

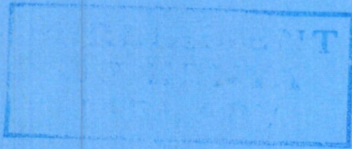
REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY PAPERS LAID	
<b>REPORT</b> 4 JUN 2023	DAY. WED
TABLED BY:	LDM: HON- LIMANI
CLERK-AT THE-TABLE	ICHUNGWATH, MP RSTHER NGWYO



**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE TECHNICAL UNIVERSITY OF KENYA**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



**THE TECHNICAL UNIVERSITY OF KENYA**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

30 MAR 2023

**RECEIVED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE, 2022**

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

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## **1. BRIEF BACKGROUND ON THE UNIVERSITY AND MANAGEMENT**

### **(a) Background information**

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

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

### **(b) Principal Activity**

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

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

#### **Vision**

To be a top-rated University of technology.

#### **Mission**

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

### **(c) Key Management**

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

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

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2022 are as listed below;

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

**(e) Fiduciary Oversight Arrangements**

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

**(f) Technical University of Kenya Headquarters**

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

**(g) Technical University of Kenya Contacts**

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

**(h) Bankers**

Kenya Commercial Bank Ltd.  
P. O. Box 30081-00100  
Moi Avenue Nairobi.

Co-operative Bank of Kenya Ltd.  
Haile Selassie Avenue  
P. O. Box 48231- 00100  
Nairobi.

Equity Bank  
Moi Avenue  
P.O.BOX 8120-00100 Nairobi





**(i) Independent Auditors**





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

**(j) Principal Legal Adviser**

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

## 2. THE UNIVERSITY COUNCIL

No.	COUNCIL NAMES	QUALIFICATION	EXPERIENCE
1.	 Dr. Halima Saado Chairperson Appointed in November 2020	M.Sc. (Moi), Ph.D (KwaZulu-Natal)	<ul style="list-style-type: none"> <li>Head of Research at the International Centre for Humanitarian Affairs -Kenya Red Cross Society</li> </ul>
2.	 FA, CPA. Alexander Ngui Independent Member Appointed in November 2020	BA, MBA (UoN) Chair of Council Audit Committee	<ul style="list-style-type: none"> <li>Certified Investment and Financial Analyst (CIFA)</li> <li>Certified Public Accountant</li> <li>Banker</li> </ul>
3.	 Mr. Bernard Malenya Independent Member Appointed in November 2020	B.Sc. (Mech. Eng.) (New Brunswick), M.Sc. (Illinois) Member of Council Audit committee and Programmes, Statutes & Sealing Committee	<ul style="list-style-type: none"> <li>Business Development Consultant and Educator</li> </ul>
4.	 Hon. David Koech Independent Member Appointed in November 2020	B.Ed., M.Ed. (Admin.) (Moi) Chair of Programmes, Statutes & Sealing Committee (PS&SC) and member of FGPC	<ul style="list-style-type: none"> <li>Private Consultant</li> <li>Former Member of Parliament and Chairman of Parliamentary Education, Research and Technology Committee</li> </ul>

5.	 <p>Dr. Angelina Awino Kinya Independent Member Appointed in November 2020</p>	<p>B.Com. (Accounting), MBA, Ph.D. (BA) Chair of Finance and General Purpose Committee( FGPC)</p>	<ul style="list-style-type: none"> <li>• Financial Management Expert</li> </ul>
6.	 <p>Mr. James Kiburi Representative Principal Secretary Ministry of Education</p>	<p>B.Ed.(Science), M.Phil. (Education Psychology) Member of Council's FGPC,AC and PS&amp;SC</p>	<ul style="list-style-type: none"> <li>• Representing PS, MoE</li> </ul>
7.	 <p>CPA Isabella Kogei Representative Principal Secretary The National Treasury</p>	<p>B.Com. (Accounting), M.Sc. (Finance) (KU), CPA (K) Member of Council's FGPC and Audit Committee</p>	<ul style="list-style-type: none"> <li>• Representing CS, NT &amp; P</li> </ul>
8.	 <p>Prof. Dr. Ing. Francis Aduol Vice Chancellor</p>	<p>BSc Eng. MSc, MA (Nairobi), Dr-Ing (Stuttgart), MISK, FIET, LicSurv.</p>	<ul style="list-style-type: none"> <li>• Professor of Geospatial Engineering</li> <li>• Vice-Chancellor/ Secretary</li> </ul>

### 3. THE UNIVERSITY MANAGEMENT

#### The Vice Chancellor



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

#### DVC - Academic & Student Affairs (ASA)



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

#### Faculty of Engineering & the Built Environment (FEBE)



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

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



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

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



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

#### University Registrar & Chief Administrative Officer



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

#### Ag. University Secretary & Chief Legal Officer



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

#### Ag. Chief Financial Controller



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

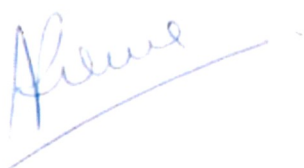
#### 4. STATEMENT FROM THE CHAIRMAN OF COUNCIL

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

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

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

On behalf of the Members of the Council, it is my pleasure to present the Annual Report and Financial Statements of the Technical University of Kenya for the year ended 30 June 2022.



PP: Dr. Halima Saado

**CHAIRPERSON OF UNIVERSITY COUNCIL**

## 5. REPORT OF THE VICE-CHANCELLOR

It is my pleasure to present the Annual Report and Accounts of the Technical University of Kenya for the Year ended 30 June 2022. The institution has been operating under very constrained financial situation ever since it was upgraded to the Kenya Polytechnic University College in 2008. The Government recurrent capitation received has not been sufficient for the smooth running of its operations. The financing constraint has forced the University to curtail some of its planned activities by under-spending on certain essential and core areas of its mandate such as teaching and learning, procurement of specialised materials and laboratories. The adverse financial environment has in addition led to accumulation of bills.

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

During the Year under review, the University recorded a deficit of **KSh. 449,281,118** out of total income from Government, donors and internally-generated funds all amounting to **KSh. 3,032,244,819** against an expenditure of **KSh. 3,481,525,938**. I am proud of the management and staff and greatly appreciate their ability and commitment towards achieving the University's vision, mission and objectives.

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



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

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

## 6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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

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

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

## 7. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

### **The University Council**

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

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

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

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

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

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

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

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

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

- the proper functioning of the University;
- ee) Shall control the appointment of any other persons working for the University, pay honoraria, fees and other remuneration as the Council may determine from time to time.

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

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

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

**Council Remuneration** -The University Non-Executive Council Members are paid a sitting allowance for every meeting attended. They are not eligible for pension scheme membership. However the Chairman of Council receives honoraria on a monthly basis as indicated in Note 10 of the Financial Statements.

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

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

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

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

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

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

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

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

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

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

**Governance Audit** -The University occasionally conduct governance audit.

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

**Going Concern** -The Council is committed to ensuring that the University has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Council recognizes that practices and procedures can always be improved. Accordingly, the corporate governance framework of the University is kept under review to take account of changing standards and regulations.

## A. The Senate of the University

The membership of the Senate is as follows: -

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

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

The Senate shall have the following powers and duties: -

- a) To satisfy itself regarding the content and academic standard of any course of study in respect to any degree, diploma, certificate or other award of the University;
- b) To propose regulations to be made by the Council regarding the eligibility of persons for admission to degree, diploma and certificate programmes;
- c) To propose regulations to be made by the Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other awards of the University;
- d) To decide which person has attained such standard of proficiency and are otherwise fit to be granted a degree, diploma, certificate or other awards of the University;
- e) To make regulations governing such other matters as are within its powers in accordance with this Charter or the Statutes.
- f) The Senate may, subject to the Act, the Charter, Statutes and Regulations, establish committees consisting of such members of the Senate or any other persons as it may deem fit and may delegate any of its powers or duties to the Chairperson or any of its committee (s).

## **B. The University Management Board**

Members of the University Management Board comprises;

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

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

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

Any other matters related to the management of the University.

## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

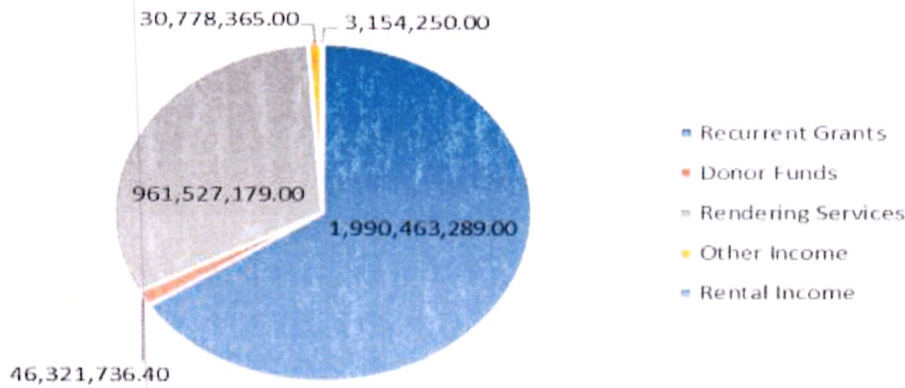
### **Revenues**

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

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

In the fiscal year under consideration, the University has reported total revenue of KES 3,032,152,419 comprising Government recurrent grants of Kshs 1,990,463,289, donor funds of KES 46,321,736, KES 961,527,179 from rendering of services which is majorly collection of fees ,rental income of KES 3,154,250 and other incomes amounting to KES 3,154,250. The same is illustrated in the pie chart below;

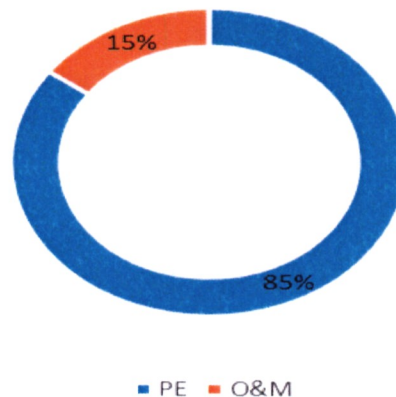
### Source of Funds Amount KES



### Expenses

The total expenses (recurrent costs) for the university for the year ended 30<sup>th</sup> June 2022 inclusive of depreciation and amortization expenses amounted to Kes 3,481,525,938. The Employee cost (personnel emoluments-PE) accounts for 85% of the total expenses while operations and maintenance accounts (O&M) for the remaining 15% as diagrammatically shown below;

### Recurrent Costs Percentage



The statement of changes in accumulated funds for the year ended 30<sup>th</sup> June 2022 is composed of Kshs -4,680,419,072 Revaluation Reserves, Kshs.2, 386,357,315 Revenue Reserves and Kshs 3,023,932,178 Capital Fund all totaling KES 1,415,175,871.

TU-K has been operating under very constrained financial position ever since it was upgraded to the Kenya Polytechnic University College in 2008. The recurrent capitation allocation has been inadequate to finance the employee costs/payroll. This has seen the university posting budget deficits over the years. In the last two years, the University has reported deficit of KES 693M and 449M for FY2020/2021 and FY2021/2022 respectively. However, we are optimistic that the situation will improve as the Ministry of Education has been looking into means and ways of increasing the funding to the university.

### University's Compliance with Statutory Requirements

The University has endeavored to comply with statutory requirement; however, due to the financial constraint the university has been undergoing for the last two years the University has

not been able to fully remit payroll statutory deductions as indicated in note 8 on trade and other payables of the Financial Statements.

### Key Projects and Investment Decisions the University is Planning/Implementing

SN	PROJECT NAME	COMMENCEMENT DATE	EXPECTED COMPLETION DATES	% OF COMPLETION	ESTIMATED PROJECT COST	COST INCURRED TO DATE	PROGRESS REPORT
1	Construction of Tuition block (Block S)	2010	JUNE 2024	99%	1,052	1,032M	Ongoing
2	Construction of Block I and senate towers (T)	2015	DEC 2026	4%	1.4B	57M	Ongoing

### Major Risks facing the University

The University has identified the following Key Risks;

- i. Financial Risk- The university is exposed to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency.
- ii. Credit risk: The university is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.
- iii. Commercial Risk-The intense competition among the universities for module II students exposes the University to commercial risk as there has been a drastic reduction in the number of self-sponsored students.

### Material Arrears in Statutory/Financial Obligations

The University has not been in a position to meet its expenditures as and when they fall due. At the end of the financial year 2021/2022 the University had outstanding obligations as per note 8 of the Financial Statement.

## 9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

## 10. REPORT OF THE DIRECTORS

The Council submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the university's affairs.

### i) Principal activities

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

- a) To provide post-secondary technological, professional, and scientific education and training up to and including degree level;
- b) To undertake high quality research and dissemination of research outcomes;
- c) To advance knowledge and educate students in science, technology and innovation and other areas of scholarship that will best train for the real world in the 21<sup>st</sup> Century and beyond

### ii) Results

The results of the Technical University of Kenya for the year ended June 30, 2022, are set out on page 1

### iii) Council Members

The Council Members who served during the year are shown on page v and vi. During the year two director resigned and two were appointed with effect from 8<sup>th</sup> July 2022.

### iv) Surplus remission

The Technical University of Kenya did not make any surplus during the FY 2021 /2022

### v) Auditors

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

By Order of the Board



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

**Vice-Chancellor & Secretary to University Council**

## 11. STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITIES

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

The Council is responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial Year ended on 30<sup>th</sup> June, 2022. This responsibility includes:

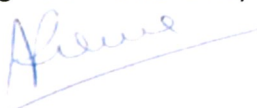
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the University;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the University's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that the University's financial statements give a true and fair view of the state of its transactions during the financial Year ended June 30, 2022, and of the University's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

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

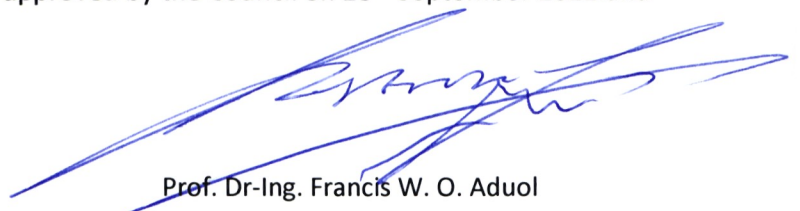
### Approval of the financial statements

The University's financial statements were approved by the Council on 28<sup>th</sup> September 2022 and signed on its behalf by:



PP: Dr. Halima Saado

**CHAIRPERSON OF COUNCIL**

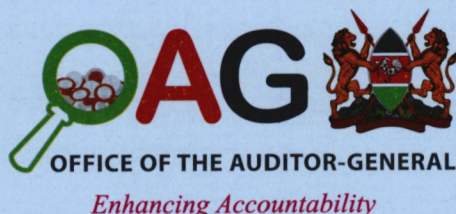


Prof. Dr-Ing. Francis W. O. Aduol

**VICE-CHANCELLOR**

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON THE TECHNICAL UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of The Technical University of Kenya set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2022, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of The Technical University of Kenya as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

### **Basis for Adverse Opinion**

#### **1. Inaccurate Revenue Amount from Exchange Transactions**

The statement of financial performance indicated that the amount of revenue from exchange transactions was Kshs.995,459,794. Note 8(a) to the financial statements indicated that Kshs.961,527,179 was revenue from rendering services. Review of records on student enrollment and invoicing revealed that during the year under review, 17873 students were registered and invoicing was undertaken in July and October, 2021 and January and April, 2022. However, 4683 students were not invoiced in July, 2021, 6124 in October, 2021, while 6001 students were not invoiced in January and April, 2022. In addition, ten (10) students were not invoiced during the four invoicing times. No reasons for failure to invoice the students was provided.

Further, revenue amount from exchange transactions included other income amount of Kshs.30,778,365 and rental income amount of Kshs.3,154,250. However, other critical documents in support of these revenue streams were not provided for audit review including:

- i. List of students under KUCCPS and self-sponsored students.
- ii. Fees structure, most current one.
- iii. Fees distribution per module.
- iv. List of student with fees arrears.
- v. List of students with fees arrears but have graduated.
- vi. M-pesa statements and pay bill numbers for fee collection, senior staff common room and hotel accommodation.
- vii. Banking deposit for revenue under other incomes.
- viii. List of rentals.

In the circumstances, the accuracy of the revenue amount from exchange transactions of Kshs.995,459,419 could not be confirmed.

## 2. Inaccurate Employees Costs

The statement of financial performance and as disclosed in Note 9 to the financial statements reflected employee costs totalling to Kshs.3,000,688,256. The expenditure included Kshs.17,921,156 and Kshs.10,212,921 in respect of domestic travel and foreign travel respectively. This expenditure related to local and foreign travel expenses including local and foreign subsistence allowances, passage and baggage allowances which are facilitative and not remunerative and were supposed to have been charged under use of goods and services. In addition, the statement of comparison of budget and actual amounts indicated that employee costs actual amount as Kshs.2,972,554,179 while the statement of financial performance indicated an expenditure of Kshs.3,000,688,256 resulting to unexplained variance Kshs.28,134,077.

In the circumstances, the accuracy of the employee costs of Kshs.3,000,688,256 could not be confirmed.

