REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF TECHNICAL UNIVERSITY OF MOMBASA

FOR THE YEAR ENDED 30 JUNE 2016

TECHNICAL UNIVERSITY OF MOMBASA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Technical University of Mombasa (TUM) has passed through four transitional levels. The various phases it has undergone so far reflect the GOK's concerted efforts in promoting education and training in line with the dynamic technological and industrial growth in Kenya and in Africa.

The origin of TUM can be traced back to the late 1940's as a result of the consultations pioneered by Sir Philip Mitchell in 1948 between The Aga Khan, the Sultan of Zanzibar, the Secretary of State for the colonies, Sir Bernard Reilly and H. M. Treasury. Out of these consultations, Mombasa Institute of Muslim Education (MIOME) was founded. At its inception, MIOME was charged with the prime objective of providing adequate technical education on Muslim students of East Africa. In May 1951, MIOME enrolled its first batch of students to undergo a technical education programme which placed special emphasis on electrical and mechanical engineering, seamanship and navigation, and woodwork.

At independence, the Board of Governors accepted that if the institute was to play a full role in the development of the education system of the independent Kenya, then its doors needed to be open to any qualifying students of all creeds. In 1962 MIOME became Mombasa Technical Institute (MTI) and started to admit all Kenyans regardless of religion or race. In order to comply with the newly set educational policies of the independent Kenya, the curriculum of the institute was restructured new more courses introduced that included Civil Engineering, Electrical Engineering, Mechanical Engineering, Business Studies, Mathematics and Applied Sciences.

In the year 1972, MTI transformed to become the Mombasa Polytechnic, becoming the 2nd National Polytechnic in Kenya. The Mombasa Polytechnic continued to develop more market driven programs, anchored on the five established Departments of Business Studies, Electrical and Electronics Engineering, Building and Civil Engineering, Mechanical Engineering and Applied Sciences.

In a Government strategy to increase access to University education across the Country, the dream to convert the Polytechnic to a University College was realized on 23rd August 2007, through a Legal Notice No. 160, when The Mombasa Polytechnic University College (MPUC) was established. The University College status resulted in many positive changes implemented with great support by the Government of Kenya, including recruitment and development of staff, expansion of infrastructure, provision of facilities and introduction of new academic programmes under the mentorship of Jomo

Kenyatta University of Agriculture and Technology. All these came at a time when the Country had started warming up to the Kenya vision 2030.

The mentorship, Government support and commitment by the Council, Management and other stakeholders have yielded to the dawn of Technical University of Mombasa (TUM). The University has two well established Faculties and two Schools namely Faculty of Applied and Health Science, Faculty of Engineering and Technology, School of Business and School of Humanities and Social Sciences. The Faculties and Schools have developed and rolled out new market driven degree programs. In total, the University has more than 86 programs running all the way from Masters to certificate level.

(a) Principal Activities

Vision

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

Mission

To provide leadership and outstanding programmes by engaging in scholarly reflection, cultivating critical thinking and advancing creative problem-solving skills in the fields of engineering, the sciences, business and related areas that benefit society.

Motto

Endeavour and Achieve (Jiddu Tajiddu)

Strategic Objectives

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.

(b) Key Management

The day-to-day management is under the following key divisions:

- Administration, Finance and Planning
- Academic, Research and Extension

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation		Name
1.	Ag. Vice-Chancellor	-	Prof. Laila Uweso Abubakar
2.	Deputy Vice-Chancellor (Academic, Research and Extension)	-	Prof. Laila Uweso Abubakar
3.	Deputy Vice-Chancellor (Administration, Finance and Planning)	-	Prof. Joseph O. Rasowo

(d) Fiduciary Oversight Arrangements

- *Human Resource Management Committee of the Council*
- *Finance, Planning and General Purposes Committee of the Council*
- *Audit Committee of the Council*
- *Executive Committee of the Council*
- *Statutes and Sealing Committee of the Council*
- *Full Council*

(e) Registered Office and Place of Business

Technical University of Mombasa
Tom Mboya Avenue
P.O. Box 90420-80100
Mombasa
Kenya

(f) Corporate Contacts

Tel: (254)41-2492222/3/42490571

Fax: (254) 41-2495632,

Mobile: (254) 0724 955377/0733 955377

Email: info@tum.ac.ke,

vc@tum.ac.ke

Web site: http://www.tum.ac.ke.

