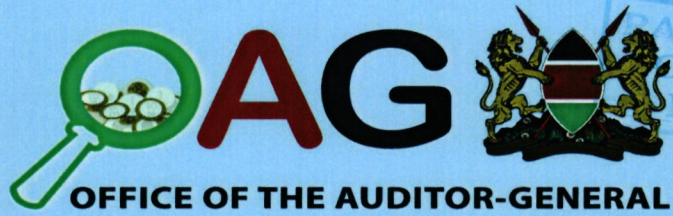


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**TECHNICAL UNIVERSITY  
OF MOMBASA**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

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THE NATIONAL ASSEMBLY

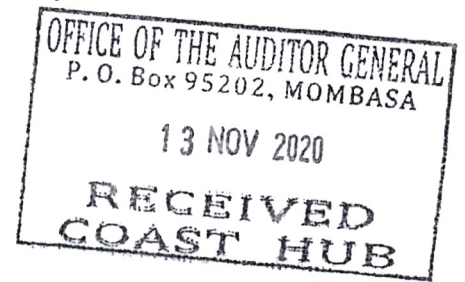
DATE: 02 MAR 2022 DAY: WEDNESDAY

TABLED BY: MAJORITY WHIP  
HON. K. WANGWE

CLERK-AT-THE-TABLE: SAMUEL KALAMA







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TECHNICAL UNIVERSITY OF MOMBASA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020

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

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## TUM INFORMATION AND MANAGEMENT

### (a) Background information

Technical University of Mombasa (TUM) is an ISO certified institution of Global Excellence in Advancing Knowledge, Science and Technology. The origin can be traced back to the late 1940's, as the first institution of higher learning to be established in the coastal region of Kenya. TUM has passed through four distinct phases to reach its current state. It operated as Mombasa Institute of Muslim Education (1948-1966), Mombasa Technical Institute (1966-1972), Mombasa Polytechnic (1972-2007), Mombasa Polytechnic University College through a Legal Notice No. 160 of 2007, and finally awarded the charter as Technical University of Mombasa on 30<sup>th</sup> January 2013 (under the Universities Act 2012).

The University's main campus is domiciled in Kenya within Mombasa County. The University currently has two satellite campuses in Kwale County and Lamu County.

TUM is profoundly committed to upholding the quest to provide higher education as envisioned by its founders. It has four established Schools namely School of Applied and Health Science, School of Engineering and Technology, School of Business and School of Humanities and Social Sciences. The University admits students across the globe ranging from Kenya Universities and Colleges Central Placement Service (KUCCPS) to Self-Sponsored programmes. As a result of the high demand for TUM programmes, the student population has tremendously grown over the years, and currently stands at 16,022, composed of 10,853 males and 5,169 females. TUM also recognizes the importance of human capital in driving the vision of the institution and boasts of 255 teaching staff and 397 administrative staff, giving a total of 652. To ensure programmes are congruent with the market demands, the University incorporates industry, stakeholders and professional bodies in the development and review of the programmes to comfortably offer solutions in the labour market, in the quest to support the Kenya Vision 2030.

**(b) Principal Activities**

**Vision**

A University of global excellence in advancing Knowledge, Science and Technology.

**Mission**

To advance knowledge and its practical application through teaching research and innovation to serve both industry and the community.

**Motto**

Endeavour and Achieve (*Jiddu Tajiddu*)

**Strategic Objectives and Principle activities**

- i) Provide quality academic programmes.
- ii) Promote research, science, technology and innovation.
- iii) Increase access and equity to tertiary and University education.
- iv) Provide adequate facilities and infrastructure required by the expanding University.
- v) Provide information communication technology solutions to support learning activities and management of the University.
- vi) Institute a manpower and human resources management plan that maintains a competent and efficient workforce.
- vii) Ensure quality and relevance in all programmes.
- viii) Produce graduates with desirable attitudes to confront the various challenges in their lives.
- ix) Institute mutually beneficial linkages and collaborations.
- x) Market Technical University of Mombasa as a leading brand name in training and innovation in engineering, science and technology.
- xi) Provide a finance mobilization plan that ensures a sustainable resource base for development and recurrent expenditure.

**(c) Key Management**

Technical University of Mombasa day-to-day management is under the following key organs:

- i) University Council
- ii) Vice Chancellor
- iii) Management Board
- iv) University Senate

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Vice Chancellor	Prof. Laila Abubakar
2.	Dep. Vice Chancellor (Academic, Research and Extension)	Prof. Peter Gichangi
3.	Dep. Vice Chancellor (Administration, Finance and Planning)	Prof. Joseph Rasowo
4.	Registrar (Administration and Planning)	Dr. Kilungu Matata
5.	Registrar (Academic Affairs)	Dr. Paul Njihia
6.	Registrar (Partnership Research and Innovation)	Dr. Michael Juma Saulo
7.	Finance Officer	Dalton Mwaghogho
8.	Procurement Manager	James Odhiambo

**(e) Fiduciary Oversight Arrangements**

**Finance, Planning and General Purpose Committee**

**Membership: -**

- i) Chairperson- independent Council Member as per section 36(1) of the universities Act
- ii) Cabinet Secretary representative
- iii) Permanent Secretary- Ministry of Education representative
- iv) One independent member appointed as per section 36(1) of the university Act
- v) Vice Chancellor- Secretary

**Terms of Reference: -**

1. Manage the University's entire finances and recommend to the Council for approval, the University's annual budget and certain items of major expenditure.
2. Manage the University's physical planning and development including physical projects.
3. Be responsible for:
  - i) Investments
  - ii) Ensuring the preparation of proper books and records of accounts of income and expenditure, assets and liabilities of the University.
  - iii) Fund raising for the university
  - iv) Receiving, considering and recommending proposal of physical development plans

- v) Considering of plans and budgets for recurrent and development expenditure
- vi) Monitoring of construction projects in progress.

**Human Resource Management Committee**

**Membership: -**

- i) Chairperson- independent Council Member as per section 36(1) of the universities Act
- ii) Permanent Secretary- Ministry of Education representative
- iii) One independent member appointed as per section 36(1) of the university Act
- iv) Vice Chancellor- Secretary

**Terms of Reference**

- i) Advise the Council on Schemes of Service and Terms and Conditions of Service for Staff.
- ii) Advise Council on Staffing requirements and Recruitment of Senior Officers.
- iii) Receive and Consider from Management disciplinary cases and appeals.
- iv) Advise the Council matters relating to the welfare of staff and students of the University.

**Audit, Risk and Compliance Committee**

**Membership: -**

- i) A Chairman appointed by Council from among its members as per section 36(1) of the Act.
- ii) The Principal Secretary in the Ministry responsible for Finance.
- iii) One independent member appointed as per section 36(1) (d) of the Act.
- iv) Internal Auditor who shall be Secretary to the committee.

**Terms of Reference**

- i) Receive and consider reports on University internal and external finances and submit its findings.
- ii) Review financial statements prior to approval by the Council.
- iii) Ensure effectiveness of internal Audit function.
- iv) Advice on systems of internal controls and their effectiveness ensure that there are effective measures in place to mitigate against identified business risks.

**Sealing and Statute Committee**

**Membership:**

- i) A Chairman appointed by Council from among its members.
- ii) The Principal Secretary in the Ministry responsible for University Education.
- iii) One members appointed under section 36(1) (d) of the Act.
- iv) Vice Chancellor who shall be secretary to the committee.

**Terms of Reference**

- i) Authorize on behalf of Council the application of the University Seal documents.
- ii) Receive and recommend for approval/amendments of Statutes.
- iii) Recommend the review of statutes of the University from time to time and whenever necessary.
- iv) Advice and or perform on any other matter of the university as may be mandated by the Council.

**TUM INFORMATION AND MANAGEMENT (Continued)**

**(f) University Headquarters**

Technical university of Mombasa.  
Tom Mboya Avenue,  
P.O. Box 90420-80100,  
Mombasa, KENYA

**(g) University Contacts**




Telephone: (254) 41-2492222/3/4  
Fax: 254) 41-2495632  
Mobile: (254) 0724 955377/0733955377  
E-mail: [info@tum.ac.ke](mailto:info@tum.ac.ke)  
[vc@tum.ac.ke](mailto:vc@tum.ac.ke)  
Website: [www.tum.ac.ke](http://www.tum.ac.ke)




**(h) TUM Bankers**




- (i). National bank of Kenya.  
TUM Branch -Tom Mboya Avenue,  
P.O. Box 576-80100  
Mombasa.
- (ii). Co-operative Bank Limited  
Nkrumah Branch - Nkrumah Road, Old Nation Building.  
P.O. Box 87771-80100  
Mombasa.
- (iii). Standard Chartered bank Limited.  
Treasury Square Branch - Nkrumah Road, Standard Chartered Bldg  
P.O. Box 90170-80100  
Mombasa.
- (iv). Kenya Commercial Bank  
Mvita Branch - Kenyatta Avenue - Koja Flats  
P.O. Box 83534-80100  
Mombasa.
- (v). Family Bank  
Jomo Kenyatta Branch - Kenyatta Avenue, Talab Building.  
P.O. Box 97268-80100  
Mombasa.

- (vi). Equity Bank  
Digo Road Branch - Digo Road, Mercantile House.  
P.O. Bank 90016-80100  
Mombasa.
  
- (vii). Absa Bank Plc  
Nkrumah Road, Absa Bank Bldg  
P.O Box 90182 - 80100  
Mombasa
  
- (i) **Independent Auditors**  
Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya
  
- (j) **Principal Legal Adviser**  
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya




TUM COUNCIL MEMBERS

 <p>DR. ROBERT .O. ARUNGA              Chairman Council              Date of Birth: 8<sup>th</sup> December 1942</p>	<p>Dr. Arunga holds a PhD in Food Science (Lipids Analysis), Post graduate studies Biochemistry and B.A. Chemistry, Biology, Maths.              He is the Chairman of the Council.</p>
 <p>MS. ALICE NYACHOMBA MACHARIA- MWOLOLO              CS Representative - National Treasury              Date of Birth: 6<sup>th</sup> January 1966</p>	<p>Ms Mwololo holds a M.A. and B.A. in Economics, and also a PGD in Development Planning from the University of Nairobi. She is currently a Chief Economist in the Budget, Fiscal and Economic Affairs Councilate at the National Treasury. In addition, she represents the National Treasury in the National Committee on World Trade Organization negotiations and the EAC-European Union Economic Partnership negotiations.              She is a member of the Finance, Planning and General Purposes Committee and the Audit, Risk and Compliance Committee.</p>
 <p>MR. DARIUS MOGAKA OGUTU              PS Representative- State Department of University Education and Research.              Date of Birth: 30<sup>th</sup> June 1972</p>	<p>Mr. Ogutu holds a Masters in Educational Communication and Technology and Bachelors in Education.              He is the Council of Education in the State Department of University of Education and Research Ministry of Education.              He is a member of the Sealing and Statutes Committee, Finance, Planning and General Purposes Committee and the Human, Resource Management Committee.</p>



 <p>MS. JANE MBAGI MUTUA          Independent Council Member          Date of Birth:19<sup>th</sup> February 1972</p>	<p>Ms Mutua, holds a Masters in Education, Bachelor of Education. She is a researcher and development practitioner. Currently she is a Technical Education Specialist with Save the Children Kenya programme. She is the Chairperson of the Sealing and Statutes Committee.</p>
 <p>DR.FRANCIS JOSEPH BWIRE          Independent Council Member          Date of Birth:1<sup>st</sup> January 1978</p>	<p>Dr. Bwire hold a PhD in Business Administration (strategic Management), Master of Business Administration (Finance) and BA, Economics. He is the Chairperson of the Audit, Risk and Compliance Committee and a member of the Sealing and Statutes Committee.</p>
 <p>DR. DAVIDSON MGHANGA MWAISAKA          Independent Council Member          Date of Birth:27<sup>th</sup> January 1983</p>	<p>Dr. Mwaisaka holds PhD in Business Administration, Masters in Business Administration double major in Strategic Management and Finance, Bachelor of Laws (LLB), Diploma in Law, Post graduate in Law (LL.M). He is a Certified Public Secretary and a member of Law Society of Kenya, East African Law Society, Common Wealth Law Society, Chartered Institute of Arbitrators, and International Commission Of Jurists. He is the Chairperson of the Human Resource Management Committee and a member of the Audit, Risk and Compliance Committee.</p>

 <p><b>DR. GIFT KIMONGE DZOMBO</b>          Independent Council Member          Date of Birth: 1<sup>st</sup> January 1974</p>	<p>Dr. Dzombo holds PhD in Finance, Masters in Business Administration Finance option, Bachelor of Education (Arts) Economics/Business studies option. He is a fully qualified Accountant (CPA-K) and Member of Institute of Certified Public Accountants of Kenya (ICPAK). He is a member of the Institute of Internal Auditors (IIA) Kenya chapter. Dr. Dzombo has over 18 years of experience in the Financial Services Sector and is a former Council Member and Chairperson Audit &amp; Risk Committee, Pwani University. He is also serving as a member of the Audit Committee for National Police Service Commission (NPSC).          He is a member of the Finance, Planning and General Purposes Committee.</p>
 <p><b>ARCH. ALFRED OGALO MANGO</b>          Independent Council Member          Date of Birth: 7<sup>th</sup> November 1967</p>	<p>Arch. Mango, holds a Msc.in Architecture, a Higher diploma in Mechanical Engineering and a Diploma in Mechanical Engineering. He is a member of the Board of registration of Architecture and quantity surveyors (BORAQS). He is a Council member of Architecture chapter. He is the Chief Executive Officer of Archipoint consulting Architects.          He is the Chairperson of the Finance, Planning and General Purposes Committee and a member of the Human Resource Management Committee.</p>
 <p><b>PROF. LAILA UWESO ABUBAKAR</b>          Vice-Chancellor/ Council Secretary          Date of Birth: 13<sup>th</sup> December 1961</p>	<p>Prof Abubakar holds a PhD in Bio Chemistry, Masters of Science in Biochemistry and a Bachelor of Science (Biochemistry &amp; Chemistry).          She is the Secretary to the Full Council, Human Resource Management Committee, Sealing and Statutes Committee and the Finance, Planning and General Purposes Committee.</p>

**TUM MANAGEMENT TEAM**

 <p>Prof. Laila Uweso Abubakar Vice-Chancellor/ Council Secretary.</p>	<p>Prof Abubakar holds a PhD in Bio Chemistry, Masters of Science in Biochemistry and a Bachelor of Science (Biochemistry &amp; Chemistry).</p>
 <p>Prof. Peter Gichangi Deputy Vice Chancellor (Academic, Research &amp; Extension).</p>	<p>Prof. Gichangi holds a PhD in Obstetrics &amp; Gynaecology, MSc Obstetrics &amp; Gynaecology, BSc in Human Anatomy and Basic Medical Degree-MBCHB.</p>
 <p>Prof. Joseph Ouma Rasowo Deputy Vice Chancellor (Administration, Finance &amp; Planning).</p>	<p>Prof. Rasowo holds a PhD in Aquatic Ecology/ Aquaculture, MSc in Marine Ecology &amp; Aquaculture, MBA in Strategic Management, BSc in Botany/ Zoology.</p>
 <p>Dr. Gichuhi Paul Njihia Registrar Academic Affairs</p>	<p>Dr. Njihia, holds a PhD in Pharmaceutical Synthetic Chemistry, MSc in Analytical Chemistry and BSc.in Chemistry.</p>

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 <p>Dr. Matata Kilungu Registrar Administration and Planning</p>	<p>Dr. Kilungu, holds a PhD in Human Resource Management, MBA in Human Resources Management, Post Graduate Diploma in Education and Bachelor of Commerce.</p>
 <p>CPA Dalton Mwaghogho James Finance Officer.</p>	<p>CPA James holds a MBA (Strategic Management), BSc(Hon) Applied Accounting, is a Fellow of Chartered Certified Accountant, Certified Public Accountant of Kenya, and a Certified Secretary of Kenya.</p>

## CHAIRMAN'S STATEMENT

Technical University of Mombasa (TUM) is committed to aiding the National Government in achieving the Big Four Agenda particularly focusing on infrastructure and Universal healthcare. The 2019-2020 financial year started out well, with the University expecting to exceed its budgeted Appropriation in Aid (A in A) and see the Institution improve its teaching resources as well as increase capacity of its staff in efforts to improve efficiency and service delivery. The increase of these resources without a balanced growth in financial support from the exchequer has however come with a number of challenges. The most notable being the decrease in self-sponsored students at the University and the failure to implement the differentiated unit cost (DUC) formula guaranteed to increase funding to technical institutions such as ourselves.

The University Strategic Plan 2018-2022 identifies the following areas as key result areas: Governance, Financial Sustainability, Quality Assurance, Centres of Excellence in areas of Science, Technology, Engineering and Mathematics (STEM); and Human Capital Development. With regard to Governance, the University established the TUM-TVET Institute as a strategy to accommodate technical students and further more undertook maintenance of its buildings as a strategy to develop and maintain the physical infrastructure to support the core mandate of the institution. On financial sustainability, the University experienced challenges in raising its Appropriation in Aid due to the impact of the Corona Pandemic that led to the closure of the Institution. The University Council is committed to championing the establishment of the Endowment Fund as a mode of resource mobilisation under financial sustainability. With regard to Quality Assurance, the University spearheaded the establishment of policies that would guide and inform the decision making process. Furthermore the University operationalised Online Distance Learning as a mitigation measure to ensure learning continues during the pandemic. On centres of excellence, promotion on partnership, research and extension was identified as a key driver in achieving the centres of excellence in STEM. The Office of the Registrar Partnerships, Research and Extension has been key in pursuing this however the 2<sup>nd</sup> Multi-Disciplinary Conference which was scheduled for March 2020 had to be postponed as a result of the Corona Pandemic but the same has been pushed to the next financial year. The

last area on Human Capital Development was greatly affected by the freeze in recruitment in efforts to contain the wage bill. However the University is undertaking a Training Needs Analysis and Human Resource Planning and Strategy in efforts to arrive at strategies that would see the Human Capital Development streamlined with reference to best practice; thereby achieving an overall goal of attracting, management, developing and retaining the best workforce to meet its needs.

