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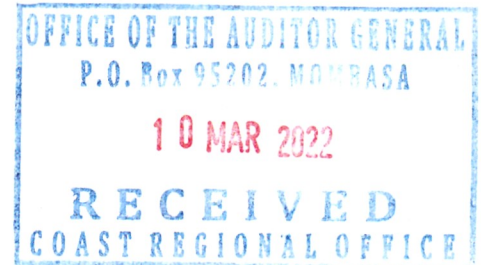
THE AUDITOR-GENERAL

ON

TAITA TAVETA UNIVERSITY

**FOR THE YEAR ENDED
30 JUNE, 2021**

Revised Template 30th June 2021



TAITA TAVETA UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2021

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

Taita Taveta University
Annual Reports and Financial Statements
For the year ended June 30, 2021.

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Taita Taveta University was initially established as a Campus of JKUAT in 2008, became a Constituent College of Jomo Kenyatta University of Agriculture and Technology via Legal Notice Number 156 of 18th October, 2011, and was elevated to a fully-fledged University through award of the Taita Taveta University Charter on **7th October, 2016**. Over the years of TTU's establishment and operations, the University Council, Management, staff and students have collectively embraced a transformative journey aimed at positioning the University as a strategic player in national and regional development, and an academic centre of excellence with a special focus on Mining, Mineral Processing and Natural Resource Management. Progressively, Taita Taveta University has accordingly established itself as the University of Mining, Applied Sciences and Entrepreneurship. The University hosts the Centre of Excellence in Mining, Environmental Engineering and Natural Resource Management (CEMEREM) supported by the DAAD of Germany.

(b) Principal Activities

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

Vision Statement

An educated and transformed society in sustainability of natural resources.

Mission Statement

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

Core Values

- i) **Result Oriented**- budgeting and planning is geared towards achieving desired results with minimum expenses
- ii) **Quality**- All work is done to ensure products and services of the highest quality are achieved.
- iii) **Innovativeness**- in the face of many challenges, innovation is championed to ensure set targets are achieved
- iv) **Transparency and accountability** –All dealings should be open and accountable to stakeholders
- v) **Professionalism and ethical conduct** -staff are required to uphold the highest professional and ethical standards in their assignment.

(c) Key Management

The Taita Taveta University 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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

Designation	Name
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
Ag. Registrar (Academic, Research & Outreach)	Dr. Meshack Mwandoe Pongah
Director Administration, Planning and Development (APD)	Mr. Habib Mruttu
Head of Procurement	Mr. Simon Kamos Ndiwa
Director of Finance	Mr. Peter Kisombe

(e) Fiduciary Oversight Arrangements

Taita Taveta University has a council whose membership and various committee membership is as follows;

A. University Council	
Membership is as listed under University Council	
1. Ms. Jayne K. Mwanza	Member
2. Mr. Joseph Kiarii - Representing PS, The National Treasury.	Member
3. Mr. Johnson Nanjakululu - Representing PS, State Department for University Education and Research, Ministry of Education.	Member
4. Dr. Peter E. Opakas	Member
5. Mr. Karumba Kinyua	Member
6. Dr. Jeremiah Koshal	Member
7. Prof. Fred Simiyu Barasa	CEO/Secretary

B. Finance, Development and General Purpose Committee (FDGP)	
1. Mr. Karumba Kinyua	Chairman
2. Mr. Johnson Nanjakululu- Representing PS, State Department for University Education and Research, Ministry of Education	Member
3. Mr. Joseph Kiarrii - Representing PS The National Treasury	Member
4. Dr. Peter E. Opakas	Member
5. Prof. Fred Simiyu Barasa	CEO/Secretary

C. Audit, Risk and Governance Committee (ORG)	
1. Dr. Jeremiah Koshal	Chairman
2. Ms. Jayne Kanini Mwanza	Member
3. Mr. Johnson Nanjakululu- Representing PS, State Department for University Education and Research, Ministry of Education	Member
4. Mr. Joseph Kiarrii - Representing PS The National Treasury	Member
5. Mr. John Runga-HOD Audit/ Secretary (Ex-Official)	Ex-official/Secretary

D. Human Resource and Development Committee (HRD)	
1. Dr. Peter Ulugat Opakas	Chairman
2. Ms. Jayne Mwanza	Member
3. Mr. Johnson Nanjakululu - Representing PS, State Department for University Education and Research, Ministry of Education	Member
4. Mr. Joseph Kiarrii - Representing PS The National Treasury	Member
5. Prof. Fred Simiyu Barasa	CEO/Secretary

E. Sealing Committee	
1. Ms. Jayne Mwanza	Chairman
2. Mr. Joseph Kiarii - Representing PS The National Treasury	Member
3. Mr. Johnson Nanjakululu- Representing PS, State Department for University Education and Research, Ministry of Education	Member
4. Prof. Fred Simiyu Barasa	CEO/Secretary

(f) Entity Headquarters

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

(g) Entity Contacts

Telephone :(254) 0662 322234
E-mail: vc@ttu.ac.ke
Website: www.ttu.ac.ke

(h) Entity Bankers

1. Kenya Commercial Bank Ltd
Voi Branch
P.O. Box 137 - 80300
Voi, Kenya
2. Equity Bank Ltd
Voi Branch
P.O. Box 325 - 80300
Voi, Kenya

3. Independent Auditors

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

4. Principal Legal Adviser

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

2. THE UNIVERSITY COUNCIL.

1. Ms. Jayne K. Mwanza



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.

2. Mr. Johnson Nanjakululu



Born: 1962
 M.E.D (University of Nairobi), Currently the Deputy Director, Higher Education. He is a Competency Based Education and Training Specialist. He has 34 years of working experience.

3. Mr. Joseph Kiarie






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 in the National Treasury and is a member of the Institute of Certified Financial Analysts (ICFA).




4. Dr. Jeremiah Koshal



Born: 1970
 PhD in Organizational Leadership and an MBA Management from Regent University, USA, and a Bachelor of Commerce from Daystar University, Kenya. He is Assistant Professor of Leadership at Chandaria School of Business, United States International University. He teaches in both undergraduate and graduate programs in the areas of Management and Leadership. He also supervises MTheses and DBA Dissertations.

<p>5. Mr. Karumba Kinyua</p> 	<p>Born 1977 MSc in Corporate Real Estate Finance and Strategy; Bachelor of Commerce (Business Administration) and IMIS Diploma. Member of the Association of Chartered Certified Accountants (ACCA) graduate; Institute of Certified Investment and Financial Analysts (ICIFA), Kenya and Institute of Directors (IOD), Kenya. Currently the Managing Partner, Pinehill Consulting and has served in various capacities in different companies.</p>
<p>6. Dr. Peter E. Opakas</p> 	<p>Born: 1952 PhD in Environmental Studies (Human Ecology option) – Moi University; MEd (Educational Administration) – University of Leeds; D.E.A (Educational Administration) University of Leeds and B.Ed (Hons) Arts –University of Nairobi. Certificate in Human Resource Management from ESAMI and Certificate in Project Management - MDF, The Netherlands. Served as Registrar (Planning and Development), Moi University.</p>
<p>7. 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 Vice Chancellor.</p>

3. MANAGEMENT TEAM

<p>1. Prof. Fred Simiyu Barasa</p>  <p>PhD, Comparative and International Education, University of Natal, RSA</p>	<p>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 Jonah Arap Too</p>  <p>PhD in Civil Engineering specialised in Geotechnical Engineering, Kyoto University, Japan.</p>	<p>Ag. Deputy Vice Chancellor (Administration, Finance and Planning) Head of Division and responsible for Administration, Finance and Planning functions of the University.</p>

4. CHAIRMAN'S STATEMENT

The financial year 2020/2021 marks the tenth 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 endeavor 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 2020/2021 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. Ongoing infrastructural projects include: construction of Phase II and III 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. This infrastructural development once completed will go a long way in meeting Taita Taveta University core mandate of Education, research and community outreach. On the Human Resource capital, Taita Taveta University is privileged to have its First Substantive Vice Chancellor appointed within the year. Further, the University is supporting staff pursuing PhD, Master and Bachelor degree study programmes. These Human resource capacity building Strategies will go a long way in enhancing better service delivery to Taita Taveta University fraternity and the community at large. With all the developments ongoing, the University has continued to deliver on its core mandate of 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 2020/2021, 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, Universities Standards and Guidelines on increasing staffing levels, construction of a Modern Library, expansion of office and classroom space, equipping and modernizing laboratories and workshops, construction of a Security Access Control Gate 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,



Mr. Karumba Kinyua
Chairman Finance, Development and General Purpose Committee.

5. REPORT OF THE VICE CHANCELLOR

The financial year 2020/2021 has been an eventful year. The COVID -19 pandemic which led to the closure of the University on 18th March 2020 continued to affect the operations of the year under review and continued to bring challenges in the operation of the University due to phased reopening. We have struggled with insufficient cash flows shortfalls, increasing food prices, as well as reduction in internally generated funds and capital funds. Further, we struggled 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) 90001:2015 Certified, implementation of Phase II of the Centre of Excellence for Mining, implementing Environmental Engineering and Resource Management (CEMEREM) project at Taita Taveta University in collaboration with German Universities and steady execution of the TAITAGIS project undertaken in partnership with the University of Helsinki, implementing KALRO funded projects namely; Taita Banana, Taita Pastures, Taita Soils and Taita Feeds. 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 2020/2021, Taita Taveta University received from the Government of Kenya a total of **Kshs. 391,711,932** for recurrent expenditure, **Kshs. 36,514,666** for development expenditure and an additional **Kshs.42,063,036** to meet 2017-2021 CBA that was factored in 2019/2020 year. The university was able to generate Appropriation-in-Aid of **Kshs. 119,433,407**. During the year under review, the University realized a deficit of **Kshs.60,678,914**. The deficit was as a result of a decline in incomes due to phased reopening and a largely static capitation, both of which posed challenges to realizing the envisaged balance between revenue and University operational needs. In order to address this deficit, the University is implementing several strategies including: greater and diversified engagement with stakeholders; planned commercialization of University facilities; expansion of postgraduate programmes; and ongoing restructuring of University administrative structures and academic programs curriculum reviews.