(g) Corporate Bankers

1. National Bank of Kenya Limited
   Nkrumah Branch
   P.O. Box 576- 80100
   Mombasa

2. Co-operative Bank Limited
   Nkrumah Branch
   P.O. Box 87771- 80100
   Mombasa

3. Standard Chartered Bank Limited,
   Treasury Square Branch,
   P.O. Box 90170-80100
   Mombasa

4. Kenya Commercial Bank
   Mvita Branch
   P.O Box 83534-80100
   Mombasa

5. Family Bank
   Jomo Kenyatta Branch
   P.O Box 97268-80100
   Mombasa

6. Equity Bank
   Digo Road Branch
   P.O Box 90016- 80100
   Mombasa

(h) Independent Auditors

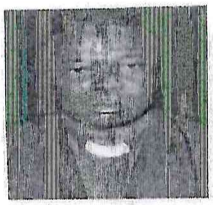
Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(i) Principal Legal Adviser

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

II. THE COUNCIL MEMBERS

1.  Dr. Linus Ikapel Ettyang – Chairman D.O.B: 24/12/1948	Dr Ettyang has a PhD in Sociology, MSc in Sociology, and MA in Population Education & BA in Sociology. He has a wealth of experience in demographics and research and had worked in various ministries before going into the retirement
2.  Eng. Roselane Mmbone Jilo D.O.B: 3/5/1970	Eng. Jilo has an MBA in Strategic Management, BSc Electrical and Electronic Engineering. She is a registered engineer and a member of Engineers Board of Kenya. The Vice chair of IEK western branch. In addition, she works at Kenya Pipeline Company where she started as a graduate trainee and has risen through the ranks to her current position as Senior Electrical Engineer - Western Kenya.
3.  Mrs. Mary Ndiga Kibuka D.O.B:	Mrs Mary Kibuka has a MSc. in Management, BEd in Home Economics. She has worked in various international organizations and has a wealth of experience in project management and planning. She is currently the Deputy Governor of Taita Taveta County.
4.  Dr. Fathiya Abdalla El-Maawy D.O.B: 22/9/1968	Dr. El-Maawy has an MD in Medicine from the University of Istanbul and a postgraduate course in bone dissection from Kenyatta National Hospital Consultant ENT Surgeon. She previously worked at Pandya Memorial Hospital as a resident medical officer before moving into private practice as a consultant ENT surgeon.
5.  Mrs. Alice Mwololo – Representative National Treasury. D.O.B: 6/1/1966	Mrs Mwololo holds an 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 Directorate at the National Treasury. She is specialized in trade and regional intergration policy and has wide experience in negotiations and implementation of the East African Community Customs Union and the Common Market Protocol. She previously worked in the Ministry of Planning and National