The University Council looks forward to a supportive collaboration with the Government to ensure continued development of the University and plans to initiate Public Private Partnerships (PPPs), which will open opportunities for growth in physical infrastructure to take care of student growth and the upcoming School of Medicine.

Chairman of the Council

Name: Dr. Robert Arunga

Sign .....

Date .....

## REPORT OF THE VICE CHANCELLOR

Technical University of Mombasa (TUM) as a Technical institution of higher learning is committed to invoking competency based learning ensuring that students are well equipped to undertake the roles required to aid the Government in fulfilling its development goals. This goals are most notably the country's Vision 2030, The Big Four Agenda, the Sustainable Development Goals as well as the industry demands. As part of its expansion strategy, TUM has developed market driven programmes in the fields of Business, Engineering, Science and Technology that will offer a highly skilled workforce well able to compete in the global economy.

TUM is committed to maintaining quality and standards in providing services to the University community and its stakeholders. Subsequently during the year, the University spent KShs 3.1 Million on ISO 9001:2015 certification to ensure the general concept and objectives of quality are understood by all. Furthermore, the University Management in consultation with the Council, has disbursed KShs 4,386,544 for capacity building of both academic and administrative staff. To preserve our competitiveness and improve our visibility, the University has strengthened the Research Partnership and Innovation office to facilitate delivery of our core mandate. This has resulted in new linkages and research collaboration within the region and internationally. TUM has developed and implemented a number of work place policies to affirm good governance. Towards this end, the University put in place the Health policy to ensure income generated from the University Health Clinic is effectively used as internally generated income. These efforts led to an increase in revenue collection in 2019/2020 FY, thus drastically reducing our previous financial deficit. However, the impact of the COVID-19 Pandemic adversely affected the overall revenue income after closure of Universities was implemented in March 2020 as a result of the Presidential directive to curb the spread of the pandemic. The University remained closed till the end of the financial year adversely affecting the revenue stream. The University has put in place measures to oversee return to class and implementation of blended learning to mitigate the impact of the pandemic on the institution's finances. All this are highlights of the level of implementation of the University Strategic Pillars of

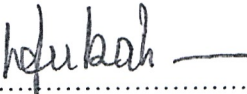
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Governance, Financial Sustainability, Quality Assurance, centre of Excellence in STEM and Human Capital Development.

Vice Chancellor

Name: Prof. Laila Abubakar

Sign  .....

Date 11/11/2020 .....

**REVIEW OF TUM'S KENYA REGULATORY & NON - COMMERCIAL ENTERPRISE'S PERFORMANCE FOR FY 2019/2020**

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 University's performance against predetermined objectives.

TUM has 5 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019-2022/2023. These strategic pillars are as follows:

- Pillar 1: Governance
- Pillar 2: Financial sustainability
- Pillar 3: Quality Assurance
- Pillar 4: Centre of Excellence in STEM
- Pillar 5: Human Capital Development

TUM develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. TUM achieved its performance targets set for the FY 2019/2020 period for its 5 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Governance	Organizational structure	Established office  Improved communication.	Establish and strengthen the office of Registrar Partnership Research and Innovations Restructure the office of Corporate Communications to handle public relations	Strengthen research and extension activities  Better PR
	Review of management	Improved governance.	Develop other new policies.	Policies in place.
	Branding	Industrial attachment and internship guidelines.	Establish an Industrial Attachment Policy and Communication Policy	Increased TUM visibility
	Risk Management and compliance	Documented risks Risk matrices	Identify risks Carry out Risk Assessment analysis	Reports
Financial sustainability		Appointment letters	Strengthen administrative	Key officers recruited

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	Ensure financial sustainability		structure of TUMEL	
		% of cost reduced	Establish a cost cutting committee	Reduced cost
Quality Assurance	Ensure quality governance structure	Quality Policies and manual	Develop QMS manuals	Standardized operations
		ISO 9001:2015 Certificate	Align documentation to transit from 9001:2008 to 9001:2015 std	Certification
		No. of trained IQAs	Training IQA for qualification to ISO 9001:2015 Standard Auditing	Certified IQAs
		SOP Guidelines	Develop and maintain structures of reporting complaints	Improved perception and service delivery
	Ensure quality in curriculum development, review and delivery	Number of programmes accredited	Compliance with CUE and other professional bodies regulations	Quality curricula
Centre of Excellence in STEM	Expand Research and Innovations	Report on review	Review procedures for internal funding for staff and improve research fund accessibility	Streamlined funds allocation and efficiency of access
		Number of multidisciplinary conferences, number of research niche	Organize International Multidisciplinary Conference	Improved research culture
	Improve Student Experience	Number of administrators in place	Employ administrators at Faculty/School/Institute.	Efficient administration of academic affairs
		Number of students engaged in student exchange programme	Initiate Student exchange programmes	Enhance students international experience

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	Enhance Partnership, Collaborations and Linkages	Number of MOUs implemented,	Implement existing MoU clauses/agreement to the letter	Improved Partnership, Collaborations and Linkages
		Alumni activities conducted	Organize regular Alumni activities	Improved Partnership, Collaborations and Linkages
		Number of carrier talks	Introduce middle and high school students to TUM academic programs and career talks	Improved Partnership, Collaborations and Linkages
Human Capital Development	Attract and retain competent workforce	Status report	The Scholarship Award Committee to be domiciled at DVC AFP	Effective coordination of training and development of staff
		Number of trainings attended	Training staff in soft skills on handling students and other stakeholders	Improved customer services
		Number of CBAs signed	Prompt negotiations and signing of CBAs	Employee satisfaction

## CORPORATE GOVERNANCE STATEMENT

Technical University of Mombasa is committed to the highest standards of corporate governance and ethics in discharge of its functions. The University takes recognition of the various stakeholders, the funding agencies, and the regulations thereto, relating to its obligations as provided in the Universities Act, 2012 and Charter. For the FY 2019-2020, the University complied with all regulatory provisions set out in the applicable statutes. The Council is responsible for overall governance of the University.

The University Statutes and Council Charter offers guidance on how the Council discharges its mandate at the University. These responsibilities relate to the proper conduct of university business, policy development, strategic planning, monitoring effectiveness and performance, finance, audit, estate management, human resource management, equality and diversity, student welfare, health and safety and the appointment of the University Officers. The Council has the following committees: Executive Committee (Also known as the Full Council); Audit, Risk and Compliance Committee; Finance, Planning and General Purposes Committee; Human Resources Management Committee and the Technical Committee which is known as the Sealing and Statutes Committee. All Council Committees meet as per the Council Almanac. The Committees report to the full Council through board reports presented by the Chairpersons of the abovementioned Committees. All resolutions of the Council are executed by the Council Secretary who is the Vice Chancellor through the University Management Board.

### The Council Terms (FY 2019/2020)

S/N	COUNCIL MEMBER	POSITION	APPOINTMENT	EXIT	TERM
1.	Dr. Robert Arunga	Chairman	6/09/2018	5/09/2021	3 years
2.	Dr. Francis Joseph Bwire	Independent member	6/09/2018	5/09/2021	3 years
3.	Dr. Davidson Mwaisaka Mghanga	Independent member	8/11/2019	7/11/2022	3 years
4.	Ms. Alice Mwololo	Alternate- CS The National Treasury and Planning	14/10/2015	Indefinite	N/A
5.	Mr. Darius Mogaka Ogutu	Alternate - PS State Department For University Education (Ministry of Education)	2/10/2019	1/10/2022	3 years
6.	Arch. Alfred Ogalo Mango	Independent member	10/03/2017	9/03/2020	3 years

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	Re-appointment		10/03/2020	09/03/2023	3 years
7.	Ms. Jane Mbagi Mutua	Independent member	10/03/2017	9/03/2020	3 years
	Re-appointment		10/03/2020	09/03/2023	3 years
8.	Dr. Gift Kimonge Dzombo	Independent member	10/03/2020	09/03/2023	3 years
9.	Mr. Hamid Morowa	Independent member	10/03/2017	9/03/2020	3 years

During the FY 2019/2020 Council members Under Serial 6 and 7 were re- appointed for a three-year term. The Council member under serial 9 was replaced with the member under Serial 8 upon completion of his term.

**FULL COUNCIL BOARD MEETINGS**

During the FY 2019/2020 the Council met on the following dates:

COUNCIL MEMBER	POSITION	12/07/19	14/10/19	15/01/20	07/02/20	27/04/20	29/05/20	18/06/20
Dr. Robert Arunga	Chairman	✓	✓	✓	✓	✓	✓	✓
Dr. Francis Joseph Bwire	Independent member	✓	✓	✓	✓	✓	✓	✓
Dr. Davidson Mwaisaka Mghanga	Independent member			✓	✓	✓	✓	✓
Ms. Alice Mwololo	Alternate- CS The National Treasury and Planning		✓	✓	✓	✓	✓	✓
Mr. Darius Mogaka Ogutu	Alternate - PS State Department For University Education (Ministry of Education)		✓	✓	✓	✓	✓	✓
Arch. Alfred Ogallo Mango	Independent member	✓	✓	✓	✓	✓	✓	✓
Ms. Jane Mbagi Mutua	Independent member	✓	✓	✓	✓	✓	✓	✓
Dr. Gift Kimonge Dzombo	Independent member					✓	✓	✓
Mr. Hamid Morowa	Independent member	✓	✓	✓	✓			
Prof. Laila Abubakar	Council Secretary/ Vice Chancellor	✓	✓	✓	✓	✓	✓	✓

\*It is worth noting that the Council conducted virtual meetings in April, May and June 2020 due to the Covid-19 Pandemic.

Council Committees during the FY2019/2020

1. The Council had a total of four (4) Committees. They comprise of:
  - Finance, Planning and General Purposes Committee,
  - Sealing and Statutes Committee,
  - Audit, Risk and Compliance Committee
  - Human Resource Management Committee.
2. During this FY the Committees prepared their Charters and the same were adopted by the Council on its 31<sup>st</sup> Meeting dated 14<sup>th</sup> July 2020.
3. Upon receipt of the Circular on the Management of State Corporations (Guidelines on the Management of State Corporations issued vide Circular No. OP/CAB.9A/1A of March 2020; the Committee membership was changed to comply with the circular requirement of not more than a third membership and maximum committee membership be two committees per member.
4. The following shows an analysis of the committee structural changes before and after the circular:

<u>COMMITTEE</u>	<u>MEMBERSHIP BEFORE MARCH 2020</u>	<u>MEMBERSHIP AFTER MARCH 2020</u>
Finance, Planning and General Purposes Committee	1. Arch. Alfred Mango - Chair 2. Mr. Hamid Morowa - Member 3. Ms. Alice Mwololo - Member 4. Mr. Darius Ogutu - Member 5. Prof. Laila Abubakar - Secretary	1. Arch. Alfred Mango - Chair 2. Dr. Gift Kimonge - Member 3. Ms. Alice Mwololo - Member 4. Mr. Darius Ogutu - Member 5. Prof. Laila Abubakar - Secretary
Human Resource Management Committee	1. Mr. Hamid Morowa - Chair 2. Ms. Jane Mutua - Member 3. Mr. Darius Ogutu - Member 4. Arch. Alfred Mango - Member 5. Prof. Laila Abubakar - Secretary	1. Dr. Davidson Mwaisaka - Chair 2. Mr. Darius Ogutu - Member 3. Arch. Alfred Mango - Member 4. Prof. Laila Abubakar - Secretary
Audit Risk and Compliance Committee	1. Dr. Francis Bwire - Chair 2. Ms. Jane Mutua - Member 3. Dr. Davidson Mwaisaka - Member 4. Ms. Alice Mwololo - Member 5. Mr. Clarkson Deche - Secretary	1. Dr. Francis Bwire - Chair 2. Ms. Alice Mwololo - Member 3. Dr. Davidson Mwaisaka - Member 4. Mr. Clarkson Deche - Secretary

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Sealing and Statutes Committee	<ol style="list-style-type: none"> <li>1. Ms. Jane Mutua - Chair</li> <li>2. Dr. Francis Bwire - Member</li> <li>3. Dr. Davidson Mwaisaka - Member</li> <li>4. Mr. Darius Ogutu - Member</li> <li>5. Prof. Laila Abubakar - Secretary</li> </ol>	<ol style="list-style-type: none"> <li>1. Ms. Jane Mutua - Chair</li> <li>2. Dr. Francis Bwire - Member</li> <li>3. Mr. Darius Ogutu - Member</li> <li>4. Prof. Laila Abubakar - Secretary</li> </ol>
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The following are the tables showing the sittings of the Committees listed above:

*1. Finance, Planning and General Purposes Committee (FPGP)*

COMMITTEE MEMBER	POSITION	05/07/19	04/10/19	10/01/20	20/05/19	18/06/20
Arch. Alfred Mango	Chairman	✓	✓	✓	✓	✓
Ms. Alice Mwololo	Alternate- CS The National Treasury and Planning	✓	✓	✓	✓	✓
Prof. Laila Abubakar	Council Secretary/ Vice Chancellor	✓	✓	✓	✓	✓
Mr. Hamid Morowa	Independent member	✓	✓	✓		
Mr. Darius Mogaka Ogutu	Alternate - PS State Department For University Education (Ministry of Education)			✓	✓	✓
Dr. Gift Kimonge Dzombo	Independent member				✓	✓

During the FY 2019/2020 the FPGP Committee met four times with one (1) Special meeting held on 18<sup>th</sup> June 2020. The Special Meeting was called after receiving a request from the Ministry of Education to rationalise our FY2019/2020 Budget as per the revised budgetary allocations received from the Ministry's Supplementary Budget and seek concurrence of the Council on the same. The University called for a FPGP meeting to rationalise the supplementary budget as requested by the Ministry of Education.

*2. Human Resource Management Committee (HRMC)*

COMMITTEE MEMBER	POSITION	04/07/19	03/10/19	03/12/19	24/4/19
Mr. Hamid Morowa	Chairman	✓	✓	✓	
Arch. Alfred Mango	Independent Member	✓	✓	✓	✓
Prof. Laila Abubakar	Council Secretary/ Vice Chancellor	✓	✓	✓	✓
Ms. Jane Mbagi Mutua	Independent member	✓	✓	✓	

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Mr. Darius Mogaka Ogutu	Alternate - PS State Department For University Education (Ministry of Education)			✓	✓
Dr. Davidson Mwaisaka	Chairman				✓

When Mr. Hamid Morowa term ended and it was not renewed, Dr. Davidson Mwaisaka was appointed to Chair the Committee. The Committee met only four (4) times during the financial year.

*3. Sealing and Statutes Committee (SSC)*

COMMITTEE MEMBER	POSITION	03/07/19	02/10/19	13/10/19	02/12/19	20/05/20
Ms. Jane Mbagi Mutua	Chairlady	✓	✓	✓	✓	✓
Dr. Francis Joseph Bwire	Independent Member	✓	✓	✓	✓	✓
Prof. Laila Abubakar	Council Secretary/ Vice Chancellor	✓	✓	✓	✓	✓
Mr. Hamid Morowa	Independent member	✓	✓			
Mr. Darius Mogaka Ogutu	Alternate - PS State Department For University Education (Ministry of Education)			✓	✓	✓
Dr. Davidson Mwaisaka	Independent Member			✓	✓	✓

The Sealing and Statutes Committee had one special meeting on 13<sup>th</sup> October 2019 to seal an extra list of graduands in preparation for the Graduation. The Graduands would have missed out on the graduation had their names not been sealed. This Special meeting was held before the circular on Management of State Corporations, hence there was no need to seek approval at the time from the Cabinet Secretary.

*4. Audit, Risk and Compliance Committee*

COMMITTEE MEMBER	POSITION	04/07/19	03/10/19	02/12/19	21/05/20
Dr. Francis Joseph Bwire	Chairman	✓	✓	✓	✓
Ms. Jane Mbagi Mutua	Independent Member	✓	✓	✓	✓
Mr. Clarkson Deche	Internal Auditor/ Secretary	✓	✓	✓	✓
Mr. Hamid Morowa	Independent member	✓	✓		
Ms. Alice Mwololo	Alternate - CS National Treasury and Planning	✓	✓	✓	✓

Dr. Davidson Mwaisaka	Independent Member			✓	✓
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The Audit, Risk and Compliance Committee met four (4) times during the FY 2019/2020.

#### **Succession Plan**

The Universities Act 2012 provides in Section 36 (5) the modalities of establishing an adequate Succession plan for the Council. The University has in place an adequate plan that ensures that the Council retains a quorum regardless of the expiration of terms of some of its members. From the breakdown of terms highlighted above, you will note that the Council terms are staggered ensuring that at no particular time would the Full Council be without quorum regardless of the expiry of terms. This would ensure continuity in the activities of the Council. Furthermore the Council Secretary notifies the Ministry of Education Six Months (6) prior to the expiry of term to ensure that recruitment is undertaken and the position filled within the required timelines.

