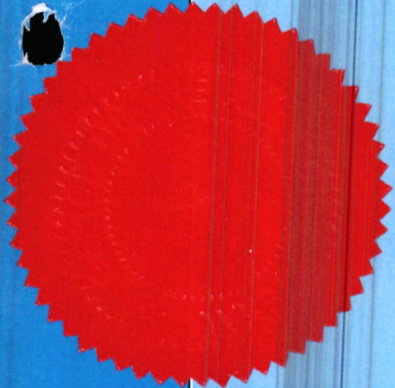


REPUBLIC OF KENYA



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REPORT
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THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
THE TECHNICAL UNIVERSITY OF
KENYA
FOR THE YEAR ENDED
30 JUNE 2018

THE NATIONAL ASSEMBLY
PAPERS LAID
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THE FINANCIAL STATEMENTS OF
THE TECHNICAL UNIVERSITY OF
KENYA

FOR THE YEAR ENDED
30 JUNE 2018





THE TECHNICAL UNIVERSITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2018

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

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I. BRIEF BACKGROUND ON THE UNIVERSITY AND MANAGEMENT

(a) Background information

The Technical University of Kenya came into existence upon the award of charter on 15th January, 2013. The University grew out of the defunct Kenya Polytechnic. The Kenya Polytechnic was for many years the leading institution for education and training at the tertiary level in Kenya. Over the years the institution was known throughout Kenya and the East and Central African region for her high quality graduates in the technical and vocational fields. The students at the institution were typically enrolled in programmes that prepared them for diploma and certificate level qualifications. At its founding in 1961, the institution was designed to provide education and training in the technical and vocational fields to those who were already in employment. Consequently, the bulk of the student-ship was part-time and attended their lectures and instruction in the evenings. Typically, the training was very strong in hands-on exposure and thus prepared highly practically oriented graduates.

In 2007 the Government upgraded the Kenya Polytechnic to a degree-awarding institution. The institution was then reconstituted as the Kenya Polytechnic University College (KPUC) - a Constituent College of the University of Nairobi. Under this new status, the institution was granted the powers to offer education and training at the degree level while at the same time retaining its traditional mandate as a middle-level college offering diplomas and certificates in the technical and vocational fields. Since the granting of charter in 2013, The Technical University of Kenya has 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 Technical University is a new type of university in Kenya, whose mandate is 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 Technical University of Kenya summarises its core mandate as guided by the Charter as follows:

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

(c) Key Management

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

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

(e) Headquarters

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

(f) Contacts

Telephone +0254 (020) 2219929,3343672
E- mail: finance@tukenya.ac.ke, vc@tukenya.ac.ke
Website: www.tukenya.ac.ke
Haile Selassie Avenue
P. O. Box 52428-00200
Nairobi.

(g) Bankers

i. Kenya Commercial Bank Ltd.

Moi Avenue
P. O. Box 30081-00100
Nairobi.

ii. Co-operative Bank of Kenya Ltd.

Haile Selassie Avenue
P. O. Box 48231- 00100
Nairobi.

iii. Equity Bank

Moi Avenue
P. O. Box 8180-00100
Nairobi.

(h) Independent Auditors





Auditor- General,
Anniversary Towers, University
Way P.O. Box 30084 - 00100
Nairobi.




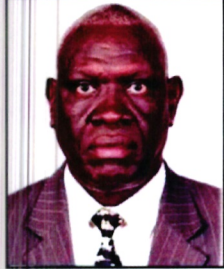

(i) Principal Legal Advisor

Attorney General
Office of the Attorney General &
Department
of Justice
Sheria House, Harambee Avenue
P.O. Box 40112-00100
Nairobi, Kenya

II. THE UNIVERSITY COUNCIL

- Dr. Halima Saado - Chairperson
- Ms. Isabella Ochola-Wilson, - Member
- Dr. Norah Chebet - Member
- Eng. Joseph Nkadayo - Member
- FA. Alexander Ngui -Member
- Mr. Bernard Malenya - Member
- Mr David Komen - Member/Rep. National Treasury
- Dr. Moses Rugutt - Member/Rep. Ministry of Education
- Prof. Dr. Ing. Francis W. O. Aduol - Member/Secretary