## 3. Unsupported Cash and Cash Equivalents Balance

The statement of financial position and as disclosed in Note 15 to the financial statements reflected a cash and cash equivalents balance of Kshs.26,135,736. The cash and cash equivalents balance included balances in seventeen (17) bank accounts whose certificates of bank balances and bank reconciliation statements were not provided for audit verification. The list of all Banks accounts under its operation, date they were opened, purpose of opening and the approval for opening and maintaining the bank accounts were also not provided. Further, the cash and cash equivalent balance included a balance in a fixed deposit account which appear to be an investment and which was not disclosed as so.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.26,135,736 could not be confirmed.

## 4. Unsupported Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 16 to the financial statements reflected receivables from exchange transactions balance of Kshs.1,346,042,591. Included in this balance are outstanding student fee balances totalling to Kshs.1,495,602,879 some of which appear to be long outstanding and uncollectible. The summary of these outstanding student fee balances are as indicated in the table below:

Category	Amount (Kshs)
Term group	225,120,740
Group 2009	323,363,713
Graduates 2017-2022	26,795,142
Group certificates	85,943,458
Group 2015 graduates	27,967,845
Group 2007	145,571,628
Group deferred	145,630,313
Discontinued students	515,210,041
<b>Total</b>	<b>1,495,602,879</b>

The Management made a provision of 10% for bad and doubtful debts amounting to Kshs.149,560,288 which appear grossly inadequate to cover the long outstanding fee balances all of which appear unrecoverable.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.1,346,042,591 could not be confirmed.

## **5. Unsupported Receivables from Non-Exchange Transactions Balance**

The statement of financial position and as disclosed in Note 17 to the financial statements reflected receivables from non-exchange transactions balance of Kshs.13,590,826. Included in this balance are balances from the previous years of Kshs.104,350, Kshs.500,000 and Kshs.562,501 in respect of Nyayo Vehicle Project, dishonoured cheque and Ministry of Education respectively and which appear unrecoverable. The supporting schedules in respect to these long outstanding receivables were not provided while no explanation was provided as to why the debts have not been recovered. No documentary evidence was provided in form of correspondences with the debtors showing efforts made by the Management to recover the outstanding balances. Management made a provision of 10% for bad debts amounting to Kshs.557,424 which appear grossly inadequate to cover the long outstanding balances. Included balance is Kshs.5,971,037 and Kshs.2,602,972 in respect of outstanding staff imprest and staff advances respectively. The University has not provided any supporting documentation to support the receivables.

In the circumstances, the accuracy and completeness of the receivables from non-exchange transactions balance of Kshs.13,590,826 could not be confirmed.

## **6. Accuracy of Current Liabilities balance**

The statement of financial position reflected a balance of Kshs.5,342,875,861 in respect of current liabilities. Included in this balance is Kshs.2,725,329,733 in respect of trade and other payables, Kshs.114,741,129 in respect of refundable deposits and Kshs.2,502,804,999 in respect of unremitted employee benefit obligation contrary to Section 53A(1) of the Retirement Benefits Act, 2012 that requires an employer to remit employee's pension emoluments within fifteen days of the deduction and may incur penalties prescribed in Section 53A(3). Further the current liabilities include balances that have been outstanding for more than one year.

In the circumstances, the accuracy and veracity of the current liabilities balance of Kshs.5,342,875,861 could not be confirmed.

## **7. Unsupported Property, Plant and Equipment Balance**

The statement of financial position and as disclosed in Note 19 to the financial statements reflects property, plant and equipment balance of Kshs.5,365,859,656. Review of records revealed several issues as indicated below:

### **i. Lack of Fixed Asset Register**

The University did not maintain a fixed asset register showing a list of all its assets specifying the date of acquisition, names, serial numbers and location of the assets as a

result of which it was not able to possible to verify the existence, ownership and value of assets acquired by the university over the years.

#### **ii. Work-In-Progress (WIP)**

Included in the property, plant and equipment balance is Kshs.1,089,292,371 relating to work-in-progress. This balance remained the same from the previous year. However, supporting documents in respect of the WIP including the schedule of the work in the progress by the name of the project showing the contract value, work valuation certificate issued, retention monies under construction and interim certificates issued for them, contract agreements for the projects and the projects status reports were not provided for audit review.

#### **iii. Grounded Motor Vehicles**

Included in the property, plant and equipment balance is Kshs.9,683,510 in respect of motor vehicles three (3) of which had been grounded for a long time and whose value was undetermined. There was no indication whether the vehicles had been recommended for disposal as they were unserviceable.

In the circumstances, the accuracy, validity and existence of property, plant and equipment balance of Kshs.5,365,859,656 could not be confirmed.

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

#### **Emphasis of Matter**

##### **Failure to Disclose Material Uncertainty in Relation to Sustainability of Services**

The statement of financial position reflected total current assets of Kshs.1,392,192,076 and total current liabilities of Kshs.5,342,875,861 resulting to current liabilities exceeding current assets by Kshs.3,950,683,785. Further, the statement of financial performance indicated that the University recorded a deficit of Kshs.449,281,118 resulting to increase of accumulated deficit from Kshs.4,231,137,954 as at 30 June, 2021 to Kshs.4,680,419,072 as at 30 June, 2022.

This material uncertainty casts significant doubts on the University's ability to continue to sustain its services and the University may not be able to meet its current obligations as and when they fall due.

#### **Key Audit Matters**

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

## **Other Matter**

### **Prior Year Audit Issues**

In the audit report of the previous year, several matters were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Appendix 1 in the financial statements on implementation status of Auditor-General's recommendations indicate that most of the issues have been resolved. However, Management has not provided evidence on how the resolution was arrived at.

Therefore, the matters remain unresolved.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Non-Compliance with Public Sector Accounting Standards Board Reporting Template**

Review of the financial statements for the year ended 30 June, 2022 provided for audit revealed that Management omitted critical information on presentation of financial statements contrary to Section 194 of the Public Finance Management Act, 2012 which requires the Public Sector Accounting Standards Board to issue on annual basis the format for presentation and disclosures required for preparation of financial statements in a given accounting cycle detailing necessary information that should be included in the financial statements. The National Treasury issued a Circular Ref: AG.4/16/3 Vol. II (66) on revised annual financial reporting templates for National and County Government entities dated 06 July, 2022. Information omitted in the financial statements presented for audit review included:

- a) Cash generated from operations
- b) Financial risk management
- c) Related party balances
- d) Contingent assets and liabilities

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

## **2. Irregular Procurement of Legal Services**

The statement of financial performance and as disclosed in Note 12 to the financial statements indicated that Kshs.37,510,817 was incurred on contracted services. Included in this expenditure is Kshs.10,184,689 in respect of legal fees paid to various firms of advocates. Review of payment records revealed the payments were not supported with formal instructions to the firms for representation, details of cases in which the firms represented the institution, approval from the Office of the Attorney-General to engage the private law firms, contrary to Section 17 of the Attorney General Act, 2012 which requires Ministries and state departments to seek approval and be granted approval by the Attorney General to engage the services of a consultant to render legal services and certified copies of the judgements for the respective cases as stipulated in the civil procedure rules. Further, the services were directly procured contrary to the provisions of Section 103 of the Public Procurement and Asset Disposal Act, 2015. In addition, review of payments and documents provided for audit in respect of the expenditure revealed that the institution procured legal services without valid contracts contrary to Section 135 of Public Procurement and Asset Disposal Act, 2015.

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

## **3. Irregular Procurement of Maintenance of Other Assets Services**

The statement of financial performance and as disclosed Note 13 to the financial statements indicated that Kshs.47,743,257 was spent on repairs and maintenance. Included in this expenditure is Kshs.34,736,993 incurred on maintenance of other assets. Review of sampled payment documents totalling to Kshs.7,039,830 procurement for water proofing for library roof works, upgrading of rooms D22 and D14 and construction works at South C Boundary revealed that the quotations were opened on dates earlier than those indicated on the quotations. In addition, appointment of evaluation of committee members was not provided.

In the circumstances, the propriety of expenditure on maintenance of other assets of Kshs.34,736,993 could not be confirmed.

## **4. Irregular Expenditure on Mobile Phone Airtime**

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects use of goods and services amount of Kshs.311,159,620. Included in this expenditure is Kshs.24,271,318 on communication, supplies and services. Further, review of records revealed that items worth Kshs.5,933,896 were purchased through imprest contrary to guidelines issued through Treasury Circular 3/2010 dated 07 May, 2010 which states that temporary imprests should not be issued for miscellaneous/incidental expenses and/or for procurement of goods and services. Management did not ensure that the items were supported by of store receipts and store ledger cards contrary to Section 159(2) of Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall record goods, works and services received in an inventory of the procuring entity as shall be prescribed.