During the year under review, TTU closed the financial year with total pending bills of **Kshs. 269,828,670** arising from unpaid supplier invoices, unpaid part time teaching claims, other service providers' dues, provision for retention, student fees overpayments and hospital bills. The bulk (34%:) of pending bills (**Kshs.92,276,284**) is part-time lecturer's arrears arising as a consequence of significant understaffing for academic staff. The University is servicing an Asset based Financing loan which stood at **Kshs. 653,763.84**. 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.

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During the year under review, the University graduated a total of 680 graduates on 6th May 2021. The distribution of the graduates is as indicated in the table below:

Award	Male	Female	Total
Certificates	10	10	20
Diploma	9	10	19
Bachelor's Degrees	404	234	638
Masters Degrees	2	1	3
Total	425	255	680

To cater for the current and projected increase in student numbers, and in line with Government policy of prioritizing completion of ongoing projects during the period under review, the University focused on completion of the construction of the Mining and Mineral Processing Center (MMPE) Complex, the Central Administration Office Block and the Office and Classroom Block at Taveta 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 has continued to systematically revise and update its academic programs and develop new niche areas in line with identified national priorities especially the big four agenda.

The financial year ended 30th June, 2021 has seen the institution continue implementing austerity measures including prioritizing on critical expenditure 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 may more 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. As at 30th June 2021, the Bank overdraft stood at **Kshs.48,728,888.74**. The University management is committed to reducing the bank overdraft with time.

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 the 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 its amendments 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.



.....
Prof. Fred Simiyu Barasa, PhD
VICE CHANCELLOR

**6. STATEMENT OF TAITA TAVETA UNIVERSITY PERFORMANCE AGAINST
PREDETERMINED OBJECTIVES FOR FY 2020/2021**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Taita Taveta University (TTU) has six strategic pillars and underlying strategic objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

Pillar 1: Excellence in Research, Teaching, and Engagement: To increase research, academic & engagement capacity and impact;

Pillar 2: Facilities and Learning Environment: To provide high quality infrastructure to support teaching & Learning and provide sustainable and reliable water supply;

Pillar 3: Student Management and Experience: To promote the health and well-being of students including strengthening of Sports, Culture and Art and strengthen the capacity of TTU alumni unit;

Pillar 4: Human Resource Capacity: To attract and retain optimum number of qualified staff to meet the current and future needs;

Pillar 5: Financing and Resource Mobilization: To strengthen the financial management and resource policies and strategies;

Pillar 6: Strategic Leadership, Management and Good Corporate Governance: To strengthen TTU's institutional and governance organs for decision making; to strengthen the strategic partnerships and networking and to Strengthen TTU's corporate identity and visibility in the region and internationally.

Taita Taveta University develops its annual work plans based on the above 6 pillars. Assessment of the Council's performance against its annual work plan is done on a quarterly basis by way of quarterly performance contract progress reports, and on annual basis by way of annual performance contract evaluation report and annual Council Performance Evaluation conducted by the State Corporations Advisory Committee (SCAC). The University largely achieved its performance targets set for the FY 2020/2021 period for its six strategic pillars, as indicated in the table below:

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Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Excellence in research teaching and engagement.	Enhance Research Infrastructure	Twenty (20) Computers and one power Back up for the server room purchased.	Procurement of computers and power back up in line with approved procurement plan.	20 computers purchased and in use. One power back up purchased, installed and functional.
	Increase the number of Publications.	Twenty (20) papers published in Peer reviewed Journals	Undertake Research, write and submit papers/ manuscripts to identified Journals and secure their Publication.	28 Papers, flowing from research activities, Published in peer reviewed Journals.
Pillar 2: Facilities and learning environment.	Provide high quality infrastructure to support teaching and learning, and provide sustainable and reliable water supply.	Construction of the Mines and Mineral processing centre completed. Stakeholders (National and County Government) engaged to commence project for connection of the University to a reliable water supply system.	Pay contractor for completion certificates supplied and monitor construction progress. Organize meeting with stakeholders.	Mines and Mineral processing centre at 96% completion. Contract for construction of water supply to the county residents including the University awarded and construction works commenced.
	Enhance water sufficiency in the University.	Rain water harvesting policy and strategy developed.	Develop rain water harvesting policy and strategy, and	Rain water harvesting policy,

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			secure Council approval.	which embeds appropriate strategies, developed and approved by the University Council.
Pillar 3: Student management and experience.	Enhance student experience through creation of opportunities for internship, and student attachment.	Five (5) interns recruited and Thirty (30) students placed on industrial attachment.	Recruit five (5) interns and engage Thirty (30) students on industrial attachment.	Cumulatively 63 students comprising interns and students on attachment engaged.
Pillar 4: Human resource capacity.	Establish a Staff recognition award scheme.	Appropriate policy approved and implementation commenced.	Develop a staff recognition and award scheme policy, secure Council approval and commence Implementation.	Staff Recognition and Award Scheme Policy, as well as Regulations thereto, developed, duly approved by the Council and under implementation.
Pillar 5: Financing and resource mobilization.	Enhance income generated from Research and Development projects.	Funding from Research and Development enhanced and diversified.	Develop and Market Fundable Research proposals. Engage new potential	Research Funding generated declined slightly by 4% due to disruptions occasioned

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			Funding Agencies for Research and Development.	by COVID-19 pandemic. Received Funding from new funding Agencies including the Kenya Space Agency.
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7. CORPORATE GOVERNANCE STATEMENT

The University is overseen by a Council constituted in accordance with the Universities Act 2012. Three New Independent Council members (Dr. Jeremiah Koshal, Dr. Peter Opakas and Mr. Karumba Kinyua) were appointed on 4th November 2020 for a three-year term period and one council member (Mr. Johnson Nanjakululu, representing Principal Secretary State Department for University Education and Research) was appointed on 1st April 2021 for a two-year term period, to replace the previous members whose term had expired on 9th March 2020.

During the year under review, the council sub committees held meetings to deliberate on various matters of the University.

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 June 30, 2021 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 Annual Report and Financial Statements were submitted to the Full Council for consideration and were duly approved on 28/9/2021.

8. MANAGEMENT DISCUSSION AND ANALYSIS

University's Operational and Financial Performance

During the financial year 2020/2021, the University registered a Deficit of Kshs.60,678,914 compared to the Surplus of Kshs.13,504,262 registered in 2019/2020 Financial Year. During the year under review, the University recorded total revenue of Kshs.511,145,338 compared to Kshs.620,195,654 recorded in 2019/2020 Financial Year. The Ministry of education also released Kshs.42,063,036 that relates to the 2017-2021 CBA arrears which were factored in 2019/2020 financial year. The reduced incomes was a result of Covid-19 pandemic which led to phased reopening of the University and subsequent reduction of fee income and reduced capitation.

Revenues

Government Capitation

Taita Taveta University being a Government owned entity, receives recurrent and development capitation to finance its operations. In 2020/2021, the University received a total of Kshs.391,711,932 and Kshs.36,514,666 for recurrent and development expenditure respectively.

Student Fees

These comprise of fees from Government sponsored students and Self-sponsored students (Module II) and accounts for 14% of the total revenue. During the financial year 2020/2021, the student fees declined because of the outbreak of the Corona virus that resulted to the closure of the University on 18th March 2020 following the directive of the President of the Republic of Kenya and the phased reopening that followed thereafter in the year under review. The University managed to raise Kshs.71,788,074 from student fees.

Research Grants

The University works in partnership with International Donors in implementing research and development projects that are aimed at building the capacity of students and staff. The key research projects implemented in the financial year 2020/2021 include: the Centre of Excellence for Mining, Environmental Engineering and Resource Management (CEMEREM) in partnership with the University of Applied Sciences Dresden (HTWD) and the Technische Universitat Bergakademie Freiberg (TU BAF) these German Universities funded by DAAD, the TaitaGIS project undertaken in partnership with the University of Helsinki funded by the Finland Government, the Sustainable Artisanal and Small-Scale Mining (SustASM) project implemented in partnership with the University of Nottingham, TaitaRice project funded by the National Research Fund (NRF), and four other projects (Taita Banana, Taita Pastures, Taita Soils and Taita Feeds) being implemented in partnership

with KALRO. A total of Kshs.32,946,618 was received from the International Partners in the financial year 2020/2021.

Other Incomes

Included under this category are incomes from accommodation, catering services and Income Generating Units (IGUs). A total of Kshs.13,479,776 was raised in the year under review. The catering services and IGUs were affected by the phased reopening of the University under review.

Expenses

Employee Costs.

Employee costs account for about 69.5% of the total University recurrent and development expenditure. In the year under review, AIA accounted for 21% of the recurrent budget including donor funded research projects as compared to 31% of the previous Financial Year 2019/2020. As already highlighted, the drop was occasioned by the COVID-19 pandemic challenges that disrupted the academic calendar and normal related University Operations.

Operating and Administrative expenses

This accounts for 26% of the total expenditure. Included under this category are:

- i. Expenditure relating to research grants projects
- ii. Expenditure on Income Generating Activities
- iii. Repair and Maintenance expenses
- iv. Teaching and Office running expenses
- v. Transport and Travel expenses
- vi. ICT expenditure
- vii. Medical expenses
- viii. Council expenses

Capital Development Expenditure

In the year under review, the capital development capitation was significantly reduced from Kshs.128.996 million received in the FY 2019/2020 to Kshs.36.514 Million received in the FY 2020/2021. This affected the implementation and progress of the on-going projects.

The financial year ended 30th June, 2021 has seen the institution continue implementing austerity measures including reduced activities on a priority basis 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 may more 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.

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.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Taita Taveta University exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the six pillars: Excellence in Research, Teaching, and Engagement; Facilities and Learning Environment; Student Management and Experience; Human Resource Capacity; Financing and Resource Mobilization and Strategic Leadership, Management, and Good Corporate Governance. Below is a brief highlight of our achievements in each pillar:

i) Sustainability strategy and profile

TTU's strategic plan 2018 -2023 aims at strengthening the capacity of TTU to provide relevant and responsive higher education on sustainable development in the areas of mining and natural resources management. Besides offering Undergraduate and Postgraduate courses on Mining and Mineral processing engineering, TTU established the Centre of Excellence in Mining Environmental Engineering and Resource Management (CEMEREM).