	Development as an Economist in rural development. In addition, she represents the National Treasury in the National Committee on World Trade Organization negotiations and the EAC-European Union Economic Partnership negotiations.
6.  Mrs. Edith Torome – Representative Ministry of Education Science and Technology. D.O.B:	Mrs Torome has a Bachelor of Law Degree from the University of Nairobi and a Diploma in Law from Kenya School of Law. She began her career as a State Counsel at the Ministry of Local government and was later promoted to Senior State Counsel at the Ministry of Higher Education, Science and Technology, now known as Ministry of Education, Science and Technology. She now holds the position of a Principal State Counsel at the same Ministry.
7.  Dr. Rispah Oduwo, OGW D.O.B: 8/8/1952	Dr Rispah Oduwo, OGW holds a MSc. in Reproductive Physiology, a Bachelor of Medicine in Veterinary Medicine and Surgery in addition to a Postgraduate Diploma in Tropical Medicine and another Postgraduate Diploma in Project Management. She was a long time Research Scientist at the then National Council of Science and Technology (NCST) now the National Commission for Science, Technology and Innovation (NACOSTI). In her career spanning three decades, she rose through the ranks to become Chief Science Secretary for Health Sciences where she championed the involvement of women scientists in scientific research and policy making before retiring in 2012. She has published widely in science journals. She is currently a member of the African Women Scientists and University of Nairobi Centre for Women Studies.
8.  Bishop Julius Katoi Kalu- Member. M.A in Theology D.O.B: 5/1/1953	Bishop Kalu has an M.A. in Theology from Espiscipal Divinity School Cambridge in Massachusetts (USA). He was ordained a deacon in 1983 and thereafter a priest in 1984 at Mombasa Memorial. He rose through the ranks and is currently the bishop of the Anglican Church of Kenya at the diocese of Mombasa, a position he has held for twenty years.

 Prof. Laila Uweso Abubakar - Ag Vice-Chancellor/ Council Secretary D.O.B:	Prof Laila Uweso Abubakar has a PhD in Bio Chemistry, a Master's of science in Biochemistry and a Bachelor of Science. She is also the current Deputy Vice Chancellor (Academic, Research & Extension).

III. MANAGEMENT TEAM

Prof. Laila Uweso Abubakar – Ag Vice-Chancellor/Council Secretary & Deputy Vice-Chancellor (Academic, Research & Extension)
PhD in Biochemistry, Masters of science in Biochemistry, Bachelor of Science in Biochemistry.

Ms Serah Welime – Ag. Registrar, Academic Affairs
Master in Arts, Bachelor in Arts, Post graduate Diploma in Education

Prof. Joseph Ouma Rasowo Deputy-Vice Chancellor (Administration, Finance & Planning)
PhD in Aquatic Ecology, Masters of Science in Marine Ecology & Aquaculture, Master of Business Administration in Strategic Management, Bachelor of Science in Botany/ Zoology

Mr. Alfred Indeche – Ag. Finance Officer.
Master in Business Administration (Finance), Bachelor of Business Administration (Accounting) CPA (K)

Ms Serah Okumu – Ag Registrar, Administration and Planning & Senior Legal Officer. Master of Laws (International and African Regional Law), Bachelor of Laws, Diploma in Law

IV. CHAIRMAN'S STATEMENT

The Technical University of Mombasa (TUM) has passed through four transitional levels. The various phases it has undergone so far reflect the Government of Kenya's concerted efforts in promoting education and training in line with the dynamic technological and industrial growth in Kenya and in Africa.

The transition of the University has seen the growth of the university programmes, the staff and student population, physical infrastructure and ICT. The increase of these resources without a balanced growth in financial support from the exchequer has however come with a number of challenges. It has been difficult to provide commensurate teaching resources with the growth in student numbers while the university has also not been able to concentrate on the key areas of research and technology transfer.

While the mandate of the university provides for continuous growth to enhance higher education across the country, there have been challenges related to the infrastructural developments as the government has not been providing the requisite capital expenditure. More so as the University is in the process of establishing a School of Medicine. The program will make TUM the first university along the Kenyan Coast to offer degree courses in medicine. Plans are at advance stages to establish Medicine and Nursing. TUM has already signed Memorandum of Understandings with Cairo University and Alexandria University in Egypt, and University of Gent in Belgium. Another Memorandum of Understanding has been entered into with the Coast General Hospital to be used for practical sessions.

The financial statements reflect the financial status of the University, taking recognition of the increase in personal emoluments reflecting the recruitment of positions to enable us get accreditation for our programmes. Sustaining the increase in personal emoluments will however be a challenge unless the government increases its financing for recurrent expenditure.

