

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2016**

*Paper Laid by the  
LEADER OF THE MAJORITY  
PARTY (FORM ADGM DUALD)  
ON 08/11/2017*

*IBM*  
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# **THE TECHNICAL UNIVERSITY OF KENYA**

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## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2016**

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

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## **TECHNICAL UNIVERSITY OF KENYA INFORMATION**

### **I. KEY UNIVERSITY INFORMATION AND MANAGEMENT**

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

The Technical University of Kenya (TU-K) is a State Corporation established by the Legal Notice No. 59 of 15th January, 2014 under the University Act (Cap210). It was established through the elevation of The Kenya Polytechnic University College (KPUC) to full university status. TU-K was established as the first Technical University in Kenya in line with the provisions of the proposed Universities Act, 2012. The technical university is a new type of university in Kenya, whose mandate shall be to offer higher education and research in technology. The technical university, as a concept, is being created in Kenya with the objective to be a technological force behind the Vision-2030 drive and the general economic development of the nation. This has come about from the realisation that most countries that have been able to make major technological breakthroughs were heavily propelled through this by their technological universities

#### **Vision**

To be a top rated University of technology

#### **Mission**

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

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

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

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

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

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

#### **(d) Fiduciary Oversight Arrangements**

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

**(e) Headquarters**

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

**(f) Contacts**

Telephone +0254 (020) 343672,2249974,2251300,251822,2250522

Fax: +254 (020) 2219689

E- mail: [finance@tukenya.ac.ke](mailto:finance@tukenya.ac.ke), [vc@tukenya.ac.ke](mailto:vc@tukenya.ac.ke)

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

**Haile Selassie Avenue**

P. O. Box 52428-00200

Nairobi, Kenya

**(g) Bankers**

- i. Kenya Commercial Bank Ltd.

Moi Avenue

P. O. Box 30081-00100

Nairobi, Kenya

- ii. Co-operative Bank of Kenya Ltd.

Haile Selassie Avenue

P. O. Box 48231- 00100

Nairobi, Kenya

- iii. Equity Bank

Moi Avenue

P. O. Box

Nairobi, Kenya

**(h) Independent Auditors**

Auditor- General,

Anniversary Towers, university way

P.O. Box 30084 - 00100

Nairobi, Kenya

**(i) Principal Legal Adviser**

Tongoi & Company Advocates

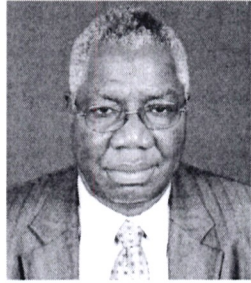
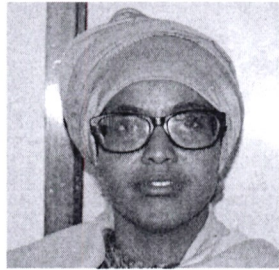
Finance House




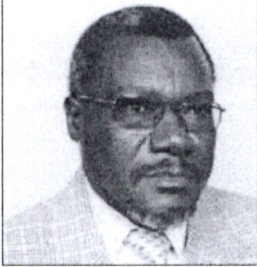
P.O. Box 57229



Nairobi.

II. THE UNIVERSITY COUNCIL

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

NO	COUNCIL NAMES	DATE OF BIRTH	QUALIFICATION	EXPERIENCE
1.	 Prof. Godfrey M. Nguru Outgoing Chairman Appointed from 9/11/2015 to 10/3/2017		PHD	Vice Chancellor- Daystar University Pan African Univ
	 Dr. Halima Saada Incoming Chairperson Appointed 10/3/2017		PHD	

2.	 <p>Eng. Mercy Muthoni Wambugu                  Appointed 18/2/2013</p>		Bsc(Engineering)	Engineering
3.	 <p>Ms. Isabella Ochola-Wilson,                  Appointed 18/2/2013</p>		BA , MBA	Management, Consultancy and Marketing
4.	 <p>Dr. Philip Toroitich Parklea,                  Appointed 18/2/2013</p>		MB,ChB,M.MED	Lecturer
5.	 <p>Late Eng. Murunga Protas Ashiro</p>		B sc(Engineering)	Engineering

	Appointed 18/2/2013			
6.	 Mr. David Komen 14/10/2015		National Treasury	Civil Service
7.	 Mr. Johnson Nanjakululu January 2016		Ministry Education, of	Civil Service

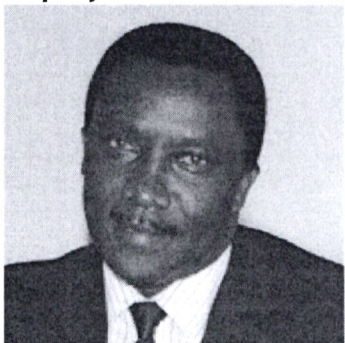
### **III. MANAGEMENT TEAM**

- **The Vice Chancellor**



Prof. Francis W. O. Aduol, BSc Eng (Nairobi), MSc (Nairobi), MA (Econ), Dr-Ing (Stuttgart), MISK, Lic Surv.