NO	COUNCIL NAMES	QUALIFICATION	EXPERIENCE
1	 Dr. Halima Saado Chairperson Appointed 10/3/2017	BSc (Moi), MSc, PhD (Kwa Zulu-Natal)	Head of Research at the International Centre for Humanitarian Affairs-Kenya Red Cross Society
2	 Ms. Isabella Ochola-Wilson Appointed 10/3/2017	BA (Dar-es-Salaam) MBA (British Columbia)	<input type="checkbox"/> Business and Organizational Management. <input type="checkbox"/> Consultant <input type="checkbox"/> Self-employed business person.
3.	 Dr. Norah Chebet Talam Appointed 10/3/2017	B.Ed (Sc.), MSc (Moi), PhD (Maseno)	Public Health Specialist and HIV Prevention Programme Manager
4.	 Eng. Joseph Nkadayo, MBS Appointed 10/3/2017	BSc (UoN), MSc (Birmingham)	Registered Civil Engineer Licensed Consulting Engineer

5.	 FA, CPA, Alexander Ngui Appointed 10/3/2017	BA, MBA (UoN)	<input type="checkbox"/> Certified Investment and Financial Analyst (CIFA) <input type="checkbox"/> Certified Public Accountant <input type="checkbox"/> Banker
6.	 Mr. Bernard Malenya Appointed 10/3/2017	BSc (New Brunswick), MSc (Illinois)	Business Development Consultant and Educator
7.	 Mr. David Komen Appointed 14/10/2015	BA (Nairobi), MSc (Bradford)	<input type="checkbox"/> Economist <input type="checkbox"/> Representing National Treasury
8.	 Dr. Moses Rugutt, OGW Appointed 4/6/2018	BVM, MSc, PhD (Glasgow)	<input type="checkbox"/> Director-General NACOSTI <input type="checkbox"/> Scientist in different fields of Research. <input type="checkbox"/> Representing Ministry of Education
9.	 Prof. Dr. Ing. Francis Aduol	BSc Eng. MSc, MA (Nairobi), Dr-Ing (Stuttgart), MISK, FIET, LicSurv.	<input type="checkbox"/> Professor of Land Survey <input type="checkbox"/> Vice-Chancellor, TU-K

III. MANAGEMENT TEAM

The Vice Chancellor



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

Deputy Vice Chancellor, Technology, Innovation and Partnerships



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

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



**Prof. Eng. Alex Muumbo
BTech (Moi), MSc (Bradford),
PhD Nagoya-Japan**

Deputy Vice Chancellor – Academics, Research and Students



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

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



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

Deputy Vice Chancellor, Administration, Planning and Infrastructure



**Prof. Joseph Kiplang'at,
BSc. (infSci), MPhil (InfSci), (Moi), PhD (Zululand).**

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



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

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 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 30th June 2018.



Dr. Halima Saado

CHAIRPERSON OF UNIVERSITY COUNCIL

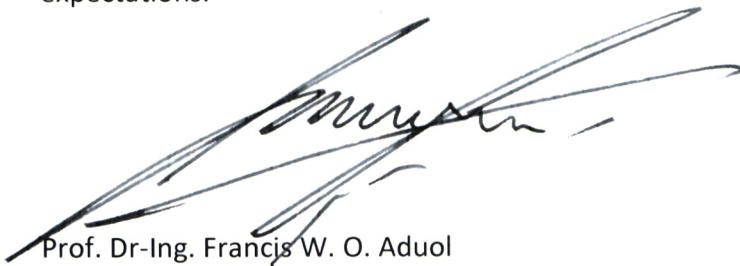
V. REPORT OF THE VICE CHANCELLOR

It is my pleasure to present the Annual Report and Accounts of the Technical University of Kenya for the year ended 30 June 2018. The institution has been operating under very constrained financial situation ever since it was upgraded to the Kenya Polytechnic University College in 2007. The Government recurrent capitation it has been receiving 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, 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. 835,034,947 out of total income from Government, donors, internally-generated funds all amounting to KSh. 2,135,356,776 against an expenditure of KSh. 2,970,391,723. I am proud of the management and staff 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. 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 true to its mandate and stakeholders' expectations.



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

Vice-Chancellor and Secretary to University Council

VI. REPORT OF THE UNIVERSITY COUNCIL

The Council submits its report together with the audited financial statements for the year ended June 30, 2018 which show the state of the university's finances.

Principal activities

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

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

Results

The results of the University for the Year ended June 30, 2018 are set out on page 1.

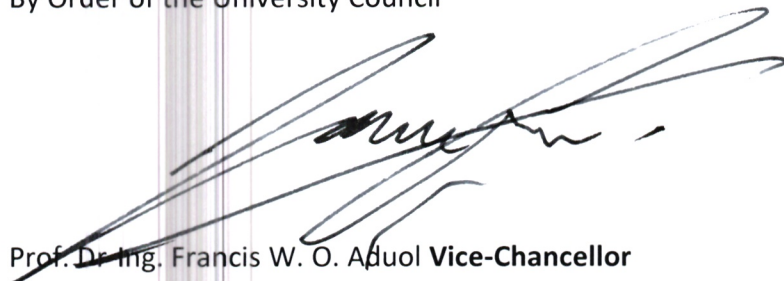
University Council

The members of the university council who served during the year are shown on page (v).