In the year under review, the University actively engaged in partnerships and collaborations with other institutions of higher learning, research organizations, industry and the private sector in ensuring sustainability of the programmes. To this end, the University implemented

a total of seven research funded projects that were funded by different strategic partners aimed at building the capacity of students and staff.

ii) Environmental performance

The University acknowledges that her activities have an impact on the environment. It is for this reason that the University has an Environment policy that clearly indicates the University's commitment to environmental sustainability. Whereas the University is located in a semiarid climate zone, through the Policy the University has been able to maintain her Grounds in an environmentally sensitive way (Landscaping and Tree planting) having regard to the protection of natural habitats and local Wildlife. The University is on the journey of creating a micro climate within the University by creating a mini forest cover through tree planting.

iii) Employee welfare

Gender Ratio

The University has several policies in place to cater for its employee's welfare including its Chapter Collective Bargaining Agreements (CBAs) and the Human Resource Manual which specifically guide its recruitment and management of staff welfare in terms of ensuring representation of all genders and other special groups. In addition, the University has a specific clause in its advertisement encouraging the Women and people living with disability to apply and an additional mark for women and people living with disability.

Stakeholder Engagement

As a practice all the policies developed by the University have a clause entrenched to ensure engagement of various stakeholders that the proposed policy shall govern.

Improving skills and managing careers, appraisal and reward systems

The University conducts an annual staff appraisal to determine performance of its staff and identify various gaps in skills. Similarly, a staff recognition and award scheme and its regulations developed and approved and is due for roll out in the third quarter of the FY 2020/2021.

To comply with the requirements of the Occupational Safety and Health Act of 2007;

The University has acquired the following annual insurance covers for its staff in addition to regular sensitization of its members on work place safety and hazards;

- i) Work Injury Benefits Act Insurance
- ii) Group Personal Accident
- iii) Group Life Assurance

The HR Manual also outlines various obligations of employees and the University as far as safety at work place or during work is concerned.

Similarly, the University secured an inclusion of COVID – 19 insurance risk cover to its members of staff on the existing covers, developed and implemented a return to work and continuous sensitization of staff on COVID – 19.

iv) Market place practices-

Taita Taveta University continuously works to ensure the following practices are done with utmost professionalism for the betterment of society;

a) Responsible competition practice.

The University Management ensures responsible competition practices:

Anti-corruption – The Management ensures the staff, students and customers are treated fairly, equally and in accordance with established policies and procedures that govern every activity within the University. The Management adheres to national laws and regulations in regard to preventing corruption within the University and has established relevant committees not only to prevent corruption but also how whistle blowers can report cases of real or suspected corruption. It regularly submits quarterly reports to the Economic and Anti-Corruption Commission (EACC). The University Management has displayed at conspicuous places messages that the University is a ‘Corruption Free Area’.

Responsible political involvement – The University Management has established policies and mechanisms that do not allow partisan politics among staff or students within her compound. The staff are allowed to join and participate in union activities that are registered and formally recognized by the University while students are allowed to elect officials to the Students’ Governing Councils on an annual basis.

The University Management adheres to rules of fair competition and respect for competitors. It believes in the principles of equal opportunities for employees, students and customers as well as affirmative action as enshrined in the Constitution of Kenya and related laws and regulations

b) Responsible Supply chain and supplier relations

The University Management adheres to the principles of fair and cordial business dealings with its business partners as guided by various laws, regulations and policies. The university has customer service delivery charter and quality management system that promotes good business practices that is cascaded from the top to the lower levels.

The University suppliers are given equal opportunity and reasonable time to participate in tenders for supply and delivery of goods, works and services in an open, fair and

transparent manner and in strict adherence to the Constitution of Kenya, Public Procurement and Asset Disposal Act, 2015 and attendant Regulations, 2020. The terms and conditions of the contracts entered between the University and the suppliers are honoured and respected; where there's a dispute or misunderstanding, a dispute resolution mechanism is used to find an amicable solution. Supplier invoices for payment of goods, works and services are settled upon inspection and acceptance that they are of the right quality and quantity.

c) Responsible marketing and advertisement

The University Management strives to promote its unique programmes to the customers that enhances trust and build a strong brand through print, electronic media and social media. The advertisements are honest and trustworthy, and geared towards forging a strong bond with the target customers.

d) Product stewardship

The management has established a mechanism for open communication with customers through provision of telephone, postal and email address. When customer rights are infringed, there are customer boxes and complaint registers in the University for them to report and seek redress accordingly. The University has a quality management system and service delivery charter that outlines procedures to safeguard customer rights and interests.

v) Corporate Social Responsibility / Community Engagements

Taita Taveta University continues to embrace Corporate Social Responsibility in day to day activities. The University has a self-regulating model that helps it to be socially accountable—to itself, its stakeholders, and the public at large. By practicing corporate social responsibility, Taita Taveta University is conscious of the kind of positive impact we are creating on all aspects of society, including economic, social and environmental.

Despite the Covid-19 pandemic, Taita Taveta University staff and students have participated in activities that have directly benefited the society while boosting its brand. We continue to forge a stronger bond between employees, students and community to enhance cooperation for the good of the society.

The strategies deployed by Taita Taveta University towards Corporate Social Responsibility are anchored in our Strategic Plan (2018-2023). Some of the activities that we have been able to participate in to enhance community engagement in the Financial year 2020/2021 include;

- 1) Donation of face mask, sanitizers and hand washing soap by the students in collaboration with Taita Taveta Alumni Association to the community around the county.
- 2) Donation of sanitary towels to targeted secondary and primary schools girls within the county by the students and staff of the University.

- 3) Employing an open door policy towards members of the community and other stakeholders so as to provide an opportunity for continuous engagement.
- 4) Entering into collaborations with local communities and the Taita Taveta County Government on various developmental matters.
- 5) Engaging the community and other stakeholders in the provision of services to them and vice-versa.

10. REPORT OF THE COUNCIL

The Council submit their report together with the financial statements for the year ended June 30, 2021, which show the state of the Taita Taveta University affairs.

i) Principal activities

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

ii) Results

The results of the Taita Taveta University for the year ended June 30, 2021 are set out on page 1 to page 66.

iii) Directors

The members of the University Council who served during the year are shown on page vii to viii.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Taita Taveta University is not classified in this category and therefore this regulation does not apply to it.

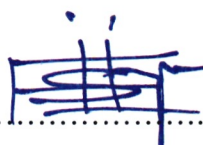
v) Auditors

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.

Prof. Fred Simiyu Barasa, PhD
Vice Chancellor.

Signature.....



Date:.....

09/03/2022 .

11. 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 June 30, 2021. 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 June 30, 2021, 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 Full Council on 28/9/2021.



Mr. Karumba Kinyua

Chairman FDGP Committee



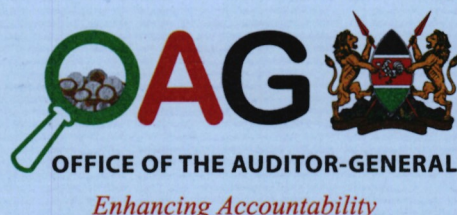
Prof. Fred Simiyu Barasa, PhD

Vice Chancellor.



REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TAITA TAVETA UNIVERSITY FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Taita Taveta University set out on pages 1 to 64, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net Assets, statement of cash flows and statement of comparison of budget and actual

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Taita Taveta University as at 30 June, 2021, and its financial performance and of 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. Inaccuracies in the Financial Statements

Review of Taita Taveta University's financial statements reflects a number of inaccuracies and anomalies as detailed below:-

- i. The statement of financial position reflects payments received in advance balance of Kshs.35,477,908 while the supporting schedule provided for audit reflects a balance of Kshs.35,214,955, resulting an unreconciled and unexplained variance of Kshs.262,953.
- ii. Note 30 to the financial statements reflects fees prepayment balance of Kshs.35,477,908. Re-computation of the fees prepayment based on the invoices, receipts and start of the financial year opening balances data extracted from the ERP system yielded a total of Kshs.36,063,727.62, resulting in an unreconciled and unexplained difference of Kshs.585,819.62.
- iii. Note 18(a) to the financial statements reflects current receivables - student fees balance of Kshs.34,482,567. Re-computation of the student fees balance resulted in an amount of Kshs.40,642,693.56 resulting to unexplained or unreconciled difference amounting to Kshs.6,160,126.56.
- iv. The statement of cash flows reflects cash and cash equivalents at beginning and end of the year of negative Kshs.27,441,346 and negative Kshs.36,830,234, respectively. However, the statement of financial position reflects cash and cash equivalents at beginning and end of the year balance of Kshs.10,415,201.67 and Kshs.11,898,655 resulting an unexplained variance of Kshs.48,728,889 and Kshs.37,856,548, respectively. Further, the statement of cash flows reflects summary of cash and bank balance of negative Kshs.36,830,234 which should not be part of the statement.
- v. Further, the statement of cash flows reflects amounts which differs with the statement of financial performance resulting to a variance of Kshs.30,390,667 as detailed below:-

Item	Financial Performance (Kshs.)	Cash Flows (Kshs.)	Variance (Kshs.)
Rendering of Services	71,788,074	65,594,245	6,193,829
Income from Other Services Rendered	12,060,892	11,931,273	129,619
Employee Costs	423,048,290	404,637,022	18,411,268
Maintenance Costs	2,508,780	467,712	2,041,068
Use of Goods and Services	97,439,208	93,795,825	3,643,383
Council Activities	4,464,156	4,492,656	(28,500)
Total	611,309,400	580,918,733	30,390,667

- vi. The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis performance difference of Kshs.76,147,928. However, computation of the performance difference reflects an amount of Kshs.77,496,485 resulting to an unexplained variance of Kshs.1,348,557.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

2. Incomplete Fixed Assets Register

The statement of financial position reflects property, plant and equipment balance of Kshs.3,854,774,538 (2020: Kshs.3,825,537,499) and as disclosed in Note 22 to the financial statements. However, details such as costs, dates of acquisition and net book values of these assets were not indicated in the fixed assets register.

In the circumstances, accuracy and completeness of the property, plant and equipment balance of Kshs.3,854,774,538 could not be confirmed.

3. Long Outstanding Student Debtors

The statement of financial position reflects receivables from exchange transactions net balance of Kshs.32,922,876 (gross balance of Kshs.34,653,485 less impairment allowance of Kshs.1,730,609) as disclosed in Note 18(a) to the financial statements, out of which a gross amount of Kshs.34,482,567 related to student debtors. The debtors ageing analysis revealed that the balance related to previous years, Management did not explain strategies on how the debts will be recovered.

