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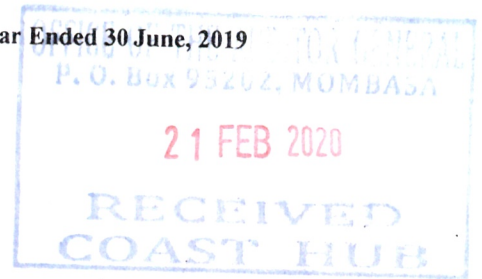
THE AUDITOR-GENERAL

ON

TAITA TAVETA UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2019**





TAITA TAVETA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30 JUNE, 2019

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

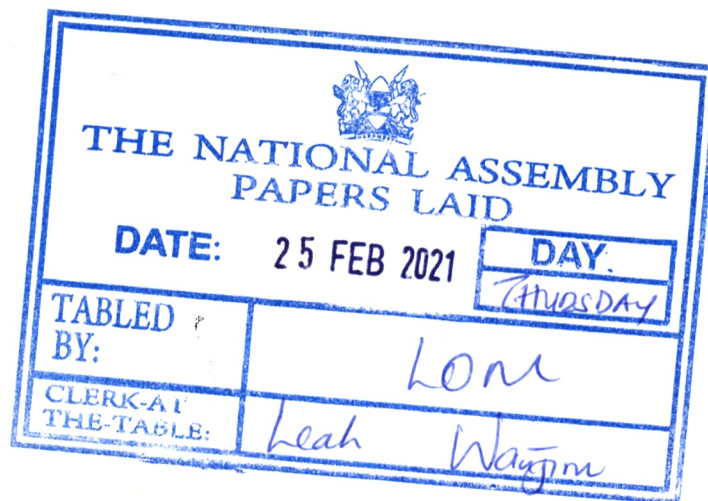




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I. KEY TAITA TAVETA UNIVERSITY INFORMATION AND MANAGEMENT

a. Background information

Taita Taveta University was elevated to a fully-fledged University on 7th October, 2016. Before the award of Charter, the University was a Constituent College of Jomo Kenyatta University of Agriculture and Technology via legal notice Number 156 dated 18th October, 2011. Since then, and particularly over the financial year 2018/2019, the University Council, Management, staff and students have collectively embarked on a transformative journey aimed at positioning Taita Taveta University as a strategic player in national and regional development, and an academic centre of excellence with a special focus on Mining and Mineral Processing Engineering (MMPE).

b. Principal Activities

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

c. Vision Statement

An educated and transformed society in sustainability of natural resources.

d. Mission Statement

To be a University for research, education, teaching and community service in management of mineral and natural resources.

e. Core Values

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

f. Key Management

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

- Vice Chancellor/CEO
- Deputy Vice Chancellor (Administration, Finance & Planning) – Divisional Head
- Deputy Vice Chancellor (Academic, Research & Outreach) – Divisional Head



g. Fiduciary Management

The key management personnel who held office during the financial year ended 30 June, 2019 and who had direct fiduciary responsibility were:

| Designation Name |
|---|
| Ag. Vice Chancellor - Prof. Fred Simiyu Barasa |
| Ag. Deputy Vice Chancellor (Administration, Finance & Planning) - Prof. Kiptanui Arap Too |
| Deputy Vice Chancellor (Academic, Research & Outreach) - Prof. Christine Akoth Onyango |

h. Fiduciary Oversight Arrangements

| A. University Council |
|--|
| Membership is as listed under University Council |

| B. Finance and General Purpose Committee | |
|---|----------|
| 1. Mr. Tom Kiptoo Kandagor | Chairman |
| 2. Mr. Isaac Gitahi Thuita- Representing PS Ministry of Education | Member |
| 3. Ms. Sophia Akinyi Yiega | Member |
| 4. Mr. Joseph Kiarui - Representing PS The National Treasury | Member |

| C. Audit, Risk and Governance Committee | |
|--|----------|
| 1. Ms. Jane Mumbi Weru | Chairman |
| 2. Mr. Isaac Thuita- Representing PS Ministry of Education | Member |
| 3. Mr. Joseph Kiarui - Representing PS The National Treasury | Member |
| 4. Ms. Jane Kimbwarata | Member |
| 5. Mr. John Runga-HOD Audit/ Secretary (Ex-Official) | Member |

| D. Human Resource and Development Committee | |
|--|----------|
| 1. Ms. Jane Kimbwarata | Chairman |
| 2. Ms. Jayne Mwanza | Member |
| 2. Mr. Isaac Thuita - Representing PS Ministry of Education | Member |
| 3. Mr. Joseph Kiarui - Representing PS The National Treasury | Member |



| E.Sealing Committee | |
|---|----------|
| 1.Ms. Sophia Yiega | Chairman |
| 2.Mr. Tom Kiptoon Kandagor | Member |
| 3.Ms. Jane Mumbi Weru | Member |
| 4.Mr. Joseph Kiarii - Representing PS The National Treasury | Member |
| 5.Mr. Isaac Thuita- Representing PS Ministry of Education | Member |

i.Taita Taveta University Head quarters

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

j.Taita Taveta University Contacts

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

k.Taita Taveta University Bankers

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

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

l.Independent Auditors






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

m.Principal Legal Adviser

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







II. UNIVERSITY COUNCIL

| | |
|---|---|
| <p>1. Dr. Morompi Ole Ronkei</p>  | <p>Born: 1960 Doctor of Philosophy (Univ. Of Oregon) He had previously worked at Daystar University, and later at Compassion International as CEO for many years, and is currently working as a communications consultant. He is the chairman of Council.</p> |
| <p>2. Ms. Jane Kimbwarata</p>  | <p>Born: 1972 Master of Science, Information Science, Moi University. She is the Chair of the Human Resource Development Committee of Council. She has 19 years' experience working in the Public Sector,</p> |
| <p>3. Mr. Isaac Gitahi Thuita</p>  | <p>Born: 1959 M.ED (Administration and Planning), Kenyatta University; B.ED, (University of Nairobi), Higher Diploma, (University of KwaZulu-Natal). Secretary General, Kenya Colleges and Schools Sports Council and has over 30 years' experience in Education and Training.</p> |
| <p>4. Mr. Tom Kiptoo Kandagor</p>  | <p>Born 1955. MBA, Maaschric University. He has over 26 years of experience in the Banking industry. He is the Chairman of Finance, Development and General Purpose Committee of Council.</p> |
| <p>5. Ms. Sophia Akinyi Yiega</p>  | <p>Born 1968. Master of Education in Psychology. Has over 20 years working experience, 10 years of which she has worked with the National Government and the other 10 years working with NGO's in education, civil society and community development.</p> |






University Council continued...

| | |
|--|--|
| <p>6. Ms. Jane Mumbi Weru</p>  | <p>Born 1963. Master in Management of NGO's. A lawyer by profession with over 20 years working experience. She is the chairman of the Audit, Risk and Governance Committee of Council.</p> |
| <p>7. Ms. Jayne K. Mwanza</p>  | <p>Born 1965. MBA (Human Resource Management) Kenyatta University (KU), Bachelor of Arts (B.A) Degree, University of Nairobi (UoN) and Higher Diploma in Human Resource Management, Kenya Polytechnic. She worked as the Assistant Registrar in charge of Examinations and Admissions Jomo Kenyatta University of Agriculture and Technology (JKUAT) and at University of Nairobi (UoN). She has over 20 years working experience in Human Resource Management and currently works as the Chief Executive Officer, Rock Global Ltd. She is a member of the Human Resource Development Committee of Council.</p> |
| <p>8. Mr. Joseph Kiarii</p>  | <p>Born: 1966 Bachelor of Commerce (BCom), Accounting Option, University Of Nairobi (UON). He has over 20 years' experience in Public Finance Management. He is currently working at The National Treasury and is a member of Institute of Certified Financial Analysts (ICFA).</p> |
| <p>9. Prof. Fred Simiyu Barasa</p>  | <p>Born: 1960 PhD in Comparative and International Education (University of Natal); MA(Ed.) and BEd (Sc) – Kenyatta University; Has previously served as the Executive Director/CEO of the African Council for Distance Education (ACDE); Manager (Academic Program Development and Management at the African Virtual University (AVU); Director, College of Distance Education (Egerton University); Dean, School of Education, Arts and Theology (Kabarak University); Dean, Faculty of Education and Human Resources (Egerton University), and Chairman, Department of Educational Foundations. He has also served as Deputy Principal (Administration, Finance and Planning), TTUC as well as Deputy Vice Chancellor (Administration, Finance and Planning), TTU. He is currently the Acting Vice Chancellor and Secretary to the Council.</p> |