In the circumstances, the propriety of expenditure on communication supplies and services of Kshs.24,271,318 could not be confirmed.

## **5. Irregular Procurement of Foodstuffs**

as disclosed in Note 11 to the financial statements reflects use of goods and services amount of Kshs.311,159,620. Included in this amount is Kshs.7,364,409 that was incurred on foodstuff supplies. Out of the total expenditure on foodstuffs, Kshs.1,679,758 was in respect of perishable goods. However, the inspection and acceptance report were not provided for audit review. In addition, records in support of payment totalling to Kshs.2,098,611 were not provided for audit review. The list of at least seven (7) bidders engaged through the framework agreement for supply of foodstuff was not provided for audit review contrary to Section 114 of the Public Procurement and Asset Disposal Act, 2015 on framework agreement which states that a procuring entity may enter into a framework agreement through open tender if the procurement value is within the thresholds prescribed under the regulations to this Act; the required quantity of goods, works or non-consultancy services cannot be determined at the time of entering into the agreement; and a minimum of seven (7) alternative vendors are included for each category.

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

## **6. Employee Costs**

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects employee costs amount of Kshs.3,000,688,256. Review of payments and other related records revealed several unsatisfactory issues as indicated below:

### **i. Flouting of the Third of Basic Rule**

Included in the employee costs is Kshs.2,745,917,752 in respect of personal emoluments out of which Management made deduction and recoveries from the employees. However, deduction and recoveries from thirteen (13) employees exceeded the two-thirds of the basic pay contrary to Section 19 of the Employment Act, 2012 on deduction of wages which provides that no employer shall make a deduction from the wages payable to an employee as an advance of wages in consideration of, or as a reward for, the provision of employment for that employee, or for retaining the employee in employment and that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of Sub-Section (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

### **ii. Irregular Retention of Staff Beyond Mandatory Retirement Age**

Review of records revealed that Management retained twenty-four (24) members of non-academic staff who had attained the mandatory retirement age of sixty (60) and two (2) members of academic staff who had attained the mandatory retirement age of seventy

(70) years as at 30 May, 2022 on its payroll of June, 2022 who continued to draw salaries from the University with others having overstayed in the system by more than two (2) years contrary to Section D.21 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 provides that all officers shall retire from the Service on attaining the mandatory retirement age of 60 years, 65 years for persons with disabilities and/or as may be prescribed by the government from time to time and Article 77(4) of the constitution of Kenya that directs that a full-time state officer shall not participate in any other gainful employment while a retired state officer shall not receive remuneration from public funds other than as contemplated in clause.

### **iii. Irregular Recruitment of Members of Staff**

During the year under review, thirty (30) new recruitments were undertaken in various departments and positions. However, Management carried out the recruitments without vacancy announcements and interviews contrary to Section B.4(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that Ministries/State Departments/Corporations will advertise all vacant posts in a manner that reaches the widest pool of potential applicants and allow for at least twenty-one (21) days before closing the advert. The advert shall include the title of the post, number of vacancies, job description, person specification and the proposed remuneration while Sub-Section 2 provides that the advert shall be delivered in soft copy to the Public Service Commission to be posted in its website. In addition, Management did not provide human resource and annual recruitment plans contrary to Section B.2 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that every Ministry/State Department shall prepare Human Resource Plans to support achievement of goals and objectives in their Strategic plans. The plans shall be based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs and that on the basis of these Human Resource Plans, Ministries/State Departments shall be required to develop annual recruitment plans which will be forwarded to the Public Service Commission at the beginning of each financial year to enable it plan to fill the vacancies. Review of the personal files provided for audit also revealed that the new recruits did not provide all the necessary details at the time of recruitment.

### **iv. Irregular Expenditure on Staff Training**

The statement of financial performance and as disclosed in Note 11 to the financial statements indicated that Kshs.311,159,620 was spent on use of goods and services. Included in this expenditure is Kshs.7,478,208 on staff training expenses. However, critical supporting documents for this expenditure including proof of attendance, attendance register, payment without invoices, authorizations for events such as retreats and training content and proof of completion and certificates were not provided for audit verification. Further the need assessment and training policy was not provided for verification contrary to Public Audit Act, 2015 Section 9(1e) which states that without prejudice to the powers given under the Constitution and this Act and for the purposes of carrying out his or her duties effectively, the Auditor-General, or an officer authorized for the purpose of this Act, shall have powers of unrestricted access to all books, records,

returns, reports, electronic or otherwise and other documents of entities listed under Article 229(4) of the Constitution.

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

#### **v. Unbalanced Budget**

The statement of comparison of budget and actual amounts reflects final budgeted income amounting to Kshs.3,785,478,856 and final budgeted expenditure amounting to Kshs.3,741,411,048 resulting to unbudgeted surplus of Kshs.44,067,808 contrary to the provisions of Regulation 33(c) of Public Finance Management (National Government) Regulations, 2015 on budget guidelines which states that budget shall be balanced.

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

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

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

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

#### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing The Technical University of Kenya ability to continue to sustain services, disclosing, as

applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate The University or to cease operations.

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

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

Those charged with governance are responsible for overseeing The University's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the University's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The University's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause The University to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of The University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA ~~Nancy Gathungu~~, CBS  
AUDITOR-GENERAL

Nairobi

17 April, 2023

### 13. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE PERIOD ENDED 30 JUNE 2022

	Notes	2022 Kshs.	2021 Kshs.
<b>INCOME</b>			
<b>Revenue from non-exchange transactions</b>			
Government Grants: Recurrent	6	1,990,463,289	2,204,190,196
Donor Funds	7	46,321,736	78,584,651
<b>Revenue from exchange transactions</b>			
Rendering Services	8a	961,527,179	518,374,890
Other Income	8b	30,778,365	19,425,644
Rental Income	8c	3,154,250	2,556,750
<b>Total Revenue</b>		<b>3,032,244,819</b>	<b>2,823,132,130</b>
<b>EXPENSES</b>			
Employee costs	9	3,000,688,256	3,074,569,949
Depreciation and amortization expense	10	79,567,071	89,208,844
Use of Goods and Services	11	311,159,620	294,181,518
Contracted services	12	37,510,817	31,533,916
Repairs and Maintenance	13	47,743,257	22,554,118
Council Expenses	14	4,856,916	4,375,072
<b>Total Expenses</b>		<b>3,481,525,938</b>	<b>3,516,423,417</b>
Surplus before tax(Deficit) for the year		<b>(449,281,118)</b>	<b>(693,291,287)</b>

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

  
Vice Chancellor

PROF. DR-ING. FRANCIS W. O. ADUOL

29<sup>th</sup> March 2023

  
Financial Controller

CPA B.M SANDA  
ICPAK No:11018

29<sup>th</sup> March 2023

  
Chairman of the Council

PP: DR. HALIMA SAADO


29<sup>th</sup> March 2023

14. STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	2022 Kshs.	2021 Kshs.
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	15	26,135,736	17,362,273.72
Receivables from Exchange	16	1,346,042,591	1,063,323,967
Receivables from Non Exchange	17	13,590,826	9,876,788
Inventories	18	6,422,923	8,452,072
<b>TOTAL CURRENT ASSETS</b>		<b>1,392,192,076</b>	<b>1,099,015,100</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	19	5,365,859,656	5,439,698,356
<b>TOTAL ASSETS</b>		<b>6,758,051,732</b>	<b>6,538,713,456</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	2,725,329,733	2,432,652,476
Refundable Deposits	21	114,741,129	9,762,126
Employee Benefit Obligation	22	2,502,804,999	2,231,841,865
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,342,875,861</b>	<b>4,674,256,467</b>
<b>NET ASSETS</b>			
Capital Fund		2,038,511,612	2,038,511,612
Revenue Reserve		-4,680,419,072	(4,231,137,954)
Revaluation Surplus		4,057,083,331	4,057,083,331
<b>TOTAL NET ASSETS</b>		<b>1,415,175,871</b>	<b>1,864,456,989</b>
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>6,758,051,732</b>	<b>6,538,713,456</b>

