.00	-

*During the year under review TTU received Kshs.42, 029,242.42 for the donor projects namely CEMEREM, N ACOSTI, BRICS, and TAITAGIS & TAITA RICE. Kshs.41, 159,138 was spent (Kshs.32, 081,587 recurrent & Kshs.9, 077,551 capitals) and a balance of Kshs.870, 104 has been reflected in the balance sheet as unspent donor funds.



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

5. Revenue from Exchange Transactions

Tuition Fee	45,999,276	44,198,000
Residential Fees	15,070,560	12,179,048
ID/Registration Fees	2,492,236	2,526,574
Examination Fees	14,980,165	14,429,349
Medical Fees	9,508,315	9,253,846
Internet Fees	5,519,991	5,361,684
Computer Fees	5,377,891	5,283,554
Library Fees	3,698,535	3,888,854
Field Trip/Attachment	9,371,173	9,813,059
Student Activity Fees	3,400,875	3,184,932
Bridging Course	1,000	1,500
SOTTUC	1,377,190	1,499,900
CISCO	60,500	70,500
C.U.E QUALITY ASSURANCE PROJECT	2,660,250	2,489,905
KUCCPS	9,000	391,448
	1,023,750	1,220,250
	120,550,707	115,792,404

6. Income from other services rendered

Application Fees	195,819	120,235
Accommodation Charges	122,980	777,915
Students P.A.Y.E.	6,184,741	10,576,380
Staff cafeteria	1,765,916	1,446,124
Shop Rent	137,478	118,556
Disposals	-	39,000
Sale Of Tenders	1,000	1,000
TTUC Hospital Cost Sharing	207,499	346,791
Seminar Charges	214,400	-
Student Damage Charges	-	18,363
Miscellaneous Income	922,501	3,753,538
Supplementary exam fees	346,550	-
Graduation fees	3,654,800	-
Third Parties Refunds	121,978	-
	13,875,662	17,197,902

7. Income from other activities

Green House	6,660	18,000
Bookshop	67,142	84,430
Guest House	13,000	6,400
Interest income	54,462	57,215



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

Farm Income	267,533	1,615,665
Facility rental/lease	-	182,326
Donations	-	325,644
	408,797	2,289,680

	2017/2018	2016/2017
	Kshs	Kshs
8. Personnel Emoluments		
Staff Salary	408,221,602.30	337,264,121
Casual Wages	17,502,995	23,859,048
Gratuity & Pension Contributions	55,761,584.70	64,151
Internship Allowance	343,211	275,077
	481,829,393	337,264,121
9. Academic Costs		
Part Time Teaching	20,272,857	18,837,844
Purchase of Teaching/Production Materials	720,864	1,172,460
Field Attachment Expenses	2,440,594	8,025,234
Joint Admission Board	41,593	990,000
Examination Expenses	825,600	1,641,880
Research Expenses	855,710	845,750
	25,157,218	31,513,168
10. Administrative Costs		
Travelling and accommodation	6,351,079	6,717,004
Telephone Expenses	49,150	148,099
	6,400,229	6,865,103
11. Students Welfare		
Gas and Cooking fuel	1,816,005	1,625,685
Food and rations	9,601,012	14,520,497
Crockery and utensils	2,000	1,518,138
Inter- university games	1,081,820	516,519
SOTTUC	1,418,900	1,074,518
Dean of Students	38,700	314,050
DSTV Subscription	561,208	467,676
TTU Alumni association	802,970	-
	15,322,615	20,037,083
12. Maintenance Costs		
Maintenance of plant/mach/equip	124,205	556,614
Repair & Maintenance of Furniture	-	328,435
Maintenance of buildings	2,064,444	1,217,232
Maintenance of water/sewerage	31,160	83,000
Maintenance of Roads/Grounds	98,195	-
Maintenance of Ngerenyi Campus	96,940	104,036
	2,414,944	2,289,317
13. Central Services		
Cleaning Materials	701,826	2,983,306
Uniforms/ Clothing's	3,600	258,500