III. MANAGEMENT TEAM

| | |
|---|--|
| <p>1. Prof. Fred Simiyu Barasa</p>  <p>PhD, Comparative and International Education, University of Natal, RSA</p> | <p>Ag. Vice Chancellor Accounting Officer/ Chief Administrative and Academic Head of the Institution</p> |
| <p>2. Prof. Christine Onyango</p>  <p>PhD in Food Science and Post-Harvest Technology, Jomo Kenyatta University of Agriculture and Technology.</p> | <p>Deputy Vice Chancellor (Academic, Research and Outreach) Head of Division and responsible for Academic, Research and Outreach functions of the institution.</p> |
| <p>3. Prof. Kiptanui Arap Too</p>  <p>PhD in Civil Engineering specialised in Geotechnical Engineering, Kyoto University, Japan.</p> | <p>Deputy Vice Chancellor (Administration, Finance and Planning) Head of Division and responsible for Administration, Finance and Planning functions of the University.</p> |



IV. CHAIRMAN'S STATEMENT

The financial year 2018/2019 marks the seventh year of our stewardship over financial and other resources entrusted to us. Conscious of our mandate and guided by our motto of "Home of Ideas", we endeavour to prudently manage resources at our disposal in addition to offering the highest quality of service to our clients and all stakeholders. Taita Taveta University continues to ensure strict financial discipline, focused execution of the management agenda and resolute pursuit of agreed strategies.

The FY 2018/2019 presented great opportunities for development and growth but also significant financial shortfall challenges. However, the resources allocated and received have been instrumental in facilitating infrastructure and human resource development, and in particular the support towards personnel emolument commitments. Infrastructural projects include: completion of Phase II of the state-of-the art Centre for Mining, Fuels and Mineral Processing Engineering; construction of the Central Administration office block at the Main Campus; and construction of the office and classroom block at Taveta, in addition to support for various staff pursuing PhD, Master and Bachelor degree study programmes. Further, the University continued delivering academic programmes prudently while maintaining and securing her assets.

Despite the development and growth achievements highlighted above, Taita Taveta University faced and still faces many challenges. Inadequate funding from the exchequer, decline in both recurrent and capital funds allocated to the University for FY 2018/2019, and low staffing levels for both academic and administrative staff are among the challenges experienced. As Taita Taveta University transits and implements Commission for University Education (CUE) Regulations, Standards and Guidelines on increasing staffing levels, construction of a Modern Library, expansion of office and classroom space, equipping and modernizing laboratories and workshops, and supply of clean water through connection to the Mzima Springs pipeline, will continue being the University's highest priority.

In planning and budgeting, the University takes into account the Big Four Agenda, Medium Term Planning, Sustainable Development Goals (SDGs) and Vision 2030 among other National priorities.

The University Council is committed to continuous improvement in the Governance and Management of Taita Taveta University.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Morompi Ole Ronkei'.

Dr. Morompi Ole Ronkei
Chairman of Council



V. REPORT OF THE VICE CHANCELLOR

Introduction

The financial year 2018/2019 has been an eventful year. We have struggled with insufficient cash flows shortfalls, increasing food prices, as well as reduction in recurrent and capital funds. Further, we struggled with but successfully managed our service providers, especially suppliers and Part-Time Lecturers. We have nevertheless made significant progress, towards becoming International Organization for Standardization (ISO) 2015 Certified, won a competitive bid for establishment of the Centre of Excellence for Mining, Environmental Engineering and Resource Management (CEMEREM) at Taita Taveta University in collaboration with German Universities and winning of the TAITAGIS project undertaken in partnership with the University of Helsinki. Further, the University undertook various austerity measures aimed at cost reduction and cost containment. We appreciate the support and goodwill of the University Council and the Government of Kenya. Despite the challenges, they have continued to support our innovative ideas and Taita Taveta University has made good progress on all fronts.

Financial Performance

In the FY 2018/2019, Taita Taveta University received from the Government of Kenya a total of **Kshs. 360,725,664** for recurrent expenditure and **Kshs. 148,775,715** for development expenditure and was able to generate Appropriation-in-Aid of **Ksh 161,828,528**.

During the year under review, the University realized a deficit of **Kshs. 19,001,172**. The deficit was an improvement from the previous year's deficit of **Kshs. 52,841,473**. The reduction was contributed by various cost reduction and cost containment strategies that were implemented, reduction of the bank overdraft from **Kshs.70M to Kshs.50M**, improved revenue collection and expenditure control strategies and strengthening of non-tuition income generating units. Further, the University benefitted from allocation by the Government of additional supplementary budget of **Kshs.32,559,646.70**. It is also worthy to note that part of the deficit is contributed by depreciation charge on property, plant and equipment of **Kshs. 33,150,591** for the financial year under review.

Moreover, during the year under review, TTU closed the financial year with total pending bills of **Kshs. 218,595,409.00**, arising from unpaid supplier invoices, unpaid part time teaching claims, other service providers' dues, provision for retention, student fees overpayments and hospital bills which had not yet been paid by close of the quarter (see note 24 for details). The bulk (45%:) of pending bills (**Kshs. 97,787,001.00**) is part-time lecturer's arrears arising as a consequence of significant understaffing for academic staff. Though the financial resources are limited as compared with the daily University financial needs, TTU management is committed to reducing the pending bills over time.

As at 30 June, 2019, the University had a total of 2,915 students comprised of 2,061 male students and 854 female students. The University graduated a total of 635 graduands in November 2018. The distribution of the graduands is as indicated in the table below:



| Award | Male | Female | Total |
|--------------------|------------|------------|------------|
| Certificates | 18 | 19 | 37 |
| Diplomas | 27 | 23 | 50 |
| Bachelor's Degrees | 360 | 181 | 541 |
| Masters Degrees | 4 | 3 | 7 |
| Total | 409 | 226 | 635 |

To cater for the current and projected increase in student numbers, during the period under review, the University focused on completion of the construction of the Mining and Mineral Processing Center (MMPE) Complex and the Central Administration Office Block as the major on-going projects which are aimed at increasing the number of laboratories, engineering workshops, teaching and office space to improve teaching, research and work environment. To ensure quality of teaching and learning, the University is systematically revising and updating its academic programs and developing new areas in line with national priorities especially the big four agenda.

The financial year ended 30 June, 2019 has seen the institution continue implementing austerity measures including restructuring the current organizational structure to mitigate the spiralling costs without corresponding increase in revenue. During the period under review, the University Management continued to engage the Line Ministry and the National Treasury in order for the University's budget allocation to be reviewed upwards to a level that can reasonably be able to cater for the growing needs of the University. Further the University continued to experience significant water shortage and was forced to continue relying on private water boozers for water supply for both consumption and cleaning. Accordingly, the call for Government support to help us actualize the plans to connect the University to the reliable Mzima Springs water supply is still of highest priority.

This fiscal year, the Management Team identified protecting and strengthening the balance sheet, increasing IGU income, efficient and transparent debtors' and creditors' management, strategic capital expenditure as well as strengthening and diversifying international collaborations in research and development as its key priorities. However, the institution still relied largely on the Bank Overdraft facility currently capped at Kshs.50 Million to ensure that service provision was offered to clients uninterrupted in the quarter.

During the period under review, TTU strived to comply with all the statutory requirements. All payments for taxes deducted from staff salaries and suppliers, NHIF contributions, NSSF and PAYE were remitted on time to the relevant authorities. However, some delays in remitting some staff salary deductions was experienced due to a deficit arising from reduced Government capitation against rising costs.



TTU has no major financial improbity as per internal audit/TTU Council Audit, Risk and Governance Committee, external auditors, or other National Government Agencies providing oversight.

Additionally, there are no governance issues among the Council members and top management including conflict of interest.