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
& Secretary to University Council**

VII. 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 give 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 June 30, 2018. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 (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 its transactions during the financial year ended June 30, 2018, 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.

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

Dr. Halima Saado

CHAIRPERSON OF COUNCIL

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

VICE-CHANCELLOR

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke

P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE TECHNICAL UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Technical University of Kenya set out on pages 1 to 17, which comprise the statement of financial position as at 30 June 2018 and the statement of financial performance, statement of cash flows, statement of changes in accumulated funds, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Technical University of Kenya as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act 2012.

Basis for Qualified Opinion

1. Going Concern

During the year under review the University recorded a deficit of Kshs.835,034,947 (2017 deficit: Kshs.503,221,963) thereby reducing revenue reserves to negative Kshs.2,410,709,305 as at 30 June 2018 from a negative Kshs.1,576,674,358 as at 30 June 2017.

Further, the current liabilities of Kshs.3,127,349,460 as at 30 June 2018 exceeded the current assets of Kshs.1,017,948,238 as at the same date resulting to a negative working capital of Kshs.2,109,401,222.

The University was unable to meet its financial obligations as and when they fell due. In particular the University was unable to remit other payroll deductions, insurance premium deductions, bank loan deductions, SACCO deductions and other statutory obligations of

Report of the Auditor-General on the Financial Statements of the Technical University of Kenya for the Year Ended 30 June 2018

Kshs.28,639,248, Kshs.1,079,085, Kshs.23,156,808, 111,883,108 and Kshs.1,409,677,046 respectively all totalling Kshs.1,574,435,295. The University also failed to pay audit fees totalling Kshs.4,872,000 for five (5) financial years 2012/2013 to 2016/2017. The University's financial statement have therefore been prepared on a going concern basis on the assumption of continued support from the National Government, bankers and creditors.

2. Trade and Other Receivables

As disclosed in note 10 to the financial statement the trade and other receivables balance of Kshs.939,587,581 as at 30 June 2018 includes long outstanding balances brought forward from earlier years under deposits to suppliers totaling Kshs.104,350.00, Nyayo vehicle Project Kshs.500,000.00 and dishonored cheques Kshs.562,501.00 respectively which have been outstanding for a long period of time and whose supporting analysis, ledgers and documents were not availed for audit review.

In the circumstances, it has not been possible to confirm the full recoverability of trade and other receivable balance of Kshs.939,587,581 and that the balance is fairly stated as at 30 June 2018.

3. Property, Plant and Equipment

As previously reported, the property, plant and equipment balance of Kshs.5,536,870,579 as at 30 June, 2018 includes four (4) parcels of land reference Nos.209/7203, 209/8726, 209/16715, 209/11381 located in Nairobi Central Business District, South B, Upper Hill and South C respectively owned by the University with an estimated total value of Kshs.3,068,000,000 and which still bear the name of the defunct Kenya Polytechnic.

Further, and as similarly reported in 2016/2017 the work-in-progress balance of Kshs.122,450,382 includes an 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 or 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.5,536,870,579 as at 30 June 2018.

4. Trade and Other Payables

As previously reported, as disclosed in Note 8 to the financial statements, the trade and other payables balance of Kshs.3,127,335,958 as at 30 June 2018 includes payables totalling Kshs.226,364,524 as listed below and whose supporting ledgers, schedules and aging analysis were not availed for audit review.

Description	Amount (Kshs)
Contractors & General Creditors	56,630,967
Provision for NCC - Land Rates	3,221,572
UoN Salary Reimbursement	48,033,224
Third Party Funds	5,516,568
Sacco Deductions	111,883,108
Insurance Premium Deductions	1,079,085
TOTAL	226,364,524

In the circumstance, the accuracy, validity and completeness of the trade and other payables balance of Kshs.3,127,335,958 as at 30 June 2018 cannot be ascertained.

5. Cash and Cash Equivalents

As previously reported and disclosed in Note 9(a) to the financial statements, the cash and cash equivalents balance of Kshs.77,029,102 for the year ended 30 June 2017 could not be confirmed as the cashbooks and bank reconciliation statements for the student deposit account of Kshs.729,614 needy students account of Kshs.105,738, fixed deposit of Kshs.300,000 and hostel fund account of Kshs.534,648 were not availed for audit verification. Review of this matter as at the end of March 2019 revealed that it was still outstanding.