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



Vice Chancellor

PROF. DR-ING. FRANCIS W. O. ADUOL

29<sup>th</sup> March 2023



Financial Controller

CPA B.M SANDA  
ICPAK No:11018

29<sup>th</sup> March 2023



Chairman of the Council

PP: DR. HALIMA SAADO

29<sup>th</sup> March 2023

**15. STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE PERIOD ENDED 30 JUNE 2022**

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

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

## 16. STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2022

Notes	2022 Kshs.	2021 Kshs.
<b>Cash flow from operating activities:</b>		
<b>Receipts</b>		
Government Grants	1,990,463,289	2,204,190,196
Donor funds	46,321,736	78,584,651
Tuition Fees	961,527,179	518,374,890
Other Incomes	30,778,365	19,425,644
Rental Income	3,154,250	2,556,750
	<b>3,032,244,819</b>	<b>2,823,132,130</b>
<b>Payments</b>		
Compensation of employees	3,000,688,256	3,074,569,949
Goods and services	401,270,611	352,644,624
	3,401,958,867	3,427,214,573
(Increase)/Decrease in current receivable	(286,432,663)	(247,222,233)
(Increase)/Decrease in inventory	2,029,148	(3,052,744)
Increase in payables	668,619,394	847,415,815
<b>Net cash from Operating Activities</b>	<b>14,501,832</b>	<b>(6,941,605)</b>
<b>Cash flows from investing activities</b>		
Purchase of property plant and Equipment & IA	(5,728,370)	(16,749,958)
<b>Net Cash flows used in investing activities</b>	<b>(5,728,370)</b>	<b>(16,749,958)</b>
<b>Cash flows from financing activities</b>		
Development grants received	-	23,555,915
<b>Net Cash flows used in financing activities</b>	<b>-</b>	<b>23,555,915</b>
<b>Net increase/decrease in cash and Cash Equivalent</b>	<b>8,773,462</b>	<b>(135,648)</b>
Cash and Cash equivalents at beginning of period	17,362,274	17,497,922
Cash and Cash equivalent at end of period	<b>26,135,736</b>	<b>17,362,274</b>

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

  
Vice Chancellor

PROF. DR-ING. FRANCIS W. O. ADUOL

29<sup>th</sup> March 2023

  
Financial Controller

CPA B.M SANDA  
ICPAK No:11018

29<sup>th</sup> March 2023

  
Chairman of the Council

PP: DR. HALIMA SAADO

29<sup>th</sup> March 2023

**XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30 JUN E 2022  
Budget Approved on the Cash Basis  
(Classification of Payments by Functions)**

	Actual Amount	Final Budget	Difference Final Budget
	Kshs	Kshs	Kshs
<b>CASH INFLOWS</b>			
Government Grants-Recurrent	1,990,463,289	1,990,463,289	-
Grants , Dev't Partner t (Donor Partner )	46,321,736	43,027,089	(3,294,647)
Rendering Services	961,527,179	868,881,661	(92,645,518)
Other Income -Recurrent (IGU)	30,778,365	880,033,817	849,255,452
Rental Income	3,154,250	3,073,000	(81,250)
<b>Total Receipts</b>	<b>3,032,244,819</b>	<b>3,785,478,856</b>	<b>753,234,037</b>
<b>CASH OUTFLOWS</b>			
Employee Costs	3,000,688,256	3,268,521,504	267,833,247
Council Expenses	4,856,916	8,194,743	3,337,827
Bulk Purchases of Water and Electricity	37,201,438	45,612,324	8,410,886
Repairs & Maintenance	47,743,257	23,002,082	(24,741,175)
Depreciation	79,567,071		(79,567,071)
Contracted Professional Services	37,510,817	33,253,129	(4,257,688)
Provision for Audit Fees	812,000	1,068,840	256,840
<b>General Expenses</b>			
Printing and Advertising expenses	9,333,886	14,753,966	5,420,080
Land Rates and Rentals	6,346,778	23,097,647	16,750,870
Staff Training Expenses	7,478,208	14,445,245	6,967,037
Hospitality Supplies and Services	11,377,703	16,989,097	5,611,394
Medical & Insurance Expenses	45,049,071	49,516,233	4,467,162
Specialized, Teaching Materials \$ Supplies	97,131,292	137,343,838	40,212,546
Provision for Bad Debt	30,873,184		(30,873,184)
General Supplies	24,933,279	27,348,776	2,415,497
Communication Supplies & Services	24,271,318	29,260,080	4,988,762
Foodstuffs supplies	7,364,409	7,998,424	634,015
Gas & Lubricants	2,771,313	13,028,428	10,257,115
Other Operating Expenses	6,215,742	27,976,692	21,760,951
<b>Total Payments</b>	<b>3,481,525,938</b>	<b>3,741,411,048</b>	<b>259,885,110</b>
<b>NET CASH OUTFLOWS</b>	<b>(449,281,118)</b>	<b>44,067,808</b>	<b>493,348,926</b>

## 18. NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

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

### 2. Statement of compliance and basis of preparation

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 Technical University of Kenya. 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.

### 3. Adoption of New and Revised Standards

#### i Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard	Impact
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. <i>Not applicable to the University</i>

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

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li>   <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li>   <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>

<b>IPSAS 42:</b>	<b>Applicable: 1<sup>st</sup> January 2022</b>
Social Benefits	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul>

Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate</li> </ul>

to IPSAS	<p>references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
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### iii. Early adoption of standards

The University did not early – adopt any new or amended standards in year 2021/2022

## 4. Summary of significant accounting policies

### (a) Revenue Recognition

#### *i) Revenue from non-exchange transaction*

These are revenues received by the University from the Government for recurrent expenditures. The University recognizes revenue from non-exchange transaction on accrual basis.

#### *ii) Revenue from exchange transaction*

The University recognizes revenue from exchange transaction on accrual basis. This is done when the students register and the amount of revenue can be reliably measured and it's probable that the economic benefit associated with the transaction will flow to the University.

### (b) Budget information

The original budget for FY 2021-2022 was approved by the Ministry of Education on 28<sup>th</sup> July 2022 while the supplementary budget was approved on 8<sup>th</sup> April 2022. The original budget is adjusted with subsequent revisions or additional appropriations upon receiving the respective approvals from the appropriate authorities to form the final budget. The TU-Ks budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of

budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**(c) In-kind contributions**

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

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

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the University recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

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

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

The annual depreciation rates in use are:

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

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

**(e) Intangible assets**

Intangible assets such as patent rights acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

#### **(f) Research & Development Costs**

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

- a) The technical feasibility of completing the asset so that the asset will be available for use or sale
- b) Its intention to complete and its ability to use or sell the asset
- c) How the asset will generate future economic benefits or service potential
- d) The availability of resources to complete the asset
- e) The ability to measure reliably the expenditure during development

Following initial recognition of an asset such as buildings, the asset is carried at cost less any accumulated amortization. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

#### **(g) Financial Instruments**

##### ***Investments***

Investments (Fixed Deposits) are recognized at their initial cost add interest earned. The University assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated.

##### ***Receivables***

Receivables from exchange transactions (Fees) are recognized when students register with the University. Receivables from non-exchange (other debtors) transactions are recognized when an invoice is raised or at a time when the debt is determinable. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

#### **(h) Financial Liabilities**

##### ***Loans and Borrowing***

Loans are recognized at initial cost plus directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

##### ***Inventories***

Inventories are measured at the lower of cost and net realizable value. Cost incurred in bringing the product to its present location and condition is included in the cost of inventories. Inventories are recognized as expenses when deployed for utilization or consumption in the ordinary course of operations of the University.

The cost of library books is expensed in statement of Financial Performance in the year that such cost arises.

**(i) Employee Benefits**

The University operates a defined contribution benefit scheme, for its employees who are on permanent employment. Defined contribution plans are post-employment benefit plans under which an University pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

**(j) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**(k) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowing costs have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**(l) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents include short term deposits, cash on hand and cash at bank at the end of the financial year.

**(m) Provision on bad and doubtful debts**

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

**(n) Subsequent events**

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

**(o) Related Parties**

The University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the entity, or vice versa. The National Government, Council Members and Members of Management Board are regarded as

related parties.

**(p) Comparative figures**

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

**(q) Contingent liabilities**

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There were no any foreseeable contingent liability for the reporting period.