The University Council looks forward to supportive collaboration with the government to ensure continued development of the Technical University of Mombasa as provided in its Charter. In addition, there are 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.

Dr. Linus Ikapel Ettyang, PhD
Chairman of Council

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The University of Mombasa, as part of its expansion strategy, has developed market driven programmes that address national priorities in the fields of Business, Engineering, Science and Technology. Currently, the University is offering over a hundred and forty academic programs in diverse fields and continues to develop new programmes especially at graduate level. This is in addition to restructuring some of its faculties so as to bring services closer to the customers and other stakeholders. TUM is committed to the advancement of knowledge through responsible research and scholarship addressing important scientific, social, and cultural questions of the new century. Our emphasis on research, innovation, linkages and collaboration with various stakeholders in the industry improves our visibility internationally.

To balance the development of new programmes and demand for University education, the University management, in consultation with the council, has continued to develop its human resource especially the teaching staff. Subsequently, during the year, the University spent almost kshs 7 Million for staff development especially in the academic field. Through this effort, the University has been able to support its staff to undertake various degrees. The results have been positive as most of the staff have completed their studies and are playing a key role in teaching and programmes development.

The University reported a decline in revenue from the internally generated funds. This has been attributed mainly to the decline of the number of students who registered for self - sponsored programmes among others. Nonetheless, the University has put measures to turn this around which includes carrying out aggressive marketing for our programmes and improving service delivery to attract more students. In addition, the Engineering board of Kenya has accredited three engineering programmes for Tum namely; Bachelor of Science in Civil Engineering, Bachelor of Science in Mechanical Engineering and Bachelor of Science in Electrical and Electronics Engineering.

The University has developed and implemented work place policies to nurture holistic Students and Staff. Towards this end, Tum has complied towards gender and equality mainstreaming and alcohol and drug abuse prevention and intervention. We assure our partners in the industry that the university has now matured and is ready to be in the driver's seat in the transformation of higher education.

Prof. Laila Uweso Abubakar
Ag. Vice-Chancellor

VI. CORPORATE GOVERNANCE STATEMENT

Technical University of Mombasa, a public university in Kenya, is committed to undertake its affairs in a responsible and transparent manner. The university takes recognition of the various stakeholders, the funding agencies, and the regulations thereto, relating to its obligations as provided in the University Charter, 2013, and the Universities Act, 2012. For the 2015/2016 financial year, the University has been in compliance with all the provisions set out in the university Act, 2012, in so far as they relate to Universities.

The functions and responsibilities of the Council are as provided for in the Statutes. 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; Audit Committee; Finance Planning and General Purpose Committee; Human Resources Management Committee; and Sealing and Statutes Committee. All sub committees meet as per the University Almanac and submit reports to the Council.

As the Council, we have responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which we are responsible, in accordance with the responsibilities assigned to the Council by section 36 of the Universities Act, 2012, and section 18 and 19 of the University Charter, 2013.

The University Council is committed to ensuring financial sustainability; enhancing the student experience; and continuously building its research excellence in support of the country and regional economy. The University has managed its budgets well, increased the teaching and learning facilities, developed new market driven programmes and is involved in technology transfer in its s key areas of strength of Engineering, Science and Technology.

The day to day management of the university is vested on the Senate and Management Board. The functions of the Management Board and Senate are as provided in the university charter and the university 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.

During the financial year 2015/2016, the following changes took place in Key senior Management. The University appointed new acting vice-chancellor Prof. Laila Abubakar, deputy vice-chancellor for administration, finance and planning prof. Joseph Rasowo and acting Finance Officer Mr. Alfred Indeche. Last but not least, the format for preparation and presentation of financial statements was also changed to be in agreement with that provided by Treasury as per treasury circular no 06/2016 dated 10th may 2016.

Dr. Linus Ikapel Ettyang
Chairman of Council

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In line with its mission and values, the 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 on the environment.