In the circumstances, the accuracy, validity and completeness of the cash and cash equivalents balance of Kshs.77,029,102 as at 30 June 2017 cannot be ascertained.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Budgeted Revenue

The University budgeted to collect income totaling to Kshs.3,185,225,280. However, documents presented for audit indicated that a total of Kshs.2,135,356,776 was collected leading to a shortfall of Kshs.1,049,868,504 or 33% as indicated in the table below-

	Current year final Budget Figures Kshs.	Current year Actuals Amounts Received Kshs.	Variance Kshs.	% Difference %
Revenue source				
Government grants- Recurrent	1,473,059,861	1,473,059,861	-	-
Grants, Development partner(Donor partner)	178,000,000	53,420,593	124,579,407	70%
Rendering services	1,427,223,419	607,322,422	819,900,997	57%
Other income- Recurrent	106,942,000	1,553,900	105,388,100	99%
Total Revenue	3,185,225,280	2,135,356,776	1,049,868,504	

The management has attributed the under collection of revenue to under realization of donor funded research grants and reduction in the number of students applying for module two programmes and continuing students who opted to defer their studies. There is need for the University to have new strategies in place on how to grow the revenue base.

Expenditure Budget

The University total budgeted expenditure amounted to Kshs.3,159,817,568 against total actual expenditure of Kshs.2,970,391,723 resulting to net under expenditure of Kshs.189,424,845 as summarized below:

Expenses	Current year Final Budget Figures Kshs.	Current year Actuals Amounts Kshs.	Excess Expenditure Kshs.	Under Expenditure Kshs.	% Difference %
Repairs and maintenance	17,719,093	24,627,701	6,908,608		38%
Contracted professional services	15,142,154	19,575,375	4,433,221		29 %
Land rates and rentals	13,104,201	19,741,401	6,637,200		51%
Staff training expenses	9,495,678	11,594,798	2,099,120		22%
Depreciation	0	116,111,496	116,111,496		100%
Provision for bad debts	0	76,317,638	76,317,638		100%
Employee Cost	2,562,974,349	2,507,235,160		55,739,189	2%

Expenses	Current year Final Budget Figures Kshs.	Current year Actuals Amounts Kshs.	Excess Expenditure Kshs.	Under Expenditure Kshs.	% Difference %
Council expenditure	7,196,529	5,627,925		1,568,605	22%
Bulk purchase of electricity	66,498,558	38,228,984		28,269,574	2%
Provision for Audit fees	1,000,000	812,000		188,000	19%
Other operating expenses	21,909,176	0		21,909,176	100%
Printing and advertising	23,917,479	9,242,658		14,674,821	61%
Hospitality supplies and services	18,055,224	10,038,435		8,016,789	44%
Medical; and insurance expenses	44,477,216	23,994,308		20,482,908	46%
Specialized teaching material &Supplies	279,915,961	64,809,109		215,106,852	76%
General supplies	28,954,311	25,048,733		3,905,578	13%
Communication supplies and services	24,880,827	8,459,140		16,421,687	66%
Foodstuff supplies	10,484,016	5,885,324		4,598,692	43%
Fuel gas and lubricant	14,092,796	3,041,538		11,051,258	78%
Total	3,159,817,568	2,970,391,723	212,507,283	401,933,128	

The management has attributed the underutilization of budget to under funding from the Ministry of Education which led to scaling down of expenditures. There is need therefore for the University to be realistic in its budgeting and to have strategies in place to minimize costs including cutting costs in areas that can be deferred for future implementation.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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 ON INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the University or to cease operations, or have no realistic alternative but to do so.

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 financial reporting process, reviewing the effectiveness of how the entity 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 policies and procedures may deteriorate.

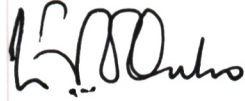
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. 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 Authority's to cease to continue as a going concern.
- 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.