- **Deputy Vice Chancellor – Academics Research and Students**



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

- **Deputy Vice Chancellor Administration Planning and Infrastructure**



Prof. J. Kiplang'at ,BEd.(KU) inf Sci,MPhil (Inf Sci),PhD.

- **Deputy Vice Chancellor – Technology Innovation and Partnerships**



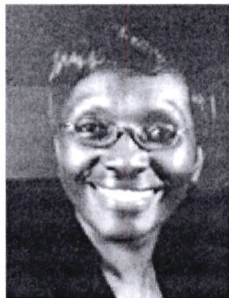
Prof. Suki K. K. Mwendwa, BA (Nairobi), MA (Cornell), PhD (UNSW)

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



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

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



Prof. Emily A. Akuno, B.Ed. (Music) (Kenyatta), MMus (Music) Northwestern State University Louisiana, PhD (Music) Kingston University

- **Executive Dean, Faculty of Engineering Sciences & Technology (FEST)**



Prof. Alex M. Muumbo, B-Tech (Moi), MSc (Bradford-UK), PhD Nagoya-Japan

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

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

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

On behalf of the Members of the Council, it is my pleasure to present the Annual Report and Financial Statements for The Technical University of Kenya operations for the year ended 30th June 2016.



Dr. Halima Saada



**CHAIRPERSON OF COUNCIL**

## V. REPORT OF THE VICE CHANCELLOR

It is my pleasure to present the Annual Report and Accounts of the Technical University of Kenya for the year ended 30<sup>th</sup>, June 2016. During the year under review, the University recorded a deficit of Kshs. 473,863,757 out of total income from Government, donors, internally generated funds all amounting to Kshs. 2,014,551,741 against an expenditure of Kshs. 2,488,415,498. The management and staff have risen to the challenges with a great deal of resourcefulness, diligence, resilience and determination. I am proud of the team and greatly appreciate their ability and commitment towards achieving the university vision, mission and objectives

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

I express my sincere gratitude to the Government of Kenya, Ministry of Education, development partners and other stakeholders for their continued support. This has gone a long way towards building a solid institution that is responsive to its mandates and stakeholders' expectations.



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

## **VI. REPORT OF THE UNIVERSITY COUNCIL**

The council submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the university's affairs.

### **Principal activities**

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

### **Results**

The results of the University for the Year ended June 30, 2016 are set out on page 12.

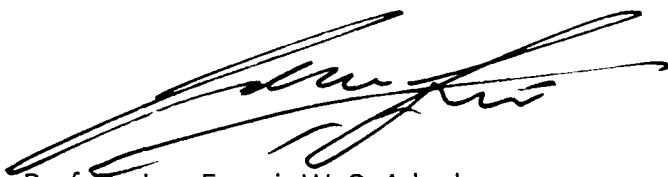
### **University Council**

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

### **Auditors**

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

By Order of the university Council



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

## **II. STATEMENT OF UNIVERSITY COUNCIL RESPONSIBILITIES**

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

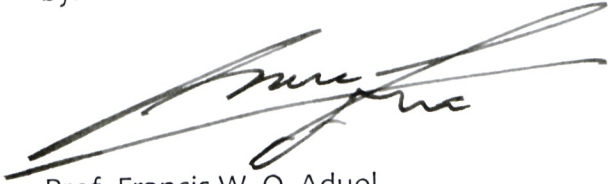
The Council is responsible for the preparation and presentation of the university's financial statements, which give a true and fair view of the state of affairs of the university for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the university; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the university's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPAS), and in the manner required by the PFM Act and the State Corporations Act. The Council is of the opinion that the university's financial statements give a true and fair view of the state of university's transactions during the financial year ended June 30, 2016, and of the university's financial position as at that date. The council further confirm the completeness of the accounting records maintained for the university, which have been relied upon in the preparation of the university's financial statements as well as the adequacy of the systems of internal financial control.

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

*The Technical University of Kenya (TU-K)*  
*Annual report & Financial Statements for the Year Ended 30 June, 2016*

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



Prof. Francis W. O. Aduol,  
**VICE CHANCELLOR**



Dr. Halima Saada

**CHAIRPERSON OF COUNCIL**



# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON TECHNICAL UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Technical University of Kenya set out on pages 1 to 17, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in accumulated funds, 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 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.