Conclusion

The University is grateful to the Government of Kenya and the Ministry of Education for their continued support. The Taita Taveta University community will continue to work hard to meet targets as set in the Strategic Plan and mandate as provided in the Universities Act 2012 and the Taita Taveta University Charter. In addition, the University takes into account the Big Four Agenda, Medium Term Plan (MTP), Sustainable Development Goals (SDG) and Vision 2030 among other National priorities in planning and budgeting.

A handwritten signature in blue ink, appearing to read 'F. Barasa'.

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



VI. CORPORATE GOVERNANCE STATEMENT

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

During the year under review, the Full Council, the Human Resource Development (HRD) Committee, Finance Development and General Purpose (FDGP) Committee and the Audit Risk and Governance (ARG) Committee each held four quarterly meetings. There was one Special Audit, Risk and Governance meeting that was held during the financial year. There were a total of eight Special Full Council meetings were necessitated by mandatory procedures for recruitment of the Vice Chancellor. The attendance to these meetings was at 99% on all occasions.

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

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

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

The Council confirms that the financial statements give a true and fair view of the state of financial affairs of the University as at 30 June 2019 and its deficit for the year that ended. The Council further confirms the accuracy and completeness of the accounting records maintained by the University, which may be relied upon in the presentation of the financial statements, as well as on the accuracy of the systems of internal controls.

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

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

A handwritten signature in blue ink, appearing to read 'Fred Simiyu Barasa', written over a horizontal line.

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



VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Taita Taveta University is committed to continuous engagement with the local communities, the County Government of Taita Taveta and the National Government to fight poverty, ignorance and environmental degradation so as to contribute to sustainable development. Some of the strategies deployed at Taita Taveta University towards Corporate Social Responsibility are anchored in our Strategic Plan that covers the period (2013-2018) and the Revised Plan 2018-2023. They include:

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

In this respect, during this financial year, the University conducted and/or hosted various capacity building workshops involving artisanal and small scale miners, teachers, students, local community, secondary school students within Taita Taveta County and senior officials of the Taita Taveta County Government.



VIII. REPORT OF THE COUNCIL

The Council submit their report together with the Financial Statements for the year ended 30 June, 2019 which shows the state of the Taita Taveta University affairs.

Principal activities

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

Results

The results of the Taita Taveta University for the year ended 30 June, 2019 are set out on page 16 to page 45.

Directors

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

Auditors

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

By Order of the Council.

A blue ink signature of Prof. Fred Simiyu Barasa, written over a rectangular stamp.

Prof. Fred Simiyu Barasa
Ag. Vice Chancellor
Taita Taveta University
Voi

Date: 20th September, 2019.



IX. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

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

The Council Members are responsible for the preparation and presentation of the Taita Taveta University financial statements, which give a true and fair view of the state of affairs of the Taita Taveta University for and as at the end of the financial year (period) ended on 30 June, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Taita Taveta University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Taita Taveta University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council Members accept responsibility for the Taita Taveta University financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act, 2012. The Council Members are of the opinion that the Taita Taveta University financial statements give a true and fair view of the state of Taita Taveta University transactions during the financial year ended 30 June, 2019, and of the Taita Taveta University financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the Taita Taveta University, which have been relied upon in the preparation of the Taita Taveta University financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Taita Taveta University financial statements were approved by the Council on July 26th, 2019 and signed on its behalf by:

A blue ink signature of Ms Jane Kimbwarata.

Ms Jane Kimbwarata
Chairman, HRD Committee

A blue ink signature of Mr. Tom Kiptoo Kandago.

Mr. Tom Kiptoo Kandago
Chairman, FDGP Committee

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TAITA TAVETA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Taita Taveta University set out on pages 16 to 45, which comprise the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Taita Taveta University as at 30 June, 2019, 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 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Material Uncertainty to Going Concern

During the year under review, the University realized a loss of Kshs.19,001,172, resulting to a negative revenue fund of Kshs.357,741,844 as at 30 June, 2019. Further, the statement of financial position reflects total current liabilities of Kshs.267,705,843 which exceeds total current assets balance of Kshs.95,750,915, resulting to a negative working capital of Kshs.171,954,928 (2017/18 – Kshs.155,266,407).

Consequently, the University may not be in a position to meet its financial obligations as and when they fall due. Management has not made any disclosure in the financial statements but continues to prepare the financial statements on a going concern basis.

2. Inaccuracy in Cash and Cash Equivalents

As disclosed under Note 16 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.11,391,785. However, the balance is net of overdrawn cash book balance of Kshs.552,167 in student fees account held at a commercial bank. This is contrary to the requirements of the International Public Sector Accounting Standard No.1 on presentation which prohibits the netting off of liabilities against assets.

Further, the bank reconciliation statement as at 30 June, 2019, reflects receipts in bank statement not yet recorded in cash book amounting to Kshs.761,462, some dating as far back as March, 2018. The amounts relate mainly to fees payments not receipted in cash book and in the relevant students accounts. The Management has not explained why the same have not been recorded in the cash book.

Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs.11,391,985 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

3. Under-Provision of Audit Fees

As disclosed under Note 13 to the financial statements, the statement of financial performance reflects an expenditure of Kshs.212,000 in respect of audit/legal fees. However, the provision for audit fees is Kshs.548,000 as per Note 24 to the financial statements. Given that the actual current audit fee is Kshs.750,000, the Management has underprovided for audit fees by Kshs.202,000.

Further, records from the Office of the Auditor-General indicate that the University had an outstanding audit fee balance of Kshs.1,644,000 as at 30 June, 2019.

Non-payment of pending bills and liabilities exposes the University to liquidity problems and further leads to material uncertainty on the going concern.

4. Unsupported Acting Allowances

During the year under review, examination of personnel records indicated that five (5) members of staff have been serving in acting capacities for more than six (6) months and were paid acting allowances amounting to Kshs.2,043,609. However, Management did not provide supporting documents such as extension letters, appointment letters to the acting positions and reasons why the positions have not been substantially filled. Management has also not explained why the officers did not revert to their original positions after expiry of the period.

Consequently, the accuracy and validity of the acting allowance could not be confirmed.

5. Unsupported Intangible Assets

As disclosed under Note 21 to the financial statements, the statement of financial position reflects intangible assets balance of Kshs.17,664,208. The balance includes work in progress (WIP) of Kshs.17,580,103. Review of documents availed, for audit review, indicated that Management contracted a firm to supply, install, implement and commission an ERP software on 18 September, 2015 at a contract sum of Kshs.17,580,102 with a commencement date of 1 October, 2015 and implementation timeline of fourteen (14) weeks. Despite the fact that the full amount of Kshs.17,580,103 was paid four (4) years ago, the contractor has not handed over the system and is no longer on site.

Consequently, it has not been possible to ascertain whether the public has received value for money for the expended amounts of Kshs.17,580,103 paid to the contractor.

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

Key Audit Matters

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

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 OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Under Establishment of Employees

During the year under review, examination of personnel records indicated that the University has two hundred and forty-five (245) employees or against an approved establishment of one thousand seven hundred and twenty-nine (1,729) staff resulting to an under-staffing by one thousand, four hundred and eighty-four (1,484) staff. In particular, the academic function was under-staffed by six hundred and thirty-nine (639) staff, being 73% of the approved establishment, the administrative function was under-staffed by six hundred and eighteen (618) staff or 72% of the approved establishment while the Internal Audit Unit had only two officers in position against the optimal staff establishment of five (5) auditors.

As a result, the University cannot effectively carry out its core function optimally and effectively in ensuring adequate risk assessment, evaluation of internal control systems and governance.

2.0 Increased Students Fees Balance

As disclosed under Note 17 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.76,205,037. Included in this amount is student fees balance of Kshs.36,950,010 up from Kshs.31,243,250 recorded during the previous year, an increase of Kshs.5,706,760 or 18%. Management did not explain measures in place to manage the debt.

Consequently, I am unable to confirm effectiveness on debt controls including governance and the recovery strategy that the Management has taken.

3.0 Long Outstanding Creditors

As previously reported, as disclosed under Note 24 to the financial statements, the statement of financial position reflects trade and other payables balance of Kshs.218,595,409 out of which an amount of Kshs.109,634,286.64 has been long outstanding for more than two (2) years and some dating as far back as 2015 as shown below:

| Creditors | Outstanding Balances Kshs. |
|---|---|
| Sundry creditors | 37,096,326.64 |
| Jomo Kenyatta University of Agriculture and Technology | 4,581,823 |
| Technical University of Mombasa | 3,537,503 |
| Hospital bills | 32,209,317 |
| Others | 32,209,317 |
| | 109,634,286.64 |

Consequently, I am unable to confirm effectiveness of the internal control systems and the discharge strategy the on payables controls including governance.