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

Nairobi

15 April 2019

IX. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 Kshs.	2017 Kshs.
INCOME			
Revenue from non-exchange transactions			
Government Grants: Recurrent	4(a)	1,473,059,861	1,057,500,000
Donor Funds	4(b)	53,420,593	76450323
Revenue from exchange transactions			
Rendering Services	5(a)	607,322,422	863,984,562
Other Income	5(b)	1,553,900	13,011,350
Total Revenue		2,135,356,776	2,010,946,235
EXPENSES			
Employee costs	6(a)	2,507,235,160	2,132,374,397
Depreciation and amortization expense	6(b)	116,111,496	122,935,877
General Expenses	6(c)	258,173,083	167,832,243
Purchases of Water and Electricity	6(d)	38,228,984	37,214,595
Contracted services	6(e)	19,575,375	20,237,738
Repairs and Maintenance	6(f)	24,627,701	24,531,956
Remuneration of Council members	6(g)	5,627,925	8,229,393
Audit fees	6(h)	812,000	812,000
Total Expenses		2,970,391,723	2,514,168,198
Surplus for the year		(835,034,947)	(503,221,963)

X. STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	2018 Kshs.	2017 Kshs.
ASSETS			
Trade and Other Receivables	10	939,587,581	252,728,838
Cash and Cash Equivalents	9(a)	72,044,463	77,029,102
Inventories	11	6,316,194	1,892,764
NON CURRENT ASSETS		1,017,948,238	331,650,704
Property, Plant and Equipment	7	5,536,870,579	5,620,791,075
TOTAL ASSETS		6,554,818,817	5,952,441,779
CURRENT LIABILITIES			
Trade and other payables	8	3,127,335,958	1,876,385,738
Bank Overdraft	9(b)	13,502	-
TOTAL CURRENT LIABILITIES		3,127,349,460	1,876,385,738
FUNDS			
Capital Fund	3(a)	1,781,095,331	1,781,095,331
Revenue Reserve	3(c)	(2,410,709,305)	(1,762,122,621)
Revaluation Surplus	3(b)	4,057,083,331	4,057,083,331
		3,427,469,357	4,076,056,041
TOTAL FUNDS AND LIABILITIES		6,554,818,817	5,952,441,779

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


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


 Ben Sanda
Ag. FINANCIAL CONTROLLER

XI. STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE YEAR ENDED 30 JUNE 2018

	<u>Capital Fund</u>	<u>Revaluation</u>	<u>Revenue</u>	<u>Total</u>
	Kshs.	Reserve	reserve	Kshs.
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2016	1,634,835,574	4,057,083,331	(1,072,452,395)	4,700,718,213
Funds received during the year	146,259,757	-	-	146,259,757
Surplus for the Year			(503,221,963)	-503,221,963
As at 30 June 2017	1,781,095,331	4,057,083,331	(1,575,674,358)	4,343,756,007

At 30 June 2017	1,781,095,331	4,057,083,331	(1,575,674,358)	4,343,756,007
Funds received during the year	-	-	-	-
Surplus for the Year			(835,034,947)	(835,034,947)
As at 30 June 2018	1,781,095,331	4,057,083,331	(2,410,709,305)	3,508,721,060

XII. STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

Notes	2018 Kshs.	2017 Kshs.
Cash flow from operating activities:		
Receipts		
Government Grants	1,473,059,861	1,057,500,000
Donor funds	53,420,593	76,450,323
Tuition Fees	607,322,422	863,984,562
Other Incomes	1,553,900	13,011,350
	2,135,356,776	2,010,946,235
Payments		
Compensation of employees	2,507,235,160	2,132,374,397
Goods and services	406,024,177	257,878,925
	2,913,259,337	2,390,253,321
(Increase)/Decrease in current receivable	-686,858,743	7,418,565
(Increase)/Decrease in inventory	-4,423,430	919,205
Increase in payables	1,496,377,594	376,442,397
Net cash from Operating Activities	27,192,860	5,473,081
Cash flows from investing activities		
Purchase of property plant and Equipment	(32,191,002)	(137,100,033)
Net Cash flows used in investing activities	(32,191,002)	(137,100,033)
Cash flows from financing activities		
Development grants received	-	146,259,757
Net Cash flows used in financing activities	-	146,259,757
Net increase/decrease in cash and Cash Equivalent	(4,998,141)	14,632,805
Cash and Cash equivalents at 1 July 2017	77,029,102	62,396,297
Cash and Cash equivalent at 30 June 2018	72,030,961	77,029,102

TECHNICAL UNIVERSITY OF KENYA
XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018
Budget Approved on the Cash Basis
(Classification of Payments by Functions)