In the circumstances, the completeness and recoverability of the student debtors amounting to Kshs.34,482,567 could not be confirmed.

4. Failure to Disclose Material Uncertainty Related to Sustainability of Services

The statement of financial position reflects total current liabilities of Kshs.318,557,558 which exceeded total current assets of Kshs.83,242,386, resulting in a negative working capital of Kshs.235,315,172 (2019/2020: a negative working capital of Kshs.166,523,601). Further, it was noted that the University reported a deficit of Kshs.60,678,914 for the year ended 30 June, 2021. This is an indication of existence of material uncertainty which may

cast a significant doubt on the University's ability to sustain its services and to meet its financial obligations as and when they fall due.

The financial statements have been prepared on a going concern basis on the assumption that the University will continue to receive financial support from the Government and creditors. However, this material uncertainty in relation to sustainability of services and any mitigating measures put in place by the University Management to reverse the financial position has not been disclosed in the Notes to the financial statements.

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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Incomplete Enterprise Resource Planning (ERP)

The University contracted for supply, installation, implementation and commissioning of an ERP system on 18 September, 2015 at a contract sum of Kshs.17,580,103, with an implementation timeline of 14 weeks. The vendor did not deliver as per the agreement despite payment of Kshs.15,297,884 prompting the University to terminate the contract and advertise for a new tender.

The University awarded another contract at a sum of Kshs.1,861,800 on 23 April, 2021 for a duration of seventeen (17) weeks. The contractor established that the developer licence for the system had expired and could not support the integration of the system. As at the close of the financial year in June, 2021, an amount of Kshs.558,540 had been paid to the new contractor. However, verification conducted in the month of

February, 2022 revealed that the contractor had not completed the services as per the contract agreement.

In the circumstances, value for money had not been realized from the system despite the expenditure of Kshs.15,856,423.58.

2. Staff Matters and Costs

2.1 Non-Compliance with Law on Ethnic Composition

Review of staff establishment records provided for audit indicated that one ethnic community represents 33% of the total staff establishment in Taita Taveta University. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

2.2 Non-Compliance with the One Third of Basic Salary Rule

Review of the records revealed that, twenty-seven (27) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section 19(3) of the Employment Act, 2007. This may expose the staff to pecuniary embarrassment. The Management has not given explanation for failure to comply with the policy.

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

3. Delay in Implementation of Development Projects

The statement of financial position reflects property, plant and equipment balance of Kshs.3,854,774,538 and as disclosed in Notes 22 and 23 to the financial statements. Included in the balance is an amount of Kshs.616,717,531 in relation to capital works in progress whose project completion periods have since elapsed as detailed below:

3.1 Incomplete Mines, Fuels and Mineral Processing Centre

The University awarded a contract for the erection and completion of Mines, Fuels and Mineral Processing Centre (Phase II) at a contract sum of Kshs.81,800,718 on 25 October, 2016 for a period of fifty two (52) weeks. The contract price was revised to Kshs.102,136,563. The University had paid Kshs.96,081,000 as of February, 2022. However, the project was still incomplete at 96% two hundred and sixty-four (264) weeks after commencement.

3.2 Incomplete Administration Block – Taita Taveta University Main Campus

The University awarded a contract for the construction of Administration Block Main Campus at a contract sum of Kshs.280,870,539 on 23 October, 2017 for a period of 52 Weeks with an expected completion date of 20 December, 2018. However, the project was still incomplete at 63% one hundred and eighty-four (184) weeks after commencement.

3.3 Incomplete Construction of Administration Block at Taita Taveta University

The University awarded a contract for the construction of administration block at Taita Taveta University at a contract sum of Kshs.87,531,993 on 23 October, 2017 for a period of one hundred and four (104) weeks. However, the project was still incomplete at 74% two hundred and twenty-five (225) weeks after commencement.

In the circumstances, value for money had not been realized from the above projects.

4. Budgetary Controls and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.591,219,153 and Kshs.513,722,668, respectively resulting to an under-funding of Kshs.77,496,485 or 13% of the budget. Similarly, the Company expended Kshs.552,372,692 against an approved budget of Kshs.576,163,097 resulting to an under-expenditure of Kshs.23,790,405 or 4% of the budget. Further, the statement reflected a budgeted surplus amount of Kshs.15,056,056 without a corresponding budgeted expenditure. This is contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which requires the budget to be balanced. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and overall 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. Long Outstanding Student Fees Prepayments

The statement of financial position reflects payments received in advance balance of Kshs.35,477,908 as disclosed in Note 30 to the financial statements which relates to prepaid student fees. Included in the balance is an amount of Kshs.3,272,963 relating to fees prepaid by students who are either deceased, alumni, suspended, deregistered and/

or graduated almost five years ago. The management did not explain how the unutilized prepayments will be refunded or reported to the Unclaimed Financial Assets Authority.

In the circumstances, the students' fees balance of Kshs.3,272,963 could not be confirmed.

2. Payroll Database System

Comparison of net salary amounts and bank remittances reflects an amount of Kshs.162,562,095 and Kshs.162,038,198, respectively for the twelve (12) months resulting to an unexplained variance amounting to Kshs.523,897.

Further, the University migrated the payroll from the old ERP to the new ERP. Analysis of data from the new payroll revealed two cases of inconsistencies an indication that the payroll data migration may not have fully passed the migration test hence resulting in bank supporting schedules having higher figures than the salary net pay/ actual remittances.

In the circumstances, the control over the payroll database system could not be relied on.

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 the 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 controls, risk management and overall governance.

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

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

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

The University Council is responsible for overseeing the University's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of 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 controls 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 controls 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the University to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the University to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 September, 2022

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2021.


**Taita Taveta University,
Statement of Financial Performance,
For the period ended June 30, 2021.**

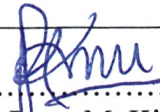
	Note	2020/2021	2019/2020
REVENUE		KShs	KShs
Revenue from non-exchange Transactions			
Transfers from Ministries, Departments and Agencies (MDAs)	6	391,711,932	433,090,848
Donor Funded Projects/Donations	7	32,946,618	34,377,355
		424,658,550	467,468,203
Revenue from exchange transactions			
Rendering of Services	8	71,788,074	135,730,806
Income from Other Services Rendered	9	12,060,892	11,134,804
Income from other activities	10	1,418,884	5,861,841
		85,267,850	152,727,451
Total revenue		509,926,400	620,195,654
EXPENDITURE			
Employee Costs	11	423,048,290	417,286,573
Maintenance Costs	12	2,508,780	3,166,194
Use of Goods and services	13	97,439,208	134,108,732
Council Activities	14	4,464,156	11,141,127
Finance Costs	15	6,736,763	5,725,369
Depreciation and Amortization expense	16	37,065,567	35,263,397
Total expenses		571,262,764	606,691,392
(Deficit) / Surplus for the year		(61,336,363)	13,504,262
Add: Decrease in Provision for doubtful debts	18c	657,449	
NET PROFIT/(LOSS) BEFORE TAX		(60,678,914)	13,504,262
Tax expense		-	-
SURPLUS/(DEFICIT)		(60,678,914)	13,504,262

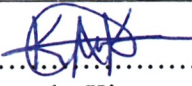
The notes set out on pages 13 to 67 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 11 were signed on behalf of the Council by:

Taita Taveta University
Annual Reports and Financial Statements
For the year ended June 30, 2021.


.....
Prof. Fred Simiyu Barasa, PhD
Vice Chancellor


.....
CPA. Peter M. Kisombe
Director of Finance
ICPAK Member No.10342


.....
Mr. Karumba Kinyua
Chairman FDGP Committee

Date... 09/03/2022

Date... 09/03/2022

Date... 09/03/2022

Taita Taveta University
Annual Report and Financial Statements
For the year ended June 30, 2021.


14 STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021.

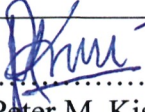
**Taita Taveta University,
Statement of Financial Position,
As at June 30, 2021.**

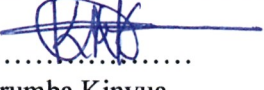
ASSETS	Note	2020/2021	2019/2020
		KShs	KShs
CURRENT ASSETS			
Cash and cash equivalents	17	11,898,655	10,415,201.67
Receivables from Exchange transactions	18	32,922,876	46,643,491
Receivables from non-exchange transactions	19	30,582,937	42,063,036
Inventories	20	6,993,919	7,851,178
Biological Assets	21	844,000	537,000
		83,242,386	107,509,906
NON CURRENT ASSETS			
Property, Plant and Equipment	22 & 23	3,854,774,538	3,825,537,499
Intangible Assets-Software	24	18,185,952	17,643,182
		3,872,960,490	3,843,180,681
TOTAL ASSETS		<u>3,956,202,876</u>	<u>3,950,690,587</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other Payables from exchange transactions	27	214,334,872	173,577,336
Bank Overdraft	28	48,728,889	37,856,548
Employee benefit obligation	29	20,015,890	47,947,732
Payment received in Advance	30	35,477,908	14,651,891
		318,557,558	274,033,507
NON-CURRENT LIABILITIES			
IPPUCCF	25	35,200,000	35,200,000
Financing Lease/KCB Loan	26	653,764	3,947,110
		35,853,764	39,147,110
NET ASSETS			
Capital/ Development grants/Fund	Pg 5	1,126,832,940	1,090,318,274
Retained Earnings	Pg 5	(463,689,376)	(403,010,462)
Revaluation Reserve	Pg 5	2,938,647,990	2,950,202,159
		3,601,791,554	3,637,509,970
TOTAL NET ASSETS AND LIABILITIES		<u>3,956,202,876</u>	<u>3,950,690,587</u>

The Financial Statements set out on pages 1 to 11 were signed on behalf of the Council by:

Taita Taveta University
Annual Reports and Financial Statements
For the year ended June 30, 2021.


.....
Prof. Fred Simiyu Barasa, PhD
Vice Chancellor


.....
CPA. Peter M. Kisombe
Director of Finance
ICPAK Member No.10342


.....
Mr. Karumba Kinyua
Chairman FDGP Committee

Date... 09/03/2022 .

Date... 09/03/2022

Date... 09/03/2022

Taita Taveta University
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For the year ended June 30, 2021.

15 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2021

Taita Taveta University,
Statement of Changes in Net Assets,
For the Year ended June 30, 2021.