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

Responsibilities of Management and University Council

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 overall governance.

In preparing the financial statements, Management is responsible for assessing the University's ability to as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the University or to cease its operations.

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

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.

The University Council is responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how the University 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 overall 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 overall 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 University's 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 University 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

05 February, 2021



**XI. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE, 2019**

| | <i>Note</i> | 2018/2019 | 2017/2018 |
|--|-------------|---------------------|---------------------|
| REVENUE | | <i>KShs</i> | <i>KShs</i> |
| <u>Revenue from non-exchange transactions</u> | | | |
| Government Grant Income | 3 | 360,725,664 | 470,880,068 |
| Other Incomes (Donations) | 4 | 34,621,752 | 32,081,587 |
| | | 395,347,416 | 502,961,655 |
| <u>Revenue from exchange transactions</u> | | | |
| Tuition Fees Income | 5 | 143,841,182 | 120,550,707 |
| Income from Other Services Rendered | 6 | 15,800,665 | 13,875,662 |
| Income from other activities | 7 | 2,186,680 | 408,797 |
| | | 161,828,528 | 134,835,166 |
| Total revenue | | 557,175,943 | 637,796,822 |
| | | | |
| EXPENDITURE | | | |
| Personal Emoluments | 8 | 391,555,244 | 481,829,392 |
| Academic Costs | 9 | 25,091,176 | 25,157,218 |
| Administrative Costs | 10 | 6,284,097 | 6,400,229 |
| Students Welfare Costs | 11 | 10,286,162 | 15,322,615 |
| Maintenance Work Costs | 12 | 1,804,279 | 2,414,944 |
| Central Services Costs | 13 | 129,657,182 | 148,549,324 |
| Council Expenses | 14 | 10,458,596 | 9,374,074 |
| Finance Cost | 15 | 1,040,380 | 1,590,499 |
| Total expenses | | 576,177,115 | 690,638,294 |
| | | | |
| (Deficit) / Surplus for the year | | (19,001,172) | (52,841,473) |


*-Taxation charge


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



XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2019

| ASSETS | <i>Note</i> | 2018/2019 | 2017/2018 |
|---|-------------|----------------------|----------------------|
| | | <i>KShs</i> | <i>KShs</i> |
| CURRENT ASSETS | | | |
| Cash and cash equivalent | 16 | 11,391,984 | 14,615,790 |
| Receivables from Exchange transactions | 17 | 76,205,037 | 32,445,188 |
| Inventories | 18 | 6,919,351 | 7,196,827 |
| Biological Assets | 19 | 1,234,542 | 716,000 |
| | | 95,750,915 | 54,973,804 |
| NON CURRENT ASSETS | | | |
| Property, Plant and Equipment | 20 | 3,783,148,463 | 3,702,019,879 |
| Intangible Assets | 21 | 17,664,209 | 17,666,811 |
| | | 3,800,812,672 | 3,719,686,690 |
| TOTAL ASSETS | | 3,896,563,587 | 3,774,660,494 |
| FUNDS, GRANTS AND LIABILITIES | | | |
| FUNDS AND GRANTS | | | |
| Capital fund | | 961,322,081 | 832,546,365 |
| Reserve fund | | (357,741,844) | (338,740,672) |
| Revaluation Reserve | | 2,990,077,507 | 3,030,774,525 |
| | | 3,593,657,744 | 3,524,580,218 |
| LONG TERM LIABILITIES | | | |
| IPUCCF (GoK) | 22 | 35,200,000 | 35,200,000 |
| KCB Loan | 23 | - | 4,640,065 |
| | | 35,200,000 | 39,840,065 |
| CURRENT LIABILITIES | | | |
| KCB Loan | 23 | 7,468,164 | 3,894,123 |
| Trade and other Payables from exchange transactions | 24 | 218,595,409 | 132,747,008 |
| Bank Overdraft | 25 | 41,642,270 | 73,599,080 |
| | | 267,705,843 | 210,240,211 |
| TOTAL FUNDS, GRANTS AND LIABILITIES | | 3,896,563,587 | 3,774,660,494 |


Dr. Morompi Ole Ronkei
CHAIRMAN OF COUNCIL


Prof. Fred Simiyu Barasa, PhD
AG. VICE CHANCELLOR



**XIII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE, 2019**

| | Capital development replacement reserve | Accumulated Reserve Fund | Revaluation Reserve | Total |
|------------------------------------|---|--------------------------|----------------------|----------------------|
| | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> |
| <i>Year Ended 30-06-2018:</i> | | | | |
| As at 1 st July 2018 | 832,546,365.00 | (338,740,672) | 3,030,774,525 | 3,524,580,218 |
| Surplus / (Deficit) for the period | | (19,001,172) | | (24,233,249) |
| Additions in the year | 128,775,716 | | | 128,775,716 |
| Depreciation | | | (40,697,018) | (40,697,018) |
| At 30 June 2019 | 961,322,081 | (357,741,844) | 2,990,077,507 | 3,593,657,744 |
| <i>Year ended 30-06-2017:</i> | | | | |
| As at 1 st July 2017 | 766,560,189.00 | (285,899,199) | 3,072,378,256 | 3,553,039,246 |
| Surplus / (Deficit) for the period | | (52,841,473) | | (52,841,473) |
| Additions in the year | 65,986,176 | | | 65,986,176 |
| Depreciation | | | (41,603,731) | (41,603,731) |
| At 30 June 2018 | 832,546,365 | (338,740,672) | 3,030,774,525 | 3,524,580,218 |



XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE, 2019

| | | 2018/2019 | 2017/2018 |
|---|------|----------------------|---------------------|
| | Note | KShs | KShs |
| Cash flows from operating activities | | | |
| <i>Surplus/(Deficit) for the year</i> | | (19,001,172) | (52,841,473) |
| Adjustment for: | | | |
| > Depreciation | 20 | 33,150,591 | 42,485,101 |
| > Amortization | 21 | 2,601 | 37,161 |
| >Prior Year Adjustment** | | | (8,288,252) |
| Operating profit before working capital changes | | 14,152,020 | (18,607,463) |
| >> Receivables -decrease(increase) | 17 | (43,271,165) | 27,901,701 |
| >> Inventories -decrease(increase) | 18 | 277,476 | 7,204,893 |
| >> Payables -(decrease)increase | 24 | 85,923,815 | (19,512,961) |
| >> Payables -payment of pending bills | | | - |
| Net Cash generated from operations | | 57,082,146 | (3,013,830) |
| Cash flows from investing activities | | | |
| Interest paid | | | - |
| Additions in Work In Progress | 20 | (138,907,814) | (60,025,974) |
| Payment of retention | 20 | (11,918,943) | |
| Purchase of Computers and Equipment | | - | (9,159,051) |
| Purchase of Furniture and fittings | | - | (419,650) |
| Processing of Isanga Iwishi Land | 20 | (3,232,077) | |
| Purchase of ERP software | 20 | (2,000,000) | |
| Net cash from investing activities | | (156,058,834) | (69,604,675) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Capital fund | | 128,775,716 | 65,986,176 |
| Loan advance | 23 | 2,931,642 | 7,388,055 |
| Repayment of loan | 23 | (3,997,666) | (5,780,339) |
| Net Cash from Financing Activities | | 127,709,691 | 67,593,892 |
| Net Increase or decrease | | 28,733,003 | (5,024,613) |
| Net Increase (Decrease) in cash and cash equivalents | | | |
| <i>Cash and cash equivalents at the beginning of the year</i> | | (58,983,289) | (53,958,676) |
| <i>Cash and cash equivalents at the end of the year</i> | | (30,250,286) | (58,983,289) |
| SUMMARY OF CASH AND BANK BALANCES | | | |
| <i>Cash Book Balance</i> | 16 | 11,391,985 | 14,615,790 |
| <i>(Negative) Cash and Bank Balance</i> | 25 | (41,642,270) | (73,599,080) |
| TOTAL | | (30,250,286) | (58,983,290) |