	Actual Amount	Final Budget	Difference Final Budget and Actual
	Kshs	Kshs	Kshs
CASH INFLOWS			
Government Grants-Recurrent	1,473,059,861	1,473,059,861	0
Grants , Dev't Partner t (Donor Partner)	53,420,593	178,000,000	124,579,407
Rendering Services	607,322,422	1,427,223,419	819,900,997
Other Income -Recurrent (IGU)	1,553,900	106,942,000	105,388,100
Total Receipts	2,135,356,776	3,185,225,280	1,049,868,504
CASH OUTFLOWS			
Employee Costs	2,507,235,160	2,562,974,349	55,739,189
Council Expenses	5,627,925	7,196,529	1,568,605
Bulk Purchases of Water and Electricity	38,228,984	66,498,558	28,269,574
Repairs & Maintenance	24,627,701	17,719,093	-6,908,608
Depreciation	116,111,496		-116,111,496
Contracted Professional Services	19,575,375	15,142,154	-4,433,221
Provision for Audit Fees	812,000	1,000,000	188,000
General Expenses			
Printing and Advertising expenses	9,242,658	23,917,479	14,674,821
Land Rates and Rentals	19,741,401	13,104,201	-6,637,200
Staff Training Expenses	11,594,798	9,495,678	-2,099,120
Hospitality Supplies and Services	10,038,435	18,055,224	8,016,789
Medical & Insurance Expenses	23,994,308	44,477,216	20,482,908
Specialized, Teaching Materials \$ Supplies	64,809,109	279,915,961	215,106,852
Provision for Bad Debt	76,317,638		-76,317,638
General Supplies	25,048,733	28,954,311	3,905,578
Communication Supplies & Services	8,459,140	24,880,827	16,421,687
Foodstuffs supplies	5,885,324	10,484,016	4,598,692
Fuel , Gas & Lubricants	3,041,538	14,092,796	11,051,258
Other Operating Expenses	-	21,909,176	21,909,176
Total Payments	2,970,391,723	3,159,817,568	189,425,845
NET CASH OUTFLOWS	-835,034,947	25,407,712	860,442,659

* Actual amounts encompass both cash and third party settlements.

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

XIV. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2018

(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.

(e) Inventories

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

XIV. NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

(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 KSh. 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, 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2018

3 NET ASSETS

	3a Capital Fund	3b Revaluation Reserve	3c Revenue reserve	Total
At 30 June 2017	1,781,095,331	4,057,083,331	(1,575,674,358)	4,262,504,304
Funds received during the year	-	-	-	-
Surplus for the Year			(835,034,947)	(835,034,947)
As at 30 June 2018	1,781,095,331	4,057,083,331	(2,410,709,305)	3,427,469,357

Government Development Grants - 146,259,757

4 REVENUE FROM NON-EXCHANGE TRANSACTIONS

	2018 Kshs.	2017 Kshs.
4a Government Recurrent Grants	1,473,059,861	1,057,500,000
4b Donor Funds	53,420,593	76,450,323
Total	1,526,480,454	1,133,950,323

5 REVENUE FROM EXCHANGE TRANSACTIONS

	2018 Kshs.	2017 Kshs.
5(a) Rendering Services	607,322,422	863,984,562
5(b) Other Income	1,553,900	13,011,350
Total Exchange Revenue	608,876,322	876,995,912

6(a) Employee Costs

	2018 Kshs	2017 Kshs
Personal Emoluments	2,288,194,984	1,979,303,339
Employer Contributions	199,417,174	141,197,014
Domestic Travel	16,488,559	10,116,754
Foreign Travel	3,134,443	1,757,290
Total	2,507,235,160	2,132,374,397

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
6(b) Depreciation and Amortization	116,111,496	122,935,877
6(c) General Expenses		
Printing, Advertising & Publicity	9,242,658	27,237,384
Land Rates & Rental Expenses	19,741,401	21,924,600
Staff Training Expenses	11,594,798	11,322,233
Hospitality Suppliers & Services	10,038,435	10,793,963
Medical & Insurance Expenses	23,994,308	29,899,776
Specialized ,Teaching Materials & Supplies	64,809,109	24,196,661
Provision for bad debts(Increase/ Decrease)	76,317,638	(824,285)
General Supplies	25,048,733	16,624,531
Communication Supplies & Services	8,459,140	19,486,576
Penalties		36,200
Foodstuffs Supplies	5,885,324	2,533,207
Fuel, Gas & Lubricants	3,041,538	3,148,026
Other Operating Expenses		1,453,373
Total	258,173,083	167,832,243
6(d) Bulk purchases of water and electricity		
Bulk purchase of water	12,734,516	12,668,381
Bulk purchase of Electricity	25,494,468	24,546,214
	38,228,984	37,214,595
6(e) Contracted Services	19,575,375	20,237,738