The University is committed to the maintenance of principled standards, respect and accountability across all of its activities; equality and diversity; treating employees with fairness and respect, including wide support of personnel and staff development activities ; the development of practices, activities and support systems that are environmentally sustainable; fair competition within the higher education sector; volunteering in community and county activities and interacting effectively and positively with the county government, the national government and the wider community.

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 4.9 million on exhibitions that were meant to share new technologies to the industry and the communities in general.

The University shall continue to collaborate with all the stakeholders on issues that benefit the development of the country, growth of industries as well as giving back to the society. The University also shall continue to play its critical role towards attainment of vision 2030 as spelt out in the government priority areas under the social and economic pillars.

Prof. Laila Uweso Abubakar
Ag. Vice-Chancellor

VIII. REPORT OF THE COUNCIL

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

Principal activities

The principal activities of the University is teaching and research

Results

The results of the entity for the year ended June 30, 2016 are set out on page 1.

Council

The members of the Council who served during the year are shown on page VII to IX In accordance with TUM statutes and the University Act.

Auditors

The Auditor-General is responsible for the statutory audit in accordance with Article 229(4) (5) (6) and (7) of the Constitution and Public Audit Act, 2015.

By order of the Council

Abubakar

Prof. Laila Uweso Abubakar
Ag. Vice-Chancellor/Council Secretary

Date: 13/01/2017

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 (1) 1 of the Public Finance Management Act, 2012 and section 14 and 15 (1) of the State Corporations Act, require Council members to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for that period. The Council are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

The Council is responsible for the preparation and presentation of the University financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

Approval of the financial statements

The University financial statements were approved by the Council on 14th July 2016 and signed on its behalf by:

DR. LINUS IKAPEL ETTYANG
CHAIRMAN OF COUNCIL

PROF. LAILA UWESO ABUBAKAR
AG. VICE CHANCELLOR/COUNCIL SECRETARY

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Technical University of Mombasa set out on pages 1 to 25, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and a 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.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

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

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

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

Basis for Adverse Opinion

1.0 Inaccuracies in the Financial Statements

The following balances presented in the financial statements for the year ended 30 June 2016 had no supporting schedules:

Balance	Note	Amount (Kshs.)
General trade payables	18	25,059,013
Long-term service gratuity	20	17,652,301
Student caution money	20	9,322,548
Staff imprest	15	2,859,081
Total		**54,892,943**

Consequently, the accuracy, validity and completeness of the above financial statements balances amounting to Kshs.54,892,943 as at 30 June 2016 could not be confirmed.

2.0 Presentation of the Financial Statements

Note 2(p) to the financial statements on related parties does not disclose the value of transactions between the University and TUM Enterprises Limited in conformity with International Public Sector Accounting Standards No.20 which requires a disclosure of information about transactions between the entity and its related parties.

Consequently, the financial statements presented for the year ended 30 June 2016 do not comply with the requirements of Kenya International Public Sector Accounting Standards Board.

3.0 Property, Plant and Equipment

3.1. Land

As previously reported, the property, plant and equipment balance of Kshs.2,718,357,233 as at 30 June 2016 (2014/2015 Kshs.2,685,600,183) includes a parcel of land LR No. Mombasa/Block/XI/386 valued at Kshs.200 million of which ownership is in dispute and the matter is on-going before a Court of Law. Although the University management is confident that the University has a proper title to the property, it has not been possible to confirm the value on the property, if any, due to the dispute.

Further and as reported in 2014/2015, included in property, plant and equipment balance of Kshs.2,718,357,233 as at 30 June 2016 (2014/2015 Kshs.2,685,600,183) is freehold land balance of Kshs.1,047,422,550 (2014/2015 – Kshs.945,000,000). The balance of freehold land of Kshs.1,047,422,550 include addition of Kshs.102,422,550 (2014/2015 - Kshs.9,500,000). However, there was no evidence of the land having been competitively sourced as required by the Public Procurement and Disposal Act, 2005 as tender opening minutes, tender evaluation and acceptance and inspection reports were not availed for audit review. It was also not clear how the land was identified.