#### **Council Charter**

The Council is guided by its Charter that defines the Council's roles and responsibilities as well as functions and structures in a way that supports the Council members in carrying out their strategic oversight function. The Charter was adopted by the Council on 1<sup>st</sup> February 2019.

The Committees are also guided by Charters which were prepared in accordance with the provisions of the Circular on the Management of State Corporations (Guidelines on the Management of State Corporations issued vide Circular No. OP/CAB.9A/1A of March 2020. The Committee Charters were approved by the Council in their meeting held on 14<sup>th</sup> July 2020.

#### **Appointment and Removal of Council Members**

Council members are appointed to the Board through the Ministry of Education with the exception of the Representative from the National Treasury. The Council Charter provides the instances where membership shall cease in Section 3.4 and outlines that any removal of

a Council members shall be through formal revocation, save where a Council member has tendered a voluntary resignation.

During the FY 2019/2020, the term of three Council members namely, Arch. Alfred Mango, Ms. Jane Mbagi Mutua and Mr. Hamid Morowa came to an end. Arch. Alfred Mango and Ms. Jane Mbagi Mutua had their terms renewed for a further 3 years while Mr. Hamid Morowa was replaced by Dr. Gift Kimonge Dzombo.

#### **Roles and Functions of the Council and its Committees**

The roles and functions of the Council are set out in the Council Board Charter under Section 4. This is mainly the role on the Council in Strategic Direction, Recruitment, Research, Education, Financial and Capital Oversight, Ethical Standards, Corporate Governance and Regulatory Compliance, Risk Oversight and Stakeholder Management. The Council Committees Charters have been apportioned the above roles to ensure that the Council delivers on its mandate.

#### **Conflict of Interest**

The University Council adheres to the provisions on declaration of Conflict of Interest by ensuring that conflict of interest is declared before any meeting of Council begins. The Council has also put in place a Conflict of Interest register submitted quarterly to the Ethics and Anti-Corruption Commission. The Council has spearheaded the establishment of the Anti-Corruption and Whistleblowing policy in efforts to sensitise Council, Management and staff on the adverse effects of corruption as well as ensure that whistleblowing is encouraged and protected. The Council has ensured that the University Code of Conduct and Ethics stipulates clearly the requirements on declaration of conflict of interest. The Council has undertaken to establish a separate Conflict of Interest Policy currently being drafted by the Corruption Prevention Committee by the end of the FY 2020/2021.

#### **Board Remuneration**

The Council receives remuneration as per the set Government Guidelines. During the FY2019/2020 Council members were paid sitting, subsistence and travel allowances as per the Government approved rates.

### Board Evaluation

In line with the provisions of the State Corporations Act 2012, the Council undertook an annual evaluation of its performance as an University, its Committees, the Chairman and each individual Council member and the Vice Chancellor. This was aimed at enabling the Council, its members and the Committees to gauge their performance and identify areas of improvement. The evaluation was undertaken by SCAC. The Council scored an overall performance score of 95.29% for the FY 2018/2019. The following Council members were evaluated during the Financial Year 2019/2020 for the business transacted in the FY 2018/2019, their scores are follows:

S/No.	Name of Council	Position	Mean Score	%age Score
1.	Dr. Robert Arunga	Chairperson	4.9365	98.73
2.	Prof. Laila Abubakar	Secretary	4.4799	89.60
3.	Alice Mwololo	Member	4.8686	97.37
4.	Dr. Francis Joseph Bwire	Member	4.8456	96.91
5.	Arch. Alfred Mango	Member	4.9293	98.59
6.	Jane Mbagi Mutua	Member	4.9043	98.09
7.	Hamid Abiyo Morowa	Member	4.7668	95.34
8.	Lucy Mulili	Member	4.8248	96.50
9.	Beatrice Kosgei	Member	4.7525	95.05
<b>OVERALL COUNCIL EVALUATION SCORE</b>			4.7645	95.29

### Governance Audit

The University was unable to undertake a Governance Audit during the FY2019/2020 due to the failure to obtain a qualified bidder despite floating the tender twice. The Council has reserved the Audit for the FY 2021/2022 mainly due to the impact of the Corona Pandemic affecting its inability to undertake consultancy services in the FY2020/2021.

### Council diversity

The Council of Technical University of Mombasa is committed to diversity and reflects a mix of different skill sets beneficial to the Institution. The areas of expertise of the current Council members are Chemistry, Law, Economics, Banking, Architecture, Finance and Education. The Council also meets the requirements on ethnic diversity. The Council also meets the requirements on Gender ensuring that not more than two thirds of the membership is from one gender.

Below is the current Council diversity structure:

COUNCIL MEMBER	POSITION	GENDER	EXPERTISE	ETHNICITY
Dr. Robert Arunga	Chairman	Male	Chemistry	Luo
Dr. Francis Joseph Bwire	Independent member	Male	Finance	Luhya
Dr. Davidson Mwasaka Mghanga	Independent member	Male	Law	Taita
Ms. Alice Mwololo Macharia	Alternate- CS The National Treasury and Planning	Female	Economics	Kikuyu
Mr. Darius Mogaka Ogutu	Alternate - PS State Department For University Education and Research (Ministry of Education)	Male	Education	Kisii
Arch. Alfred Ogallo Mango	Independent member	Male	Architecture	Luo
Ms. Jane Mbagi Mutua	Independent member	Female	Education	Kikuyu
Dr. Gift Kimonge Dzombo	Independent member	Male	Finance	Mijikenda
Mr. Hamid Morowa	Independent member	Male	Agricultural Economics	Pokomo
Prof. Laila Abubakar	Council Secretary/ Vice Chancellor	Female	Biochemistry	Swahili

### University Management

The daily management of the University is vested in the University Management Board with the Senate overseeing management of academic programmes. The roles of both boards are detailed in the University Charter and its Statutes. Meetings of the Senate include Regular Senate, Senate Board of Examiners, Special Senate and Extraordinary Senate. The Vice Chancellor of the University is the Chairperson of both Senate and Management.

#### MANAGEMENT DISCUSSION AND ANALYSIS

In the financial year ended 30 June, 2020, Technical University of Mombasa had a net deficit of KShs. 21,758,442 a decrease of KShs. 50,339,122 from prior year deficit of KShs. 72,097,564.. Total income increased by KShs 20,971,204 to KShs. 1,755,906,117 from KShs KShs. 1,734,934,913 in year 2018/2019. The increase was attributed to increase in GoK grants by 93,304,826 from KShs. 931,644,268 in previous year to KShs. 1,024,949,094 in the reporting year. However, the University Appropriation in Aid (A in A) declined by 72,333,622 from KShs. 803,290,645 in previous year to KShs. 730,957,023 in the reporting year. This was attributed by decline in other income by KShs 11,966,367 from KShs 326,467,468 in previous year to KShs. 314,501,101 in the reporting year. Tuition fees also declined by KShs. 60,367,255 from KShs 476,823,177 in previous year to KShs. 416,455,922 in the reporting year. The decline in A in A is attributed to the COVID-19 pandemic in March 2020 and the subsequent closure of the Universities through the Presidential directive before the students could pay and sit for their end of semester examinations.

Total expenses decreased by KShs. 29,367,918 from KShs. 1,807,032,477 in previous year to KShs. 1,777,664,559 in the reporting year. This was mainly attributed to decrease in depreciation charge for the year since there was less additions as compared to the prior year. There was a decline in the following expenses due to low activities at the University after the COVID-19 pandemic that was declared in March 2020. Operating and Administration expenses declined by KShs. 50,796,523 and Teaching expenses declined by KShs. 43,237,712.

The total assets in the statement of financial position increased by KShs. 153 Million from KShs. 3,467,951,131 in the previous year to KShs. 3,621,319,008 in the reporting year. The acid test ratio of 0.80 in the current reporting year was worse than prior year ratio of 1.05. The decline was impacted by COVID-19 pandemic in March 2020 which resulted in the closure of the University as explained above. The receivable from exchange transactions increased by KShs. 90 Million from the previous year due to specifically increase in student debtors by KShs. 125 Million from the previous year due to the COVID-19 pandemic and subsequent closure of the University.

The University completed paying the principal amount of KShs 63 Million. The University wrote to KRA requesting for waiver of the remaining amount which is for the interest and penalties on PAYE of KShs 10.6 Million.

KRA was reconciling TUM iTax ledger account to the specific tax heads before considering the waiver.

**Compliance with statutory requirements: -**

In the FY 2019-2020, the University complied with all statutory requirements by ensuring that all statutory deductions namely PAYE, NHIF, NSSF and Withholding VAT were remitted as and when they fell due.

**Financial probity and serious governance issues: -**

The University does not have any major financial improbity as per internal Audit/ TUM Council Audit committee, External Auditors or any other National Government agencies providing oversight. Additionally, there are no other governance issues among the Council members and top management including conflict of interest.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

In line with its mission and values, Technical University of Mombasa is sensitive to the impact of our activities on our students, employees, partners and other stakeholders, as well as on the community and the environment.

The University is committed to the maintenance of principled standards, respect and accountability across all its activities. The University undertook Corporate Social Responsibility and Sustainability in accordance with the said pillars during the FY as follows:

- a) **Sustainability Strategy and Profile:** The University's sustainability strategy and profile is anchored on the need to generate income through increase in fees collection from students, lobbying for donor support and innovation of other revenue streams as well as adoption of cost cutting measures. During the FY the University adopted extensive cost cutting through outsourcing of cleaning and catering services reducing the need for additional staff as well as cutting down the expenditure on procurement in this areas. The University organised the 2<sup>nd</sup> Multi-Disciplinary Conference in efforts to encourage innovation however the same could not take place due to the restrictions imposed by the Corona Pandemic. Fees intake was also heavily affected by the Corona Virus thus affecting the financial stability of the Institution.
- b) **Environmental performance:** In efforts to ensure environmental performance, the University shall quantify, monitor and control the ongoing environmental impact of its operations. In efforts to do this the University was able to undertake an environmental survey of the through a risk survey that was conducted by the General Insurance Service Providers that highlighted the environmental risks and how the University would address the same.
- c) **Employee Welfare:** The University enhances employee welfare through provision of services, facilities and benefits to motivate employees and raise productivity levels. The University was able to provide an adequate Medical Cover for all staff during the FY. It further provide Group life insurance for staff. Staff were also trained during

the FY in efforts to enhance efficiency and productivity. During the FY Staff were adequately compensated for work done.

- d) **Market Place Practices:** The University has put in place market place practices to enhance its visibility in the market place through restructuring its Corporate Communications Office to handle public relations. The University has also established a Communication policy to guide on how the institution will enhance visibility in the market place. The Corporate Communications Department has also ensured that it has printed banners that effectively display the University brand in all events undertaken at the University.
- e) **Community Engagements:** As provided within its mandate, the University is actively involved in research, innovation and technology transfer. The research outputs are shared to the community through shows and exhibitions and community exchange programmes. During the period, the University spent KShs 2.1 Million on exhibitions that are meant to share new technologies to the industry and the communities in general. During this period the University had several Corporate Social Responsibility activities among which included a clean-up exercise which covered the Entire Tudor area during the World clean-up day, the University organized for a Girl Child Symposium, The University fed 2,000 students and 1,000 slum dwellers during this COVID-19 Pandemic period. The University staff visited two children's homes and one Nyumba Ya Wazee and donated food items.

**REPORT OF THE COUNCIL**

The Council submitted their report together with the audited financial statements for the year ended 30 June 2020 which show the state of the Technical University of Mombasa affairs.

**Principal activities**

The principal activities of the University are teaching and research.

**Results**

The results of the University for the year ended 30 June 2020 are set out on page 1 to 5

**Council**

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

**Auditors**

The Office of the Auditor General is responsible for the statutory audit of the Technical University of Mombasa in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Council

Chairman of the Council

Name: Dr. Robert Arunga

Sign .....  .....

Date of approval of financial statements by Council .....

#### **STATEMENT OF COUNCIL RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 require the Council to prepare financial statements in respect of Technical University of Mombasa, which give a true and fair view of the state of affairs of the Technical University of Mombasa at the end of the financial year and the operating results of the Technical University of Mombasa for that year. The Council are also required to ensure that the Technical University of Mombasa keeps proper accounting records which disclose with reasonable accuracy the financial position of Technical University of Mombasa. The Council is also responsible for safeguarding the assets of the Technical University of Mombasa.

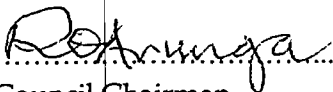
The Council is responsible for the preparation and presentation of the Technical University of Mombasa financial statements, which give a true and fair view of the state of affairs of the Technical University of Mombasa for and as at 30 June 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the Technical University of Mombasa financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Council is of the opinion that the Technical University of Mombasa financial statements give a true and fair view of the state of University's transactions during the financial year ended 30 June 2020, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

Despite the impact of the Corona Pandemic the University Council has put in place cost cutting measures to ensure that the University will remains a going concern for at least the next twelve months from the date of this statement.

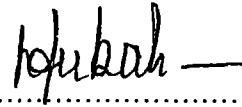
**Approval of the financial statements**

The Technical University of Mombasa financial statements were approved by the Council on  
..... 2020 and signed on its behalf by:



.....  
Council Chairman

Name: Dr. Robert Arunga



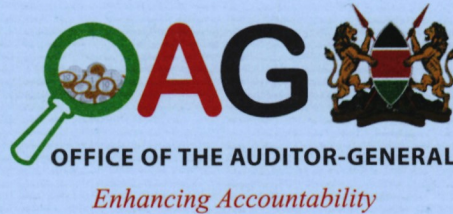
.....  
Vice Chancellor/Council Secretary

Name: Prof. Laila Uweso Abubakar



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## REPORT OF THE AUDITOR-GENERAL ON TECHNICAL UNIVERSITY OF MOMBASA FOR THE YEAR ENDED 30 JUNE, 2020

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Technical University of Mombasa set out on pages 1 to 58 which comprise of the statement of financial position as at 30 June, 2020, 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 Technical University of Mombasa as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, and comply with International Public Sector Accounting Standards (Accrual Basis) and Public Universities Act, 2012 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

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

##### 1.1. Unsupported Adjustments

The statement of financial position as at 30 June, 2020 reflects property, plant and equipment and as disclosed under Note 16 to the financial statements, a balance of Kshs.3,201,843,600 after adjustment by Kshs.86,271,921 from the original balance of Kshs.3,115,571,679. The adjustment was made on the following items:

Item	Revised Net Book Value (Kshs.)	Original Net Book Value (Kshs.)	Unsupported Adjustment (Kshs.)
Freehold Land	1,047,422,550	1,047,422,550	-
Buildings	1,283,056,876	1,283,056,876	-
Furniture & Fittings	16,989,415	17,088,415	(99,000)
Computer other Electronics	36,558,630	(12,231,712)	48,790,342

Item	Revised Net Book Value (Kshs.)	Original Net Book Value (Kshs.)	Unsupported Adjustment (Kshs.)
Plant& Equipment	277,592,559	248,794,422	28,798,137
Motor Vehicles	7,254,598	(1,528,444)	8,783,042
Capital Work in- Progress	532,968,972	532,969,572	(600)
<b>Total</b>	<b>3,201,843,600</b>	<b>3,115,571,679</b>	<b>86,271,921</b>

Consequently, the accuracy and completeness of property, plant and equipment balance of Kshs.3,201,843,600 as at 30 June, 2020 could not be ascertained.

## 1.2. Land in Dispute

The property, plant and equipment reflects a balance of Kshs.3,201,843,600 as at 30 June, 2020 (2018/2019 - Kshs.3,093,832,849).As previously reported, the balance includes a parcel of land valued at Kshs.200 million with ownership dispute and the matter is in court pending determination.

A review of the matter in the current year indicates that the status has not changed. Although the University Management is confident that the University has a proper title to the property, it has not been possible to confirm the ownership on the property.

## 1.3. Work in Progress

### 1.3.1. Library Detective System

The statement of financial position reflects property, plant and equipment balance of Kshs.3,201,843,600 as at 30 June, 2020 (2018/2019- Kshs.3,093,832,849) and as disclosed in Note 16 to the financial statements. As previously reported, the balance includes work in progress of Kshs.532,968,972 (2018/2019 – Kshs.354,986,585) which further includes an advance payment of Kshs.1,802,697 for library detective system. According to the agreement dated 12 February, 2014, the work for library detective system was supposed to be completed in one and a half months from the date of signing the agreement.

However, audit review of the status on 20 August, 2019 revealed that the system had been returned to the supplier for being defective and the supplier has since disappeared. In addition, available records indicated that the University tried to engage a private investigator to trace the supplier but the cost implication was deemed beyond the amount already advanced to the supplier, hence the plan was shelved.

In the circumstances, the work in progress balance of Kshs.532,968,972 as at 30 June, 2020 could not be confirmed.

### 1.3.2. Perimeter Fence

The work-in-progress balance of Kshs.532,968,972 as at 30 June, 2020 also includes expenditure amounting to Kshs.6,930,750 for the construction of a perimeter fence on Gotani land in Kaloleni. However, records available indicate that the project was abandoned due to inability of the University to process ownership documents for the land donated by Kaloleni NG-CDF.

Management confirmed that the status of the project remained the same at the time of audit in the month of August, 2020. It is not clear why the University commenced fencing the land it had no title. In addition, the probable costs resulting from legal suits for termination of the contract have not been quantified and determined in these financial statements.

In the circumstances, the work in progress balance of Kshs.532,968,972 as at 30 June, 2020 is not fairly stated.