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
6(f) Repair and Maintenance		
Maintenance of Motor Vehicles	14,062,984	13,430,667
Maintenance of other Assets	10,564,717	11,101,289
Total	24,627,701	24,531,956
6(g) Remuneration of Council members		
Sitting Allowances	3,817,425	6,069,393
Honoraria	1,810,500	2,160,000
	5,627,925	8,229,393
6(h) Provision for audit fees	812,000	812,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2018

7. PROPERTY, PLANT & EQUIPMENT

	LAND	BUILDINGS	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTERS, PRINTER & SOFT- WARE	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%		
COST/VALUATION:								
At 1 July 2017	3,068,000,000	1,167,170,000	46,374,000	49,401,653	73,266,555	877,579,770	942,117,570	6,223,909,548
Valuation/Additions		-	7,530,368	4,387,441	17,655,596	707,195	1,910,402	32,191,002
As at 30 June 2018	3,068,000,000	1,167,170,000	53,904,368	53,789,094	90,922,151	878,286,965	944,027,972	6,256,100,550
DEPRECIATION:								
As at 30 June 2017		192,757,253	36,731,803	21,274,088	54,996,793	297,358,536	-	603,118,474
Charges for the year	-	24,360,319	4,293,141	4,064,376	10,777,607	72,616,054	-	116,111,496
As at 30 June 2018		217,117,572	41,024,944	25,338,464	65,774,401	369,974,590	-	719,229,971
NET BOOK VALUE:								
At 30 June 2018	3,068,000,000	950,052,428	12,879,424	28,450,630	25,147,750	508,312,375	944,027,972	5,536,870,579
At 30 June 2017	3,068,000,000	974,412,747	9,642,197	28,127,565	18,269,762	580,221,234	942,117,570	5,620,791,075

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2018

7. PROPERTY, PLANT & EQUIPMENT

	LAND	BUILDINGS	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTERS, PRINTER & SOFT- WARE	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%		
COST/VALUATION:								
At 1 July 2016	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
Valuation/Additions		-	-	8,887,743	4,360,208	1,401,700	122,450,382	137,100,033
As at 30 June 2017	3,068,000,000	1,167,170,000	46,374,000	49,401,653	73,266,555	877,579,770	942,117,570	6,223,909,548
DEPRECIATION:								
As at 30 June 2016		167,772,311	33,517,738	17,255,865	47,166,896	214,469,789	-	480,182,597
Charges for the year	-	24,984,942	3,214,066	4,018,224	7,829,898	82,888,748	-	122,935,877
As at 30 June 2017		192,757,253	36,731,803	21,274,088	54,996,793	297,358,536	-	603,118,473
NET BOOK VALUE:								
At 30 June 2017	3,068,000,000	974,412,747	9,642,197	28,127,565	18,269,762	580,221,234	942,117,570	5,620,791,075
At 30 June 2016	3,068,000,000	999,397,689	12,856,262	23,258,045	21,739,451	661,708,282	819,667,188	5,606,626,918

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2018

8. TRADE AND OTHER PAYABLES

	2018 Kshs.	2017 Kshs.
Auditor General	4,872,000	4,060,000
Contractors & General Creditors	56,630,967	83,615,090
Provision for NCC - Land Rates	3,221,572	3,221,572
UoN Salary Reimbursement	48,033,224	23,170,357
Provision for Gratuities	145,305,143	142,524,932
Staff Pension Fund	1,289,321,188	772,938,937
Third Party Funds	5,516,568	22,604,888
Statutory Obligations	1,409,677,046	616,695,024
Sacco Deductions	111,883,108	181,211,352
Bank Loan Deductions	23,156,808	19,871,634
Insurance Premium Deductions	1,079,085	6,471,952
Other Payroll deductions	28,639,248	-
Deposits Control Account	-	-
	<u>3,127,335,958</u>	<u>1,876,385,738</u>

9(a). CASH AND CASH EQUIVALENTS

	2018 Kshs.	2017 Kshs.
Cash in hand	637,322	631,114
Production Unit Account- 110163686	6,835,133	25,420,201
Hostel Fund Account- 1101631791	909,190	534,648
Fund Account-01109148224	1,242,021	1,283,718
Cash at Bank- Coop Collection account	14,260,630	7,525,861
Cash at Bank- Equity Collection account	10,929,364	5,852,790
Students Deposit-Caution Money	4,545,815	3,764,268
Machine Replacement Fund	1,021,305	1,022,370
Staff Pension Fund	577,882	578,447
Students Deposit savings Fund	729,614	729,614
Needy Students Fund	105,738	105,738
Fixed Deposit	300,000	300,000
Environment Education Fund	3,591,335	10451935
Enterprise Development Fund-1101631953	4,426,062	956,664
Production Unit Savings	428,159	430,287
KESSP Account	-	3,350
Main Account- 1109148135	20,000,505	11,927,339
Kasarani TTI Account-1160726485	1,504,388	5,510,758
	<u>72,044,463</u>	<u>77,029,102</u>