It is not clear therefore how the need and the suppliers were identified in the absence of a pre-qualified list of suppliers and procurement plan.

3.2. Additions

Also as reported in 2014/2015 audit report, included in property, plant and equipment balance of Kshs.2,718,357,233 as at 30 June 2016 (2014/2015 Kshs.2,685,600,183) are additions for 2014/2015 amounting to Kshs.79,128,856 which comprise of Land Kshs.9,500,000, Furniture Kshs.5,177,587, Computers Kshs.21,171,528, Equipment Kshs.28,847,917 and Motor Vehicles Kshs.14,431,824. However, there was no approved procurement plan and evidence of supplier prequalification for the financial year as required by the Public Procurement and Disposal Act, 2005 and regulations thereof.

3.3. Legal Fees

Included in the additions of freehold land of Kshs.102,422,550 for the period under audit is legal fees amounting to Kshs.10,136,950 paid to a law firm. However, there was no evidence of competitive selection of the law firm as required by the Public Procurement and Disposal Act, 2005 and neither was approval by the Attorney-General for use of private law firm availed for audit. It was observed that the law firm was added to the list of pre-qualified service providers in October, 2015 although the sale agreement was signed in January, 2015, nine (9) months after the sale agreement had been signed. It was not clear the role of the law firm in the land transaction that had already been concluded.

3.4. Buildings

Audit inspection during the year of the acquired land revealed that there was a building and a telecommunication mast standing on the land. However, the building had neither been valued nor classified under buildings while the lease agreement for hosting of the telecommunication mast had not been transferred to the University. It was not clear who earns the lease rentals from the telecommunication mast.

3.5. Furniture

As previously reported, included in property, plant and equipment balance of Kshs.2,718,357,233 as at 30 June 2016 (2014/2015 Kshs.2,685,600,183) 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 did not have any evidence of having been competitively sourced as required by the Public Procurement and Disposal Act, 2005 as no tender opening minutes, tender evaluation, and acceptance and inspection reports were availed for audit review.

3.6. Television Sets

As reported in 2014/2015 audit report, included in property, plant and equipment balance of Kshs.2,718,357,233 as at 30 June 2016 (2014/2015 Kshs.2,685,600,183) 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 procurement was done through requests for quotation contrary to the Public Procurement and Disposal Act, 2005. In addition, the supplier delivered 65 inch – size instead of the 70 inch – size TV sets as per the supply order.

3.7. Prior Year Work In Progress

Also as reported in 2014/2015 audit report, included in property, plant and equipment balance of Kshs.2,718,357,233 (2014/2015 Kshs.2,685,600,183) were additions amounting to Kshs.346,826,307 net of work- in- progress which comprise 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 Disposal Act, 2005 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.

Further, included in property, plant and equipment balance of Kshs.2,718,357,233 as at 30 June 2016 is additions of Kshs.123,142,111 net of work in progress. The additions' balance of Kshs.123,142,111 include Furniture and Fittings of Kshs.3,183,618. Audit examination of the list of furniture and fittings revealed that the balance included among others items like curtains, napkins, mattresses totaling Kshs.2,564,718 which do not qualify to be classified as property, plant and equipment as per IPSAS 17.

3.8. Project Management Fees

As previously reported, property, plant and equipment balance amounting to Kshs.2,718,357,233 (2014/2015 Kshs.2,685,600,183) include Work In Progress balance of Kshs.21,845,298 (2014/2015 – Kshs.57,628,697) which included payments to various University staff amounting to Kshs.17,425,066 referred to as the project management fees. However, it is not clear and the management has not explained the basis for the payments and the supporting payment documents were not availed for audit verification.