### **1.3.3. Project Management Fees**

As previously reported, work in progress balance of Kshs.532,968,972 as at 30 June, 2020 includes payments to various university staff amounting to Kshs.17,425,066, referred to as project management fees. However, it was not clear and the Management has not explained the basis for the payments. Further, the supporting payment documents for the amount were not provided for audit verification.

In the circumstances, the accuracy and propriety of project management fees of Kshs.17,425,066 could not be confirmed and the work in progress balance of Kshs.532,968,972 as at 30 June, 2020 is similarly not fairly stated.

## **2. Receivables from Exchange Transactions**

### **2.1 Adequacy of Provision for Bad and Doubtful Debts**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.136,763,725 (2018/19 – Kshs.46,569,410) as disclosed in Note 19 to the financial statements. The balance is net of general provision for bad and doubtful debts amounting to Kshs.76,475,696 (2018/19 – Kshs.64,089,721). The provision for the current year is 36% of the gross outstanding accounts receivables balance of Kshs.213,239,421 which have remained unchanged from the previous year's balance.

However, there is no specific provision for the impairment of debts that have been outstanding for a long period and which may not be recovered. A review of the matter in the current year indicates that the Management has not set a specific provision for the long outstanding debts.

In the circumstances, the adequacy of the provision for bad and doubtful debts is doubtful.

### **2.2 Understated Student Debtors Balance**

Receivables from exchange transactions balance includes students 'debtors' totalling Kshs.197,698,444. An analysis of these debtors revealed that an amount of Kshs.133,338,825 or 67% had been outstanding for over four hundred and eighty days. In addition, the balance of Kshs.197,698,444 is net of credit balances of Kshs.60,103,400, thus understating the student debtors balance by the same amount.

Further, review of the University Student Fees Management System, E-Register (Academic) System revealed that students are not invoiced/billed at the beginning of the semester through E-Register System and that some students studying under self-

sponsorship programme were invoiced under Kenya Universities and Colleges Central Placement Service (KUCCPS) resulting to under billing and loss to the University of Kshs.2,932,479. The Management has not explained why the student debtors have remained uncollected for over a year and what measures have been put in place to address inadequacies/weaknesses in the two systems.

In the circumstances, the accuracy and completeness of the gross students' debtors' balance of Kshs.197,698,444 as at 30 June, 2020 could not be confirmed.

### **2.3. Outstanding Guest Accommodation Debtors**

Receivables from exchange transactions balance also includes guest accommodation debtors balance of Kshs.7,179,107 as at 30 June, 2020 (2019 - Kshs.7,282,107) which had been outstanding for over two years. It is not clear and the Management has not explained why the guest debtors have remained uncollected for two years and what measures it has put in place to recover the same.

Consequently, the recoverability of guest accommodation debtors of Kshs.7,179,107 could not be ascertained.

### **2.3. Unsupported Debtors from Technical University of Mombasa Enterprise Limited TUMEL Debtors**

Note 19 to the financial statements reflects Technical University of Mombasa Enterprises Limited (TUMEL) debtors of Kshs.4,000,000. However, debt contract agreement, request and authority to enter into borrowing arrangements were not provided for audit review. In addition, no documentary evidence was provided to indicate how the debt reduced from Kshs.6,000,000 in the previous year to the current figure of Kshs.4,000,000.

Consequently, the accuracy of the TUMEL debtors balance of Kshs.4,000,000 as at 30 June, 2020 could not be ascertained.

## **3. Receivables from Non-Exchange Transactions**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.124,858,720 as at 30 June, 2020 (2019 – Kshs114,899,735) as disclosed in Note 22 to the financial statements. The balance includes other debtors amounting to Kshs.119,447,924 which as previously reported, further includes an amount of Kshs.1,331,000 receivable from staff as a surcharge in respect of payroll fraud perpetrated by the concerned staff. However, the actual total amount lost out of the fraud and hence recoverable from the concerned staff has not been quantified through a forensic audit.

Consequently, the accuracy and completeness of other debtors' balance of Kshs.119,447,924 as at 30 June, 2020 could not be ascertained.

## **4. Cash and Bank Balances**

### **4.1. Unreconciled Petty Cash Balance**

The statement of financial position reflects cash and bank balances of Kshs.103,498,161 and as disclosed in Note 23 to the financial statements. The balance includes petty cash totalling Kshs.452,900. However, cash survey forms provided for

audit review revealed a petty cash balance of Kshs.432,560, resulting in unreconciled and unexplained variance of Kshs.19,440.

#### **4.2. Irregular netting of Bank Overdrafts**

The cash and bank balance of Kshs.103,498.161 as at 30 June, 2020 disclosed under Note 23 to the financial statements includes bank balances totaling Kshs.103,045,261. However, the bank balances are net of overdrawn balances of Kshs.8,776,076 in two bank accounts.

This is contrary to the requirements of International Public Sector Accounting Standard No.1 on presentation which prohibits the netting of liabilities against assets.

#### **4.3. Misstated Balance – Current Account I**

The cash and bank balance includes a bank balance of Kshs.2,530,732 in National Bank Current Account I. However, the supporting bank reconciliation statement as at 30 June, 2020 reflects receipts in bank not yet recorded in cash book of Kshs.217,475, all of which were dated from 19 September, 2017 to 19 February, 2020. It was not explained why the receipts have not been recorded in cash book.

Further, the reconciliation reflects payments in bank not yet recorded in cash book of Kshs.120,204, receipts in cash book not yet recorded in bank statements of Kshs.32,666. No explanation was provided for failure to bank receipts and record all payments in the cash book.

In addition, the supporting bank reconciliation statement as at 30 June, 2020 reflects unpresented cheques amounting to Kshs.444,124, out of which cheques totalling Kshs.209,082 had become stale as at 30 June, 2020. The stale cheques were not reversed in the cash book and the subsequent dates of clearance of the cheques were not provided for audit verification.

#### **4.4. Misstated Balance – Current Account II**

The cash and bank balance includes a negative bank balance of Kshs.8,364,717 in respect of National Bank Current Account II. However, the supporting bank reconciliation statement as at 30 June, 2020 reflects receipts in bank not yet recorded in cash book of Kshs.1,817,338. It was not explained why the receipts were not recorded in cash book.

Further, the reconciliation reflects payments in bank not yet recorded in cash book of Kshs.4,000, receipts in cash book not yet recorded in bank statements of Kshs.384,330, and payments in cash book not recorded in bank of Kshs.68,884,744. No explanation was provided as to why the receipts have not been banked and the payments recorded in the cash book.

#### **4.5. National Bank – Fees Collection Account**

The cash and bank balance includes a bank balance of Kshs.4,877,712 in National Bank Fees Collection Account. However, the supporting bank reconciliation statement as at 30 June, 2020 reflects receipts in bank not yet recorded in cash book of

Kshs.2,171,916. It was not explained why the receipts have not been recorded in cash book.

Further, the reconciliation reflects payments in bank not yet recorded in cash book of Kshs.298,518. These payments date as far back as 29 February, 2016. No explanation was provided as to why these payments have not been receipted for more than four years.

#### **4.6. Kenya Commercial Bank – Fees Collection Account**

The cash and bank balance includes a negative bank balance of Kshs.411,359 in respect of Kenya Commercial Bank Fees Collection Account. However, recasting of the supporting schedule revealed a negative balance of Kshs.411,583, resulting to unexplained nor reconciled variance of Kshs.44. Further, the supporting bank reconciliation as at 30 June, 2020 reflects amounts in bank not in cash book of Kshs.2,593,267, some dating as far back as 31 May, 2018. No explanation was provided as to why these amounts have not been recorded in cash book.

In addition, the reconciliation reflects payments in bank not yet recorded in cash book of Kshs.96,800, receipts in cash book not yet recorded in bank statements of Kshs.1,296,965 and payments in cash book not recorded in bank of Kshs.340,615, the details and schedules supporting the reconciliation of all which have not been provided for audit verification. Further, no explanation was provided as to why the receipts have not been banked and the payments recorded in cash book.

#### **4.7. Standard Chartered Bank - Fees Collection Account**

The cash and bank balance includes a bank balance of Kshs.44,859,700 in Standard Chartered Fees Collection Account. However, the supporting bank reconciliation as at 30 June, 2020 reflects receipts in bank not yet recorded in the cash book of Kshs.10,017,505. The receipts are dated from 18 July, 2019 to 16 June, 2020. It was not explained why the receipts have not been recorded in cash book.

Further, the reconciliation reflects receipts in cash book not recorded in the bank of Kshs.7,250. No explanation was provided for failure to record receipts in the bank.

#### **4.8. Kenya Commercial Bank Lamu Satellite Branch Account**

The cash and bank balance includes bank balance of Kshs.2,785,118 in Kenya Commercial Bank Lamu Satellite Branch Account. The bank reconciliation as at 30 June, 2020 reflects receipts in bank not yet recorded in the cash book of Kshs.160,090. The receipts are dated from 31 December, 2016 to 30 June, 2020. An amount of Kshs.41,540 has been outstanding for between two years and 4 years. It was not explained why the receipts have not been recorded in the cash book. In addition, the reconciliation reflects payments in bank not yet recorded in cash book of Kshs.177,960.

#### **4.9. Equity Fees Collection Account**

The cash and bank balance includes bank balance of Kshs.4,793,732 in respect of Equity Bank Fees Collection Account. However, the supporting bank reconciliation as at 30 June, 2020 reflects amounts in bank not in cash book of Kshs.888,330, some

dating as far back as September, 2017. No explanation was provided as to why these amounts have not been recorded in cash book.

In addition, the reconciliation reflects receipts in cash book not yet recorded in bank statements of Kshs.1,967,569, but whose supporting schedule were not provided. No explanation was given as to why these receipts have not been banked.

#### **4.10. Family Bank Research Account**

The cash and bank balance includes a bank balance of Kshs.17,710,851 in Family Bank Research Account. However, the supporting bank reconciliation as at 30 June, 2020 reflects amounts in bank not in cash book of Kshs.1,108,670. No explanation was given as to why these amounts have not been recorded in cash book.

In addition, the reconciliation reflects unpresented cheques amounting to Kshs.5,600, all of which had become stale by 30 June, 2020. The stale cheques were not reversed as required. Further, the bank statements to confirm subsequent dates of clearance of the cheques were not provided.

#### **4.11. National Bank - Economic Stimulus Programme Account**

The cash and bank balance include bank balance of Kshs.661,638 in National Bank Economic Stimulus Programme Account (part-time payments). The payment supporting bank reconciliation as at 30 June, 2020 reflects receipts in bank not yet recorded in the cash book of Kshs.5,000. This receipt was dated 19 April, 2017. It has been outstanding for more than three years and no explanation was provided as to why the amount has not been recorded in the cash book.

#### **4.12. Amalgamated Bank of South Africa (ABSA) – Collection Account**

The cash and bank balance include bank balance of Kshs.13,542,531 in Absa Fees Collection Account. However, the supporting bank reconciliation as at 30 June, 2020 reflects amounts in bank not in cash book of Kshs.218,686, some dating back to September, 2019. No explanation was given as to why these amounts have not been recorded in cash book.

Further, the reconciliation reflects receipts in cash book not yet recorded in bank statements of Kshs.436,405, and payments in cash book not in bank of Kshs.120,025. No explanation was given as to why the receipts have not been banked and the payments not yet recorded in the cash books.

Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs.103,498,161 as at 30 June, 2020 could not be ascertained.

### **5. Trade and Other Payables**

#### **5.1. Long Overdue Trade and Other Payables**

The statement of financial position as at 30 June, 2020 reflects trade and other payables balance of Kshs.54,129,520 as disclosed in Note 25 to the financial

statements. This balance includes long overdue balances (over 360 days) totalling to Kshs.8,577,732. These overdue accounts may attract litigation.

## **5.2. Unreconciled TUM Enterprises Balance**

Further, the trade and other payables balance includes a balance of Kshs.5,525,080 in respect of Technical University of Mombasa Enterprises Limited. However, the Enterprises' financial statements reflect an amount of Kshs.17,766,235, thus resulting in an unexplained and unreconciled variance of Kshs.12,241,155.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.54,129,520 as at 30 June, 2020 could not be ascertained.

## **6. Long Outstanding Other Creditors Balance**

The statement of financial position reflects other creditors balance of Kshs.401,477,075 as disclosed in Note 26 to the financial statements. The balance includes Kshs.5,321,976 (2019 – Kshs.4,742,602) in respect of unclaimed funds suspense accounts in various banks.

These balances are as a result of accumulation of un-receipted bank credits in fees collection accounts that could not be traced to the relevant students but were long outstanding. The suspense accounts were yet to be cleared as at 30 June, 2020. The University may lose these funds to the Unclaimed Assets Authority.

In the circumstances, the completeness of other creditors balance of Kshs.401,477,075 as at 30 June, 2020 could not be confirmed.

## **7. Revaluation of Assets - Software**

The statement of financial position reflects intangible assets balance of Kshs.149,284 as disclosed in Note 17 to the financial statements. The balance represents the carrying book value of the entire University ICT systems (The Student Management System e-register and Sage ACCPACC Systems). The economic substance and the recorded value of the existing ICT infrastructure do not match.

Consequently, the valuation of the assets could not be ascertained.

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

The statement of financial performance for reflects a deficit of Kshs.21,758,442 for the year ended 30 June, 2020 (2019 - deficit of Kshs.72,097,564). This resulted in accumulated losses of Kshs.560,708,782 in the revenue reserves as reflected in the statement of financial position as at 30 June, 2020 (2019 – accumulated loss of Kshs.393,459,323). The current liabilities balance of Kshs. 455,606,595 exceeded current assets balance of Kshs.408,740,667, resulting in a negative working capital of Kshs.46,865,928 as at 30 June, 2020.

The above precarious financial performance and position is an indication of the existence of a material uncertainty which may cast a significant doubt on the

University's ability to sustain its services and to meet its 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 undesirable precarious situation have 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 Technical University of Mombasa 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.

### **Other Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,994,309,515 and Kshs.1,755,906,117 respectively resulting to an under-funding of Kshs.238,403,397 or 12% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.1,938,909,514 and Kshs.1,668,278,791 respectively resulting to an under expenditure of Kshs.270,130,723 or 14% of the budget

The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

#### **2. Unresolved Prior Year Matters**

##### **2.1 Procurement of Freehold Land**

As reported in the previous years, included in property, plant and equipment balance of Kshs.3,201,843,600 as at 30 June, 2020 is freehold land balance of Kshs.1,047,422,550, out of which Kshs.92,922,550 relates to addition in the year 2015/2016 (2014/15 – Kshs.9,500,000).

However, no documentary evidence has been provided so far to confirm that the additions were competitively sourced as required under the Public Procurement and Asset Disposal Act, 2015 including advertisements, tender opening minutes, tender evaluation and acceptance and inspection reports.

## **2.2. Procurement of Furniture**

As previously reported, included in property, plant and equipment balance of Kshs.3,201,843,600 as at 30 June, 2020 (2018/2019 - Kshs.3,093,832,845) are additions totaling Kshs.107,850,973 made in the financial year 2013/2014.

However, the purchase of furniture and equipment at the cost of Kshs.20,905,377 and Kshs.10,729,921, respectively has to date not been supported by any documentary evidence to confirm that the items were competitively sourced as required by the Public Procurement and Asset Disposal Act.

## **2.3 Irregular Procurement of Television Sets**

As previously reported, included in property, plant and equipment balance of Kshs.3,201,843,600 as at 30 June, 2020 (2018/2019- Kshs3,093,832,845) were additions during year 2014/2015 amounting to Kshs.346,826,307 net of work-in-progress. The additions included procurement of five smart television sets at a total cost of Kshs.4,553,448.

The audit revealed that the procurement method used was requests for quotations contrary to the Public Procurement and Asset Disposal Act, 2015. In addition, the supplier delivered sixty-five inch-size instead of the seventy inch – size TV sets as per the supply order. A review of the matter in the current year indicates that the matter is pending in court.

## **2.4 Prior Year Work in Progress**

As previously reported, included in property, plant and equipment balance of Kshs.3,201,843,600 as at 30 June, 2020 (2018/2019- Kshs.3,093,832,845) were additions amounting to Kshs.346,826,307 in the year ended 30 June, 2017 net of work-in-progress which comprised of various procurements made during the financial year 2014/2015.

However, there was no approved procurement plan and evidence of supplier prequalification for the financial year as required by the Public Procurement and Asset Disposal Act, 2015 and regulations thereof. It is not clear how the need and the suppliers were identified in the absence of a pre-qualified list of suppliers and procurement plan.

## **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 matter described in the Basis for Conclusion on Lawfulness and Effective 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 of Conclusion**

### **1. Capital Project Management**

#### **1.1. Construction of Mabokoni Hostel**

The University engaged a contractor for the proposed construction of Mabokoni Hostels for Technical University of Mombasa (Kwale Campus) at a contract sum of Kshs.197,537,907 and for a contract period of 88 weeks with effect from 24 April, 2017 when the project site was handed over to the University.

A perusal of records provided for audit revealed that geotechnical survey activities were not scheduled in the planning stages but instead done during implementation of the project, leading to contract variations of Kshs.4,745,415 or 2.4% at the substructure level. Further, it was noted that project completion period as provided in the contract was eighty-eight weeks which had lapsed by thirty-two weeks as of 14 October, 2020.

In addition, the audit review revealed that water reticulation activities amounting to Kshs.3,112,506 and electricity installation at Kshs.12,799,797 had not been completed as of 4 October, 2020.

Consequently, value for money and regularity of the expenditure of Kshs.197,537,907 incurred on construction of the hostel could not be ascertained.