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

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

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

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

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

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*Report of the Auditor-General on the Financial Statements of Technical University of Kenya for the year ended 30 June 2016*

procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

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

As similarly reported in the previous year, the property, plant and equipment balance of Kshs.5,606,626,918 as at 30 June 2016 includes four (4) parcels of land reference Nos.209/7203, 209/8726, 209/16715, 209/11381 and twenty two (22) motor vehicles owned by the University with an estimated total value of Kshs.10,634,388 and which still bear the name of the defunct Kenya Polytechnic. In addition, a vehicle (Tuk Tuk), registration No. KBM 074M donated to the University is registered in the name of Car and General.

Further, the property, plant and equipment balance includes work-in-progress totalling Kshs.819,667,188 which includes Kshs.7,150,000 in respect of lifts at block R which have not been installed yet the building is already occupied. The balance of Kshs.819,667,188 also includes Kshs.111,818,815 in respect of an incomplete seven-storey building block whose construction contract has since expired. No evidence showing that the contract has been extended, or of a valid performance bond was made available for audit review.

Further, and as similarly reported in 2014/2015 the work-in-progress balance includes expenditure of Kshs.1,542,800 in respect of consultancy services on Human Immunodeficiency Virus (HIV) which was capitalized contrary to Public Sector Accounting Standards No.17 which defines property, plant and equipment as tangible assets held for use in the production or supply of goods and services.

In the circumstances, it has not been possible to confirm the accuracy, completeness and ownership status of the property, plant and equipment balance of Kshs.5,606,626,918 as at 30 June 2016.

#### **2. Going-concern**

During the year under review, the University recorded a deficit of Kshs.473,863,757 (2014/2015 - deficit Kshs.313,221,309) thereby reducing its revenue reserve to Kshs.978,361,958 as at 30 June 2016. Further, the current liabilities balance of Kshs.1,218,425,640 exceeded the current assets balance of Kshs.325,355,669 as at 30 June 2016 resulting to a negative working capital balance of Kshs.893,069,971.

The University was therefore unable to meet its financial obligations as they fell due. In particular the University was unable to remit pension deductions and other statutory obligations of Kshs.554,080,140 and Kshs.251,061,013 respectively outstanding as at 30 June 2016. The University also failed to pay audit fees totalling Kshs.3,248,000 for three (3) financial years from 2012/2013 to 2014/2015. The University's financial statements have therefore been prepared on a going-concern basis on the assumption of continued financial support from the National Government and creditors.

### **3. Cash-and-Cash Equivalents**

As disclosed under Note 9 (a) to the financial statements, the cash and cash equivalents balance of Kshs.62,396,297 as at 30 June 2016 includes a balance of Kshs.635,731 in respect of student deposit – caution money, Kshs.105,738 under needy students fund, Kshs.300,000 under fixed deposit and Kshs.5,466,542 under production unit account whose bank confirmation certificates, bank balance statements, bank reconciliation statements and cashbooks were, however, not availed for audit verification. In addition, the cash and cash equivalents balance includes hostel fund balance of Kshs.1,123,594 which is at variance with reconciled bank balance of Kshs.528,448 by Kshs.594,145 which variance has not been explained by management.

Further, the cash-and-cash equivalents balance of Kshs.62,396,297 as at 30 June 2016 includes unpresented cheques totalling to Kshs.3,166,043 under the main account, some of which have since gone stale and have not been reversed in the cashbook as at the date of this report.

In the circumstances, the validity and accuracy of the cash and cash equivalents balance of Kshs.62,396,297 as at 30 June 2016 cannot be confirmed.

### **4. Trade and Other Payables**

As disclosed in Note 8 to the financial statements, the trade and other payables balance of Kshs.1,218,409,880 as at 30 June 2016 includes third-party funds totalling Kshs.22,604,888 whose supporting schedules and analyses were not availed for audit review. In addition, the trade and other payables balance includes Kshs.554,080,140 in respect of outstanding staff pension fund which the University had not remitted to the pension scheme as at 30 June, 2016 contrary to the law.

In the circumstances, the validity and accuracy of the trade and other payables balance of Kshs.1,218,409,880 as at 30 June 2016 cannot be confirmed and further, the University has breached the law on pension deductions.

## 5. Trade and Other Receivables

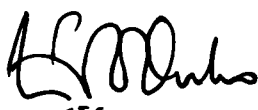
The trade and other receivables balance of Kshs.260,147,403 disclosed under Note 10 to the financial statements includes outstanding balances of salary advance and dishonoured cheques amounting to Kshs.562,345 and Kshs.562,501 respectively. Some of these salary advances and cheques have been outstanding for a long period of time. Also, analyses of the balances have not been made available for audit review. In view of the anomalies, recoverability of the balances is doubtful.