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

Stationary	2,357,430	2,478,543
Medical Exp. In-Patient/Out-Patience	9,634,124	12,527,536
Medical Drugs and stores	3,221,032	1,637,375
IGU Investment (Seed Money)	296,431	249,292
External travelling	623,806	465,230
Postal & telegrams expenses	94,332	115,734
Chancellor's Expenses	1,229,620	1,669,510
Official entertainment	43,230	385,410
Conference & seminars	621,400	2,676,492
Public celebrations/funerals	327,330	713,792
Publishing & printing	154,854	8,100
Advertising & Publicity	1,153,356	1,690,747
Audit/Legal fees	284,482	152,820
ISO Expenses	551,955	717,330
Rent and Rates	-	265,130
Contracted professional services	1,163,430	778,699
Hire of transport & machinery	130,772	250,100
Motor vehicle insurance	674,030	-
General Insurance	3,230,440	4,227,286
Fees, Coms And Out of Pocket	143,000	245,250
Staff Training expenses	1,277,892	1,920,109
Principal award	84,500	72,250
Graduation expenses	4,176,751	51,000
Transition Expenses	435	3,145,411
Work Study	8,100	39,960
Subscription to Professional Bodies	2,455,400	646,900
Contingence& Disaster Mgt	-	20,500
Miscellaneous charges	-	5,200
Internet Connectivity	5,781,810	6,008,106
Computer Accessories & Software	131,450	492,717
Electricity expenses	11,688,933	8,879,551
Water expenses	4,941,900	2,297,400
Fuel for Generator	97,478	174,842
Transport Operating expenses	4,399,457	6,464,924
Library Expenses	686,100	524,212
Depreciation	42,485,101	39,511,900
Amortization of Software	37,161	53,087
Bank charges	8,437,374	7,515,378
Provision for bad debts	1,562,163	1,136,770
Administration of Taveta Land	23,840	21,335
Farm works expenses	336,155	276,930
Animal Expenses	250,690	121,277
Drug and Substance Abuse Expenses	5,500	-
Gender Mainstreaming Expense	-	70,000
Prevention of HIV and Aids Expenses	60,000	-
Tender Committee Expenses	-	181,250
Performance Contract Expenses	-	21,101
New programmes implementation	326,567	-



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

Tender Evaluation Committee Expenses	50,000	238,322
Langaiwishi Land Processing & Project	22,500	
Donor funded projects	32,581,587	
	148,549,324	114,386,611
	2017/2018	2016/2017
	Kshs	Kshs
14. Council Activities		
Allowance/Honoraria	9,374,074	11,369,747
	<u>9,374,074</u>	<u>11,369,747</u>
15. Finance Costs		
Interest on KCB Loan	1,590,499	6,208,645
	<u>1,590,499</u>	<u>6,208,645</u>
16. Cash and Bank Balances		
KCB TTUC Student Fees account	1,121,208	845,935
KCB TTUC Catering account	757,864	138,072
Equity Student Fees account	2,531,989	128,618
Schedule Account	2,787,139	104,692
KCB TTUC Salary account	298,230	4,167,839
CEMEREM PROJECT	4,688,054	4,091,226
Petty cash(Cash in hand)	43,343	-
TAITAGIS	2,387,964	-
	<u>14,615,790</u>	<u>9,476,382</u>
17. Trade and Other Receivables From Exchange Transactions		
Student fees balance	31,243,250	22,735,390
Staff Debtors - Rent	-	6,000
Tuck Shops rent & electricity	502,950	362,092
Staff Advances (Outstanding Imprests)	2,261,150	519,000
MOEST - Revenue	-	37,861,176
Provision for bad debts	(1,562,163)	(1,136,770)
	<u>32,445,188</u>	<u>60,346,889</u>
18. Inventories		
Stationary Store	1,727,884	1,210,290
Catering Store	2,186,205	613,508
Maintenance Store	1,660,054	2,729,074
Cleaning Store	-	103,836
Drug Store	544,613	1,035,312
MMPE Workshop	675,833	6,888,826
Examinations Store	402,239	416,475
Farm Crops	-	1,404,400
	<u>7,196,827</u>	<u>14,401,720</u>
19. Biological Assets		
Dairy Cows	708,000	708,000



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Rabbits	6,000	6,000
Bee Hives	2,000	2,000
	<u>716,000</u>	<u>716,000</u>



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20. Property, Plant & Equipment

	W.I.P	Land	Building	Furniture & Fittings	Computer & Equipments	Motor Vehicles	Plant & Machinery	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
DEPN. RATES			2%	10%	30%	20%	10%	
COST								
As at 01-07-16	191,085,062	1,065,000,000	2,508,616,704	27,348,332	46,685,938	36,743,633	1,451,830	3,876,931,499
Additions	79,091,115	-	-	2,012,244	22,902,464	-		104,005,823
Transfer	-45,925,800		45,925,800					-
Adjustments	-11,512,885							-11,512,885
As at 30-06-2017	224,250,378	1,065,000,000	2,554,542,504	29,360,576	69,588,402	36,743,633	1,451,830	3,980,937,322
Additions	65,421,390			984,650	9,582,451			75,988,491
As at 30-06-2018	289,671,768	1,065,000,000	2,554,542,504	30,345,226	79,170,853	36,743,633	1,451,830	4,056,925,814
<u>DEPRECIATION & IMPAIRMENT</u>								
As at 01-07-16	-	-	108,616,704	7,852,017	36,508,830	19,856,284	177,408	173,011,242
As At 30th June, 2016 (Attributable to Revalued Assets)			15,105,841	33,356	168,496	-	100,831	15,408,523
Charge for the Year		-	8,508,095	2,902,702	20,708,025	7,348,727	44,352	39,511,900
Charge for the Year-attributable to revalued assets		-	42,582,755	33,356	168,496	-	100,831	42,885,438
As at 30-06-17			174,813,394	10,821,430	57,553,846	27,205,010	423,422	270,817,103
Charge for the Year			8,508,095	3,001,167	23,582,760	7,348,727	44,352	42,845,101
Charge for the Year-attributable to revalued assets			41,428,983	26,685	67,398		80,665	41,603,731