#### **1.2 Construction of School of Medicine**

The University vide contract engaged a contractor for the proposed construction of school of medicine for Technical University of Mombasa at a contract sum of Kshs.213,714,490 and for a contract period of ninety-six weeks with effect from 7 April, 2017 when the project site was handed over.

A perusal of records provided for audit revealed that geotechnical survey activities were not scheduled in the planning stages of the project but instead carried out during implementation, leading to contract variations of Kshs.10,990,394 or 5% at the substructure level. Further, it was noted that the project completion period as provided in the contract was one hundred and thirty-four weeks which had lapsed by forty-four weeks as of 14 October, 2020.

In addition, the audit review revealed that solar lighting works costing Kshs.3,518,000, PABX's installation work costing Kshs.1,610,000 and structured cabling installation work costing Kshs.2,974,000, all totaling Kshs.8,102,000 had not been completed as of 14 October, 2020.

In the circumstances, value for money and regularity of the construction of the school of medicine at a contract price of Kshs.213,714,490 for the year ended 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Under- Establishment**

The University establishment stood at six hundred and sixty-one employees as at 30 June, 2020 against an approved establishment of one thousand one hundred and ninety-four, indicating an under-establishment of five hundred and thirty-three. The academic function was under-staffed by two hundred and thirty-six being 48% of the approved establishment while the administrative function was under-staffed by two hundred and ninety-seven, being 42% of the approved establishment.

It was also noted that key departmental functions of Corporate Service, Internal Audit, Procurement, Human Resource and Corporate Communications were lacking substantive office holders, contrary to the University's Scheme of Service.

#### **2. IT Governance and Control Environment**

##### **2.1. Role of the Council in IT Governance**

It was observed that the terms of reference for Council Committees do not include governance control responsibility and the University Statute do not also expressly assign the responsibility for ICT and University Security function to the Council Committees.

Consequently, the Council and the University may be exposed to risk of cybercrime due to lack of effective control.

##### **2.2. Deficiencies in ICT Systems Administration and Management**

The University operates two ICT systems that include Student Management System (E-register) and Sage ACPACC Systems). Available records indicated that a company was contracted to provide maintenance services for Sage ACCPAC System at a contract price of Kshs.1,440,000 per year while another firm was contracted to provide maintenance services to the e-register academic system at a contract price of Kshs.2,552,000 per year. It was however noted that the system maintenance contract for Sage ACCPAC had run for a period of nine years while that for the e-register had run for eight (8) years, contrary to the University ICT policy that limits the contract period to a maximum of two (2) years.

Further, the Service Level Agreement (SLA) for maintenance of e-register system did not indicate the ownership arrangement for e-register system, while the firm providing e-registrar maintenance services which enabled the assignee to create users and assign roles within the system, system data and other confidential systems information was not specified.

In addition, the following deficiencies were noted; the University did not designate in writing up to three appropriate knowledgeable persons to serve as University liaison officers with the Service Provider; that the contractor failed to respond promptly to some system error requests made through email and did not provide any technical manual specifying corrections made on the system and instructions for proper use of the system; contractor did not provide the University with information about the version, release or upgrade of the E-Register system as required nor provide Management with full copies of the software required;

The University does not have a formal policy or procedures in place for the logging and monitoring of key activities in the e-register and Sage ACCPACC Systems and the functionality for review of activity logs by the section heads was not enabled hence the systems could not produce event logs. There were no documented procedures on database backups or a person with relevant competency assigned the role of obtaining all data backup.

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

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

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

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

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

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 ability the University to sustain 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 control that are identified during the audit.

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

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

**Nairobi**

**14 February, 2022**



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	NOTES	KShs.	KShs.
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS:			
GOK GRANTS	7	1,024,949,094	931,644,268
OTHER INCOME	8	314,501,101	326,467,468
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS		1,339,450,195	1,258,111,736
REVENUE FROM EXCHANGE TRANSACTIONS:			
TUITION FEES	9	416,455,922	476,823,177
TOTAL INCOME		1,755,906,117	1,734,934,913
EXPENSES			
PERSONNEL EMOLUMENTS	10	1,442,857,886	1,337,221,498
COUNCIL EXPENSES	11	11,605,929	11,818,785
OPERATING / ADMINISTRATION EXPENSES	12	129,076,607	179,873,130
TEACHING EXPENSES	13	56,656,058	99,893,770
STUDENTS WELFARE	14	12,229,175	10,456,945
REPAIRS & MAINTENANCE	15	11,820,423	9,851,224
DEPRECIATION	16	96,935,814	131,267,518
AMORTIZATION	17	63,979	117,000
AUDIT FEES	18	1,400,000	1,880,000
PROVISION FOR BAD DEBTS	31	12,385,975	21,082,632
FINANCE COSTS	20	2,632,713	3,569,975
		1,777,664,559	1,807,032,477
SURPLUS/(DEFICIT) FOR THE YEAR		(21,758,442)	(72,097,564)
TAX		0	0
NET SURPLUS/(DEFICIT) FOR THE YEAR		(21,758,442)	(72,097,564)

The notes set out on pages 6 to 40 form an integral part of these Financial Statements.

Technical University of Mombasa  
Annual Reports and Financial Statements  
For the year ended 30 June 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		2020	2019
	NOTES	KShs.	KShs.
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
INVENTORIES	21	43,620,061	24,792,634
RECEIVABLES FROM EXCHANGE TRANSACTIONS	19	136,763,725	46,569,410
RECEIVABLES FROM NON EXCHANGE TRANSACTIONS	22	124,858,720	114,899,735
CASH & BANK BALANCES	23	103,498,161	177,077,783
<b>TOTAL CURRENT ASSETS</b>		<b>408,740,667</b>	<b>363,339,562</b>
<b>NON - CURRENT ASSETS</b>			
PROPERTY ,PLANT & EQUIPMENT	16	3,201,843,600	3,093,832,849
INTANGIBLE ASSETS	17	149,284	193,263
INVESTMENTS	24	10,585,457	10,585,457
<b>TOTAL NON CURRENT ASSETS</b>		<b>3,212,578,341</b>	<b>3,104,611,569</b>
<b>TOTAL ASSETS</b>		<b>3,621,319,008</b>	<b>3,467,951,131</b>
<b>CURRENT LIABILITIES</b>			
TRADE AND OTHER PAYABLES	25	54,129,520	94,787,411
OTHER CREDITORS	26	401,477,075	249,833,686
<b>TOTAL CURRENT LIABILITIES</b>		<b>455,606,595</b>	<b>344,621,097</b>
<b>NON-CURRENT LIABILITIES</b>			
LONG-TERM LIABILITIES	27	37,040,797	47,408,959
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>37,040,797</b>	<b>47,408,959</b>
<b>TOTAL LIABILITIES</b>		<b>492,647,392</b>	<b>392,030,056</b>
<b>NET ASSETS</b>			
CAPITAL FUND	28	3,420,355,808	3,200,355,808
REVENUE RESERVES	29	(560,708,782)	(393,459,323)
DONATED ASSETS FUND	30	269,024,590	269,024,590
<b>TOTAL NET ASSETS</b>		<b>3,128,671,616</b>	<b>3,075,921,075</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>3,621,319,008</b>	<b>3,467,951,131</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Council by:

Vice Chancellor

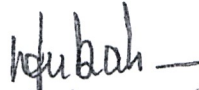
Name: Prof. Laila Abubakar

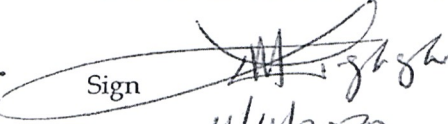
Finance Officer

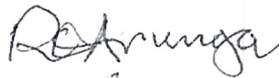
Name: CPA Dalton Mwaghogho  
ICPAK Member Number: 2744

Chairman of the Council

Name: Dr. Robert Arunga

Sign   
Date: 11/11/2020

Sign   
Date: 11/11/2020

Sign   
Date: 12/11/2020

Uganda University of Health Sciences  
Annual Reports and Financial Statements  
For the year ended 30 June 2020

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2020

	General Fund	Revaluation Reserve	Retained Earnings	Development Grants	Other Funds & Reserves	Donated Assets Fund	Total
Balance As At July 1, 2018	2,099,590,762	16,052,406	(294,222,416)	987,483,248	(7,520,608)	0	2,801,383,392
Revenue Reserve			(26,535,235)				(26,535,235)
Surplus (deficit) for the Year			(72,097,564)				(72,097,564)
Prior Year Adjustment - Amortization			(604,108)				(604,108)
Development Grant				104,750,000			104,750,000
Donated Assets Fund						269,024,590	269,024,590
Balance As At June 30, 2019	2,099,590,762	16,052,406	(393,459,323)	1,092,233,248	(7,520,608)	269,024,590	3,075,921,075
	General Fund	Revaluation Reserve	Retained Earnings	Development Grants	Other Funds & Reserves	Donated Assets Fund	Total
Balance As At July 1, 2019	2,099,590,762	16,052,406	(393,459,323)	1,092,233,248	(7,520,608)	269,024,590	3,075,921,075
Revenue Reserve			(145,491,017)				(145,491,017)
Surplus (deficit) for the Year			(21,758,442)				(21,758,442)
Development Grant				220,000,000			220,000,000
Balance As At June 30, 2020	2,099,590,762	16,052,406	(560,708,782)	1,312,233,248	(7,520,608)	269,024,590	3,128,671,616

Notes

**General Fund:** These relates to the value of assets owned by the University  
**Other funds & reserves:** These relates to the adjustment of furniture (assets) that had initially wrongly been posted to mattresses.  
**Donated assets fund:** These relates to the assets (equipment) donated by Ministry of Education to the University for academic use.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	NOTES	KShs.	KShs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
SURPLUS/(DEFICIT) FOR THE YEAR		(21,758,442)	(72,097,564)
ADJUSTMENT FOR :			
DEPRECIATION	16	96,935,814	131,267,518
AMORTIZATION	17	63,979	117,000
INCREASE/DECREASE IN PROVISION FOR BAD DEBTS	31	12,385,975	21,082,632
GAIN/LOSS ON TUMEL	8	0	0
<b>CASH FLOW FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES</b>		<b>87,627,326</b>	<b>80,369,586</b>
<b>WORKING CAPITAL CHANGES</b>			
INCREASE/DECREASE INVENTORIES	21	(18,827,427)	2,998,259
TRADE RECEIVABLES	19&22	(112,539,275)	(54,355,904)
TRADE PAYABLES	25&26	110,985,498	51,324,361
<b>NET CASH FLOW FROM WORKING CAPITAL CHANGES</b>		<b>(20,381,204)</b>	<b>(33,284)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>67,246,122</b>	<b>80,336,302</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
PURCHASE OF PROPERTY ,PLANT & EQUIPMENT	16	(204,946,565)	(149,068,331)
INTANGIBLE ASSETS	17	(20,000)	0
INCREASE/DECREASE IN INVESTMENTS	24	0	1,738,881
GAIN/LOSS ON TUMEL	8	0	0
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(204,966,565)</b>	<b>(147,329,450)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
LONG-TERM LIABILITIES	27	(10,368,162)	(15,939,550)
CAPITAL FUND	28	220,000,000	104,750,000
OTHER FUNDS & RESERVES	29	(145,491,017)	(26,535,235)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>64,140,821</b>	<b>62,275,215</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(73,579,622)</b>	<b>(4,717,933)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>177,077,783</b>	<b>181,795,716</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>103,498,161</b>	<b>177,077,783</b>

*University of Nairobi*  
**Annual Reports and Financial Statements**  
**For the year ended 30 June 2020**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	ORIGINAL	ADJUSTMENTS	FINAL	ACTUAL ON	VARIANCE	EXPLANATION FOR VARIANCE
	BUDGET KShs.	KShs.	BUDGET KShs.	COMPARISON BASIS KShs.	KShs.	
INCOME						
GOK GRANTS	906,899,796	118,049,299	1,024,949,095	1,024,949,094	(1)	GOK Grants-Original budget 906,899,796 while Final budget 1,024,949,095 –variance was due to receipt of 2017-2022 CBA money of Kshs.118,049,299.
INTERNALLY GENERATED	969,360,420	0	969,360,420	730,957,023	(238,403,397)	The variance was due to closure of the university due to the outbreak of the COVID-19 Virus
TOTAL INCOME	1,876,260,216	118,049,299	1,994,309,515	1,755,176,657	(238,403,398)	
EXPENSES						
PERSONAL EMOLUMENTS	1,564,499,298	0	1,564,499,298	1,442,857,886	121,641,412	
COUNCIL EXPENSES	15,000,000	0	15,000,000	11,605,929	3,394,071	The variance was due to closure of the university due to the outbreak of the COVID-19 Virus
OPERATING/ ADMINISTRATION EXPENSES	207,745,216	0	207,745,216	129,076,607	78,668,609	The variance was due to closure of the university due to the outbreak of the COVID-19 Virus
TEACHING EXPENSES	91,915,000	0	91,915,000	56,656,058	35,258,942	The variance was due to closure of the university due to the outbreak of the COVID-19 Virus
STUDENTS WELFARE	17,250,000	0	17,250,000	12,229,175	5,020,825	The variance was due to closure of the university due to the outbreak of the COVID-19 Virus
REPAIRS & MAINTENANCE	35,500,000	0	35,500,000	11,820,423	20,179,577	The variance was due to closure of the university due to the outbreak of the COVID-19 Virus
AUDIT FEES	1,500,000	0	1,500,000	1,400,000	100,000	
FINANCE COSTS	5,000,000	0	5,000,000	2,632,713	2,367,287	
TOTAL EXPENSES	1,934,909,514	0	1,934,909,514	1,668,278,791	266,630,723	

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Technical University of Mombasa is established by and derives its authority and accountability from Universities Act and TUM Charter. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is teaching and research.

### 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 the University's accounting policies.

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

### 3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020.

Standard	Impact
IPSAS 40: Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Impact
<p>IPSAS 41: Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an University'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"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an University's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p>IPSAS 42: Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting University 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> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the University;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the University's financial performance, financial position and cash flows.</li> </ol>

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

iii. Early adoption of standards

The University did not early - adopt any new or amended standards in year 2020.

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a) Revenue recognition

##### i) Revenue from non-exchange transactions

###### Fees, taxes and fines

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

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### a) Revenue recognition (Continued)

##### ii) Revenue from exchange transactions

###### 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 2019-2020 was approved by the National Assembly on June 2019. 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 University upon receiving the respective approvals in order to conclude the final budget. Accordingly, the University recorded additional appropriations of 118,049,299 on the 2019-2020 budget following the governing body's approval.

The University'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 page five of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 University 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.

##### *Sales tax*

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) Property, plant and equipment

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

ASSETS	RATES.
Building	2%
Furniture	10%
Computer	30%
Plant & Equip	10%
Motor Vehicle	20%

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) 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.

#### f) Research and development costs

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset

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.

#### g) Financial instruments

##### *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 University 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 University 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.

#### *Impairment of financial assets*

The University assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset 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 University of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

#### *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 University 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.

i) 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.

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 University.

j) Provisions

Provisions are recognized when the University 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 University 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.

*Contingent liabilities*

The University 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.

*Contingent assets*

The University 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 University 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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### k) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. Currently the University has negative reserves due to accumulated losses over the years

#### l) Changes in accounting policies and estimates

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

#### m) Employee benefits

##### Retirement benefit plans

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

#### n) 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)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### o) Related parties

The University regards a related party as a person or a University with the ability to exert control individually or jointly, or to exercise significant influence over the University, or vice versa. Members of key management are regarded as related parties and comprise the Council, the VC and Senior Managers.

#### p) Service concession arrangements

The University 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 University 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 University also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

#### q) 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)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### s) Comparative figures

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

#### s) 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, 2020.

### 5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

#### Estimates and assumptions

The 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 University 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 University. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

#### Useful lives and residual values

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION  
UNCERTAINTY (Continued)

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 17.

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.