Further, the trade and other receivables balance of Kshs.260,147,403 includes outstanding staff imprests balance of 13,665,466. Some of these imprests date back to July, 2015. No explanation has been provided for failure by staff to surrender the imprests within seven (7) working days after returning to duty station as required by Section 93(5) of Public Finance Management Regulations of 2012 or why the management has not recovered the amounts from the debtors' salaries.

In the circumstances, it has not been possible to confirm the trade and other receivables balance of Kshs.260,147,403 as at 30 June 2016 as accurate and recoverable in whole.

### Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Technical University of Kenya as at 30 June 2016, and of its financial performance and its cash flows for the year ended, in accordance with International Public Sector Accounting Standards (Accrual-Basis) and comply with the University Act, 2012.



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

**Nairobi**

**06 July 2017**

## IX. STATEMENT OF FINANCIAL PERFORMANCE

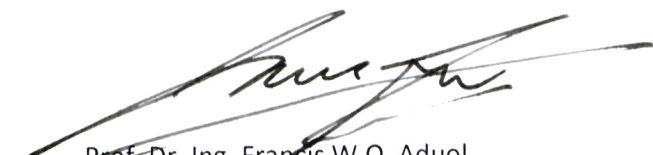
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2,016 Kshs.	2,015 Kshs.
<b>INCOME</b>			
<b>Revenue from non-exchange transactions</b>			
Government Grants: Recurrent	4(a)	1,063,961,634	1,040,499,998
Donor Funds	4(b)	14,366,191	50,036,009
<b>Revenue from exchange transactions</b>			
Rendering Services	5(a)	912,375,606	722,015,804
Other Income	5(b)	23,848,310	20,841,997
<b>Total Revenue</b>		<b>2,014,551,741</b>	<b>1,833,393,808</b>
<b>EXPENSES</b>			
Employee costs	6(a)	1,991,574,309	1,657,293,376
Depreciation and amortization expense	6(b)	137,080,243	150,189,686
General Expenses	6(c)	260,960,704	236,694,794
Bulk purchases of Water and Electricity	6(d)	39,706,780	40,516,885
Contracted services	6(e)	23,218,336	18,374,560
Repairs and Maintenance	6(f)	29,552,340	34,181,614
Remuneration of Council members	6(g)	5,510,786	8,552,202
Audit fees	6(h)	812,000	812,000
<b>Total Expenses</b>		<b>2,488,415,498</b>	<b>2,146,615,117</b>
<b>Surplus/Deficit for the year</b>		<b>(473,863,757)</b>	<b>(313,221,309)</b>

**X. STATEMENT OF FINANCIAL POSITION**  
**AS AT 30<sup>TH</sup> JUNE 2016**

	Notes	2,016 Kshs.	2,015 Kshs.
<b>ASSETS</b>			
Trade and Other Receivables	10	260,147,403	276,408,201
Cash and Cash Equivalents	9(a)	62,396,297	77,164,342
Inventories	11	2,811,969	4,563,022
		<b>325,355,669</b>	<b>358,135,565</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	7	5,606,626,918	5,574,655,355
<b>TOTAL ASSETS</b>		<b>5,931,982,587</b>	<b>5,932,790,920</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	1,218,409,880	863,194,630
Bank Overdraft	9(b)	15,760	3,470
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,218,425,640</b>	<b>863,198,100</b>
<b>FUNDS</b>			
Capital Fund	3	1,634,835,574	1,517,007,690
Revenue Reserve	3	(978,361,958)	(504,498,201)
Revaluation Reserve	3	4,057,083,331	4,057,083,331
		<b>4,713,556,947</b>	<b>5,069,592,820</b>
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>5,931,982,587</b>	<b>5,932,790,920</b>