In addition, as also reported in 2014/2015 audit report, included in property, plant and equipment balance of Kshs.2,718,357,233 (2014/2015 Kshs.2,685,600,183) is work in progress balance of Kshs.21,845,298 (2014/2015 – Kshs.57,628,697). Work

In Progress includes an advance payment of Kshs.1,802,697 for library detective system. However, the audit 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 1 ½ months from the date of signing the agreement.

3.9. Perimeter Fence

Included in property, plant and equipment balance of Kshs.2,718,357,233 as at 30 June 2016 is a balance of Kshs.21,845,298 in respect of Work in Progress. The Work in Progress balance of Kshs.21,845,298 include expenditure amounting to Kshs.6,930,750 as at 30 June 2016 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 document for the land donated by Kaloleni CDF. It was not clear why the University commenced fencing of land to which it had no title to. In addition, the probable costs resulting from legal suits for termination of the contract have not been quantified and determined in these financial statements. The public did not realize value for money from the abandoned project.

In the circumstances, the ownership, accuracy, propriety and completeness of property, plant and equipment figure of Kshs.2,718,357,233 could not be confirmed.

3.10. Fully Depreciated Assets

As reported in 2014/2015 audit report, property, plant and equipment with total cost of Kshs.117,102,254 were fully depreciated and there was no evidence that they had been revalued as at 30 June 2016. Therefore, the economic value of these assets has not been accounted for in these financial statements as they are carried at zero value contrary to International Public Sector Accounting Standards No. 17.

Consequently, the accuracy, propriety and completeness of property, plant and equipment figure Kshs.2,718,357,233 as at 30 June 2016 could not be ascertained.

4.0 Long-term Investments

As reported in the previous year, the long-term investments balance of Kshs.14,079,662 as at 30 June 2016 (2014/2015 – Kshs.14,730,924) include an amount of Kshs.5,571,938 in respect of investment in Tum Enterprises Limited. The Memorandum and Articles of Association for the Company incorporated on 7 August 2013 indicates that the Company has an issued share capital of Kshs.510,200 comprising of 5,102 shares, 5,100 directly owned by Technical University of Mombasa and two (2) are owned by the University through the Vice-Chancellor and a council member. The financial statements for the company have not been presented for review neither have the results of operation of the Company been accounted for in these financial statements.

Under the circumstance, the accuracy and validity of the investment balance of Kshs.5,571,938 as at 30 June 2016 could not be ascertained.

5.0 Receivables from Exchange Transactions

5.1. Student Debtors

As reported in previous year, included in the receivables from exchange transactions balance of Kshs.77,534,092 as at 30 June 2016 (2014/2015 - Kshs.80,781,512) are student debtors balances of Kshs.33,218,139. However, a report from the student management system reflected student debtors balance of Kshs.126,188,672 resulting in unreconciled variance of Kshs.92,970,533.

Further, included in the student debtors balance of Kshs.33,218,139 as at 30 June 2016 is an amount of Kshs.151,180 for eleven (11) students who were sponsored by LAPSSET. Audit confirmations from LAPSSET indicated that the students' school fees was fully paid as at 30 June 2016. The management has attributed the balance to challenges in updating the students' accounts.

In consequence, it has not been possible to ascertain that the receivables from exchange transactions of Kshs.77,534,092 is fairly stated as at 30 June 2016.

5.2. Provision For Doubtful Debts

As reported in the previous year, the balance of receivables from exchange transactions of Kshs.77,534,092 as at 30 June 2016 is net of general provision for bad and doubtful debt amounting to Kshs.27,957,144 (2014/2015 Kshs.23,280,832) which is 10% of the outstanding accounts receivables including staff advances totaling Kshs.384,117. However, there is no specific provision for the impairment of debts that have been outstanding for very long period which may never be recovered. Consequently, the adequacy of the provision of Kshs.27,957,144 as at 30 June 2016 is doubtful.