**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE, 2019**

| Particulars | Original budget (A) 2018/2019 | Adjustments (B) 2018/2019 | Final budget (C=A+B) 2018/2019 | Actual on comparable basis 2018/2019 | Performance difference 2018/2019 | Percentage of Budget Utilization | Explanation of material variance |
|-------------------------------------|----------------------------------|------------------------------|-----------------------------------|---|-------------------------------------|----------------------------------|----------------------------------|
| | <i>Kshs</i> | <i>Kshs</i> | <i>Kshs</i> | <i>Kshs</i> | <i>Kshs</i> | | |
| Revenue | | | | | | | |
| Government grant income | 328,166,017 | - | 360,725,664 | 360,725,664 | - | 110% | a |
| Tuition fees income | 151,662,728 | - | 151,662,728 | 143,841,182 | 7,821,546 | 95% | l |
| Income from other services rendered | 19,000,000 | | 19,000,000 | 17,987,346 | 1,012,654 | 95% | c |
| Donor project-Receipts | 37,338,817 | -2,717,065 | 34,621,752 | 34,621,752 | - | 93% | d |
| Total income | 536,167,562 | - | 566,010,144 | 557,175,943 | 8,834,201 | 104% | |
| Expenses | | | | | | | |
| Personal emoluments | 389,072,346 | - 27,233,971 | 368,315,000 | 391,555,244 | 23,240,244 | 108% | e |
| Academic costs | 17,914,833 | 10,185,882 | 25,149,000 | 25,091,176 | 57,824 | 89% | f |
| Administrative cost | 4,032,763 | 1,905,192 | 6,317,200 | 6,284,097 | 33,103 | 106% | g |
| Students welfare cost | 9,320,990 | 459,793 | 10,301,000 | 10,286,162 | 14,838 | 105% | h |
| Maintenance work cost | 1,350,000 | 503,552 | 1,806,000 | 1,804,279 | 1,721 | 97% | i |
| Central services cost | 89,639,353 | 11,715,599 | 109,989,849 | 129,657,182 | 19,667,333 | 118% | j |
| Council Activities | 10,500,000 | 1,045,940 | 10,540,000 | 10,458,596 | 81,404 | 91% | k |
| Finance cost | - | - | - | 1,040,380 | 1,040,380 | 100% | l |
| Total expenditure | 521,830,285 | 1,418,013 | 532,419,049 | 576,177,116 | 41,678,687 | | |
| Surplus/(Deficit)for the year | 14,337,277 | 1,418,013 | 33,592,095 | 19,001,173 | 50,512,888 | | |

Explanation of the variances



a. The adjustment of **Kshs.32, 559,647** was as a result of a supplementary budget allocated to the University during the financial year 2018/2019.

j. The variance is due to inclusion of depreciation expense on actuals which is a non-cash item and not on budget.



XVI. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

2. Summary of significant accounting policies

2.1 Revenue Recognition

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

2.2 Revenue from non-exchange transactions – IPSAS 23

Other incomes, donations

The Taita Taveta University recognizes revenues from donations when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

Government grants

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

2.3 Revenue from exchange transactions – IPSAS 9

Rendering of services

The Taita Taveta University recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to fees payable.

Sale of goods and services

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Taita Taveta University.



2.4 Budget information – IPSAS 24

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

2.5 Property, plant and equipment – IPSAS 17

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

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

2.6 Depreciation and impairment of property, plant and equipment

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

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

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

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

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.



2.7 Intangible assets – IPSAS 31

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

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years. Development costs of intangible assets are capitalized only after technical and commercial feasibility of the resulting product or service have been established.

2.8 Amortisation and impairment of intangible assets

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

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

2.9 Borrowing costs- IPSAS 5

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

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

2.10 Inventories – IPSAS 12

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

2.11 Changes in accounting policies and estimates – IPSAS 3

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

2.12 Pension

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



2.13 Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

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

2.14 Biological Assets

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

2.15 RELATED PARTY DISCLOSURES

i. Government of Kenya

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

ii. Inter Public Universities Consultative Council Forum (IPUCCF)

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

2.16 Comparative

This is the sixth year of preparing financial statements. Comparison is made with the fifth year, financial year 2017/2018.

2.17 Cash and cash equivalents

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

2.18 Significant judgments and sources of estimation uncertainty

(a). Going concern

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



(b). Estimates and assumptions

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

(c). Useful lives and residual values

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

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

(d). Provision for bad debts

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

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



XVII. NOTES TO THE FINANCIAL STATEMENTS

3. Revenue from Non Exchange Transactions

| S/No | Month | 2018/2019 | Month | 2017/2018 |
|------|--------|--------------------|--------|--------------------|
| | | <i>KShs</i> | | <i>KShs</i> |
| 1 | Aug-18 | 27,905,274 | Jul-17 | 92,679,227 |
| 2 | Aug-18 | 27,905,274 | Aug-17 | 31,371,733 |
| 3 | Oct-18 | 27,905,272 | Sep-17 | 31,371,733 |
| 4 | Nov-18 | 27,905,274 | Oct-17 | 31,371,733 |
| 5 | Dec-18 | 26,230,957 | Nov-17 | 45,168,306 |
| 6 | Dec-18 | 26,230,957 | Dec-17 | 34,131,048 |
| 7 | Feb-19 | 27,347,168 | Jan-18 | 34,131,048 |
| 8 | Mar-19 | 27,347,168 | Feb-18 | 34,131,048 |
| 9 | Mar-19 | 25,672,852 | Mar-18 | 34,131,048 |
| 10 | May-19 | 27,905,274 | Apr-18 | 34,131,048 |
| 11 | Jun-19 | 27,905,274 | May-18 | 34,131,048 |
| 12 | Jun-19 | 27,905,273 | Jun-18 | 34,131,048 |
| 13 | Jul-19 | 32,559,647 | | |
| | | 360,725,664 | | 470,880,068 |

4. Donor funded projects

| | 2018/2019 | 2017/2018 |
|-----------------|-------------------|-------------------|
| | <i>Kshs.</i> | <i>Kshs.</i> |
| CEMEREM | 19,193,176 | 10,716,044 |
| TaitaGIS | 11,200,509 | 9,514,139 |
| Brics | 4,228,067 | 4,582,905 |
| TAITARICE (NRF) | - | 7,268,500 |
| Total | 34,621,752 | 32,081,587 |



Revenue from Exchange Transactions

5. Tuition Fees Income

| | 2018/2019 | 2017/2018 |
|-------------------------|--------------------|--------------------|
| | Kshs. | Kshs. |
| Tuition Fee | 74,430,280.00 | 45,999,276 |
| Residential Fees | 7,908,410.00 | 15,070,560 |
| ID/Registration Fees | 2,461,393.00 | 2,492,236 |
| Examination Fees | 15,301,525.00 | 14,980,165 |
| Medical Fees | 9,820,597.00 | 9,508,315 |
| Internet Fees | 5,661,973.00 | 5,519,991 |
| Computer Fees | 5,456,343.00 | 5,377,891 |
| Library Fees | 3,820,734.00 | 3,698,535 |
| Field Trip/Attachment | 10,282,682.00 | 9,371,173 |
| Student Activity Fees | 3,435,245.00 | 3,400,875 |
| Bridging Course | - | 1,000 |
| SOTTUC | 1,420,000.00 | 1,377,190 |
| CISCO | - | 60,500 |
| C.U.E QUALITY ASSURANCE | 2,731,250.00 | 2,660,250 |
| PROJECT | 126,000.00 | 9,000 |
| KUCCPS | 972,750.00 | 1,023,750 |
| Retake fees | 12,000.00 | - |
| | 143,841,182 | 120,550,707 |



6. Income from other services rendered

| | | |
|----------------------------|-------------------|-------------------|
| Application Fees | 110,000.00 | 195,819 |
| Accommodation Charges | 63,100.00 | 122,980 |
| Students P.A.Y.E. | 3,686,048.00 | 6,184,741 |
| Staff cafeteria | 1,585,601.00 | 1,765,916 |
| Shop Rent | 222,122.00 | 137,478 |
| Sale Of Tenders | - | 1,000 |
| TTUC Hospital Cost Sharing | 135,523.00 | 207,499 |
| Seminar Charges | 4,223,706.45 | 214,400 |
| Miscellaneous Income | 909,365.00 | 922,501 |
| Supplementary exam fees | 766,400.00 | 346,550 |
| Graduation fees | 4,008,300.00 | 3,654,800 |
| Third Parties Refunds | - | 121,978 |
| Short Courses Fees | 90,500.00 | - |
| | 15,800,665 | 13,875,662 |