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

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

13 June 2017

  
Tom Okungu  
FINANCIAL CONTROLLER

13 June 2017

**XI. STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2,016 Kshs.	2,015 Kshs.
<b>Cash flow from operating activities:</b>			
<b>Receipts</b>			
Government Grants		1,063,961,634	1,040,499,998
Donor funds		14,366,191	50,036,009
Tuition Fees		912,375,606	722,015,804
Other Incomes		23,848,310	20,841,997
		<u>2,014,551,741</u>	<u>1,833,393,808</u>
<b>Payments</b>			
Compensation of employees		1,991,574,309	1,657,293,376
Goods and services		359,745,186	335,392,976
		<u>2,351,319,495</u>	<u>1,992,686,352</u>
Increase in current receivable		16,260,798	47,013,658
Increase in inventory		1,751,053	383,145
Increase in payables		355,215,250	26,681,972
<b>Net cash from Operating Activities</b>		<u>36,459,347</u>	<u>(85,213,769)</u>
<b>Cash flows from investing activities</b>			
Purchase of property plant and Equipment		(169,051,806)	(207,845,199)
<b>Net Cash flows used in investing activities</b>		<u>(169,051,806)</u>	<u>(207,845,199)</u>
<b>Cash flows from financing activities</b>			
Development grants received		117,827,884	209,562,032
<b>Net Cash flows used in financing activities</b>		<u>117,827,884</u>	<u>209,562,032</u>
<b>Net increase/decrease in cash and Cash Equivalent</b>		<u>(14,780,335)</u>	<u>(83,496,936)</u>
<b>Cash and Cash equivalents at 1 July 2015</b> <small>Note 9(b)</small>		<u>R 77,160,872</u>	<u>160,661,278</u>
<b>Cash and Cash equivalent at 30 June 2016</b>		<u>62,380,537</u>	<u>77,160,872</u>

**XII. STATEMENT OF CHANGES IN ACCUMULATED FUNDS  
 FOR THE YEAR ENDED 30 JUNE 2016**

	Capital Fund	Revaluation Reserve	Revenue reserve	Total
<b>At 30 June 2014</b>	478,866,014	4,057,083,331	(191,276,892)	4,344,672,453
Funds received during the year	1,038,141,676	-	-	1,038,141,676
Surplus for the Year			(313,221,309)	(313,221,309)
<b>As at 30 June 2015</b>	<b>1,517,007,690</b>	<b>4,057,083,331</b>	<b>(504,498,201)</b>	<b>5,069,592,820</b>
<b>At 30 June 2015</b>	1,517,007,690	4,057,083,331	(504,498,201)	5,069,592,820
Funds received during the year	117,827,884	-	-	117,827,884
Surplus for the Year			(473,863,757)	(473,863,757)
<b>As at 30 June 2016</b>	<b>1,634,835,574</b>	<b>4,057,083,331</b>	<b>(978,361,958)</b>	<b>4,713,556,947</b>

**TECHNICAL UNIVERSITY OF KENYA**  
**XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**  
**Budget Approved on the Cash Basis**  
**(Classification of Payments by Functions)**

	Actual	Final	Difference
	Amount	Budget	Final Budget and Actual
	Kshs.	Kshs.	Kshs.
<b>CASH INFLOWS</b>			
Government Grants-Recurrent	1,063,961,634	1,079,500,000	15,538,366
Donor Funds	14,366,191	118,800,000	104,433,809
Rendering Services	912,375,606	885,281,000	-27,094,606
Other Income	23,848,310	116,972,000	93,123,690
<b>Total Receipts</b>	<b>2,014,551,741</b>	<b>2,200,553,000</b>	186,001,259
<b>CASH OUTFLOWS</b>			
Employee Costs	1,991,574,309	2,687,770,000	696,195,691
Council Expenses	5,510,786	11,154,000	5,643,214
Bulk Purchases of Water and Electricity	39,706,780	60,267,000	20,560,220
Repairs & Maintenance	29,552,340	41,962,000	12,409,660
Depreciation and Amortization	137,080,243		137,080,243
Contracted Professional Services	23,218,336	21,538,000	-1,680,336
Provision for Audit Fees	812,000	812,000	0
<b>General Expenses</b>			
Printing and Advertising expenses	30,215,287	34,140,000	3,924,713
Land Rates and Rentals	10,346,332	10,062,000	-284,332
Staff Training Expenses	19,859,719	13,048,000	-6,811,719
Hospitality Supplies and Services	28,660,557	28,529,000	-131,557
Medical & Insurance Expenses	37,652,571	41,980,000	4,327,429
Specialized, Teaching Materials & Supplies	65,919,814	134,543,000	68,623,186
Provision for Bad Debt	-1,806,755		1,806,755
General Supplies	31,664,013	47,211,000	15,546,987
Communication Supplies & Services	22,791,112	21,215,000	-1,576,112
Foodstuffs supplies	10,196,134	30,634,000	20,437,866
Fuel , Gas & Lubricants	3,579,238	5,548,000	1,968,762
Other Operating Expenses	1,389,682	7,052,000	5,662,318
<b>Total Payments</b>	<b>2,487,922,498</b>	<b>3,197,465,000</b>	<b>709,542,502</b>
<b>NET CASH OUT FLOWS</b>	<b>-473,370,757</b>	<b>-996,912,000</b>	<b>-523,541,243</b>