	Capital/Development grant/Fund	Retained Earnings	Revaluation Reserve	Total
	KShs	KShs	KShs	KShs
year ended 30-06-2021:				
As at 1st July 2020	1,090,318,274	(403,010,462)	2,950,202,159	3,637,509,971
Surplus / (Deficit) for the period	-	(60,678,914)	-	(60,678,914)
Additions in the year	36,514,666	-	-	36,514,666
Depreciation	-	-	(11,554,168)	(11,554,168)
At 30 June 2021	1,126,832,940	(463,689,376)	2,938,647,990	3,601,791,554
year ended 30-06-2020				
As at 1st July 2019	961,322,081	(416,514,724)*	2,990,077,507	3,534,884,864
Surplus / (Deficit) for the period		13,504,262 *		13,504,262
Additions in the year	128,996,193			128,996,193
Depreciation			(39,875,348)	(39,875,348)
At 30 June 2020	1,090,318,274.00	(403,010,462)*	2,950,202,159	3,637,509,971

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE, 30 2021.

Taita Taveta University,
Statement of Cash flows,
For the year ended June 30, 2021.

		2020/2021	2019/2020
	Note	KShs	KShs
Cash flows from operating activities			
Receipts			
Transfer from Ministries, Departments and Agencies (MDAs)	6	433,774,968	562,087,041
Donor Funded projects/Income	7	32,946,618	34,377,355
Rendering of Services	8	65,594,245	135,730,806
Income from other services rendered	9	11,931,273	11,134,804
Income from other activities	10	1,418,884	5,861,841
Total Receipts (a)		545,665,989	749,191,847
Payments			
Employee costs	11	404,637,022	417,286,573
Maintenance Costs	12	467,712.00	3,166,194
Use of Goods and services	13	93,795,825	134,108,732
Council activities	14	4,492,656	11,141,127
Finance costs	15	6,736,763	
Payment of Pending payroll Expenses	6	42,242,714	
Total Payments (b)		552,372,692	565,702,626
Net cash flows from operating activities (a-b)		(6,706,703)	183,489,221
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets	22	(33,376,999)	(110,206,488)
Proceeds from Purchase of property, plant and Equipment-Computers	22	(2,460,385)	-
Proceeds from Purchase of property, plant and Equipment-Equipment	22	(65,678)	
Decrease in trade and other payables from exchange transactions		-	(97,203,025)
Net cash flows used in investing activities		(35,903,062)	(207,409,513)
CASH FLOWS FROM FINANCING ACTIVITIES			
Exchequer capital grants	6	36,514,666	
Repayment of borrowings	26	(3,293,789)	(3,521,054)
Net Cash flows used in Financing Activities		33,220,877	(3,521,054)

Taita Taveta University
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For the year ended June 30, 2021.

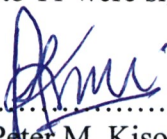
		2020/2021	2019/2020
	Note	KShs	KShs
Net Increase (Decrease) in cash and cash equivalents		(9,388,888)	
Cash and cash equivalents at 1 July 2020		(27,441,346)	30,250,284
Cash and cash equivalents at 30 June 2021		(36,830,234)	(27,441,346)
SUMMARY OF CASH AND BANK BALANCES			
Cash Book Balance	17	11,898,655	10,415,202
(Negative) Cash and Bank Balance		(48,728,889)	(37,856,548)
TOTAL		(36,830,234)	(27,441,346)

(In line with IPSAS 2 which allows an entity to present the cash flow statement using the direct or indirect method while encouraging the use of the direct method, Taita Taveta University has used the direct method of cash flow preparation as shown above)

The Financial Statements set out on pages 1 to 11 were signed on behalf of the Council by:



 Prof. Fred Simiyu Barasa, PhD
 Vice Chancellor



 CPA. Peter M. Kisombe
 Director of Finance
 ICPAK Member No. 10342



 Mr. Karumba Kinyua
 Chairman FDGP Committee

Date 09/03/2022

Date 09/03/2022

Date 09/03/2022

Taita Taveta University
Annual Report and Financial Statements
For the year ended June 30, 2021.

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

Taita Taveta University,
Statement of Comparison of Budget and Actual Amounts,
For the Year ended June 30, 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	B	C=(a+b)	D	e=(c-d)	F=d/c
Revenue						
<u>REVENUE</u>						
<u>AIA (a)</u>						
Fees for Services Rendered-Students	142,662,728	(7,506,684)	135,156,044	65,594,245	69,561,799	49%
Student Debtors	12,000,000	(12,000,000)	-	-	-	0%
IGU's (Catering, Farm, Clinic)	16,000,000	(6,000,000)	10,000,000	13,350,157	(4,698,714)	134%
	170,662,728	(25,506,684)	145,156,044	78,944,402	64,863,085	54%
<u>G.O.K Grants & subsidy (b)</u>						
Recurrent Capitation	391,711,932	-	391,711,932	391,711,932	-	100%
CBA 2017/2021 B/F	10,119,715		10,119,715	10,119,715	-	100%
Total	401,831,647		401,831,647	401,831,647	-	100%
<u>Other revenues (d)</u>						
CEMEREM Project funds	15,000,000	1,035,508	16,035,508	26,114,799	(10,079,291)	163%
BRICS Project	1,426,696	-	1,426,696		1,426,696	0%
TAITAGIS Project	6,076,658	-	6,076,658	2,850,000	3,226,658	47%
TAITARICE PROJECT/NRF	2,907,400	1,644,276	4,551,676		4,551,676	0%
SUSTASM Project	2,950,391	1,765,633	4,716,024		4,716,024	0%
TAITA Banana Project	5,339,670	-	5,339,670	2,675,530	2,664,140	50%
TAITA Pastures Project	1,573,000	490	1,573,490	682,000	891,490	43%

Taita Taveta University
Annual Reports and Financial Statements
For the year ended June 30, 2021.

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
TAITA Feeds Project	3,936,700	-	3,936,700		3,936,700	0%
TAITA Soils Project	575,040	-	575,040	280,490	294,550	49%
NATIONAL RESEARCH FUND				343,800	(343,800)	
	39,785,555	4,445,907	44,231,462	32,946,619	11,284,843	74%
Total Recurrent Revenue	612,279,930	(21,060,777)	591,219,153	513,722,668	76,147,928	87%
EXPENSES						
Use of Goods and Services	169,501,239	(40,845,083)	128,656,156	93,795,825	33,511,774	73%
Employee Costs	426,248,418	9,438,523	435,686,941	446,879,736	(11,192,795)	103%
Remuneration of Directors/Council	7,500,000	(1,900,000)	5,600,000	4,492,656	1,107,344	80%
Repair and Maintenance	2,250,000	(1,230,000)	1,020,000	467,712	552,288	46%
Finance Costs	500,000	4,700,000	5,200,000	6,736,763	(1,536,763)	130%
Total Expenditure	605,999,657	(29,836,560)	576,163,097	552,372,692	22,441,848	96%
Surplus/Deficit For the period	6,280,273	8,775,783	15,056,056	(38,650,024)	49,127,080	

Reconciliation of Deficit as per Statement of Financial Performance to Deficit in Statement of Comparison of the Budget

Description	Amount Kshs.
Deficit as per statement of Financial Performance	(60,678,914)
Depreciation	37,065,567
Net inflow in compensation of employees in statement of Financial Performance and Cash flow statements	(20,035,179)
Accrued maintenance expenses in Statement of Financial Performance not recognized in cash flow	2,041,068
Net outflow in Use of goods and services between Cash flow and Statement of Financial Performance	3,643,383

**Taita Taveta University
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

Payment of pending bills for council expenses not recognized in Statement of Financial Performance.	(28,500)
Decrease in Provision of bad debts not recognized in cash flow	(657,449)
Deficit as per Statement of Comparison of the Budget	(38,650,024)

Budget notes

1. Explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14

- (i) Fees for services rendered to students were raised at 49% as a result of COVID-19 pandemic that led to phased reopening. This led to low collection from students.
- (ii) Income from IGU'S surpassed the target by 34% because of enhanced operations and efficiency.
- (iii) Cemerem project funds surpassed the target by 63% as a result of new arrangements that the University and the Project donors entered into midway of the financial year. This increased the funding model.
- (iv) Taitagis income ranged at 47% due to reduced activities as a result of COVID 19 necessitating the project donors to reduce funding.
- (v) Taita Banana income ranged at 50% due to reduced activities as a result of COVID 19 necessitating the project donors to reduce funding.
- (vi) Taita Pastures income ranged at 43% due to reduced activities as a result of COVID 19 necessitating the project donors to reduce funding.
- (vii) Taita feeds never received income due to COVID 19
- (viii) Taita Soils income ranged at 49% due to reduced activities as a result of COVID 19.
- (ix) Taita Taveta University received income from National Research fund for research activities.
- (x) The use of goods and services absorbed 73% of the budgeted amount as a result of reduced activities due to phased out reopening of the university. The university ended up spending less than was anticipated.

Taita Taveta University
Annual Reports and Financial Statements
For the year ended June 30, 2021.

(xi) *The remuneration of the council was at 80% absorption rate as a result of expiry of 5 council members who retired in March 2020. The remuneration reduced within the period that the council was not in full capacity until the new appointments were done on 4th November 2020 and 1st April 2021.*

(xii) *The repair and maintenance absorbed 46% due to reduced repair and maintenance activities within the University premised on few students within the university that reduced depreciation of property.*

(xiii) *Finance costs surpassed the target by 30% due to the interests from the bank overdraft that is maintained with KCB bank that helped the University manage daily to daily activities of the University due to dwindling incomes.*

(xiv) *The debtors collection is at Nil percent because of phased reopening which hindered collection from student debtors leading to a readjustment of debtors budget to Nil.*

2. Explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

The changes between original and final budget was as a result of reduced or dwindling incomes that necessitated a restructuring of the budget. The budget virement approval was done by the council.

1. The total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual). A reconciliation has been done as above.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Taita Taveta University is established by and derives its authority and accountability from University Act 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. Taita Taveta Universities' principal activity is teaching, research and community outreach.