7 Income from other activities

| | | |
|------------------------|------------------|----------------|
| Green House | - | 6,660 |
| Bookshop | 9,771.00 | 67,142 |
| Guest House | 102,445.00 | 13,000 |
| Interest income | - | 54,462 |
| Farm Income | 552,009.00 | 267,533 |
| Facility rental/lease | 201,014.35 | - |
| Bakery Unit income | 379,471.00 | - |
| Tailoring/Laundry Unit | 3,820.00 | - |
| Swimming Pool | 14,400.00 | - |
| Consultancy Fees | 923,750.00 | - |
| | 2,186,680 | 408,797 |

| | 2017/2018 | 2017/2018 |
|----------------------------------|--------------------|--------------------|
| 8. Personnel Emoluments | Kshs | Kshs |
| Staff Salary | 329,063,333.35 | 463,983,187 |
| Casual Wages | 18,540,451.00 | 17,502,995 |
| Gratuity & Pension Contributions | 43,178,285.65 | - |
| Internship Allowance | 773,174.00 | 343,211 |
| | 391,555,244 | 481,829,393 |

Note:

The significant variance in personnel costs between financial year 2017/2018 and 2018/2019 is due to salary arrears paid to staff for the 2013/2017 CBA.



| 9. Academic Costs | | |
|---|-------------------|-------------------|
| Part Time Teaching | 12,979,793.00 | 20,272,857 |
| Purchase of Teaching/Production Materials | 2,747,671.00 | 720,864 |
| Field Attachment Expenses | 5,203,432.00 | 2,440,594 |
| Joint Admission Board | 32,000.00 | 41,593 |
| Examination Expenses | 2,166,502.00 | 825,600 |
| Research Expenses | 1,961,778.00 | 855,710 |
| | 25,091,176 | 25,157,218 |

| 10. Administrative Costs | | |
|---------------------------------|------------------|------------------|
| Travelling and accommodation | 6,231,197.00 | 6,351,079 |
| Telephone Expenses | 52,900.00 | 49,150 |
| | 6,284,097 | 6,400,229 |

| 11. Students Welfare | | |
|-----------------------------|-------------------|-------------------|
| Gas and Cooking fuel | 1,368,150.00 | 1,816,005 |
| Food and rations | 4,473,436.00 | 9,601,012 |
| Crockery and utensils | 24,800.00 | 2,000 |
| Inter- university games | 1,466,718.00 | 1,081,820 |
| SOTTUC | 1,384,018.00 | 1,418,900 |
| Dean of Students | 43,980.00 | 38,700 |
| DSTV Subscription | 819,060.00 | 561,208 |
| TTU Alumni association | 706,000.00 | 802,970 |
| | 10,286,162 | 15,322,615 |

| 12. Maintenance Costs | | |
|--|------------------|------------------|
| Maintenance of plant/machine/equipment | 240,994.00 | 124,205 |
| Repair & Maintenance of Furniture | - | - |
| Maintenance of buildings | 1,374,677.00 | 2,064,444 |
| Maintenance of water/sewerage | - | 31,160 |
| Maintenance of Roads/Grounds | 154,099.00 | 98,195 |
| Maintenance of Ngerenyi Campus | 34,509.00 | 96,940 |
| | 1,804,279 | 2,414,944 |



13. Central Services

| | 2018/2019 | 2017/2018 |
|--------------------------------------|---------------|-------------|
| | <i>KShs</i> | <i>KShs</i> |
| Cleaning Materials | 537,822.00 | 701,826 |
| Uniforms/ Clothing's | 52,462.00 | 30,000 |
| Stationary | 1,796,473.00 | 2,357,430 |
| Medical Exp. In-Patient/Out-Patience | 6,100,608.22 | 13,750 |
| Medical Drugs and stores | 1,345,913.00 | 3,221,032 |
| IGU Investment (Seed Money) | 718,664.00 | - |
| External travelling | 1,771,835.95 | 60,000 |
| Postal & telegrams expenses | 67,250.00 | 13,500 |
| Chancellor's Expenses | 1,414,192.00 | 3,000 |
| Official entertainment | 93,072.00 | - |
| Conference & seminars | 624,910.00 | 621,400 |
| Public celebrations/funerals | 640,165.00 | 327,330 |
| Publishing & printing | 8,936.00 | 154,854 |
| Advertising & Publicity | 453,916.00 | 1,153,356 |
| Audit/Legal fees | 212,000.00 | 284,482 |
| ISO Expenses | 188,410.00 | 551,955 |
| Rent and Rates | 1,072.00 | - |
| Contracted professional services | 953,814.00 | 1,163,430 |
| Hire of transport & machinery | 181,200.00 | 130,772 |
| Motor vehicle insurance | 281,705.00 | 674,030 |
| General Insurance | 980,346.00 | 3,230,440 |
| Fees, Coms And Out of Pocket | 242,000.00 | 143,000 |
| Staff Training expenses | 1,076,515.00 | 1,277,892 |
| Principal award | 45,000.00 | 84,500 |
| Graduation expenses | 2,730,307.00 | 4,176,751 |
| Transition Expenses | - | 435 |
| Work Study | 28,950.00 | 8,100 |
| Subscription to Professional Bodies | 99,160.00 | 2,455,400 |
| Contingence& Disaster Management | 15,000.00 | - |
| Internet Connectivity | 5,846,985.00 | 5,781,810 |
| Computer Accessories & Software | 100,449.00 | 131,450 |
| Electricity expenses | 12,135,443.00 | 11,688,933 |
| Water expenses | 3,098,400.00 | 4,941,900 |
| Fuel for Generator | 152,430.00 | 97,478 |
| Transport Operating expenses | 4,095,769.00 | 4,399,457 |
| Library Expenses | 671,050.00 | 686,100 |
| Depreciation | 33,150,590.55 | 42,485,101 |
| Amortization of Software | 2,601.00 | 37,161 |

Annual Report and Financial Statements for the Financial Year ended 30 June, 2019



| | | |
|---------------------------------------|--------------------|--------------------|
| Bank charges | 8,500,101.25 | 8,437,374 |
| Provision for bad debts | 1,847,501.00 | 1,587,882.75 |
| Administration of Taveta Land | - | 23,840 |
| Farm works expenses | 157,311.00 | 336,155 |
| Animal Expenses | 54,405.00 | 250,690 |
| Drug and Substance Abuse Expenses | 30,000.00 | 5,500 |
| Gender Mainstreaming Expense | 26,760.00 | - |
| Prevention of HIV and Aids Expenses | - | 60,000 |
| New programmes implementation | 43,019.00 | 326,567 |
| Tender Evaluation Committee Expenses | 282,800.00 | 50,000 |
| Isangawishi Land Processing & Project | - | 22,500 |
| TaitaRice Project | 1,963,600.00 | - |
| Cemerem Project | 8,749,847.70 | - |
| Brics Project | 5,399,230.00 | - |
| TaitaGis | 8,278,485.00 | - |
| Final accounts & Budget committee | 56,000.00 | - |
| Strategic plan expenses | 623,004.00 | - |
| Group Life Insurance | 877,339.00 | - |
| Purchase of ERP | - | - |
| Donor funded projects | - | 32,581,587 |
| Pending Bills/Expenses | 10,852,362.92 | - |
| | 129,657,182 | 148,549,324 |

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14. Council Expenses

| | 2018/2019 | 2017/2018 |
|---------------------|-------------------|------------------|
| | <i>Kshs</i> | <i>Kshs</i> |
| Allowance/Honoraria | 10,458,596 | 9,374,074 |
| | 10,458,596 | 9,374,074 |

15. Finance Costs

| | 2018/2019 | 2017/2018 |
|----------------------|------------------|------------------|
| | <i>Kshs</i> | <i>Kshs</i> |
| Interest on KCB Loan | 1,040,380 | 1,590,499 |
| | 1,040,380 | 1,590,499 |