XIV. NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

### 2. Summary of significant accounting policies

#### (a) Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2016

(b) **In-kind contributions**

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

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

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

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

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

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

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

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

(d) **Intangible assets**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2016

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- (e) **Inventories**  
Inventories are stated at the lower of cost and net realisable value.
- (f) **Trade and other receivables**  
Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.
- (g) **Cash and cash equivalents**  
Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.
- (h) **Trade and other payables**  
Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the University or not, less any payments made to the suppliers.
- (i) **Retirement benefit obligations**  
The University operates a defined contribution scheme for all full-time employees. The scheme is administered by Alexander Forbes and is funded by contributions from both the university and its employees. The university also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The university's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.
- (j) **Comparative figures**  
Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.
- (k) **Subsequent events**  
There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. NET ASSETS

	Capital Fund Kshs	Revaluation Reserve Kshs	Revenue reserve Kshs	Total Kshs
At 30 June 2015	1,517,007,690	4,057,083,331	(504,498,201)	5,069,592,820
Funds received during the year	117,827,884	-	-	117,827,884
Surplus for the Year			(473,863,757)	(473,863,757)
As at 30 June 2016	1,634,835,574	4,057,083,331	(978,361,958)	4,713,556,947

4 REVENUE FROM NON-EXCHANGE TRANSACTIONS

	2016 Kshs.	2015 Kshs.
4(a) Government Recurrent Grants	1,063,961,634	1,040,499,098
4(b) Donor Funds	14,366,191	50,036,009
<b>Total</b>	<b>1,078,327,825</b>	<b>1,090,535,107</b>

5. REVENUE FROM EXCHANGE TRANSACTIONS

	2016 Kshs	2015 Kshs
5a Rendering services	912,375,606	722,015,804
5b Other Income	23,848,310	20,841,997
<b>Total</b>	<b>936,223,916</b>	<b>742,857,801</b>

6. EXPENSES

	2016 Ksh	2015 Ksh
6(a) <b>Employee Costs</b>		
Personal Emoluments	1,817,060,953	1,511,015,510
Employer Contributions	136,087,896	121,235,070
Domestic Travel	25,325,651	17,147,240
<b>Foreign Travel</b>	<b>13,099,809</b>	<b>7,895,556</b>
<b>Total</b>	<b>1,991,574,309</b>	<b>1,657,293,376</b>

	2016 Ksh	2015 Ksh
<b>6(b) Depreciation and Amortization</b>	137,080,243	150,189,686
<b>6(c) General Expenses</b>		
Printing, Advertising & Publicity	30,215,287	37,631,421
Land Rates & Rental Expenses	10,346,332	3,817,375
Staff Training Expenses	19,859,719	20,835,454
Hospitality Suppliers & Services	28,660,557	22,181,582
Medical & Insurance Expenses	37,652,571	38,534,582
Specialized ,Teaching Materials & Supplies	65,919,814	40,664,091
Provision for bad debts(Increase/ Decrease)	(1,806,755)	(5,076,062)
General Supplies	31,664,013	34,665,472
Communication Supplies & Services	22,791,112	21,973,416
Penalties	493,000	375,400
Foodstuffs Supplies	10,196,134	16,944,329
Fuel, Gas & Lubricants	3,579,238	2,444,321
Other Operating Expenses	1,389,682	1,703,413
<b>Total</b>	<b>260,960,704</b>	<b>236,694,794</b>
<b>6(d) Bulk purchases of water and electricity</b>	<b>14,269,456</b>	<b>10,204,720</b>
Bulk purchase of water	25,437,324	30,312,165
	<b>39,706,780</b>	<b>40,516,885</b>
<b>6(e) Contracted Services</b>	<b>23,218,336</b>	<b>18,374,560</b>
See Annex 1		
	<b>2016 Ksh</b>	<b>2015 Ksh</b>
<b>6(f) Repair and Maintenance</b>	<b>16,615,956</b>	<b>18,581,340</b>
Maintenance of Motor Vehicles	12,936,384	15,600,274
<b>Total</b>	<b>29,552,340</b>	<b>34,181,614</b>
<b>6(g) Remuneration of Council members</b>		
Sitting Allowances	4,870,786	7,672,202
Honoraria	640,000	880,000
<b>Total</b>	<b>5,510,786</b>	<b>8,552,202</b>
<b>6(h) Provision for audit fees</b>	<b>812,000</b>	<b>812,000</b>