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As at 30-06-18	-	-	224,750,472	13,849,282	81,204,005	34,553,737	548,439	354,905,934
<u>NET BOOK AMOUNT</u>								
As at 01-07-17	224,250,378	1,065,000,000	2,379,729,109	18,539,145	12,034,556	9,538,623	1,028,408	3,710,120,219
As at 30-06-18	289,671,768	1,065,000,000	2,329,792,031	16,495,944	-2,033,151	2,189,896	903,391	3,702,019,879

WORK IN PROGRESS SCHEDULE							
DETAILS	2012/2013 B/F	2013/2014 Additions	Additions 2014/2015	Additions 2015/2016	Additions 2016/2017	Additions 2017/2018	TOTAL
	Shs	Shs	Shs	Shs	Shs		Shs
Construction of Water tank	1,446,464	9,867,298	3,138,993	-	410,408	2,049,840	16,913,003
Construction of Water Treatment Plant- Main Campus		6,539,750	8,292,272	1,228,486			16,060,508
Construction of Water Treatment Plant- School of Agriculture					663,274		663,274
Construction of Mines, Fuels & Mineral Processing Centre-Phase I		7,343,552	88,751,352	13,054,435	25,705,310	5,499,450	140,354,099
Construction of Mines, Fuels & Mineral Processing Centre-Phase II					43,451,488	27,416,026	70,867,514
Fencing of Taveta Land				5,496,660	5,080,361	2,159,355	12,736,377
Construction of Incinerators'					746,604		746,604
Construction of Dairy Unit/Classroom- School of Agriculture					3,033,670	2,018,588	5,052,258
Construction of Admn block main campus						17,051,415	17,051,415
Construction of Admn block Taveta campus						9,226,716	9,226,716
TOTAL	1,446,464	23,750,600	100,182,617	19,779,581	79,091,115	65,421,390	289,671,768



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

	2017/2018	2016/2017
. Intangible Assets – Software	KShs	KShs
Balance b/d	123,869	176,955
Amortization	(37,161)	(53,087)
Balance c/d	86,708	123,869
Add: Work In Progress (ERP)	17,580,102	17,580,102
	17,666,811	17,703,971
22. Inter Public University Councils Consultative Forum (IPUCCF)		
Balance b/f	35,200,000	35,200,000
Total Loan	35,200,000	35,200,000
	35,200,000	35,200,000
23. Financing Lease/KCB Loan		
<u>Finance Lease(a)</u>		
Balance B/F	8,830,909	14,384,277
Addition within the year	7,388,055	-
Total Loan	16,218,964	14,384,277
Loan Repayment	7,684,776	5,553,368
Balance c/d	8,534,188	8,830,909
<u>KCB Loan(b)</u>		
Balance B/F	-	39,433,383
Addition within the year	-	-
Total Loan	-	39,433,383
Loan Repayment	-	39,433,383
Balance c/d	-	-
	8,534,188	8,830,909
<u>Loan Balance Reclassification</u>	Current portion	
Financing Lease/KCB Loan	3,894,123	4,640,065
	8,534,188	4,640,065
24. Trade and other Payable from Exchange transaction		
Sundry creditors	35,155,485	33,866,373
JKUAT Arrears	3,925,781	3,950,780
TUM Arrears	2,925,103	3,279,561
Hospital Bills	4,686,117	7,036,612
Part-time lecturers	47,211,674	70,650,960
Provision for retention	23,165,754	17,770,338
Provision for Audit fees	618,000	618,000
Fees prepayment	13,710,068.22	7,968,125
Payroll Provisions	-	4,072,382
Provision for Insurance Claims	478,922	1,004,060
Commission for University Education	-	2,040,000
MWANGEKA SHOP	-	2,778
Unspent donor funds	870,104.33	
	132,747,008	152,259,969