16. Cash and Bank Balances

| | 2018/2019 | 2017/2018 |
|-------------------------------|----------------------|----------------------|
| KCB TTUC Student Fees account | (552,167) | 1,121,207.60 |
| KCB TTUC Catering account | 183,512.16 | 757,863.50 |
| Equity Student Fees account | 122,436.12 | 2,531,988.62 |
| Schedule Account | 1,175,834.25 | 2,787,138.85 |
| KCB TTUC Salary account | 47,044.95 | 298,229.95 |
| CEMEREM PROJECT | 4,926,031.45 | 4,688,054.40 |
| Petty cash(Cash in hand) | 4,116.00 | 43,343.00 |
| TAITAGIS | 5,485,176.50 | 2,387,963.70 |
| | 11,391,984.63 | 14,615,789.62 |



**17. Trade and Other Receivables
From Exchange Transactions**

| | 2018/2019 | 2017/2018 |
|---------------------------------------|-------------------|-------------------|
| Student fees balance | 36,950,010.40 | 31,243,250 |
| Tuck Shops rent & electricity | 200,697.82 | 502,950 |
| Staff Advances (Outstanding Imprests) | 2,239,310.00 | 2,261,150 |
| MOE - Revenue | 38,662,519.70 | - |
| Provision for bad debts | (1,847,501) | (1,562,163) |
| | 76,205,037 | 32,445,188 |

18. Inventories

| | 2018/2019 | 2017/2018 |
|--------------------|------------------|------------------|
| Stationary Store | 1,431,882.00 | 1,727,884 |
| Catering Store | 847,720.00 | 2,186,205 |
| Maintenance Store | 887,108.00 | 1,660,054 |
| Drug Store | 282,041.00 | 544,613 |
| MMPE Workshop | 2,536,888.00 | 675,833 |
| Examinations Store | 933,712.00 | 402,239 |
| | 6,919,351 | 7,196,827 |

Annual Report and Financial Statements for the Financial Year ended 30 June, 2019



19. Biological Assets

| | 2018/2019 | 2017/2018 |
|------------|------------------|------------------|
| Dairy Cows | 1,231,542 | 708,000 |
| Rabbits | 3,000 | 6,000 |
| Bee Hives | - | 2,000 |
| | 1,234,542 | 716,000 |



20. PROPERTY AND EQUIPMENT

| | W.I.P | Land | Building | Furniture & Fittings | Computer & Equipment | Motor Vehicles | Plant & Machinery | Total |
|--|--------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------------------|----------------------|
| <i>year ended 30-09-2018:</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> |
| DEPN. RATES | | | 2% | 10% | 30% | 20% | 10% | |
| <u>COST</u> | | | | | | | | |
| As at 01-07-18 | 289,671,768 | 1,065,000,000 | 2,554,542,504 | 30,345,226 | 81,204,005 | 36,743,633 | 1,451,830 | 4,058,958,965 |
| Additions | 147,710,964 | | | - | - | | | 147,710,964 |
| Revaluation | | | | | | | | - |
| ERP System | 2,000,000 | | | | | | | 2,000,000 |
| Processing of Isanga Iwishi Land | 3,232,077 | | | | | | | 3,232,077 |
| Adjustments | | | | | | | | - |
| As at 30-06-2019 | 442,614,809 | 1,065,000,000 | 2,554,542,504 | 30,345,226 | 81,204,005 | 36,743,633 | 1,451,830 | 4,211,902,006 |
| <u>DEPRECIATION & IMPAIREMENT</u> | | | | | | | | |
| As at 01-07-18 | - | - | 224,750,472 | 13,849,282 | 81,204,005 | 34,553,737 | 548,439 | 354,905,934 |
| As At 30 June, 2016 (Attributable to Revalued Assets) | | | | | | | | - |
| Charge for the for the 2018-2019 | | | 31,490,000 | 1,616,239 | - | - | 44,352 | 33,150,591 |
| Charge for the 2018.19 attributable to | | | 40,600,403 | 24,016 | - | - | 72,598 | 40,697,018 |

Annual Report and Financial Statements for the Financial Year ended 30 June, 2019



| | | | | | | | | |
|--|-------------|---------------|---------------|------------|------------|------------|-----------|---------------|
| revalued assets | | | | | | | | |
| As at 30-06-19 | - | - | 296,840,876 | 15,489,536 | 81,204,005 | 34,553,737 | 665,389 | 428,753,543 |
| <u>NET BOOK AMOUNT</u> | | | | | | | | |
| As at 01-07-17 | 289,671,768 | 1,065,000,000 | 2,329,792,031 | 16,495,944 | 0 | 2,189,896 | 903,391 | 3,704,053,031 |
| As at 30-06-19 year ended 30-06-2018: | 437,382,732 | 1,065,000,000 | 2,257,701,628 | 14,855,689 | 0 | 2,189,896 | 786,441 | 3,783,148,463 |
| <u>COST</u> | | | | | | | | |
| As at 01-07-17 | 224,250,378 | 1,065,000,000 | 2,554,542,504 | 29,360,576 | 69,588,402 | 36,743,633 | 1,451,830 | 3,980,937,322 |
| Additions | 65,421,390 | | | 984,650 | 9,582,451 | | | 75,988,491 |
| Revaluation | | | | | | | | - |
| Disposal | | | | | | | | - |
| Transfer | | | | | | | | - |
| Adjustments | | | | | | | | - |
| As at 30-06-2018 | 289,671,768 | 1,065,000,000 | 2,554,542,504 | 30,345,226 | 79,170,853 | 36,743,633 | 1,451,830 | 4,056,925,814 |
| <u>DEPRECIATION & IMPAIREMENT</u> | | | | | | | | |
| As at 01-07-17 | - | - | 174,813,394 | 10,821,430 | 57,553,846 | 27,205,010 | 423,422 | 270,817,103 |
| As At 30 June, 2016 (Attributable to Revalued Assets) | | | | | | | | - |
| Charge for the Year | | | 8,508,095 | 3,001,167 | 23,582,760 | 7,348,727 | 44,352 | 42,485,101 |
| Charge for the Year- | | | | 26,684.70 | | | | 41,603,731 |

Annual Report and Financial Statements for the Financial Year ended 30 June, 2019



| | | | | | | | | |
|--|--------------------|----------------------|----------------------|-------------------|------------------|------------------|----------------|----------------------|
| attributable to revalued assets | | | 41,428,982.97 | | 67,398.21 | | 80,665 | |
| As at 30-06-18 | - | - | 224,750,472 | 13,849,282 | 81,204,005 | 34,553,737 | 548,439 | 354,905,934 |
| <u>NET BOOK AMOUNT</u> | | | | | | | | |
| As at 01-07-17 | 224,250,378 | 1,065,000,000 | 2,379,729,109 | 18,539,145 | 12,034,556 | 9,538,623 | 1,028,408 | 3,710,120,219 |
| As at 30-06-18 | 289,671,768 | 1,065,000,000 | 2,329,792,031 | 16,495,944 | 2,033,151 | 2,189,896 | 903,391 | 3,702,019,879 |
| | | | | | | | | |
| <i>year ended 30-06-2017:</i> | | | | | | | | |
| <u>COST</u> | | | | | | | | |
| As at 01-07-16 | 191,085,062 | 1,065,000,000 | 2,508,616,704 | 27,348,332 | 46,685,938 | 36,743,633 | 1,451,830 | 3,876,931,499 |
| Additions | 79,091,115 | - | - | 2,012,244 | 22,902,464 | - | | 104,005,823 |
| Revaluation | | | | | | | | - |
| Disposal | | | | | | | | - |
| Transfer | (45,925,800) | | 45,925,800 | | | | | - |
| Adjustments | (11,512,885) | | | | | | | (11,512,885) |
| As at 30-06-2017 | 224,250,378 | 1,065,000,000 | 2,554,542,504 | 29,360,576 | 69,588,402 | 36,743,633 | 1,451,830 | 3,980,937,322 |
| <u>DEPRECIATION & IMPAIREMENT</u> | | | | | | | | |
| As at 01-07-16 | - | - | 108,616,704 | 7,852,017 | 36,508,830 | 19,856,284 | 177,408 | 173,011,242 |
| As At 30 June, 2016 (Attributable to | | | 15,105,841 | 33,356 | 168,496 | - | 100,831 | 15,408,523 |