6 TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the University sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2018-2019
			KShs	KShs	KShs
Ministry of Education	1,024,949,094		220,000,000	1,244,949,094	1,036,394,268
<b>Total</b>	<b>1,024,949,094</b>		<b>220,000,000</b>	<b>1,244,949,094</b>	<b>1,036,394,268</b>

*The details of the reconciliation have been included under appendix III.*

7. GOK GRANTS

	2020	2019
GOVERNMENT GRANTS	KShs.	KShs.
RECCURENT GRANTS RECEIVED	906,899,795	931,644,268
SUPPLEMENTARY BUDGET 2019/2020	118,049,299	0
<b>TOTAL RECCURENT GRANTS RECEIVED</b>	<b>1,024,949,094</b>	<b>931,644,268</b>

8. OTHER INCOME

	2020	2019
8. OTHER INCOME	KShs.	KShs.
Registration Fee	17,022,575	17,663,955
Internal Examinations	94,510,950	98,388,105
Sports Levy	23,135,850	23,424,200
Library Levy	23,236,200	23,523,230
Library Fines Central Vote	1,246,318	53,643
Medical Levy	34,746,875	35,130,400

Industrial Attachment Levy	14,492,000	14,258,700
ICT Levy	57,687,025	58,437,025
Academic Transcripts Central Vote	155,296	8,500
Students hostel fee	14,658,505	13,027,110
Student Holiday Accommodation	0	182,410
Application Fee	1,744,068	1,339,178
Project Fee Central Vote	415,000	195,000
Student Readmission Fee Central Vote	0	2,650
Lost Items Central Vote	55,400	123,844
Clinical Diagnostic Lab Central Vote	0	6,000
Graduation Fee	10,356,950	9,651,900
Penalties Central Vote	24,101	430,859
Materials Testing Central Vote	105,900	378,400
Change of Course	320,500	50,500
Catering Income Catering	2,655,083	5,869,770
Kiziwi Income Kiziwi Guest House	0	6,867,865
Training Restaurant Income Training Restaurant	272,980	134,244
Administrative Research Income Central Vote	0	3,000
Student ID Central Vote	4,798,000	4,225,700
Material Development Central Vote	10,000	5,000
Thesis Examination Central Vote	100,000	96,500
Practical/Laboratory workshops Central Vote	738,000	504,500
Hire of Facilities Central Vote	1,181,650	434,795
Hire of Transport	32,600	17,300
Photocopy & bindery Income Library	38,412	409,183
Rent Income Central Vote	5,755,945	4,750,339
Staff training levy Central Vote	3,810,418	3,956,972
Profit on Disposal of Assets Central Vote	0	45,500
Insurance Claims Central Vote	9,430	(15,000)
Administrative Fees Central Vote	688,479	1,206,459
Internet Services Central Vote	264,500	244,000
Miscellaneous Income	232,091	1,435,732
<b>TOTAL</b>	<b>314,501,101</b>	<b>326,467,468</b>

#### 9. TUITION FEES

	2020	2019
TUITION FEES	KShs.	KShs.
Tuition Fee Regular	95,289,051	95,954,378
Tuition Fee Module II	321,166,871	376,555,217
Tuition Fee LAMU	0	4,313,582
<b>TOTAL</b>	<b>416,455,922</b>	<b>476,823,177</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. PERSONNEL EMOLUMENTS

	2020	2019
10. PERSONNEL EMOLUMENTS	KShs.	KShs.
Basic Salaries Central Vote	636,078,884	511,018,495
House Allowance Central Vote	268,524,853	263,553,597
Medical Insurance Central Vote	75,432,537	74,400,579
Pension Employers Expense Central Vote	101,188,346	77,873,293
NSSF Employer's Expense Central Vote	1,646,500	1,575,600
Responsibility Allowance Central Vote	17,841,611	16,380,309
Non Practising Allowance Central Vote	7,580,000	3,746,998
Professorial Allowance Central Vote	1,800,000	1,680,000
Telephone Allowance Central Vote	8,077,442	6,715,278
Acting Allowance Central Vote	130,046	483,145
Special Duty Allowance Central Vote	445,284	646,571
Management Allowance Central Vote	25,479,129	23,050,333
Book and Research Allowance Central Vote	3,888,000	3,474,000
Gratuities Central Vote	11,784,152	22,845,102
Leave Allowance Central Vote	9,790,550	9,458,067
Commuting Allowance Central Vote	39,492,889	40,714,318
Car Allowance Central Vote	37,748,304	36,170,898
Entertainment Allowance Central Vote	10,706,764	10,943,833
Electricity & Water Allowance	1,004,226	4,098,449
Passage and Baggage Allowance Central Vote	542,255	369,595
Domestic Workers Allowance Central Vote	1,280,000	1,360,000
Risk Allowance Central Vote	468,000	326,400
Extraneous Allowance Central Vote	7,046,498	7,283,000
Hardship Allowance	954,600	976,800
Part time Teaching	160,952,807	202,891,170
Production Expenses Central Vote	12,974,209	15,185,668
<b>TOTAL</b>	<b>1,442,857,886</b>	<b>1,337,221,498</b>

11. COUNCIL EXPENSES

	2020	2019
COUNCIL EXPENSES	KShs.	KShs.
Council Expenses	11,605,929	11,818,785
<b>TOTAL</b>	<b>11,605,929</b>	<b>11,818,785</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. ADMINISTRATIVE/OPERATING EXPENSES

	2020	2019
12. ADMINISTRATIVE/OPERATING EXPENSES	KShs.	KShs.
Casual wages	1,050,482	5,699,951
Travel and Subsistence	7,029,573	12,781,470
Fuel and oils	3,179,000	3,477,350
Maintenance of Vehicles Transport	2,454,907	3,608,998
Overseas Travel Central Vote	746,905	210,320
Office Stationery	3,242,776	3,403,622
Photocopying	38,412	419,183
Computer Stationery	3,734,466	4,232,320
Advertising and Publicity	5,283,405	10,803,596
Printing and Publishing	393,600	676,500
Newspapers	489,380	954,037
Shows and Exhibitions Research	2,192,670	2,318,044
Open Day Research	143,000	678,200
Electricity	21,378,694	23,029,604
Water and Conservancy	2,211,810	1,485,970
Graduation Expenses Central Vote	5,589,382	6,656,869
Official Entertainment	388,590	493,330
Expenses of Boards and Committees	6,349,800	5,803,602
Staff Development and Training Central Vote	2,287,291	1,645,190
Staff Welfare Central Vote	1,377,550	994,479
Staff Dependents Bursary Scheme Central Vote	762,253	734,091
Cleaning Materials	2,638,365	4,026,459
Fumigation & Waste Collection Services Accommodation	1,566,610	1,940,620
Purchase of Gas and firewood	410,500	1,945,370
Purchase of Utensils beddings & fittings	664,500	833,115
Purchase of foodstuffs	4,885,348	16,047,075
Vehicle Licenses and Inspection Transport	158,700	312,550
Vehicle Insurance Transport	882,891	1,585,422
General Insurance Central Vote	1,050,373	6,026,911
Bank Charges	528,587	701,391
Payment of Rent and Rates	6,119,620	4,966,119
Staff Uniforms	238,592	0
In house Capacity Building Human Resource	55,400	657,800
Governance	2,543,810	2,083,554
Subscription Fee	1,766,823	1,701,340
Professional Services Central Vote	1,631,620	13,765,646
Hire of Security Services	10,851,105	11,316,055
Hire of Cleaning Services Central Vote	20,794,480	20,328,440

Funeral Expenses Central Vote	160,000	322,000
CSR Donations Central Vote	0	122,000
Postal and Courier Services	427,932	594,822
Telephone Expenses Central Vote	74,768	98,476
Policy Review	198,500	0
Court Decrees	0	391,239
Tum Tvet Institute	1,104,137	0
<b>TOTAL</b>	<b>129,076,607</b>	<b>179,873,130</b>

### 13. TEACHING EXPENSES

	2020	2019
	KShs.	KShs.
<b>13. TEACHING EXPENSES</b>		
Library Expenses Library	1,828,830	3,215,129
Purchase of Teaching Materials	3,352,566	13,771,857
Curriculum and Development	1,727,020	1,422,685
Academic Trips	0	7,000
Maintenance Computer Hardware and Networks	92,918	2,600
Internet Charges Councilate of ITCS	13,548,721	14,476,603
Maintenance Computer Software Councilate of ITCS	4,160,297	5,051,740
Internal Research Expenses Research	2,044,100	619,220
External Research Expenses Research	2,383,840	2,276,605
Examination Materials Registrar AA	10,662,908	10,531,516
External Examiners	2,534,001	5,143,140
Consultancy Expenses	3,528,510	26,736,355
ISO Certification	1,200,942	3,104,320
Publications and Conferences Research	812,393	612,076
Accreditation Central Vote	2,924,238	8,085,000
Industrial Attachment Expenses	5,854,774	4,837,924
<b>TOTAL</b>	<b>56,656,058</b>	<b>99,893,770</b>

### 14. STUDENT WELFARE EXPENSES

	2020	2019
	KShs.	KShs.
<b>14. STUDENTS WELFARE EXPENSES</b>		
Guidance and Counselling Dean Of Students	158,575	578,760
Sports Activities Dean Of Students	8,090,048	4,525,474
TUMSU Elections Dean Of Students	349,030	1,402,970
Medical Expenses Clinic / Medical	2,784,164	2,084,744
Student Work study Programme	748,958	827,840
Music and Drama Dean of Students	98,400	1,037,157
<b>TOTAL</b>	<b>12,229,175</b>	<b>10,456,945</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. REPAIRS AND MAINTENANCE

	2020	2019
15. REPAIRS AND MAINTENANCE	KShs.	KShs.
Repairs and Maintenance	2,026,653	1,927,127
Maintenance of Buildings and Stations	8,947,120	7,041,347
Maintenance of Sewerage	846,650	882,750
<b>TOTAL</b>	<b>11,820,423</b>	<b>9,851,224</b>

16.PROPERTY,PLANT & EQUIPMENT	FREE HOLD LAND	BUILDING	FURNITURE & FITTINGS	COMPUTER & OTHER ELECTRONICS	PLANT & EQUIPMENTS	MOTOR VEHICLE	CAPITAL WORK IN PROGRESS	TOTAL
RATES	0.0	0.02	0.1	0.3	0.1	0.2		
Balance As At July 1, 2017	1,047,422,550	1,562,467,223	80,600,209	157,035,011	436,990,843	58,347,038	42,717,651	3,385,580,521
Additions During The Year	0	0	12,097,834	5,712,841	2,176,731	0	195,849,073	215,836,471
Revaluation During The Year	0	0	0	0	0	16,052,406	0	16,052,406
Disposal During The Year	0	0	(43,500)	(712,000)	0	0	0	(755,500)
TOTAL COST	1,047,422,550	1,562,467,223	92,654,543	162,035,852	439,167,574	74,399,444	238,566,724	3,616,713,911
Accumulated Depreciation B/F	0	197,940,769	51,133,782	114,849,813	293,432,569	52,574,308	0	709,931,241
Depreciation For Year 2019	0	31,249,344	8,276,486	10,937,361	43,970,686	6,096,846	0	100,530,722
Accumulated Depreciation - Disposals	0	0	(43,500)	(712,000)	0	0	0	(755,500)
Accumulated Depreciation C/F	0	229,190,113	59,366,768	125,075,174	337,403,255	58,671,154	0	809,706,461
NBV AS AT June 30, 2018	1,047,422,550	1,333,277,110	33,287,775	36,960,678	101,764,319	15,728,290	238,566,724	2,807,007,441
RATES	0.0	0.02	0.1	0.3	0.1	0.2		
COST								
Balance As At July 1, 2018	1,047,422,550	1,562,467,223	92,654,543	162,035,852	439,167,574	74,399,444	238,566,724	3,616,713,911
Additions During The Year	0	0	370,000	7,598,257	18,480,213	6,200,000	116,419,861	149,068,331
Donations During The Year	0	0	0	0	269,024,590	0	0	269,024,590
As At June 30, 2019	1,047,422,550	1,562,467,223	93,024,543	169,634,109	726,672,377	80,599,444	354,986,585	4,034,806,831
Additions During The Year	0	12,529,035	2,261,720	6,873,173	5,399,250	0	177,982,387	205,045,561
As At June 30, 2020	1,047,422,550	1,574,996,258	95,286,263	176,507,282	732,071,627	80,599,444	532,968,972	4,239,852,391
DEPRECIATION AND IMPAIRMENT								
Balance As At July 1, 2018	0	229,190,113	59,366,768	125,075,174	337,403,255	58,671,154	0	809,706,461
Depreciation For Year 2019	0	31,249,344	9,302,454	10,711,636	72,667,238	7,336,846	0	131,267,511
As At June 30, 2019	0	260,439,457	68,669,222	135,786,810	410,070,493	66,008,000	0	940,973,981
Depreciation For Year 2020	0	31,499,925	9,528,626	4,161,842	44,408,575	7,336,846	0	96,935,811
As At June 30, 2020	0	291,939,382	78,197,848	139,948,652	454,479,068	73,344,846	0	1,037,909,791
NET BOOK VALUES								
As At June 30, 2020	1,047,422,550	1,283,056,876	16,989,415	36,558,630	277,592,559	7,254,598	532,968,972	3,201,843,601
As At June 30, 2019	1,047,422,550	1,302,027,766	24,355,321	33,847,299	316,601,884	14,591,444	354,986,585	3,093,832,841

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. INTANGIBLE ASSETS-SOFTWARE

17. INTANGIBLE ASSETS	COMPUTER SOFTWARE	TOTAL
RATES	0.3	
<b>Balance At At July 1, 2018</b>	<b>16,725,980</b>	<b>16,725,980</b>
<b>TOTAL COST</b>	<b>16,725,980</b>	<b>16,725,980</b>
Accumulated Amortization B/F	15,811,609	15,811,609
Amortization For Year 2019	117,000	117,000
Prior Year Adjustment - Amortization	604,108	604,108
<b>Accumulated Amortization C/F</b>	<b>16,532,717</b>	<b>16,532,717</b>
<b>NBV AS AT June 30, 2019</b>	<b>193,263</b>	<b>193,263</b>
<b>NBV AS AT June 30, 2018</b>	<b>914,371</b>	<b>914,371</b>
	<b>COMPUTER SOFTWARE</b>	<b>TOTAL</b>
RATES	0.3	
<b>Balance At At July 1, 2019</b>	<b>16,725,980</b>	<b>16,725,980</b>
Additions During The Year	20,000	20,000
<b>TOTAL COST</b>	<b>16,745,980</b>	<b>16,745,980</b>
Accumulated Amortization B/F	16,532,717	16,532,717
Amortization For Year 2020	63,979	63,979
<b>Accumulated Amortization C/F</b>	<b>16,596,696</b>	<b>16,596,696</b>
<b>NBV AS AT June 30, 2020</b>	<b>149,284</b>	<b>149,284</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. AUDIT FEES

	2020	2019
AUDIT FEES	KShs.	KShs.
Audit fees	1,400,000	1,880,000
<b>TOTAL</b>	<b>1,400,000</b>	<b>1,880,000</b>

	2020	2019
19. RECEIVABLES FROM EXCHANGE TRANSACTIONS	Kshs.	Kshs.
Prepaid Insurances	0	22,720,243
Deposit Contingency	725,000	725,000
General Trade receivables	838,477	838,477
Student Debtors	197,698,444	72,278,543
TIVET Bursaries MOHEST	696,531	696,531
Guest Accommodation Debtors	7,179,107	7,282,107
TUMEL DEBTORS	4,000,000	6,000,000
Rent Receivable	1,838,632	0
Staff Medical Debtors	120,776	120,776
Staff Salary Advances	142,454	142,454
Rent Arrears	0	(145,000)
LESS PROVISION	(76,475,696)	(64,089,721)
<b>TOTAL</b>	<b>136,763,725</b>	<b>46,569,410</b>

	2020	2019
20. FINANCE COSTS	KShs.	KShs.
Interest Expense Central Vote	2,632,713	3,569,975
<b>TOTAL</b>	<b>2,632,713</b>	<b>3,569,975</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. DEPARTMENTAL INVENTORIES

		2020	2019
21. DEPARTMENTAL INVENTORIES		KShs.	KShs.
Inventories	Estates & project planning	5,558,513	4,578,149
Inventories	Hospitality & Tourism	207,890	269,624
Inventories	Mechanical Engineering	15,723,060	3,973,595
Inventories	Health Unit	889,852	432,841
Inventories	Administration	3,076,361	6,397,411
Inventories	Electrical Engineering	242,975	1,840
Inventories	Applied & Health Science	6,303,970	3,991,193
Inventories	Medical Engineering department	1,232,370	1,093,230
Inventories	ICTS	175,581	266,655
Inventories	Library department	118,509	185,811
Inventories	Building & civil Engineering	63,600	176,496
Inventories	Liberal Studies department	69,150	0
Inventories	Kwale Campus	158,756	137,856
Inventories	Lamu Campus	37,297	35,396
Inventories	Registry	4,945,094	103,514
Inventories	Student services	2,737,158	2,257,585
Inventories	Transport & Logistics	982,877	503,716
Inventories	Environment and Health science department	34,958	34,958
Inventories	Dean School of business	16,750	28,427
Inventories	Dean School of Humanities	34,562	36,504
Inventories	Management Science	16,640	0
Inventories	Social Science Department	0	53,884
Inventories	Maths and science department	0	28,644
Inventories	Medical Science Department	938,390	205,305
Inventories	Communication Department	55,748	0
<b>TOTAL</b>		<b>43,620,061</b>	<b>24,792,634</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**22. RECEIVABLE FROM NON EXCHANGE TRANSACTION**

	2020	2019
<b>22. RECEIVABLES FROM NON EXCHANGE TRANSACTIONS</b>	<b>KShs.</b>	<b>KShs.</b>
Staff Imprest	5,258,893	6,872,979
Litigation Debtor Susan Bosire Mwangi	151,903	231,105
Other Debtors	119,447,924	1,398,625
Recurrent Grants Receivable	0	106,397,026
<b>TOTAL</b>	<b>124,858,720</b>	<b>114,899,735</b>

**23. CASH AND CASH EQUIVALENT**

	2020	2019
<b>23. CASH AND BANK BALANCES</b>	<b>KShs.</b>	<b>KShs.</b>
Petty Cash Float I	246,000	0
Petty Cash Float II	206,900	0
<b>CASH BALANCES</b>	<b>452,900</b>	<b>0</b>
Cash at Bank National Bank Current Account I	2,530,732	1,106,746
Cash at Bank National Bank Current Account II	(8,364,717)	89,517,843
Cash at Bank Cooperative Bank Fees collection Account	3,695,758	(929,621)
Cash at Bank Standard Chart Bank Fees collection Acc.	44,859,700	3,843,615
Cash at Bank KCB Lamu Satellite Campus	2,785,118	6,799
Cash at Bank Family Bank Research A/C	17,710,851	24,083,155
Cash at bank Kiziwi Guest House	2,570,473	2,561,473
Cash at bank Equity Fees Collection a/c	4,793,732	(668,707)
Cash at bank Development A/C Standard Chartered	13,793,092	7,777,538
Cash at bank Part Time Payments	661,638	17,192,527
Cash at bank NBK fees collection a/c	4,877,712	20,129,554
Cash at bank Cash in hand KCB Fees Collection A/C	(411,359)	5,169,285
Cash at bank Absa Fees Collection A/C	13,542,531	7,287,576
<b>BANK BALANCES</b>	<b>103,045,261</b>	<b>177,077,783</b>
<b>CLEARING ACCOUNTS</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>103,498,161</b>	<b>177,077,783</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. INVESTMENTS