Taita Taveta University was initially established as a Campus of JKUAT in 2008, became a Constituent College of Jomo Kenyatta University of Agriculture and Technology via Legal Notice Number 156 of 18th October, 2011, and was elevated to a fully-fledged University through award of the Taita Taveta University Charter on 7th October, 2016.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Taita Taveta University accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Taita Taveta University.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p><i>(Entity to state the impact of the amendments to the financial statements)-Done</i></p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)-not early adopted</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and

Taita Taveta University
Annual Reports and Financial Statements
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Standard	Effective date and impact:
	<p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the entity if relevant)-Not early adopted</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the entity if relevant) N/A</i></p>

iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines 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. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The entity 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 labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

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 entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly on July 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, Taita Taveta University recorded less appropriations of kshs.54,863,085 on the 2020-2021 budget following the councils' approval.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 17 of these financial statements.

c) Taxes

Current income tax

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. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists

to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and Receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

k) Provisions

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

l) Contingent liabilities

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

m) Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

n) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Taita Taveta University maintains the following Reserves; capital development replacement reserve, Accumulated/Retained Earnings Reserve Fund and Revaluation Reserve fund.

o) Changes in accounting policies and estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

p) Employee benefits

Retirement benefit plans

Taita Taveta University provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) in this case Jubilee insurance, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The plan is in such a manner that permanent and pensionable employees contributes 10% of their basic salary and the employer contributes 20% to the fund on a monthly basis. Employees on contract terms receive a gratuity at the end of the contract period at a rate of 31% of total gross basic salary for the contract period.

q) Foreign currency transactions

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

r) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

s) Related parties

Taita Taveta University regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over her, or vice versa. Members of key management are regarded as related parties and comprise the Council Members, the Vice chancellor, the deputy Vice Chancellors, Director (Administration, Planning and development), Registrar (Academic, research and outreach), Director (Finance) and the Head of procurement.

t) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) 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 the Central Bank of Kenya and 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)**

v) Comparative figures

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

w) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Taita Taveta University estimates the provision for doubtful debts to be at 5% of debtors amounts and depreciates its assets based on reducing balance method at the following rates;

Land and Buildings	2%
Motor vehicles	25%
Office equipment and tools	10%
Furniture	12.5%
Computers and software	25%

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. 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 are reflected in the assumptions when they occur. IPSAS 1.140

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18.

Provisions are measured at the management's 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. Taita Taveta University gives provision of bad debts at 5% of its debtors at a particular time.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to the Statement of Financial performance KShs	Amount to deferred under income KShs	Amount recognised in capital fund.	Total transfers	Prior year
				2020/21	2020/2021
			KShs	KShs	KShs
State department for University Education	391,711,932	-	36,514,666	428,226,598	433,090,848
Subtotal (a)	391,711,932	-	36,514,666	428,226,598	433,090,848
Add: Accrued income from 2019/2020 year Received in the year 2020/2021	42,063,036			42,063,036	
Subtotal (b)	42,063,036			42,063,036	
Total (a+b)	433,774,968			470,289,634	

(The amount recorded above to have been received from the Ministry fully reconciles to the amount recorded by the sending entity Ministry. An acknowledgement note has been raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix III)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Donor Funded projects/ Donations	2020-2021	2019-2020
	Kshs.	Kshs.
CEMEREM	26,114,798	17,965,258
TaitaGIS	2,850,000	6,295,120
TAITARICE (NRF)	-	4,361,100
Sust ASM Project	-	2,866,096
Taita Banana Project	2,675,530	1,954,271
Taita Pasture Project	682,000	226,500
Taita Feeds Project	-	39,000
Taita Soils Project	280,490	213,679
Donations- Cemerem	-	546,331
National Research Funds	343,800	-
Total	32,946,618	34,377,355

8. Rendering of Services	2020/2021	2019/2020
	Kshs.	Kshs
Tuition Fees	34,502,600	59,105,511
Residential Fees	5,566,030	9,444,960
ID/Registration Fees	1,837,751	2,516,164
Examination Fees	7,392,415	14,513,148
Medical Fees	4,636,760	9,282,048
Internet Fees	2,904,709	5,526,854
Computer Fees	2,598,106	4,496,254
Library Fees	1,953,602	3,707,239
Field Trip/Attachment	3,171,164	8,737,996
Student Activity Fees	1,739,537	3,450,816
SOTTUC	800,500	1,346,500
CISCO	-	51,000
C.U.E QUALITY ASSURANCE	1,356,500	2,595,750
PROJECT	250,000	170,000
KUCCPS	1,375,500	877,500
Retake fees	157,400	108,000
Student Damages	-	9,801,066
Student Insurance Cover	1,545,500	-
	71,788,074	135,730,806

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Income from other services rendered	2020/2021	2019/2020
	Kshs	Kshs.
Application Fees	146,568	68,500
Accommodation Charges	29,250	5,200
Students P.A.Y.E.	2,221,337	2,992,368
Staff cafeteria	613,902	1,148,510
Shop Rent	193,048	89,185
TTU Hospital Cost Sharing	132,402	125,237
Seminar Charges	110,700	30,000
Miscellaneous Income	914,062	1,247,335
Supplementary exam fees	694,000	1,017,480
Graduation fees	3,267,400	1,990,200
Third Parties Refund	-	1,477,675
Training Levy	1,927,588	653,114
Insurance recoveries	1,810,635	290,000
	12,060,892	11,134,804

10. Income from other activities	2020/2021	2019/2020
	Kshs	Kshs
Guest House	1,000	136,050
Farm Income	265,750	403,881
Facility rental/lease	221,618	211,065
Bakery Unit income	98,965	27,720
IGU External Functions	831,551	5,083,125
	1,418,884	5,861,841

11. Employee Costs	2020/2021	2019/2020
	Kshs	Kshs
Staff Salary	353,128,539	338,451,490
Casual Wages	13,427,574	15,862,535
Gratuity	17,451,426	9,102,960
Pension Contribution	36,505,782	53,747,645
Internship Allowance	-	121,943
Travelling and accommodation	2,534,970	-
TOTAL	423,048,290	417,286,573

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Maintenance Costs	2020/2021	2019/2020
	Kshs.	Kshs
Maintenance of plant/machinery/equip	1,379,109	49,800
Repair & Maintenance of Furniture	2,070	-
Maintenance of buildings	928,376	2,435,345
Maintenance of water/sewerage	-	235,820
Maintenance of Roads/Grounds	190,125	407,714
Maintenance of Ngerenyi Campus	9,100	37,515
TOTAL	2,508,780	3,166,194

13. Use of goods and services	2020/2021	2019/2020
	Kshs.	Kshs
Cleaning Materials	380,366	1,034,443
Uniforms/ Clothing's	87,776	157,282
Stationary	1,267,994	4,383,011
Medical Exp. In-Patient/Out-Patience	17,425,052	9,352,810
Medical Drugs and stores	1,137,609	561,265
IGU Investment (Seed Money)	206,703	467,556
Travelling and accommodation	-	6,145,042
Telephone Expenses	27,000	77,575
Postal & telegrams expenses	84,998	85,563
Official entertainment	98,668	47,160
Conference & seminars	346,000	760,100
Public celebrations/funerals	415,270	391,000
Publishing & printing	131,505	661,323
Advertising & Publicity	970,546	1,417,559
Audit/Legal fees	1,151,680	-
ISO Expenses	-	770,720
Rent and Rates	22,179	145
Contracted professional services	1,221,014	128,252
Hire of transport & machinery	99,590	237,700
Motor vehicle insurance	219,827	56,544
General Insurance	4,276,079	3,167,509
Fees, Coms And Out of Pocket	56,000	104,080
Part Time Teaching	5,848,200	14,945,327
Purchase of Teaching/Production Materials	46,140	1,149,861
Field Attachment Expenses	5,342,685	6,442,723
Examination Expenses	1,288,900	442,700
Research Expenses	374,100	329,650
Staff Training expenses	789,000	126,260
Graduation expenses	1,357,939	2,680,095
Gas and Cooking fuel	846,000	1,863,750

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Food and rations	5,169,742	9,017,629
Crockery and utensils	6,300	133,685
Inter- university games	-	838,100
SATTUC	1,629,935	1,413,500
Dean of Students	-	5,000
DSTV Subscription	639,540	534,584
Work Study	2,970	-
Subscription to Professional Bodies	176,000	230,000
Contingence& Disaster Management	-	2,262,249
Internet Connectivity	6,707,945	5,211,846
Computer Accessories & Software	185,300	100,000
Electricity expenses	4,154,294	4,176,547
Water expenses	342,000	515,920
Fuel for Generator	56,771	117,504
Transport Operating expenses	1,033,737	2,420,815
Library Expenses	366,020	1,082,840
Bank charges	1,070,607	559,386
Provision for bad debts	-	2,388,058
Provision for Audit fees	1,151,900	900,000
Audit fees	635,680	-
Farm works expenses	324,350	121,412
Animal Expenses	49,500	56,770
Gender Mainstreaming Expense	30,000	39,470
Tender Committee Expenses	-	8,000
New programmes implementation	13,000	372,400
Tender Evaluation Committee Expenses	443,200	442,100
TaitaRice Project	4,465,366	5,946,245
Cemerem Project	8,626,581	21,754,689
Brics Project	603,200	180,690
TaitaGis	4,425,796	8,805,636
Final accounts & Budget committee	49,800	43,500
Group Life Insurance	-	841,660
Disposal Committee	-	8,000
IGU-External functions (Expenses)	-	3,459,165
Sust ASM PROJECT	4,666,024	1,974,327
TAITA BANANA- KALRO	2,407,076	160,000
Disability Mainstream Expenses	25,000	-
Prevention of HIV and Aids Expenses	5,000	-
National Cohesion & Integration Commission	26,400	-
ISANGAIWISHI EXPENSES	568,000	-
TAITA FEEDS – KALRO	39,000	-
TAITA PASTURES – KALRO	120,000	-

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TAITA SOILS – KALRO	210,000	-
COVID 19 Expenses	845,505	-
Sports and Games	312,480	-
Internal Teaching Materials	336,370	-
TOTAL	97,439,208	134,108,732

14. Council Activities	2020/2021	2019/2020
	KShs	KShs
Allowance/Honoraria	3,244,156	9,795,627
Chancellor's Expenses	1,200,000	1,345,500
Council Chair Honoraria/Other Expenses	20,000	
	4,464,156	11,141,127