Annual Report and Financial Statements for the Financial Year ended 30 June, 2019



| | | | | | | | | |
|--|-------------|---------------|---------------|------------|------------|------------|-----------|---------------|
| Revalued Assets) | | | | | | | | |
| Charge for the Year | | - | 8,508,095 | 2,902,702 | 20,708,025 | 7,348,727 | 44,352 | 39,511,900 |
| Charge for the Year- attributable to revalued assets | | - | 42,582,755 | 33,356 | 168,496 | - | 100,831 | 42,885,438 |
| As at 30-06-17 | - | - | 174,813,394 | 10,821,430 | 57,553,846 | 27,205,010 | 423,422 | 270,817,103 |
| <u>NET BOOK</u> <u>AMOUNT</u> | | | | | | | | |
| As at 01-07-16 | 191,085,062 | 1,065,000,000 | 2,400,000,000 | 19,496,315 | 10,177,108 | 16,887,350 | 1,274,422 | 3,703,920,257 |

Annual Report and Financial Statements for the Financial Year ended 30 June, 2019



| WORK IN PROGRESS SCHEDULE | | | | | | | | |
|--|--------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------|
| DETAILS | 2012/2013 B/F | 2013/2014 Additions | Additions 2014/2015 | Additions 2015/2016 | Additions 2016/2017 | Additions 2017/2018 | Additions 2018/2019 | TOTAL |
| | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> | <i>KShs</i> |
| Construction of Water tank | 1,446,464 | 9,867,298 | 3,138,993 | - | 410,408 | 2,049,840 | 1,245,107 | 18,158,110 |
| Construction of Water Treatment Plant-Main Campus | | 6,539,750 | 8,292,272 | 1,228,486 | | | 20,800.00 | 16,081,308 |
| <i>Construction of Water Treatment Plant-School of Agriculture</i> | | | | | 663,274 | | - | 663,274 |
| Construction of Mines, Fuels & Mineral Processing Centre-Phase I | | 7,343,552 | 88,751,352 | 13,054,435 | 25,705,310 | 5,499,450 | 1,735,402 | 142,089,501 |
| Construction of Mines, Fuels & Mineral Processing Centre-Phase II | | | | | 43,451,488 | 27,416,026 | 18,729,385 | 89,596,899 |
| Fencing of Taveta Land | | | | 5,496,660 | 5,080,361 | 2,159,355 | - | 12,736,377 |
| Construction of Incinerators | | | | | 746,604 | | - | 746,604 |
| Construction of Dairy Unit/Classroom-School of Agriculture | | | | | 3,033,670 | 2,018,588 | - | 5,052,258 |
| Construction of Administration block main campus | | | | | | 17,051,415 | 70,739,365 | 87,790,780 |
| Construction of Administration block Taveta campus | | | | | | 9,226,716 | 55,240,905 | 64,467,621 |
| TOTAL | 1,446,464 | 23,750,600 | 100,182,617 | 19,779,581 | 79,091,115 | 65,421,390 | 147,710,964 | 437,382,732 |



21. Intangible Assets – Software

| | 2018/2019 | 2017/2018 |
|-----------------------------|----------------------|-------------------|
| | <i>KShs</i> | <i>KShs</i> |
| Balance b/d | 86,708 | 123,869 |
| Amortization | (2,601) | (37,161) |
| Balance c/d | 84,106.76 | 86,708 |
| Add: Work In Progress (ERP) | 17,580,102 | 17,580,102 |
| | 17,664,208.76 | 17,666,811 |

**22. Inter Public University Councils
Consultative Forum (IPUCCF)**

| | 2018/2019 | 2017/2018 |
|----------------------------|-------------------|-------------------|
| Balance b/f | 35,200,000 | 35,200,000 |
| Addition within the year | - | - |
| Total Loan | 35,200,000 | 35,200,000 |
| Repayment made in the year | - | - |
| | 35,200,000 | 35,200,000 |

23. Financing Lease/KCB Loan

| | 2018/2019 | 2017/2018 |
|--------------------------|-------------------|-------------------|
| Finance Lease(a) | | |
| Balance B/F | 8,534,188 | 8,830,909 |
| Addition within the year | 2,931,642 | 7,388,055.00 |
| Total Loan | 11,465,830 | 16,218,964 |
| Loan Repayment | 3,997,666 | 5,780,339 |
| diff | - | 1,904,437 |
| Balance c/d | 7,468,164 | 8,534,188 |

Annual Report and Financial Statements for the Financial Year ended 30 June, 2019



| | | |
|--------------------------|------------------|------------------|
| KCB Loan(b) | | |
| Balance B/F | - | - |
| Addition within the year | - | - |
| Total Loan | - | - |
| Loan Repayment | - | - |
| Balance c/d | - | - |
| | 7,468,164 | 8,534,188 |

| Loan Balance Reclassification | Current portion | Non-Current portion |
|--|------------------------|----------------------------|
| Financing Lease/KCB Loan | - | 3,894,123 |
| KCB Loan | - | - |
| | - | 3,894,123 |
| 24. Trade and other Payable from Exchange transaction | 2018/2019 | 2017/2018 |
| Sundry creditors | 37,096,326.64 | 35,155,485 |
| JKUAT Arrears | 4,581,823.00 | 3,925,781 |
| TUM Arrears | 3,537,503.00 | 2,925,103 |
| Hospital Bills | 8,204,641.88 | 4,686,117 |
| Part-time lecturers | 97,787,001.00 | 47,211,674 |
| Provision for retention | 22,490,495.51 | 23,165,754 |
| Provision for Audit fees | 548,000.00 | 618,000 |
| Fees prepayment | 19,653,021.92 | 13,710,068.22 |
| Unpaid Payroll Deductions | 24,696,596.35 | - |
| Provision for Insurance Claims | - | 478,922 |
| Unspent donor funds | - | 870,104.33 |
| | 218,595,409 | 132,747,008 |

Annual Report and Financial Statements for the Financial Year ended 30 June, 2019



25. Bank Overdraft

| | 2018/2019 | 2017/2018 |
|-----------------------|----------------------|-------------------|
| KCB TTUC Main account | 41,642,270.43 | 73,599,079.69 |
| | 41,642,270.43 | 73,599,080 |



XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe For the issue to be resolved) |
|--|--|--|--|-----------------------------------|---|
| 1. Financial Performance | The total current liabilities of Kshs.210,240,211 exceeds total current assets balance of Kshs.54,973,804 resulting to a negative working capital of Kshs.155,266,407. | The difference is as a result of trade and other payables that had not been settled as at 30 June, 2018 due to low funding. Management is closely monitoring the liabilities to ensure timely payment. | Mr. Peter Kisombe (Ag. Finance Officer) | Resolved | |
| 2. Cash and cash equivalents | Balance of Kshs.14,615,790 not reconciled in the KCB Fee Collection A/c and KCB Catering A/c. | The balance of Kshs.14,615,790 was reconciled and the amounts cleared from the two bank accounts. | Mr. Peter Kisombe (Ag. Finance Officer) | Resolved | |
| 3. Audit Fees | A provision of Kshs.284,482 for audit fees not sufficient. | This has been corrected and a realistic figure for audit fees has been provided. | Mr. Peter Kisombe (Ag. Finance Officer) | Resolved | |
| 4. Bank Overdraft | The statement of financial performance reflected a bank overdraft of Kshs.73,599,080 which was way above the approved overdraft of Kshs.50 Million. | The overdraft at KCB Main account was capped at Kshs.50 Million in February 2019. | Mr. Peter Kisombe (Ag. Finance Officer) | Resolved | |
| 5. Trade and other payables from exchange transactions | Trade and other payables from exchange transactions amount of Kshs.727,236 not ascertained. | The amount in question was reconciled. | Mr. Peter Kisombe (Ag. Finance Officer) | Resolved | |
| 6. Budgetary | Under-expenditure of | Budgeting based on work plans | Mr. Peter | Resolved | |



| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe For the issue to be resolved) |
|--|-----------------------------------|--|--|-----------------------------------|---|
| controls and performance | Kshs.111,179,750 | and clear activities being done to avoid such scenarios. | Kisombe (Ag. Finance Officer) | | |

Guidance Notes:

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

AG. VICE CHANCELLOR

Date.....20/02/2020.

Chairman of the Council

Date.....20/2/2020