7. Property Plant & Equipment

	LAND	BUILDINGS	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTERS, PRINTER & SOFTWARE	MACHINERY & EQUIPMENT	WORK IN PROGRESS	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS.
Depreciation Rates	0%	2.50%	25%	12.50%	30%	12.50%		
<b>COST/VALUATION:</b>								
At 1 July 2015	3,068,000,000	1,167,170,000	46,374,000	38,849,149	56,592,929	866,147,353	674,624,278	5,917,757,709
Valuation/Additions	-	-	-	1,664,761	12,313,418	10,030,717	145,042,910	169,051,806
As at 30 June 2015	3,068,000,000	1,167,170,000	46,374,000	40,513,910	68,906,347	876,178,070	819,667,188	6,086,809,515
<b>DEPRECIATION:</b>								
As at 30 June 2015		142,146,729	29,232,317	13,933,287	37,849,988	119,940,034		343,102,354
Charges for the year	-	25,625,582	4,285,421	3,322,578	9,316,908	94,529,755	-	137,080,243
As at 30 June 2016		167,772,311	33,517,737	17,255,865	47,166,896	214,469,788		480,182,597
<b>NET BOOK VALUE:</b>								
At 30 June 2016	3,068,000,000	999,397,689	12,856,263	23,258,045	21,739,451	661,708,282	819,667,188	5,606,626,918
At 30 June 2015	3,068,000,000	1,025,023,271	17,141,684	24,915,862	18,742,941	746,207,319	674,624,278	5,574,655,355

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	LAND	BUILDINGS	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTERS, PRINTER & SOFTWARE	MACHINERY & EQUIPMENT	WORK IN PROGRESS	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS.
Depreciation Rates	0%	2.50%	25%	12-50%	30%	12-50%		
<b>COST/VALUATION:</b>								
At 1 July 2014	3,068,000,000	1,167,170,000	42,424,000	27,312,995	46,641,587	34,409,840	501,606,053	4,885,064,475
Valuation/Additions	-	-	3,950,000	11,536,154	9,951,342	831,737,513	173,018,225	1,030,193,234
As at 30 June 2015	3,068,000,000	1,167,170,000	46,374,000	38,849,149	56,592,929	866,147,353	674,624,278	5,917,757,709
<b>DEPRECIATION:</b>								
As at 30 June 2014		115,864,081	23,518,422	10,373,878	29,817,299	13,338,988	-	192,912,668
Charges for the year	-	26,282,648	5,713,895	3,559,409	8,032,689	106,601,046	-	150,189,686
As at 30 June 2015		142,146,729	29,232,317	13,933,287	37,849,988	119,940,034	-	343,102,354
<b>NET BOOK VALUE:</b>								
At 30 June 2015	3,068,000,000	1,025,023,271	17,141,684	24,915,862	18,742,941	746,207,319	674,624,278	5,574,655,355
At 30 June 2014	3,065,500,000	1,051,305,919	18,905,578	16,939,117	16,824,288	21,070,852	501,606,053	4,692,151,807

(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.

## 8. TRADE AND OTHER PAYABLES

	2016 Kshs.	2015 Kshs.
Auditor General	3,248,000	2,436,000
Contractors & General Creditors	70,819,263	79,671,115
Provision for NCC - Land Rates	3,221,572	3,221,572
UoN Salary Reimbursement	23,170,357	25,699,907
Provision for Gratuities	142,524,932	145,762,324
Staff Pension Fund	554,080,140	396,690,878
Third Party Funds	22,604,888	22,604,888
Statutory Obligations	251,061,013	102,621,956
Sacco Deductions	132,009,593	69,663,952
Bank Loan Deductions	14,869,525	13,923,090
Insurance Premium Deductions	800,597	898,948
Other Payroll deductions	-	-
Deposits Control Account	-	-
<b>Total</b>	<b>1,218,409,880</b>	<b>863,194,630</b>

## 9(a). CASH AND CASH EQUIVALENTS

	2016 Kshs.	2015 Kshs.
Cash in hand	743,636	450,277
Production Unit Account- 110163686	5,466,542	8,946,589
Hostel Fund Account- 1101631791	1,123,594	1,129,844
Fund Account-01109148224	1,293,318	920,500
Cash at Bank- Coop Collection account	13,101,182	21,265,979
Cash at Bank- Equity Collection account	6,633,369	6,452,392
Students Deposit-Caution Money	635,731	635,731
Machine Replacement Fund	1,017,200	1,012,745
Staff Pension Fund	577,115	564,219
Students Deposit savings Fund	729,614	728,519
Needy Students Fund	105,738	105,738
Fixed Deposit	300,000	300,000
Environment Education Fund	-	-
Enterprise Development Fund- 1101631953	2,588,112	159,229
Production Unit Savings	430,072	430,592
KESSP Account	10,730	18,450
Main Account- 1109148135	16,375,564	17,522,802
Kasarani TTI Account-1160726485	11,264,780	16,520,736
<b>TOTAL</b>	<b>62,396,297</b>	<b>77,164,342</b>

9(b). BANK OVERDRAFT	2016 Kshs.	2015 Kshs.
Environment Edu. Account	15760	3470
	15760	3470

#### Bank overdraft

The above bank overdrafts were the cashbook credit balances. The bank accounts were not overdrawn. Cash and cash equivalent balance reinstated from Kshs.