15. Finance Costs	2020/2021	2019/2020
	KShs	KShs
Interest on KCB Loan	275,590	721,194
Interest on Bank Overdraft	6,461,172	5,004,175
	6,736,763	5,725,369

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16. Depreciation and Amortization expense	2020/2021	2019/2020
	KShs	KShs
PPE Depreciation Attributable to Statement of financial performance	37,049,797	34,201,494
Intangible assets	15,770	1,061,903
Total Depreciation Attributable to statement of Financial Performance	37,065,567	35,263,397
PPE Depreciation attributable to Revaluation reserve	11,554,168	39,875,348
Total Depreciation and Amortization	48,619,735	75,138,745

17. Cash and Cash Equivalents

Description	2020-2021	2019-2020
	KShs	KShs
Current account	11,898,655	10,375,561
Others(specify) - Cash in Hand	-	39,641
Total cash and cash equivalents	11,898,655	10,415,202

17 (a) Detailed Analysis of the Cash and Cash Equivalents

		2020-2021	2019-2020
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial Bank - Student Fees Account	1136119140	383,251	63,111
Kenya Commercial Bank - Catering Account	1136118993	208,453	80,957
Kenya Commercial Bank - Schedule Account	1151267538	5,593,351	2,886,869
Kenya Commercial Bank - Salary Account	1139946110	34,715	40,940
Kenya Commercial Bank - Cemerem Project Account	1181962455	3,321,393	3,915,248
Kenya Commercial Bank - TAITAGIS Account	1211933903	623,887	3,226,659
Equity Bank –Student Fees Account	07902997 12769	1,733,605	161,776
Sub- total		11,898,655	10,375,560
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-

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Sub- total		-	-
c) Fixed deposits account			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Staff car loan/ mortgage			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
e) Others(specify)		-	-
Cash in transit		-	-
cash in hand		-	39,641
Mobile money accounts		-	-
Sub- total		-	39,641
Grand total		11,898,655	10,415,201

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Receivables from Exchange Transactions

18(a) Current Receivables from Exchange Transactions

	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Staff Advances (Outstanding Imprests)	41,300	1,180,800
Student fees balance	34,482,567	47,761,163
Tuck Shops rent & electricity	129,619	89,586
Total	34,653,485	49,031,549
Less: impairment allowance	(1,730,609)	(2,388,058)
Total (a)	32,922,876	46,643,491

18(b) Long- term Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Total Receivables		
Current portion transferred to current receivables	-	-
Total non-current receivables (b)	-	-
Total receivables (a+b)	32,922,876	46,643,491

18 (c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions

Impairment Allowance/ Provision	2020-2021	2019-2020
	KShs	KShs
At the beginning of the year	2,388,058	-
Additional provisions during the year	-	2,388,058
Recovered during the year	657,449	-
Written off during the year	-	-
At the end of the year	1,730,609	2,388,058

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Receivables from Non-Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
State department of University Education	30,582,937	42,063,036
Total current receivables	30,582,937	42,063,036

20 Inventories

Description	2020-2021	2019-2020
	KShs	KShs
Stationary Store	1,215,063	1,431,688
Catering Store	807,862	1,581,308
Maintenance Store	1,563,179	1,759,827
Drug Store	254,651	619,465
Stationery store 2	1,638,170	-
MMPE Workshop	740,440	709,539
Examinations Store	774,555	1,607,101
Transport store	-	142,250
Total inventories at the lower of cost and net realizable value	6,993,919	7,851,178

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Biological Assets					Total amount 2019/2020
Item	Unit	Qty	Cost per Unit (Kshs.)	Total amount (Kshs.)2020/2021	
LIVESTOCK					
Rabbits(Newzealand White)	Numbers	2	2000	4000	
Dairy cattle: Anne	Numbers	1	130,000	130,000	
Dairy cattle: Maghenda	Numbers	1	170,000	170,000	
Dairy cattle: Kibibi	Numbers	1	120,000	120,000	
Dairy cattle: Sophy Chuaga	Numbers	1	70,000	70,000	
Dairy cattle: Prof, Christine	Numbers	1	150,000	150,000	
Dairy cattle: Sophy Kahema	Numbers	1	80,000	80,000	
Dairy Calf: Joyce	Numbers	1	50,000	50,000	
Dairy Calf: Violet	Numbers	1	30,000	30,000	

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Dairy Calf: Jennifer	Numbers	1	40,000	40,000	
TOTALS			842000	844000	537,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. PROPERTY PLANT AND EQUIPMENT	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	Capital	Total
	KShs	KShs	KShs	KShs	KShs	KShs	Work in progress KShs	KShs
Cost								
DEPN. RATES	-	2%	25%	12.50%	25%	25%	-	
COST								
As at 01-07-2020	1,065,000,000	2,554,542,504	36,743,633	31,447,776	81,476,645	14,133,220	544,707,435	4,328,051,213
Cost adjustment	-	-	-	23,500	-	-	-	23,500
Additions	-	-	-	1,550,000	3,872,819	384,588	72,010,096.27	77,817,504
Cost as at 30-06-2021	1,025,000,000	1,799,250,475	36,743,633.00	32,687,717	85,349,464	13,956,156	616,717,531	3,609,704,977
Cost attributed to revaluation as at 30-6-2021	40,000,000	755,292,029	-	333,559	-	561,652	-	796,187,240
Total Cost as at 30-6-2021	1,065,000,000	2,554,542,504	36,743,633	33,021,276	85,349,464	14,517,808	616,717,531	4,405,892,217
DEPRECIATION & IMPAIRMENT								
Accumulated Depreciation for cost at 01-07-2020	-	187,171,086	36,390,919	18,466,554	78,324,320	2,095,167	-	322,448,046
Accumulated Depreciation for Revalued Costs as at 01-07-2020	-	179,506,377	-	139,027.41	-	420,263.95	-	180,065,668
Charge for the cost for the Year 2020-2021	-	32,241,588	88,179	1,777,645	1,756,286	1,186,099	-	37,049,797
Charge for the cost attributed to revaluation for the year 2020-2021	-	11,515,713	-	24,316	-	14,139	-	11,554,168
Total Depreciation as at 30-06-2021	-	410,434,764	36,479,098	20,407,543	80,080,606	3,715,669	-	551,117,679

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As at 30-06-2020	-	366,677,463	36,390,919	18,605,581	78,324,320	2,515,431		502,513,714
NET BOOK AMOUNT								
As at 30-06-2019	1,065,000,000	2,257,701,628	352,715	14,653,845	3,930,460	5,036,351	442,614,809	3,789,289,807
As at 30-06-2020	1,065,000,000	2,187,865,041	352,715	12,842,195	3,152,325	11,617,789	544,707,435	3,825,537,499

23. WORK IN PROGRESS SCHEDULE	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	TOTAL
	B/F KShs	Additions KShs	Additions KShs	Additions KShs	Additions KShs	Additions KShs	Additions KShs	Additions KShs	Additions KShs	KShs
Construction of Water tank	1,446,464	9,985,345	3,138,993	-	410,408	2,049,840	1,245,107	1,432,293		18,276,157
Construction of Water Treatment Plant-Main Campus		6,539,750	8,292,272	4,228,486			20,800.00	-		19,081,308
Construction of Water Treatment Plant-School of Agriculture					663,274			-		663,274
Construction of Mines, Fuels & Mineral Processing Centre-Phase I		7,343,552	88,751,352	23,054,435	25,705,310	5,499,450	1,735,402	4,217,325		156,306,826
Construction of Mines, Fuels & Mineral Processing Centre-Phase II					48,375,486	27,416,026	18,729,385	13,874,480	2,046,088	110,441,465
Fencing of Taveta Land				5,496,660	5,080,361	6,159,355	-	-		16,736,376
Construction of Incinerators					746,604					746,604
Construction of Dairy Unit/Classroom-School of Agriculture					3,840,847	2,343,055				6,183,902
Construction of Admin block main campus						27,051,415	70,739,365	57,508,159	42,705,126	198,004,065
Construction of Admin block Taveta campus						9,226,716	24,074,987	24,769,180	8,801,775.27	66,872,658
Isanga Iwishi Land						115,276	3,227,077	173,143		3,342,353

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Construction of Mines, Fuels & Mineral Processing Centre-Phase III									18,457,107	18457107
TOTAL	1,446,464	23,868,647	100,182,617	32,779,581	84,822,290	79,861,133	119,772,123	101,974,580	72,010,096	616,717,531

A figure of Kshs.30, 582,936.67 included in the 2020/2021 WIP was certified but unpaid at the end of the year.

(Include a brief description of WIP as a footer.)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Intangible Assets – Software	2020/2021	2019/2020
	KShs	KShs
Balance b/d	63,080	84,107
Amortization	15,770	-21,027
Balance c/d	47,310	63,080
Add: Work In Progress (ERP Version 16)	17,580,102	17,580,102
Add: Work In Progress (ERP Version 17)	558,540	-
TOTAL	18,185,952	17,643,182

25. Inter Public University Councils Consultative Forum (IPUCCF)		
	2020/2021	2019/2020
	Kshs	KShs
Balance b/f	35,200,000	35,200,000
Addition within the year	-	-
Total Liability	35,200,000	35,200,000
Repayment made in the year	-	-
	35,200,000	35,200,000

26. Financing Lease/KCB Loan	2020/2021	2019/2020
	KShs	KShs
Balance B/F	3,947,110	7,468,164
Addition within the year	-	-
Adjustment	443	0.00
Total Loan	3,947,553	7,468,164
Loan Repayment	3,293,789	3,521,054
	653,764	3,947,110

27. Trade and other Payable from Exchange transaction	2020/2021	2019/2020
	KShs	KShs
Sundry creditors	28,935,386	29,291,456
JKUAT Arrears	4,003,212	3,987,392
TUM Arrears	3,537,503	3,537,503
Hospital Bills	16,748,663	8,752,139
Part-time lecturers	92,276,284	89,663,196
Retention for WIP	34,087,655	29,945,833
Audit fees	1,731,680	900,000
Insurance Claims	2,431,552	3209829

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Pending Construction certificates	30,582,937	4,289,988
TOTAL	214,334,872	173,577,336

28. Bank Overdraft	Account Number	2020/2021	2019/2020
		KShs	KShs
KCB TTUC Main account	1135369682	48,728,889	37,856,548
		48,728,889	37,856,548