**(r) Contingent assets**

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. There were no any foreseeable contingent assets for the reporting period.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the University's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions**

The University did not make any key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Useful lives and residual values**

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

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

**Provisions**

The university recognized provisions when there is present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**NOTES TO THE FINANCIAL STATEMENTS CONT**

**6 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Description	2022	2021
	Kshs.	Kshs.
<b>Unconditional Grants</b>		
Recurrent Grants	1,990,463,289	2,204,190,196
Other Grants	-	-
<b>Total Unconditional Grants</b>	<b>1,990,463,289</b>	<b>2,204,190,196</b>
<b>Conditional Grants</b>		
Other Organizational Grants	-	-
<b>Total Government Grants And Subsidies</b>	<b>1,990,463,289</b>	<b>2,204,190,196</b>

**7 PUBLIC CONTRIBUTIONS AND DONATIONS**

	2022	2021
	Kshs.	Kshs.
Donor Funds	46,321,736	78,584,651
<b>Total</b>	<b>2,036,785,025</b>	<b>2,282,774,847</b>

**8 REVENUE FROM EXCHANGE TRANSACTIONS**

	2022	2021
	Kshs.	Kshs.
8a Rendering Services	961,527,179	518,374,890
8b Other Income	30,778,365	19,425,644
8c Rental Income	3,154,250	2,556,750
<b>Total Exchange Revenue</b>	<b>995,459,794</b>	<b>540,357,284</b>

**6(a) Employee Costs**

	2022	2021
	Kshs.	Kshs.
Personal Emoluments	2,745,917,752	2,845,908,175
Gratuities	42,114,938	47,598,243
Other Employer Contributions	180,504,811	152,399,089
Domestic Travel	17,921,156	25,517,394
Foreign Travel	10,212,921	3,147,048
<b>Total</b>	<b>2,996,671,577</b>	<b>3,074,569,949</b>

**10 Depreciation and Amortization Expenses**

	2022	2021
	Kshs.	Kshs.
Buildings	22,014,125	22,578,590
Motor Vehicles	3,227,837	4,303,782
Property plant and equipment	54,325,109	62,326,472
<b>Total depreciation and amortization</b>	<b>79,567,071</b>	<b>89,208,844</b>

NOTES TO THE FINANCIAL STATEMENTS CONT

	2022	2021
	Kshs.	Kshs.
<b>11 Use of Goods and Services</b>		
Printing, Advertising & Publicity	9,333,886	12,476,995
Land Rates & Rental Expenses	6,346,778	4,850,172
Staff Training Expenses	7,478,208	4,836,812
Hospitality Suppliers & Services	11,377,703	11,205,684
Medical & Insurance Expenses	45,049,071	48,031,176
Specialized ,Teaching Materials & Supplies	97,131,292	97,308,503
Provision for bad debts(Increase/ Decrease)	30,873,184	27,469,137
General Supplies	24,933,279	24,199,688
Communication Supplies & Services	24,271,318	21,971,573
Penalties	-	
Foodstuffs Supplies	7,364,409	4,526,249
Gas & Lubricants	2,771,313	1,055,619
Other Operating Expenses	6,215,742	2,690,608
Bulk purchase of water	8,925,410	9,136,100
Bulk purchase of Electricity	28,276,028	23,611,202
Audit Fees	812,000	812,000
<b>Total</b>	<b>311,159,620</b>	<b>294,181,518</b>

	2022	2021
	Kshs.	Kshs.
<b>12 Contracted Services</b>		
Contracted Legal Services	10,184,689	5,763,170
Contracted Security Services	24,310,188	20,921,665
Contracted Consultancy Services	3,015,940	4,849,081
<b>Total Contracted Services</b>	<b>37,510,817</b>	<b>31,533,916</b>

	2022	2021
	Kshs.	Kshs.
<b>13 Repair and Maintenance</b>		
Maintenance of Motor Vehicles	13,006,265	8,896,486
Maintenance of other Assets	34,736,993	13,657,632
<b>Total</b>	<b>47,743,257</b>	<b>22,554,118</b>

	2022	2021
	Kshs.	Kshs.
<b>14 Council Expenses</b>		
Chairman's Honoraria	368,900	661,000
Sitting Allowances	2,058,000	1,491,000
Induction and Training	101,800	471,724
Travel and Accommodation	1,895,728	1,342,860
Insurance	408,488	408,488
Other Allowances	24,000	-
<b>Total</b>	<b>4,856,916</b>	<b>4,375,072</b>

## NOTES TO THE FINANCIAL STATEMENTS CONT

### 15 CASH AND CASH EQUIVALENTS

	2022 Kshs.	2021 Kshs.
Cash in hand	335,305	934,310
Production Unit Account- 110163686	1,490,571	3,757,060
Hostel Fund Account- 1101631791	931,307	936,347
Fund Account-01109148224	52,212	58,443
Cash at Bank- Coop Collection account	1,643,542	1,626,705
Cash at Bank- Equity Collection account	1,262,383	934,471
Students Deposit-1107252822-Caution Money	289,649	296,006
Machine Replacement Fund-1105828646	1,001,925	1,006,965
Staff Pension Fund -1122174462	558,502	563,542
Students Deposit savings Fund	729,614	729,614
Needy Students Fund	105,738	105,738
Fixed Deposit	300,000	300,000
Cash at Bank- KCB Collection account	8,201,802	5,095,837
Enterprise Development Fund-1101631953	892,620	356,727
Production Unit Savings-1107289408	412,582	418,813
KESSP Account-1108979432	175	1,715
Main Account- 1109148135	6,443,187	-1,249,683
Kasarani TTI Account-1160726485	1,484,623	1,489,663
	<b>26,135,736</b>	<b>17,362,274</b>

### 16 Receivables from Exchange Transactions

	2022 Kshs.	2021 Kshs.
Outstanding Students fees	1,495,602,879	1,181,471,074
Less: Provision for bad Debts @ 10%	-149,560,288	-118,147,107
<b>Net Debtors from Exchange Trans.</b>	<b>1,346,042,591</b>	<b>1,063,323,967</b>

### 17 Receivables from Non Exchange

	2022 Kshs.	2021 Kshs.
Outstanding Staff Imprest	5,971,037	6,323,894
Salary Advances	2,602,972	3,483,464
Medical Advances	4,407,390	-
Deposits to Suppliers	104,350	104,350
Nyayo Vehicle Project	500,000	500,000
Dishonored cheque	562,501	562,501
Ministry of Education	-	-
	<b>14,148,250</b>	<b>10,974,209</b>
Less:10% Provison for bad debts	(557,424.07)	(1,097,420.87)
<b>Net Debtors from Non-Exchange Trans.</b>	<b>13,590,826</b>	<b>9,876,788</b>

### 18 Inventory

	2022 Kshs.	2021 Kshs.
Consumable stores	6,422,923	8,452,072

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. PROPERTY, PLANT & EQUIPMENT		LAND KSHS	BUILDINGS KSHS	MOTOR VEHICLES KSHS	FURNITURE & COMPUTERS, FITTINGS KSHS	PRINTER & SOFTWARE KSHS	MACHINERY & EQUIPMENT KSHS	WORK IN PROGRESS KSHS	TOTAL KSHS.
Depreciation Rates	0%	2.50%	25%	12.50%	30%	12.50%			
<b>COST/VALUATION:</b>									
<b>At 30 June 2020</b>	3,068,000,000	1,167,170,000	71,629,618	58,650,683	110,054,400	879,816,444	1,084,195,944	6,439,517,088	
Valuation/Additions	-	-	-	444,190	10,481,788	727,553	5,096,427	16,749,958	
<b>At 30 June 2021</b>	<b>3,068,000,000</b>	<b>1,167,170,000</b>	<b>71,629,618</b>	<b>59,094,873</b>	<b>120,536,188</b>	<b>880,543,997</b>	<b>1,089,292,371</b>	<b>6,456,267,046</b>	
<b>DEPRECIATION:</b>									
<b>At 30 June 2020</b>	-	264,026,410	54,414,489	32,849,473	86,710,713	489,358,761	-	927,359,846	
Charges for the year		22,578,590	4,303,782	3,280,675	10,147,642	48,898,155	-	89,208,844	
<b>As at 30 June 2021</b>	<b>286,605,000</b>	<b>58,718,271</b>	<b>36,130,148</b>	<b>96,858,355</b>	<b>538,256,915</b>	<b>-</b>	<b>-</b>	<b>1,016,568,690</b>	
<b>NET BOOK VALUE:</b>									
At 30 June 2021	3,068,000,000	880,565,000	12,911,347	22,964,725	23,677,832	342,287,082	1,089,292,371	5,439,698,356	
At 30 June 2020	3,068,000,000	903,143,590	17,215,129	25,801,210	23,343,687	390,457,683	1,084,195,944	5,512,157,242	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. PROPERTY, PLANT & EQUIPMENT		MOTOR VEHICLES	FURNITURE & COMPUTERS, FITTINGS	PRINTER & SOFTWARE	MACHINERY & EQUIPMENT	WORK IN PROGRESS	TOTAL
LAND	BUILDINGS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS.
0%	2.50%	25%	12.50%	30%	12.50%		
3,068,000,000	1,167,170,000	71,629,618	59,094,873	120,536,188	880,543,997	1,089,292,371	6,456,267,046
-	-	-	645,645	4,852,785	229,940	-	5,728,370
<b>At 30 June 2021</b>							
Valuation/Additions							
3,068,000,000	1,167,170,000	71,629,618	59,740,518	125,388,973	880,773,937	1,089,292,371	6,461,995,416
<b>At 30 June 2022</b>							
<b>DEPRECIATION:</b>							
<b>At 30 June 2021</b>							
Charges for the Period							
-	286,605,000	58,718,271	36,130,148	96,858,355	538,256,915	-	1,016,568,690
	22,014,125	3,227,837	2,951,296	8,559,185	42,814,628	-	79,567,071
<b>As at 30 June 2022</b>							
<b>NET BOOK VALUE:</b>							
3,068,000,000	858,550,875	9,683,510	20,659,074	19,971,432	299,702,394	1,089,292,371	5,365,859,656
3,068,000,000	880,565,000	12,911,347	22,964,725	23,677,832	342,287,082	1,089,292,371	5,439,698,356