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

25. Bank Overdraft

KCB TTUC Main account

73,599,080

63,435,058

73,599,080

63,435,058



VIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe For the issue to be resolved)
1. Financial performance	The total current liabilities of Kshs.188,839,844 exceeds total current assets balance of Kshs.112,256,985 resulting to a negative working capital of Kshs.76,582,859	The University has tried on putting measures that will ensure cost reduction and for the inevitable expenditure it has continued to petition the GoK to enhance its capitation.	Mr. Peter Kisombe (Ag. Finance Officer)	Resolved	
2. Recurrent Grant Income	Statement of financial performance reflected Kshs.376,460,800 whereas records maintained by the MoEST indicated TTU received Kshs.405,735,100 resulting to a discrepancy of Kshs.29,274,300	The amount reported as discrepancy was made for signed CBA arrears for the year 2013-2017 and was not for the University recurrent expenditure. The same amount was received on 3 rd July 2017.	Mr. Peter Kisombe (Ag. Finance Officer)	Resolved	
3. Development Grant Income	Statement for the changes in net assets reflected receipt of Kshs.60, 347,928 for the fy 2016/2017 whereas records maintained by MoEST indicated disbursement of Kshs.98, 209,100 resulting to a discrepancy of Kshs.37, 861,172 .	As at 30 th June 2017 TTU had received Kshs.60, 347,928 . Though we expected an enhancement of Kshs.37, 861,172 the amount was received by the University on 4 th July 2017.	Mr. Peter Kisombe (Ag. Finance Officer)	Resolved	
4. Revenue from	Statement of financial	The collections under receipts	Mr. Peter	Resolved	



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Reference For the issue to be resolved)
Other services rendered.	performance reflected revenue from other services render of Kshs.17, 197,902 which included revenue totalling to Kshs 757,557 which was collected but not banked.	no 40556-40838 dated 1 st August 2016 were banked on 2 nd August 2016 hence not delayed as indicated. All incomes collected during FY 2016/2017 were banked despite few incidences of late banking. The University has continued to adhere to it finance regulatory frame work to ensure prompt banking of all its collection.	Kisombe (Ag. Finance Officer)		
5.Academic Cost	The financial statements reflected academic cost of Kshs.31, 513,168. Included in this amount was of Kshs.18,837,844 which included an amount of Kshs.10,986,528 paid to part time lectures whose names, courses and number of units taken, lecture hours and rate charged were not availed for audit verification	Appointment letters indicating names, courses and number of units taken, lecture hours and rate charged issued.	Prof.Kiptanui Too	Resolved	
6.Student Welfare Expenses	Note 20 of financial statements reflects food and rations of Kshs.14,520,497 which included figure of Kshs.868,533 paid to suppliers who were not pre-qualified by the University for the supply contract.	The Kshs.868, 533 was in respect of two (2) suppliers namely Mzedoo Enterprises Ltd & Ms.Brenda Mutinda who were duly pre-qualified under the category of supply and delivery of dry foods.	Mr. Kamos Ndiwa (Chief Procurement Officer)	Resolved	
7.Maintenance Cost	The statement of financial performance	With the procurement from the re-known suppliers direct	Mr. Kamos Ndiwa (Chief	Resolved	



Annual Report and Financial Statements for the Financial Year ended 30th June, 2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe For the issue to be resolved)
	reflected maintenance cost of Kshs.2, 289,317 out of which 789,179 was not supported with quotations and inspection and acceptance committee report.	procurement was applied in line with Sec.103 (d) of PPADA 2015. All goods and services were Inspected, Tested and Accepted.	Procurement Officer)		
3. Council Activities expenditure	The statement of financial performance reflected Council activities expenses of Kshs.11, 369,747 . Included in this amount was amount of Kshs.820,200 paid to the council members for the 13 th & 14 th meetings where council minute book was not availed for the support of these meetings	Minutes for the 13 th December 2016 availed and 14 th December 2016 (Graduation day) photos availed.	Mr. Habib Mruttu (Registrar AFP)	Resolved	
4. Property Plant & Equipment	Note 20 to the financial statements reflected Kshs.3,710,120,129 . Included to this amount was net book value in respect computer & equipment of Kshs.12, 034,556 out of which Kshs.1,080,000 was paid to a company for the supply of catering equipment which was not pre-qualified by the institution.	M/S Corban Aivlys Co. Limited (the supplier) is registered under special group category and had been enlisted as part of TTU suppliers	Mr. Kamos Ndiwa (Chief Procurement Officer)	Resolved	



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Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within Taita Taveta University responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

AG. VICE CHANCELLOR

Date.....18/01/2019

Chairman of the Council

Date.....10/01/2019