29. Employee benefit obligation	2020/2021	2019/2020
	KShs	KShs
Accrued employee gratuity	6,347,824	2,837,323
Payroll Provisions	12,872,438	45,110,409
Accrued Casual expenses	795,628	
TOTAL	20,015,890	47,947,732

30. Payment received in advance	2020/2021	2019/2020
	KShs	KShs
Fees prepayment	35,477,908	14,651,891
TOTAL	35,477,908	14,651,891

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Cash Generated from Operations

	2020-2021	2019-2020
	KShs	KShs
Surplus for the year before tax	(60,678,913)	-
Adjusted for:		
Depreciation	37,065,567	-
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	657,449	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	6,736,763	-
Working Capital adjustments		
Decrease in receivables	13,720,615	-
Increase in deferred income	-	-
Increase in payables	10,322,765	-
Decrease in CBA obligations	(7,425,123)	-
Increase in payments received in advance	20,826,016	-
Decrease in employee Benefit obligation	(27,931,842)	-
Net cash flow from operating activities	(6,706,703)	

(The total of this statement ties to the cash flow section on net cash flows from/ used in operations)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:

i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
As at 30 June 2021				
Receivables from exchange transactions	34,653,485	32,922,876	-	1,730,609
Receivables from non-exchange transactions	30,582,937	30,582,937	-	-
Bank balances	11,898,655	11,898,655	-	-
Total	77,135,077	75,404,467	-	1,730,609
As at 30 June 2020				
Receivables from exchange transactions	49,031,549	46,643,491	-	2,388,058
Receivables from non-exchange transactions	42,063,036	42,063,036	-	-
Bank balances	10,415,201	10,415,201	-	-
Total	101,509,786	99,121,728	-	2,388,058

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. Taita Taveta University has significant concentration of credit risk on amounts due from student fees.

The Council sets Taita Taveta University credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Financial Risk Management

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2021				
Trade payables	2,453,039	15,100,712	196,781,120	214,334,872
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	20,015,890			20,015,890
Total	22,468,929	15,100,712	196,781,120	234,350,762
As at 30 June 2020				
Trade payables	2,807,259	10,432,675	160,337,402	173,577,336
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	47,947,732			47,947,732
Total	50,754,991			221,525,068

iii) Market risk

Taita Taveta University has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

Taita Taveta University's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the entity's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	2,938,647,990	2,950,202,159
Retained earnings	(463,689,375)	(403,010,462)
Capital reserve	1,126,832,940	1,090,318,274
Total funds	3,601,791,555	3,637,509,970
Total borrowings	355,714,581	313,180,617
Less: cash and bank balances	(11,898,655)	(10,415,202)
Net debt/(excess cash and cash equivalents)	343,815,926	302,765,415
Gearing	9.55%	8.32%

To improve the working capital, the University has put in place measures which include but not limited to increasing the number of programmes with the expected concurrent increase in the number of students, utilizing human resource capacity and idle capacity within the University to generate revenue, to enhance development of grant winning proposals, effectively market and position the University as a preferred destination for teaching and learning. The University management is satisfied with the laid down strategies that the University is a going concern and nothing has come to their attention to put the Universities going concern to doubt.

33. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

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The Government of Kenya is the principal shareholder of the Taita Taveta University, holding 100% of Taita Taveta University equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) The Parent Ministry;
- ii) County Governments
- iii) Other SCs and SAGAs

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Related Party Disclosures

iv) Key management;

v) Board of directors;

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Total	-	-
b) Purchases from related parties		
Total	-	-
b) Grants /Transfers from the Government		
Grants from National Govt	470,289,634	433,090,848
Total	470,289,634	433,090,848
c) Expenses incurred on behalf of related party		
Total	-	-
d) Key management compensation		
Directors' emoluments	4,492,656	11,141,127
Compensation to key management	55,950,840	54,498,129
Total	60,443,496	65,639,256

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. Segment Information

Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments. Taita Taveta University has no significant segmented departments and most of operations are carried out within the main campus with minor operations being carried out in Ngerenyi campus which is within the same geographical location of Taita Taveta County.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. Capital Commitments

Capital commitments	2020-2021	2019-2020
	Kshs	Kshs
Authorised for	N/A	N/A
Authorised and contracted for	N/A	N/A
Total	N/A	N/A

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

36. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Taita Taveta University being a non-regulatory entity, this legal requirement is therefore not applicable to her.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. Taxation

	2020-2021	2019-2020
	Kshs	Kshs
At beginning of the year	N/A	N/A
Income tax charge for the year	N/A	N/A
Under/(over) provision in prior year/s	N/A	N/A
Income tax paid during the year	N/A	N/A
At end of the year	N/A	N/A

Taita Taveta University is state owned and does not pay any taxes to the government.

38. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. Taita Taveta University does not pay taxes to the government.

(In ordinary circumstances public sector entities under IPSAS are not expected to pay taxes on surplus funds. However, in specific cases where this is applicable an organisation is supposed to seek guidance on accounting for income taxes from IAS 12)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

40. Ultimate And Holding Entity

The entity is a Semi- Autonomous Government Agency under the Ministry of Education, science and Technology. Its ultimate parent is the Government of Kenya.

41. Currency

The financial statements are presented in Kenya Shillings (Kshs).

APPENDIX

APPENDIX 1: 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.

Reference No. on the external audit Report	Issue Observations from Auditor /	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Inaccuracies in the Financial Statements		Resolved	
2.0	Presentation. The financial statements presented for audit did not comply with the reporting template issued on 30 June 2020.	The financial statements have been reviewed to comply with the reporting template issued on 30 June 2020. All the notes have been aligned and correctly placed within the financial statements.	Resolved by using the correct template as prescribed by PSASB in 2020/2021 FY template.	
3.0	Financial Performance The statement of financial position as at 30 June 2020 reflects total current liabilities which exceeded total current assets balance resulting to a negative working capital	The Management has continued to work towards ensuring the University operates a balanced budget despite reduced funding due to budget cuts and low cash inflows from the Appropriation in Aid and also prioritize its financial obligations in order to maintain good working relationships with its stakeholders and ensure smooth	Ongoing	

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Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		running of the University		
4.0	Cash and Cash Equivalents. Un-receipted income,	The observation by the Auditor is noted. Management commits to ensure timely recording of all receipts and payments in the cashbooks.	Resolved	
5.1	Staff advances. Un-surrendered imprests as per PFM act	Management commits to ensure that all imprests issued are accounted for within the stipulated accounting timelines.	Resolved	
8.0 & 9.0	Academic Costs & Use of goods and Services-Reporting on cash basis.	The pending bills expenses in the financial year have been matched in the year it relates to.	Resolved on all votes	
12.0	Property, plant and equipment	fixed assets register was not updated with details on costs, date of acquisition, the valuation of the assets, depreciation charge and approved accounting policies as per the chapter 8 of the University Financial Regulations and Accounting Manual.	Resolved. A valuation of all University Assets has been carried out in the Financial year 2021/2022 and the Fixed Asset register updated as per the PFM Act, National Treasury circular 23/2020 and	

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Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
			Finance Manual.	
13.1	Long Outstanding Creditors	Management notes the audit findings and commits to ensure that payment of creditors remains a priority. The cash flow challenges and reduced budget allocation have continued to pose a challenge in ensuring creditors are paid on time.	Currently on going to clear the debt balances as cash flows in.	



.....
Mr. Karumba Kinyua
Chairman of Council

Date.....09/03/2022.....



.....
Prof Fred Simiyu Barasa, PhD
Vice Chancellor

Date.....09/03/2022.....

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Status of Projects completion

S/N o	Project	Total Project Cost	Total Expended to date	Completion % to date	Budget	Actual as at 30th June 2021	Sources of Funds
		Kshs.'000 ,			Kshs'000 ,		
1	Construction of Administration Block at Main Campus (TTU/T/01/2017/2018)	280,871	176,435	63%	30,000	176,435	GoK
2	Completion of Mines, Fuels and Mineral Processing Centre, Phase II (TTUC/T/04/2016/2017) and Equipping of the Mines Labs Phase II	102,251	96,081	94%	8,000	96,081	GoK
3	Completion and Equipping of Administration and Classroom Block at Taveta Campus (TTU/T/02/2017/2018)	87,532	58,070	66%	10,143	58,070	GoK
4	Completion of Water Treatment Plant and Dairy Shed at Taita Taveta University - Ngerenyi Centre (TTUC/T/06/2016-2017)	5,340	2,343	44%	3,000	2,343	GoK
5	Completion of Classroom Block Phase 1 at Taita Taveta University -Ngerenyi Centre (TTUC/T/05/2016/2017)	8,840	3,840	43%	5,000	3,840	GoK
6	Proposed Construction and Equipping of the Mines, Fuel and Mineral Processing Laboratory Phase 111 at Main Campus (TTU/OT/01/2019 - 2020)	104,774	1,046	1%	32,264	1,046	GoK

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of Science and Technology				
FY 2020/2021				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		7/6/2020	42,063,036	2019/2020
		8/7/2020	32,642,661	2020/2021
		8/31/2020	32,642,661	2020/2021
		10/1/2010	32,642,661	2020/2021
		10/30/2020	32,642,661	2020/2021
		12/7/2020	32,642,661	2020/2021
		1/4/2021	32,642,661	2020/2021
		2/4/2021	32,642,661	2020/2021
		3/10/2021	32,642,661	2020/2021
		4/9/2021	32,642,661	2020/2021
		5/10/2021	32,642,661	2020/2021
		6/16/2021	32,642,661	2020/2021
		6/25/2021	32,642,661	2020/2021
		Total	<u>433,774,968</u>	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		9/14/2020	36,514,666	2020/2021
		Total	<u>36,514,666</u>	
		Total		
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	-	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	-	

The above amounts have been communicated to and reconciled with the parent Ministry

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Director of Finance,
Taita Taveta University

Head of Accounting Unit
State Department for University Education and
Research

Sign -----

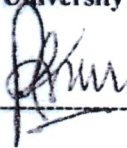
Sign-----

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The above amounts have been communicated to and reconciled with the parent Ministry

Director of Finance,
Taita Taveta University

Sign



Head of Accounting Unit
State Department for University Education and
Research

Sign



For: PRINCIPAL SECRETARY
STATE DEPARTMENT FOR
UNIVERSITY EDUCATION
P. O. Box 9583 - 00200, NAIROBI

28-09-2021