(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)**

**20 TRADE AND OTHER PAYABLES**

	<b>2022</b>	<b>2021</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Auditor General	8,120,000	7,308,000
Contractors & General Creditors	97,990,744	112,668,904
Provision for NCC - Land Rates	-	6,443,144
UoN Salary Reimbursement	2,788,531	7,788,531
Gratuities	248,814,681	247,115,242
Third Party Funds	283,751,111	283,304,628
Statutory Obligations	1,982,621,700	1,675,799,902
Sacco Deductions	13,502,067	14,244,128
Bank Loan Deductions	32,785,143	-
Insurance Premium Deductions	1,025,805	1,461,042
Other Payroll deductions	53,929,949	76,518,955
	-	-
	<u>2,725,329,733</u>	<u>2,432,652,476</u>

**21 Current Liabilities**

Refundable Deposits(Prepaid Fees)	114,741,129	9,762,126
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**22 Employee Benefit Obligation**

	<b>2022</b>	<b>2021</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Staff Pension Fund	2,502,804,999	2,231,841,865

## 19. Appendix

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
1.1	<p><b>Un Supported Staff Promotion Arrears</b></p> <p>The statement of financial performance reflects Kshs.3,074,569,949 in respect to employee costs which includes Kshs.264,210,634 being staff promotion arrears paid during the year under review. However, Kshs.245,845,304 of the arrears was made outside the university payroll. Further, a review of the employees' personal files revealed that from a sample of 16 personal files physically verified in regards to arrears, 14 of them did not have payment change advice (PCA) in the files to support the arrears recalculation however, only 2 files had been supported.</p>	<p>These staff are those on staff development (graduate assistants and tutorial fellows) whose terms of engagements require that they be promoted to the next level upon successful completion of their studies. Payment change advice (PCA) for the affected staff had been prepared and have since been placed on their personal files.</p>	Resolved	
1.2	<p><b>Un Reconciled Statutory Deductions</b></p> <p>Included in the employees' costs totaling to Kshs.3,074,569,949 is Kshs.535,533,515 in respect to pay as you earn (PAYE) deductions for the period under audit. However, review of records provided for audit review revealed that only Kshs.130,013,238 was remitted to the Kenya Revenue Authority resulting to an un-reconciled variance of Kshs.405,520,277.</p>	<p>The university has been facing financial challenges and has not been able to meet all its financial obligations promptly in full as and when they fall due. However, the university has been making effort to service its debts including outstanding tax arrears whenever the cashflow permits.</p>		
1.3	<p><b>Unsupported amounts in note 6(a)</b></p> <p>The statement of financial performance reflects employee costs of KES 3,074,569,949 and as disclosed in note 6 (a) to the financial statements. Included in the amount is KES 47,598,243 which has no description in the Note to the financial statement</p>	<p>The amount of KES 47,598,243 in note 6 (a) of the financial statement relates to gratuities. The descriptions could have been erroneously deleted during the printing of the revised financial statements since it was properly described in during the audit exercise and had not been queried even in the draft report</p>	Resolved	
2	<p><b>Uncertainty in Relation to Sustainability of Services</b></p> <p>The statement of financial performance reflects deficit of Kshs.693,291,287, (2020; Kshs.444,178,088) which increased the accumulated losses from Kshs.3,537,846,667 as at 30 June, 2020 to accumulated losses of Kshs.4,231,137,954 as at 30 June. Further, the current liabilities of Kshs.4,674,256,467 exceeded the current assets of Kshs.1,099,015,100 resulting to a negative working capital of Kshs.3,575,241,367.</p> <p>The above precarious financial performance and position is an indication of the existence of a</p>	<p>The University has over the years been massively undercapitalized by the Government and constantly the University has been running a budget deficit. This has impacted negatively on the Going concern of the University. The University has made several communications to the Parent Ministry and the National Treasury for additional capitation and its very positive that the Ministry would address the Going concern issue in order for the</p>	Not resolved	5yrs