	2020	2019
INVESTMENTS	KShs.	KShs.
Shares in Consolidated Bank	5,000,000	5,000,000
Seed Money TUM Enterprises	5,571,938	5,571,938
Fixed Deposit National Bank of Kenya	13,519	13,519
<b>TOTAL</b>	<b>10,585,457</b>	<b>10,585,457</b>

25. TRADE AND OTHER PAYABLES

	2020	2019
TRADE AND OTHER PAYABLES	KShs.	KShs.
General Trade Payables	(54,129,520)	(94,787,411)
<b>TOTAL</b>	<b>(54,129,520)</b>	<b>(94,787,411)</b>

26. OTHER CREDITORS

	2020	2019
28. OTHER CREDITORS	KShs.	KShs.
Part time PAYE Arrears Liability	(1,723,937)	0
PAYE Deductions	(10,287,046)	(28,425,357)
VAT Retained	(88,724)	(88,724)
Income Tax Withholding	(1,183,144)	(206,267)
VAT Clearing	(3,819,948)	(719,555)
Student Union Fee	(8,980,866)	(3,264,639)
Student Benevolent Fund	(1,215,970)	(1,167,595)
Accrued Payables	(118,188,061)	(3,389,414)
Rent Deposit	(131,500)	(131,500)
KUCCPS Levy	1,387,025	(1,141,975)
CUE Levy	(3,914,375)	(3,871,375)
Alumni Association	(2,330,200)	(1,966,700)
Book Fee	(666,000)	(699,300)
Rent Tax Withholding	62,430	(172,175)
Alliance Francaise Tuition fee	(3,383,588)	(2,929,812)
Project Review fee	(350,186)	(1,000)
TVET Institutions	(12,240,674)	(12,240,674)
Jumuiya za county Za Pwani	(2,304,529)	(2,414,931)

External Research	(25,258,658)	1,575,516
HELB	(33,590)	(33,590)
Other Depositors	(681,026)	(681,026)
LAPSSET refunds	(750,000)	(750,000)
Foreign Examinations CILT	(596,272)	(596,272)
External Examinations - KASNEB	(2,250)	(750)
External Examinations - KNEC	(370,650)	(3,900)
Pension Deductions/Contributions	(1,514,100)	(5,181,220)
NSSF Payables	85,950	(550)
NHIF Payables	(2,800)	(2,800)
Poly Sacco	22,253	(1,196,996)
Staff Benevolent Fund	(88,949)	(88,949)
Trade Unions Payables	9,896	9,896
Other Payables	(74,679,162)	(97,653,688)
Retentions Payable	(56,227,201)	(41,299,996)
Welfare Payables Staff contributions	(1,792,290)	(1,151,979)
Insurance Payables Saham Assurance Co.	0	(104,358)
Insurance Payables British American Insurance	(6,785)	(6,785)
Insurance Payables UAP Assurance Life Ltd	(10,379)	(10,379)
Insurance Payables Blue Shield Insurance	(2,000)	(2,000)
Insurance Payables CFC Life Insurance	(30,200)	(30,200)
Insurance Payables ICEA	(2,000)	(2,000)
Insurance Payables Pan Africa Life Assurance	(52,678)	0
Insurance Payables Corporate Insurance Company	(9,013)	(9,013)
Insurance Payables Kenindia	(1,500)	(1,500)
Insurance Payables UAP Insurance Ltd	(10,338)	(10,338)
Insurance Payables The Monarch Insurance	(17,325)	(4,500)
Insurance Payables CIC GROUP	(4,500)	(4,500)
Mwalimu SACCO	(3,371,197)	(7,977,961)
KEMFRI SACCO	(17,800)	(8,900)
Kilifi Teachers Sacco	(265,833)	(265,833)
Loan Payables KCB	(65,006)	(8,788,647)
Loan Payables NBK	(21,935)	(21,935)
Loan Payables Standard Chartered	0	(81,394)
Loan Payables Milimani Commercial Court	(65,905)	(65,904)
Loan Payables Bank of Africa	(235,725)	(235,725)
Loan Payables Faulu Kenya	0	(1,361,551)
Loan Payables Jamii Bora	(57,071)	0
Loan Payables Select Management Services Ltd	(69,038)	(69,038)
Ukaguzi SACCO	(58,703)	(58,701)
Nacico Co-op Savings & Credit Society	(25,916)	(25,916)
Mombasa Port Savings & Credit Co-op Society Ltd	(104,350)	(104,350)

Net Pay	(2,219,656)	(1,383,178)
Kivuko Sacco	(196,808)	0
CBA Pension Employers Liability	(37,456,958)	0
Provision for Audit Fees	(2,800,000)	(1,400,000)
Salary Advance Refund	(10,557)	(10,557)
Post Bank Shares	(2,000)	(2,000)
Helb control a/c	(6,698,495)	(3,128,595)
CDF control a/c	(1,870,031)	(1,173,368)
Sponsors control a/c	(1,449,469)	(5,519,056)
Liberty Insurance payables	(6,990)	(6,990)
School based control a/c	(6,082,750)	(2,974,935)
Student Fee Clearing a/c	(7,506)	(506)
Imprest Recovery Clearing a/c	(630,474)	(353,174)
Plan International control a/c	(980,066)	0
Unclaimed Funds Equity Bank	(1,006,561)	(305,876)
Unclaimed Funds KCB Fee Bank	(1,475,158)	(1,950,966)
Unclaimed Funds NBK Fee Bank	(1,172,994)	0
Unclaimed Funds Coop Bank	(1,088,419)	(1,309,374)
Unclaimed Funds Absa Bank	(281,124)	(311,024)
Unclaimed Funds Stanchart Bank	(297,720)	(865,362)
<b>TOTAL</b>	<b>(401,477,075)</b>	<b>(249,833,686)</b>

## 27. LONG TERM LIABILITIES

	2020	2019
LONG TERM LIABILITIES	KShs.	KShs.
Students Caution Money	(24,430,678)	(20,197,678)
Long term Service Gratuity	(3,560,119)	(61,281)
Bank Loan	(9,050,000)	(27,150,000)
<b>TOTAL</b>	<b>(37,040,797)</b>	<b>(47,408,959)</b>

## 28. CAPITAL FUND

	2020	2019
CAPITAL FUND	KShs.	KShs.
B/F	3,200,355,808	3,095,605,808
MOVEMENTS		
Development Grant	220,000,000	104,750,000
Revaluation Reserves	0	0
<b>C/F</b>	<b>3,420,355,808</b>	<b>3,200,355,808</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. REVENUE RESERVES

	2020	2019
29. Revenue reserve	KShs.	KShs.
B/F	(393,459,323)	(294,222,416)
MOVEMENTS		
Retained earnings	(145,491,017)	(26,535,235)
Prior Year Adjustment Amortization	0	(604,108)
SURPLUS (DEFICIT) FOR THE PERIOD	(21,758,442)	(72,097,564)
C/F	(560,708,782)	(393,459,323)

The changes in the revenue reserve is due to the adjustments for transactions relating to the prior financial years which are being recognized in the current financial year. Among which includes:

KRA PAYE arrears and penalties-	77,056,052
Employer pension 2013-2017 CBA Arrears-	37,456,958
2018/2019 expenses passed in 2020	31,048,547
<b>Total</b>	<b>145,561,557</b>

	2020	2019
30. DONATED ASSETS FUND	KShs.	KShs.
B/F	269,024,590	0
MOVEMENTS		
Donated Assets Fund	0	269,024,590
C/F	269,024,590	269,024,590

31. PROVISION FOR BAD DEBTS SCHEDULE AS AT 30TH JUNE 2020	AMOUNT
Staff Imprest	5,258,893
General Trade Receivables	838,477.00
Guest House Accommodation Debtors	7,179,107.00
Staff Medical Debtors	120,776.00
Staff Salary Advances	142,454.00
Other Debtors	119,447,924.00
TUMEL Debtors	4,000,000.00
Student Debtors	197,698,444.00
<b>TOTAL</b>	<b>334,686,075.00</b>
10% PROVISION FOR BAD DEBTS	33,468,607.50
Increase/(decrease) in Provision	12,385,975.50
<b>BALANCE B/F</b>	<b>64,089,721.00</b>
<b>TOTAL PROVISIONS</b>	<b>76,475,696.50</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 32. EMPLOYEE BENEFIT OBLIGATIONS

The University operates a defined benefit scheme for all permanent and pensionable staff. The scheme is Zamara Group. The University remits both employer and employee contributions. The University made a total contribution for both employee, employer and voluntary of Ksh 132,029,576 in the FY 2019/2020.

The University also contributes to the National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The University's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs.200 per employee per month. The University made a total contribution for both employee, employer and voluntary of Ksh 3,262,000 in the FY 2019/2020.

### 33. FINES, PENALTIES AND LEVIES

Description	2019-2020	2018-2019
	KShs	KShs
Sports Levy	23,135,850	23,424,200
Library Levy	23,236,200	23,523,230
Library Fines Central Vote	1,246,318	53,643
Medical Levy	34,746,875	35,130,400
Industrial Attachment Levy	14,492,000	14,258,700
ICT Levy	57,687,025	58,437,025
Maintenance Levy	0	0
Staff training levy	3,810,418	3,956,972
<b>Total</b>	<b>158,354,686</b>	<b>205,731,600</b>

### 34. BORROWINGS

Description	2019-2020	2018-2019
	KShs	KShs
Balance at beginning of the period	27,150,000	40,725,000
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	18,100,000	13,575,000
Repayments of domestic borrowings during the period	0	0
Balance at end of the period	9,050,000	27,150,000

The analyses of both external and domestic borrowings are as follows:

Description	2019-2020	2018-2019
Short term borrowings(current portion)		
Long term borrowings	9,050,000	27,150,000
Total	9,050,000	27,150,000

### 35. FINANCIAL RISK MANAGEMENT

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University'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 University 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 University's financial risk management objectives and policies are detailed below:

#### (i) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. 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 Council. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the University'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
<b>At 30 June 2020</b>				
Receivables from exchange transactions	136,763,725	136,763,725	0	0
Receivables from non -exchange transactions	124,858,720	124,858,720	0	
Bank balances	103,498,161	103,498,161	0	0
<b>Total</b>	<b>365,120,606</b>	<b>365,120,606</b>	<b>0</b>	<b>0</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	46,569,410	46,569,410	0	0
Receivables from non -exchange transactions	114,899,735	114,899,735	0	0

Bank balances	177,077,783	177,077,783	0	0
<b>Total</b>	<b>338,546,928</b>	<b>338,546,928</b>	<b>0</b>	<b>0</b>

The students under the fully performing category are paying their debts as they continue to study. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the University has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The University has significant concentration of credit risk on amounts due from Students.

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

(ii) **Liquidity risk management**

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

iii) **Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the University 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 University'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.

There has been no change to the University's exposure to market risks or the manner in which it manages and measures the risk.

**Interest rate risk**

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

35 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2019-2020	2018-2019
	KShs	KShs
Capital Fund	3,420,355,808	3,200,355,808
Revenue reserve	(560,708,782)	(393,459,323)
Donated asset funds	269,024,590	269,024,590
<b>Total funds</b>	<b>3,041,611,393</b>	<b>3,075,921,075</b>
Bank Loan	9,050,000	27,150,000
Other debts	4,83,786,644	364,880,056
Net debt	492,836,644	392,030,056
Gearing	0.16	0.12

36. RELATED PARTY TRANSACTIONS

Government of Kenya

Technical University of Mombasa is a semi-autonomous government agency financed by the government through monthly capitations under the Ministry of Education whose related parties include but not limited to:

- i) The National Government;
- ii) Ministry of Education
- iii) TUMEL

As per the Financial statement, in 2019 TUMEL owed TUM Kshs. 6,000,000 being loan lent to them to establish the company structures and operations. This loan was repaid and reduced to Kshs. 4,000,000 as per the financial statement. TUMEL is a 100% owned subsidiary company of TUM.

	2020	2019
	KShs	KShs
<b>Transactions with related parties</b>		
a) Sales to related parties		

Sales of goods	0	0
Sales of services	730,957,023	803,290,645
<b>Total</b>	<b>730,957,023</b>	<b>803,290,645</b>
<b>b) Grants from the Government</b>		
Grants from National Government	1,024,949,094	931,644,268
Development Grants	220,000,000	
<b>Total</b>	<b>1,244,949,094</b>	<b>931,644,268</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for Tum employees	1,391,981,802	1,290,866,965
Payments for goods and services for Tum	213,814,976	305,525,044
<b>Total</b>	<b>1,605,796,778</b>	<b>1,596,392,009</b>
<b>d) Key management compensation</b>		
Council emoluments	11,605,929	11,818,785
Compensation to the VC	11,749,878	16,964,353
Compensation to key management( as per key management table in page x)	39,126,206	29,390,180
<b>Total</b>	<b>62,482,014</b>	<b>58,173,318</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 37. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

*(No awards were given during the FY 2019/2020: The table below identifies the pending cases during the FY 2019/2020)*

1.	CASE DETAILS	HCC NO. 37 OF 2011 (MSA) THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE VS CRESCENT PROPERTIES CO. LTD & TIMELESS PROPERTIES
2.	CASE DETAILS	HCC APPEAL NO. 198 OF 2009 THE MOMBASA POLYTECHNIC UNIVERSITY COLLEGE VS ALI JAMAD & 16 OTHERS
3.	CASE DETAILS	ZULFIQAR ALIBHAI & SHAHINA ALIBHAI T/A SKYFIRES VS TECHNICAL UNIVERSITY OF MOMBASA CIVIL SUIT NO. 290 OF 2017
4.	CASE DETAILS	CIVIL SUIT NO. 1930 OF 2017 - EMMANUEL MWANYALO MASABO -VS- TECHNICAL UNIVERSITY OF MOMBASA & THOMAS SINGOEI
5.	CASE DETAILS	ELRC PETITION NO. 6 OF 2019 UASU TUM CHAPTER VERSUS TECHNICAL UNIVERSITY OF MOMBASA
6.	CASE DETAILS	HIGH COURT PETITION NO. 183 OF 2019 SAMUEL BARASA & 5 OTHERS VS TECHNICAL UNIVERSITY OF MOMBASA & 2 OTHERS
7.	CASE DETAILS	HIGH COURT PETITION NO. 196 OF 2019 DISMUS POLLE MWASAMBU VS TECHNICAL UNIVERSITY OF MOMBASA

### 38. SURPLUS REMISSION

The University did not make any surplus during the year (FY 2020 Nil) and hence no remittance to the Consolidated Fund.

### 39. EVENTS AFTER THE REPORTING PERIOD

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

### 40. ULTIMATE AND HOLDING UNIVERSITY

The University is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education.