9(b). BANK OVERDRAFT

Main Account- 1109148135	-	-
Production Unit Account- 110163686	-	-
Hostel Fund Account- 110914224	-	-
Fund Account	-	-
KESSP Account	13,502.00	0
	<u>13,502.00</u>	<u>0</u>

9(b). BANK OVERDRAFT

Main Account- 1109148135	-	-
Production Unit Account- 110163686	-	-
Hostel Fund Account- 110914224	-	-
Fund Account	-	-
KESSP Account	13,502.00	0
	<u>13,502.00</u>	<u>0</u>

The above bank overdrafts were the cashbook credit balances. The bank accounts were not overdrawn.

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 Recievables

	2018	2017
	Kshs	Kshs
Outstanding Staff Imprest	25,032,448	10,790,431
Salary Advances	1,374,397	562,345
Outstanding Students fees	1,016,412,506	268,290,193
Deposits to Suppliers	104,350	104,350
Nyayo Vehicle Project	500,000	500,000
Dishonored cheque	562,501	562,501
Ministry of Education	-	-
Total Debtors	1,043,986,202	280,809,820
Provision for bad debts (10%)	<u>(104,398,620)</u>	<u>(28,080,982)</u>
	<u>939,587,581</u>	<u>252,728,838</u>

Provision for bad debts: It is the policy of the university to provide for bad debts

11. INVENTORY

	2018	2017
	Kshs	Kshs
INVENTORY	6,316,194	1,892,764

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2018
12. WORK IN PROGRESS SCHEDULE

NO	CONTRACTOR	CONTRACT SUM	AMOUNT PREVIOUSLY PAID	BUILDING	AMOUNT PAID/CERTIFIED
1	CENTRAL ELECTRICAL	26,253,400	-	BLOCK M	
2	APE ENGINEERING	60,275,725	83,292,317	BLOCK Q	
5	TINFRA	60,765,742	49,617,190	SCH. OF ARCHITECTURE	
6	VEE VEE	113,293,388	344,964,615	BLOCK S	
8	MECOY	15,603,748	24,603,319	BLOCK R & S	
9	ECOSPACE		13,596,071	BLOCK R & S	240,387
10	OCHIENG ABUODHA	5,924,613	10,092,695	BLOCK R & S	442,223
11	WEST CONSULT	4,914,954	7,413,372	BLOCK M & Q	
12	EZATWA	7,507,160	10,308,643	PARTITIONING IN MAIN CAMPUS	
13	ADMO	-	61,525,184	KASARANI	
14	VANGUARD ENG.	-	8,838,261	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	-	2,238,482	BLOCK S	
21	ELEVONIC	-	7,608,320	BLOCK S	
22	SAWARN SIGN	-	2,256,674	BLOCK S	
23	SOLAKOLD SERVICES	-	3,444,928	BLOCK R	
24	NAROBİ CITY COUNCIL	-	746,040	BLOCK T	
25	BLUE GRAIN	-	1,610,244	PARTITIONING IN MAIN CAMPUS	
26	TAXAN INV.	-	563,047	PARTITIONING IN MAIN CAMPUS	
27	KAMINDO	-	1,046,668	PARTITIONING IN MAIN CAMPUS	
28	URBAN CONCRATE LTD		1,794,636	BLOCK R	
29	KENYA POWER		6,466,099	BLOCK R	
30	CENTRAL ELECTRICAL		8,425,801	BLOCK R	
31	MWEMBE AND MWEMBE			RENOVATION of BLD	77,703
32	EAST AFRICA A CABLES			RENOVATION of BLD	1,150,089
	TOTAL				1,910,402

OTHER FIXED ASSETS

NO	PARTICULARS	AMOUNT (kshs)
1	MOTOR VEHICLES	7,530,368
2	FURNITURE AND FITTINGS	4,387,441
3	COMPUTERS, PRINTERS AND SOFTWARE	17,655,596
4	MACHINERY AND EQUIPMENT	707,195
	SUB TOTAL	30,280,600

13. Annexes to the financial statements

Annex 1: Contracted Services for the year ended 30 June 2018.

S/N O	Contracted Service	Amount (Kshs)
1	Legal Fees and Charges	702,395
2	Security Services	17,724,482
3	Consultancy Services	1,116,963
4	Honoraria	31,535
	Total	19,575,375