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	material uncertainty which may cast a significant doubt on the University's ability to continue to sustain its services and to meet its obligations as and when they fall due. The financial statements have therefore been prepared on a sustainability basis on the assumption that the University will continue to receive financial support from the Government and its creditors. However, this material uncertainty in relation to sustainability of services and any mitigating measures put in place by the University Management to reverse the undesirable precarious financial situation have not been disclosed in the notes to the financial statements.	University to effectively and efficiently discharge its mandate of Teaching, Learning and community service.		
3.1	<b>Un Supported Balances</b>  Included in this balance are cash in hand-Kshs.934,310, students deposit caution money Kshs.296,006.00, students deposit savings fund-Kshs.729,614., needy students fund-Kshs.105,738.00 and fixed deposits- Kshs.300,000. However, supporting documents such as cash books, bank reconciliation statements and bank statements were not provided for audit review.	<i>The students' deposits savings fund account, caution money, Needy students fund account and Fixed deposit account were inherited from the defunct Kenya Polytechnic University college. The Management shall consider closing these accounts</i>	Not Resolved	2Yrs
3.2	<b>Unsupported Debit Transactions</b> The balance further includes Kshs.3,757,060 in respect to the production unit account number 1101631791. A review of the related cashbook revealed two debit transactions of Kshs.5,000,000 and Kshs.6,000,000 dated 21 January, 2021 and 23 June, 2021 respectively, which were indicated as 'error correction', however, the corresponding credit entries of the same were not disclosed. In addition, a debit entry through a journal transfer of Kshs.2,000,000 was posted on 3 June, 2021 however, approval was not provided for audit review. Review of the main account overdrawn balance of Kshs.1,249,683 revealed 287 payment transactions which lacked unique numbers contrary to Regulation 104 of the Public Finance Management (National Government) Regulations, 2015, which requires that all payments should have pre-numbered payment vouchers	The university has its main account No.1109148135 at KCB designated for payments. Funds are usually transferred from other accounts to the main account in readiness for payments. The KES 5,000,000 and 6,000,000 were transferred from KCB collection account No.1101632445 on 21/01/2021 and 23/06/2021 respectively to main account at KCB. However, the corresponding credit entries, were erroneously credited in the production unit account No.110131686 at KCB which was later reversed. Even though the university ensures that all payment transactions have unique numbers as required by Regulation 104 of the Public Finance Management (National Government) Regulations, 2015, there was error in capturing the same in the main account. The university shall adhere to the required regulations	Resolved	
4	<b>Unsupported Trade and Other Payables</b>  The statement of financial position as at 30 June, 2021 reflects Kshs.4,674,256,467 in respect to trade and other payables as detailed in note 8, which includes Kshs.7,308,000, Kshs.112,668,904, Kshs.6,443,144, and Kshs.283,304,628 in respect to	The payments vouchers which contain primary/source records including invoices, claim forms and approval documents to support the various category of the trade and other payables have been made available for audit verification.		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>Auditor General, contractors and General creditors, provision for Nairobi City County land rates, and third party funds, however, the same had not been supported with the individual account statements and primary/source records including invoices, claim forms and approval documents. In addition, Kshs.1,675,799,902 in respect to statutory obligations had not been supported with accounting schedules and source documents.</p> <p>In the circumstances, the accuracy, completeness and authenticity of the trade and other payables of Kshs.4,674,256,467 as at 30 June, 2021 could not be confirmed.</p>			
5	<p><b>Un Supported Work in Progress</b></p> <p>Note 7 to the financial statements reflects a balance of Kshs.1,089,292,371 in respect to work in progress. However, supporting documents which includes the schedule of the works in progress by name, contract value, work valuation certificates issued, retention monies, interim certificates issued, contract agreements and the projects status reports were not provided for audit review.</p>	The schedule of the works in progress, valuation certificates, retention monies under construction and interim certificates, contract agreements for the projects and the projects status reports have been requested from the quantity surveyor and shall be availed via email due to bulkiness of the documentations.	Not Resolved	6 months
6.1	<p><b>Un Supported Rental Expenses</b></p> <p>The statement of financial performance for the year ended 30 June, 2021 reflects Kshs.260,622,216 in respect to general expenses as detailed in note 6(c). This amount includes Kshs.4,850,172 relating to land rates and rental expenses which included rental expenses totaling Kshs.858,000 made to the University of Nairobi for the residential home of the University Vice Chancellor. However, review of records provided revealed that the monthly rental payment was Kshs.66,000 totaling to Kshs.792,000, for twelve months. This resulted to excess payments of Kshs.66,000 which was neither supported nor explained.</p> <p>Further, the Kshs.858,000 has not been supported by any acknowledgments from the University of Nairobi for receipt of the said rent payments</p>	A monthly rental payment of Kshs. 66,000 was paid to University of Nairobi translating to annual payment of Kshs. 792,000. Receipts for the payments done are available for audit review.	Resolved	
6.2	<p><b>Un Supported Examination Payment</b></p> <p>The amount further includes Kshs.97,308,503 in respect to specialized teaching materials and supplies. The special materials include Kshs.8,300,000 paid as examination payments to staff members from finance, examinations and administration departments. However, the expenditure has not been supported with the appropriate approvals for the examination payment, work plan and schedule of duties that warranted the payment. No approval by the Salaries and Remuneration Commission was provided for audit review.</p>	The involved departments/sections are normally forced to work for long hours including before and after working hours to clear students in readiness for examinations. As such, they are occasionally considered for an examination processing honorarium as a token of appreciation for the long hours and extra effort put towards clearing all the students in readiness for the examinations. This ensures that only students who have cleared fees are eligible to sit for the examinations.	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
6.3	<p><b>Un Supported Legal Expenses</b></p> <p>The statement of financial performance for the year ended 30 June, 2021 reflects Kshs.31,533,916 in respect to contracted services which includes Kshs.959,000 paid to a local law firm for legal services provided during the year. However, the payment was not supported with relevant records such as copy of judgement summary and evidence that the legal firm represented University in the petitions, dates of commencement of the lawsuits and progress reports of the cases, certified valuation certificates on which the legal fees were based the total amount of money paid to the legal firm from the beginning of the petition to the time of the audit, contracts entered into between the University and various advocates.</p>	<p>There is an existing service level agreement for provision of legal services between Tongoi &amp; Company advocates and the Technical University of Kenya which was availed for audit review (Annex 8.5). The paid legal fees of Kshs 959,000 were determined and agreed upon in accordance to the advocates remuneration order. Annex 8.5</p>	Resolved	
6.4	<p><b>Un Supported Allowances</b></p> <p>The statement of financial performance for the year ended 30 June, 2021 reflects Kshs.260,622,216 in respect to general expenses, which as detailed in note 6(c) includes Kshs.97,308,503 in relation to specialized teaching materials and supplies which include Kshs.740,680 paid as lunch and mileage allowance to staff members for project supervision of construction of stalls at City Market in Parklands. However, it was noted that twenty-two (22) project staff were identified to supervise the fabrication of stalls on various dates between 24 August, 2020 and 9 September, 2020 (13 days). Twenty (20) staff were each paid lunch and mileage allowance for 15 days while one (1) staff member was paid lunch and mileage allowance for 30 days.</p>	<p>It is true that Twenty-two project staff were identified to supervise the fabrication of stalls on various dates between 24 August 2020 and 9 September 2020. It was intended that the project would take 13 days. However, this was affected by covid 19 and the fabrication extended by a few more days</p> <p>One Staff paid who was paid an extra 10 days was the overall supervisor. Whereas the 20 staff were distributed to either Ngong Road, Kamkunji or Kariobangi, the overall supervisor visited all the sites and hence the extra 10-day payment</p> <p>The project was a collaborative endeavour between multiple departments at the TUK, including; Architecture, Spatial Planning, Mechanical Engineering, Electrical Engineering and Public Health. Each of these departments identified suitable staff to take part in the project. These were subsequently agreed upon in a meeting where the team was formally appointed</p> <p>It is worth noting that the project was a collaborative initiative involving the Ministry of Infrastructure, Transport, Housing &amp; Urban development, Technical University of Kenya and Jua Kali Associations. TUK trained Jua Kali artisans and oversaw their actual participation in the stalls fabrication endeavor. 3 Jua Kali</p>	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
		Associations, each with 6 participating workshops, participated in the project. The fabrication took place in-situ at their respective workshops located at Ngong Road, Kamkunji and Kariobangi areas. Completed stalls were installed at City Park Market in Parklands		
7.1	<b>Unsupported Receivables</b> The balance included amounts of Kshs.104,350, Kshs.500,000 and Kshs.562,501 being deposits to suppliers, Nyayo vehicle project and dishonoured cheques respectively, which have been long outstanding and whose supporting analysis were not provided for audit review.	Deposits to suppliers totaling Kshs 104,350.00, Nyayo vehicle Project Kshs 500,000.00 and Dishonored cheques Kshs 562,501.00 were inherited from the defunct Kenya Polytechnic and has remained in our financial statements ever since. The provision of these debts has become extremely doubtful to realize and is yet to be deliberated by the University Council for possibility of being written off as debts.	Not resolved	1 year
7.2	<b>In Accurate Provision for Bad Debts</b> Included in the balance is Kshs.119,244,528 in respect of provision for bad debts at 10% of the gross receivables of Kshs.1,192,445,283. However, it was noted that in the calculation of the provision the balances of outstanding staff imprests and salary advances totalling to kshs.6,323,894 and 3,483,464 respectively were included. This therefore resulted to over provision of bad debts. Further, no approved policy on provision for bad debts has been availed for audit review	It has been the practice of the Technical University of Kenya to include balances of outstanding staff imprests and salary advances in the computation of provision for bad debts. This has also been disclosed under note 10 of the financial statement	Resolved. Outstanding staff imprests and salary advances are excluded in computation of provision of bad debts	
8.1	<b>Failure to invoice Active students</b> A review of documents provided revealed that one hundred and twenty-four (124) students were in session however, they had not been invoiced contrary to Section 2 of the Technical University Charter, statute no. XLIV on fees which provides that all fees and other charges due shall be paid at the commencement of the semester and not later than the third week of the semester. No student shall be allowed into lectures; examination rooms or participates in activities which have not been fully paid for, except with approval of the University Management Board. In addition, five thousand, four hundred and twenty (5,420) students who were inactive had been invoiced a total of Kshs.263,740,681.	Only students who were in session/active were invoiced as they are the only students who signed the nominal roll. The figure of KES Kes 518,374,890 reported for rendering services therefore includes all the active students during the financial year under consideration.	Resolved	
8.2	<b>Inconsistency in Issue of Receipts</b> Analysis of the receipts maintained in the University's financial management system indicated that there were receipts generated without a proper sequence of unique receipt numbers all amounting to Kshs.383,770,181.50. Further analysis of the receipt revealed that some of the receipt numbers were duplicated	The University is in the process of introducing a new system "TuSoft system" that will be fully used for receipting. TuSoft system currently being used for receipting generate receipts with a proper sequence of unique receipt numbers. Whenever a receipt number is duplicated, it is usually cancelled and reissued. In the	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
		current system, the cases has been minimal and occurs only when there is power instability/interruptions.		
9	<p><b>Doubtful Recovery of Outstanding Balances</b> The statement of financial position as at 30 June, 2022 reflects Kshs.987,870,332 in respect to trade and other receivables which includes 1,086,659,494 in respect to outstanding students' fees. However, a comparison of invoices with the graduation list revealed that there were 828 students who had graduated with outstanding balances totaling to Kshs.10,728,677.00 contrary to Section 3; (iv) of the Technical University Charter, statute no. XXXVII on Award of Degrees, which provide that no student shall be awarded the bachelor's degree unless: the student shall have paid such fees to the University as may be determined by the Council</p>	The University withholds certificates for those who have graduated with fees balances and only releases the certificated upon full clearance of the outstanding fees. The university is also considering other means of recovering the outstanding fees from the graduates with is not limited to appointing a debt recovery agent and liaison with other government agencies in order to recover the debts.	Unresolved	2yrs



Vice Chancellor

PROF. DR-ING. FRANCIS W. O. ADUOL  
29<sup>th</sup> March 2023



Chairman of the Council

PP: DR. HALIMA SAADO  
29<sup>th</sup> March 2023

## Appendix II: Projects implemented by The Technical University of Kenya

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

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

### Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction of studios, computers laboratories, classrooms and offices for the department of geospatial science and engineering (Block S)	1.2B	1.032M	98%	0	0	GoK
2	Construction of block T & Senate Tower	1.4B	57M	4%	0	0	GoK