77,164,342 to Kshs.77,160,872 to exclude cashbook credit balances of Kshs. 3,470. The carrying amounts of the cash and cash equivalents are denominated in Kenya Shillings.

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

10. TRADE AND OTHER RECEIVABLES	2016 Kshs	2015 Kshs.
Outstanding Staff Imprest	13,665,466	3,719,939
Salary Advances	562,345	562,345
Outstanding Students fees	273,658,008	214,962,753
Deposits to Suppliers	104,350	104,350
Nyayo Vehicle Project	500,000	500,000
Dishonored cheque	562,501	562,501
Ministry of Education	-	86,708,335
Total Debtors	<b>289,052,670</b>	<b>307,120,223</b>
Provision for bad debts (10%)	(28,905,267)	(30,712,022)
<b>TOTAL</b>	<b>260,147,403</b>	<b>276,408,201</b>

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

<b>11. INVENTORY</b>	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs.</b>
INVENTORY	<b>2,811,969</b>	<b>4,563,022</b>

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 30 JUNE 2016  
12. WORK IN PROGRESS SCHEDULE

NO	CONTRACTOR	CONTRACT SUM	AMOUNT PREVIOUSLY PAID	BUILDING	AMOUNT AID/CERTIFIED
1	CENTRAL ELECTRICAL	26,253,400	31,908,088	BLOCK M	
2	APE ENGINEERING	60,275,725	72,216,326	BLOCK Q	2,000,000
5	TINFRA	60,765,742	49,617,190	SCH. OF ARCHITECTURE	
6	VEE VEE	113,293,388	185,160,625	BLOCK S	100,843,679
8	MECOY	15,603,748	15,603,748	BLOCK R & S	
9	ECOSPACE			BLOCK R & S	
10	OCHIENG ABUODHA	5,924,613	5,924,613	BLOCK R & S	
11	WEST CONSULT	4,914,954	4,914,954	BLOCK M & Q	
12	EZATWA	7,507,160	9,908,064	PARTITIONING IN MAIN CAMPUS	400,579
13	ADMO	-	32,625,955	KASARANI	23,412,586
14	VANGUARD ENG.	-	6,253,751	SCH. OF ARCHITECTURE	
15	ULTIMATE ENG.	-	5,570,807	SCH. OF ARCHITECTURE	
17	ADMO	-	3,054,782	SOUTH B HOSTEL	
18	TEXAN	-	3,585,251		
19	FONTANA TRADING	-	3,975,680	PARTITIONING IN MAIN CAMPUS	
20	ANTHOPI	-	-	BLOCK S	2,238,482
21	ELEVONIC	-	-	BLOCK S	7,608,320
22	SAWARN SIGN	-	-	BLOCK S	1,128,337
23	SOLAKOLD SERVICES	-	-	BLOCK R	3,444,928
24	NAROBHI CITY COUNCIL	-	-	BLOCK T	746,040
25	BLUE GRAIN	-	-	PARTITIONING IN MAIN CAMPUS	1,610,244
26	TAXAN INV.	-	-	PARTITIONING IN MAIN CAMPUS	563,047
27	KAMINDO	-	-	PARTITIONING IN MAIN CAMPUS	1,046,668
	<b>TOTAL</b>				<b>145,042,910</b>

**OTHER FIXED ASSETS**

NO	PARTICULARS	AMOUNT (kshs)
1	MOTOR VEHICLES	-
2	FURNITURE AND FITTINGS	1,664,761
3	COMPUTERS, PRINTERS AND SOFTWARE	7,725,436
4	MACHINERY AND EQUIPMENT	10,030,717
	<b>SUB TOTAL</b>	<b>19,420,914</b>

**13. Annexes to the financial statements**

Annex 1: Contracted Services for the year ended 30<sup>th</sup> June 2016.

<b>S/NO</b>	<b>Contracted Service</b>	<b>Amount (Kshs)</b>
1.	Audit and Finance Services	812,000.00
2.	Legal Fees and Charges	1,343,586.40
3.	Security Services	19,274,737.60
4.	Consultancy Services	1,788,012.00
<b>Total</b>		<b>23,218,336.00</b>