### 41. CURRENCY

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

## 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.2	Gratuity amounting to KShs. 6,397,482 was not supported with contract documents.	The supporting contract documents for staff whose contract had ended and were due for gratuity which was then paid in the financial year 2017/2018 amounting to KShs. 24,991,726 are hereby attached	Deputy Human Resource Manager (DHRM)	Yet to be discussed with Public Investment Accounts (PIC).	When PIC appoints time for TUM.
2.1	A parcel of land LR No. Mombasa/Block/X 1/386 valued at KShs.200 Million of which ownership is in dispute and the matter is on-going before a Court of Law	The matter is still in court.	Deputy Chief Legal Officer (DCLO)	Yet to be discussed with Public Investment Accounts (PIC).	When Court case is concluded.
2.2	An amount of KShs. 175,767,710 being supply of high voltage laboratory equipment was excluded from plant, property and equipment (PPE) balance.	The supply of high voltage laboratory equipment for KShs 175,767,710 was facilitated by the Ministry of Education but is not operational yet. A disclosure in the financial statement is made in Note No.....	Finance Officer (FO)	Yet to be discussed with Public Investment Accounts (PIC).	Equipment to be included in PPE once installation is complete and is operational.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.3	Details of lease rentals for the telecommunication mast was not availed for audit review and neither was rental income included in these financial statements.	The lease agreement for the telecommunication mast together with the amount received for the said period was provided to the auditor.	Deputy Chief Legal Officer (DCLO)	Yet to be discussed with Public Investment Accounts (PIC).	Audit Issue completed
2.4	Payments to various university staff amounting to KShs. 17,425,066 referred to as the project management fees where the basis for the payments and the supporting payment documents were not availed for audit verification.	The staff were engaged in University construction projects and paid as project management fee for professional services they rendered. Those engaged provided architectural, civil engineering and finance services to the projects. These services were provided over a period of years (2012 to 2015). At that time, the University was a constituent of JKUAT and so it was using JKUAT Policy for construction projects. The requests for payment was made by the Project Manager and approved by the Vice Chancellor for payment to the	Deputy Vice Chancellor - Administration, Finance & Planning.	Yet to be discussed with Public Investment Accounts (PIC).	When PIC appoints time for TUM.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		implementation team.			
2.5	<p>Work in Progress included an advance payment of KShs. 1,802,697, for library detective system of which the audit verification done on 20 November 2018 revealed that the work had not been completed although according to the agreement dated 12 February 2014, the work was supposed to have been completed within 1½ months from the date of signing the agreement.</p>	<p>The University agreed to pay the contract price in two tranches, 50% upon execution of the contract by both parties; 45% upon installation, testing and commissioning of the contracted works; and 5% upon expiry of 3 months' retention period after the commissioning date.</p> <p>The contract did not commence immediately but waited for a down payment of the 50% before commencement.</p> <p>On 17th December 2014, the University made a down payment of KShs. 1,802,138.00 to the Company but the Company did not immediately embark on execution of its obligations under the contract until 16th March 2015 when it supplied part of the equipment agreed</p>	The Vice Chancellor (VC)	Yet to be discussed with Public Investment Accounts (PIC).	<p>The matter was abandoned by Council in the meeting dated 13th October 2017.</p> <p>When PIC appoints time for TUM.</p>

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue ( <i>Name and designation</i> )	Status: ( <i>Resolved /Not Resolved</i> )	Timeframe: ( <i>Put a date when you expect the issue to be resolved</i> )
		<p>upon in the contract. The delivered equipment failed to work and satisfy the requirements and job specifications. The company then took back the equipment for shipment to India for purposes of configuration and integration. The Company failed to return the equipment or complete the work. The University tried to engage the company through alternative dispute mechanisms but the same failed as the company Council went into hiding. The University proceeded to court under Civil Suit No. 775 of 2016 and had to obtain leave to serve the company through substituted service in the Newspapers. The Company did not enter appearance in the suit and University obtained a decree</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>dated 23rd March 2017 for purposes of execution.</p> <p>The University Council received the proposal to engage a private investigator to trace the firm and thereafter an auctioneer to recover the debt owed but they decided not to approve the proposal because the costs involved in the engagement of the two was not in tandem with the decretal sum therefore it was not cost effective.</p>			
2.6	An expenditure amounting to KShs. 6,930,750 as at 30 June 2017 for the construction of a perimeter fence on Gotani land in Kaloleni where the records availed to the auditor indicated that the project was abandoned due to inability of the University to process ownership document for the land donated by Kaloleni CDF and the status of the project remained	The parcel of land in question is located in Gotani, Kaloleni Constituency and measures an estimated 55.80 acres. In the year 2012, the land was set apart by the Kaloleni Constituency Development Fund (CDF) for construction of a campus of Technical University of Mombasa. Kaloleni CDF paid the family of	The Vice Chancellor (VC)	Yet to be discussed with Public Investment Accounts (PIC).	<p>The matter was abandon by Council in the meeting dated 28 January 2016.</p> <p>When PIC appoints time for TUM.</p>

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue ( <i>Name and designation</i> )	Status: ( <i>Resolved /Not Resolved</i> )	Timeframe: ( <i>Put a date when you expect the issue to be resolved</i> )
	the same at the time of audit on 20 November 2018	<p>one Masha Kisiwa a total of KShs. 5,020,000 for the said piece of land. The issue was discussed by the County Council of Kilifi on 17th October 2012 and recommended the approval of the setting a part of the subject land for the said purpose. The University was to facilitate the transfer of title for the said land into its name.</p> <p>The University having obtained the approval of the CDF and having been given the surveyors report of the said land proceeded in fencing of the plot to secure the property. The tender process begun and the Contractor was engaged.</p> <p>The Contractor had already constructed the gate house for the University when an issue arose over the beacons pertaining to the said land. It was</p>			

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		<p>then that the matter was brought to the attention of the University Council. The Council deliberated over the issue extensively after receiving a report on the process of obtaining the title from the Kayafungo Group Ranch which had the head title to the piece of land. The Council then felt that the pursuit of Gotani land be abandoned due to the lengthy and expensive process of obtaining the title. They directed that there be no further expenditure on the land and that the Contract be terminated. The Contractor was paid for the work done amounting to KShs. 6,930,750.</p> <p>The University had to comply with the Council resolution and abandoned the process of obtaining title.</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.7	Management revalued the motor vehicles with a total cost of KShs. 58,347,038 during the year 2017/2018 and their economic value was not accounted in the financial statements as they were carried at nil value (fully depreciated assets) contrary to International Public Sector Accounting Standards (IPSAS) No17.	The Motor Vehicles with an initial cost of 58,347,038 at the start of financial 2018 were revalued by 16,052,406. The total cost of Motor vehicle at year end was 74,399,444 as per Note No. 28 on PPE - Notes to the financial statements for the year ended 30 June 2018.	Finance Officer (FO)	Yet to be discussed with Public Investment Accounts (PIC).	This item was fully responded and adjustments done in the financial statements as at 30 June 2018.  When PIC appoints time for TUM.
3.0	A long term investment amount of KShs. 5,571,938 in respect of investment in TUM Enterprises Limited with an issued share capital of KShs, 510,200 comprising of 5,102 shares, 5,100 directly owned by TUM and two (2) share owned by the University through the Vice Chancellor and a Council member.  The management did not prepare and submit to the Auditor General the financial statements of the company contrary	TUMEL Management is currently being audited by Office of the Auditor General (OAG) for FY 2018/2019.  The company's accounts shall be presented together with the University's accounts this financial year in line with section 47 of the Public Audit Act, 2015.	TUMEL Acting Managing Council	Yet to be discussed with Public Investment Accounts (PIC).	Done

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	to Section 47 of the Public Audit Act, 2015.				
4.1	<p>Tremendously increase of Student debtors' balances from KShs. 131,794,350 as at 30 June 2018 as compared to KShs. 57,423,118 the previous year (2016/2017) and how the management intend to recover these debts.</p>	<p>This tremendous increase was because the University could not implement the fee policy as per the student handbook due to the Industrial action by the lecturers that interfered with the normal operations of the academic semesters.</p> <p>Under normal circumstances, the policy provides that 50% of the tuition fee is collected during registration which is the 1<sup>st</sup> week of the semester. The remaining balance of 50% is paid before sitting for the exams.</p> <p>Since the learning resumed in May 2018, the semester extended up to July 2018 which is a new financial year.</p> <p>The Fees Policy apply under</p>	Deputy Vice Chancellor - Academic Research and Extension (DVC-ARE)	Yet to be discussed with Public Investment Accounts (PIC).	Done

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		normal circumstances			
4.2	There was no specific provision for the impairment of debt that have been outstanding for very long period which may never be recovered	<p>The University was transiting from Cash basis to IPSAS Accrual introduced by PFM Act 2012. At the same time, it was on transition from Polimis then Colimis then Sage Accpac accounting system at that time as the prior year's systems were found to be inadequate. There was no debt policy in place at that time to provide for specific debts. There was only Finance Manual which was in operation which only provided for general provision for debts.</p> <p>New debt policy was developed in 2015, Revised Finance Management Policy done in 2019 which has specific provision for long outstanding debts, which will be done in current</p>	Finance Officer (FO)	Yet to be discussed with Public Investment Accounts (PIC).	In the 2018/2019 Financial statements.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		financial year 2018/ 2019.			
5.0	Other debtors amounting to KShs. 1,398,625 (2016/2017 – KShs. 1,400,470) out of which KShs. 1,331,000 was a receivable from staff as a surcharge in respect of payroll fraud perpetrated by the concerned staff of which the total amount that could have been lost out of the fraud and hence recoverable from the concerned staff was not quantified as forensic audit was not carried out and report availed to the auditor.	<p>Between May 2013 to September 2014 the University management received a report from the then Deputy Human Resource Manager (DHRM) that on diverse dates, an employee named Chai Rodgers Ngala P/F No. 109N00003 paid himself net salaries owed to various lecturers by diverting and depositing their net salaries to his account number 11393300164, at Kenya Commercial Bank, Mvita Branch.</p> <p>Upon conducting preliminary investigations by the Human Resources Department, it was revealed that the said lecturers who were hired on part time basis were denied their net salaries of KShs. 1,612,200. The staff upon being questioned</p>	Deputy Chief Legal Officer (DCLO).	Yet to be discussed with Public Investment Accounts (PIC).	The University is still waiting for the police/ EACC to act on the case.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>over the issue has not been arrested despite the police and EACC being informed, and has been on the run ever since.</p> <p>The University reported the matter via OB No. Makupa OB 381/21/9/2015 c/o CPL Muchomba from CID Urban, Mombasa. The University has also reported the matter to EACC to assist in investigations. The University has engaged all authorities to ensure that the culprit is brought to book and the funds are recovered.</p> <p>The University is still waiting for the police to act on the case.</p>			
6.1	An amount of KShs. 39,195,284 in respect of unpaid employer pension contribution arising from the Collective Bargaining Agreement (CBA) signed between the management of	The University only received CBA monies payable to staff without the pension element. The University did not remit the "employer" pension contribution since	Finance Officer (FO)	Yet to be discussed with Public Investment Accounts (PIC).	When PIC appoints time for TUM.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	public universities and the trade union in April, 2014 was excluded in other creditors balance.	<p>it had not been received from treasury/ ministry.</p> <p>The University wrote to the parent ministry asking for the employer pension contribution related to that CBA.</p> <p>The University expects National Treasury to allocate money for all pending bills, including CBA Employer pension in the current financial year. The amount was provided for in the current financial statements 2018/2019.</p>			
6.2	Long outstanding payables amounting to KShs. 1,392,678 which include VAT retained, other depositors, Foreign Examinations, CILT and salary advance refund which management indicated that all were settled, but no evidence was availed for audit verification.	Some of these accounts are still active like VAT retained. These are not outstanding for long since as shown in the financial statement, the balance for 2017/2018 was KShs 114,046 while 2016/2017 balance was 14,308 which shows that the	Finance Officer (FO)	Yet to be discussed with Public Investment Accounts (PIC).	When PIC appoints time for TUM.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		account was active with transactions taking place. Issuance of salary advance was stopped by management in 2016			
6.3	Unremitted taxes amounting to KShs. 88,385,326 comprising of PAYE of KShs. 84,490,076, VAT of KShs. 2,913,792 and withholding tax of KShs. 867,312 that were due and payable which management indicated they were settled but no evidence was availed for audit verification.	As per the audit report the amount of PAYE of KShs. 84,490,076 refers to the PAYE withheld from the 2013-2017 Collective Bargaining Agreement which was paid in three tranches. The attached supporting documents show that PAYE for the arrears were dully paid to Kenya Revenue Authority in three tranches too in the months of April, October and December 2018.  All taxes and statutory deductions are paid as and when they fall due, despite the delays of monthly capitation from the ministry.	Finance Officer (FO)	Yet to be discussed with Public Investment Accounts (PIC).	When PIC appoints time for TUM.
7.1	The audit revealed differences	The bank statement balance	Finance Officer (FO)	Yet to be discussed	When PIC appoints time

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	between the bank account balances as per bank statements and certificate of balances used in bank reconciliation for the two bank accounts National Bank, Current Account 01021007510800 and National Bank Current Account 01038074211700 resulting to unreconciled balance of KShs. 483,665.	and bank certificate of balance as at 30.6.2018 for National Bank Current Account 01038074211700 had a variance due to the fact that the account receives several cheque deposits for University fees payments, and hence there is always a difference between the book balance and the cleared balance as the received cheques are lined up for clearing. (See attached document 7.1b).  <i>The bank statement balance and bank Certificate of balance as at 30.6.2018 for National Bank Current Account 01021007510800 was reconciled and the variances cleared. (See attached document 7.1 a).</i>		with Public Investment Accounts (PIC).	for TUM.
7.2	The bank reconciliations statements availed for audit for the year ended 30 June 2018 reflected receipts in bank statements not yet	The University had un-receipted bank deposits amounting to KShs 25,807,705 as at 30.6.2018. These items were un-receipted because	Finance Officer (FO)	Yet to be discussed with Public Investment Accounts (PIC).	When PIC appoints time for TUM.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	recorded in the cashbooks of KShs. 29,104,460 out of which an amount of KShs. 311,259 date back to year 2015/2016 which Management had not explained the reason for not recording these amounts in the cashbooks.	<p>at the point when the fees were being paid at the bank, the student details were captured wrongly by either the student or parents/ sponsor. (i.e. wrong student names, student admission number or total omission, or capture of parent details instead of students where parents paid the fees).</p> <p>The University has since done integration with various banks for real time transactions to avoid such inconveniences going forward.</p>			
8.0	<p>The statement of financial performance reflects a deficit of KShs. 130,796,309 for the year ended 30 June 2018. (2016/2017: deficit - KShs. 60,474,983).</p> <p>This results to accumulated losses of KShs. 294,826,524 in the statement of financial position as</p>	<p>The deficit of KShs 130,796,309 for the year ended 30 June 2018 was contributed by the Lecturers' strike that occurred within the financial year for almost a whole semester that made the University fail to achieve its revenue collection target. The deficit</p>	Finance Officer (FO)	Yet to be discussed with Public Investment Accounts (PIC).	When PIC appoints time for TUM.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>at 30 June 2018 (2016/2017 – accumulated loss of KShs. 181,544,405).</p> <p>If strategies are not put in place to reverse the trend, the University was likely to face financial challenges in settling financial obligation as and when they may fall due.</p>	<p>also includes other non-cash items like depreciation of KShs 100,530,723, amortization of KShs 1,162,638 and provision for bad debts of KShs 7,596,843. However, the accounting standard require us to provide for these non-cash items in our financial statements for prudent financial reporting. The University embarked on austerity measure to ensure sustainability</p> <p>Nonetheless, the Statement of Cash Flows for the year ended 30 June 2018 reflects a cash &amp; cash equivalent at the end of period of KShs 181,795,716, a sign that the University was liquid.</p>			
9.0	The statement of changes in net assets for the year ended 30 June 2018 reflects total net assets of KShs. 2,727,665,562 compared to the	The variance was as a result of omission of closure of an account (amortization) for the year 2016/2017 which	Finance Officer (FO)	Yet to be discussed with Public Investment Accounts (PIC).	When PIC appoints time for TUM.


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	statement of financial position as at 30 June 2018 balances of KShs. 2,800,779,284 resulting to unreconciled variances of KShs. 73,113,722.	<p>was carried forward to the year 2017/2018.</p> <p>The unreconciled balance of KShs. 604,108 relates to prior year adjustments. The error was rectified.</p> <p>Due care and review of the balances and reconciliation of the capital fund and other funds reserve balances in both Statement of Financial position and Changes in Net Assets shall be done in the current FY end closing.</p>			

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
10.0	<p>The statement of financial performance for the year ended 30 June 2018 reflects government grants of KShs. 1,106,896,462. However, records available from the state department for University Education and Research for the year ended 30 June 2018 reflects an amount of KShs. 826,134,972 as transferred to Technical University of Mombasa during the reporting year resulting to unreconciled variance of KShs. 280,761,490.</p>	<p>The university received a total of KShs. 793,634,964 as recurrent grant on the printed estimates of which a copy of this was submitted to the auditor.</p> <p>Included in the amount of KShs. 1,106,896,462 received from the ministry is KShs. 313,261,498 which was paid to fund the payment implementation of the CBA 2013-2017.</p> <p>The University received a total of KShs. 1,110,146,462 out of which the total recurrent grants were KShs. 1,106,896,462 composed of the annual capitation plus CBA receipts for financial year 2016/2017.</p> <p>1.Recurrent grants KShs 901,836,215</p> <p>2.Development grant KShs 32,500,000</p> <p>For the current financial year, the University has</p>	National Treasury and CFO Ministry of Education - State Department for University Education and Research.	Yet to be discussed with Public Investment Accounts (PIC).	When PIC appoints time for TUM.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		written early in May 2019 to the State Department for University Education and Research and requested for reconciliation report in order to reconcile with what is recorded in the ledger as government grants received to avoid any differences at year end. The response was received in late July 2019.			

  
Vice Chancellor

Date 11/11/2020

  
Chairman of the Council

Date 12/11/2020

## APPENDIX II: PROJECTS IMPLEMENTED BY THE UNIVERSITY

### Projects

#### Status of Projects completion

S/N	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	PROPOSED SCHOOL OF MEDICINE	266,816,026.00	254,074,953.	CONSTRUCTION STAGE-99%	266.8M	254M	G.O.K/AIA
3	HOSTEL MABOKONI	244,561,924.00	239,047,182	CONSTRUCTION STAGE-98%	244.5M	239M	G.O.K/AIA

APPENDIX III: INTER-UNIVERSITY TRANSFERS

UNIVERSITY NAME:		TECHNICAL UNIVERSITY OF MOMBASA		
Break down of Transfers from the Ministry of Education				
FY 19/20				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		088/08/2019	75,574,983	2019/2020
		26/09/2019	75,574,983	2019/2020
		30/09/2019	75,574,982	2019/2020
		29/11/2019	75,574,983	2019/2020
		19/12/2019	75,574,983	2019/2020
		06/01/2020	75,574,983	2019/2020
		14/02/2020	75,574,983	2019/2020
		24/03/2020	75,574,983	2019/2020
		31/03/2020	75,574,983	2019/2020
		02/06/2020	75,574,983	2019/2020
		11/6/2020	75,574,983	2019/2020
		26/6//2020	75,574,983	2019/2020
b.	Supplementary Budget Grant	9 JULY 2020	118,049,299	2019/2020
		<b>TOTAL</b>	<b>1,024,949,094</b>	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		29/11/2019	44,457,366	2019/2020
		29/11/2019	37,047,805	2019/2020
		17/03/2020	75,542,634	2019/2020
		17/03/2020	62,952,195	2019/2020
		<b>Total</b>	<b>220,000,000</b>	
	Development Grant 2019/2020			

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

Finance Officer  
Technical University of Mombasa.

Sign 

Chief Finance Officer  
Ministry of Education.

Sign -----