6.0 Receivables from Non-Exchange Transactions

As reported in the previous year, receivables from non-exchange transactions balance of Kshs.6,207,727 includes other debtors amounting to Kshs.3,348,546 (2014/2015 Kshs.1,485,646) out of which Kshs.1,331,000 is a receivable from staff as a surcharge in respect of payroll fraud perpetrated by the concerned staff. However, the total amount that could have been lost out of the fraud and hence recoverable from the concerned staff has not been quantified as no forensic audit has been carried out and report availed for audit review.

Consequently, the accuracy and completeness of other debtors' figure of Kshs.3,348,546 as at 30 June 2016 could not been ascertained.

7.0 Other Creditors

7.1. Unpaid Pension

As reported in the previous year, the other creditors balance of Kshs.206,393,004 as at 30 June 2016 (2014/2015 Kshs.151,419,338) excludes an amount of Kshs.39,195,284 in respect of unpaid employer pension contribution arising from

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2016

	Note	2015-2016 Kshs	2014-2015 Kshs Restated
Revenue from non-exchange transactions			
Gok Grants	3 M1.1	760,994,985	733,585,835 O/B
Other Income	4 M3.1	197,742,331	162,059,418 R
		958,737,316	**895,645,253**
Revenue from exchange transactions			
Tuition Fees	5 M2.1	453,892,626	532,659,566
		453,892,626	**532,659,566**
Total revenue		**1,412,629,942**	**1,428,304,819**
Expenses			
Personal Emoluments	6 Q1.1	966,305,561	905,396,109 R
Council Expenses	7 N1.1	13,597,182	12,980,109
Operating/ Administration Expenses	8 P1.1	177,435,733	191,771,774 O/B
Teaching Expenses	9 Q2.1	238,751,295	281,743,068
Students Welfare	10 P2.1	5,476,919	10,090,124
Repairs & Maintenance	11 P3.1	15,847,437	18,559,099 O/B
Audit Fees	12 P4.1	1,160,000	941,920
Provision For Bad Debts	14 E1.1	4,676,312	4,880,690
Depreciation	24 D1.1	90,385,061	90,508,372 R
Amortization	25 D2.1	3,087,614	8,963,675 R
Total expenses		**1,516,723,114**	**1,525,834,940**
Deficit for the period		**(104,093,172)**	**(97,530,121)**

Key
^ – Cast downward correct
O/B – Agreed to audited figures
R – Balance Restated

The notes set out on pages 6 to 25 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	2015-2016 Kshs	2014-2015 Kshs Restated
Assets			
Current assets			
Cash and cash equivalents	23	234,325,587	64,192,930
Receivables from exchange transactions	14	77,534,092	80,781,512
Receivables from non-exchange transactions	15	6,207,627	63,500,153
Inventories	13	29,395,972	21,907,738
Short-term Investments	16	20,524,281	45,714,072
		367,987,559	**276,096,405**
Non-current assets			
Property, plant and equipment	24	2,718,357,233	2,685,600,183
Long-term Investments	17	14,079,662	14,730,924
Intangible assets	25	1,753,208	4,840,822
		2,734,190,103	2,705,171,929
Total assets		**3,102,177,662**	**2,981,268,334**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	26,182,313	34,523,695
Other Creditors	19	206,393,004	151,419,338
		232,575,317	**185,943,033**
Non-current liabilities			
Long-term Liabilities	20	108,424,849	25,727,616
		108,424,849	**25,727,616**
Total liabilities		**341,000,166**	**211,670,649**
Capital Fund	21	2,959,160,162	2,858,199,902
Reserves	22	(197,982,666)	(88,602,217)
Net Assets		2,761,177,496	2,769,597,685
Total net assets and liabilities		**3,102,177,662**	**2,981,268,334**

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

PROF. LAILA UWESO ABUBAKAR
AG. VICE CHANCELLOR/COUNCIL SECRETARY

Date 13/01/2017

DR. LINUS EKAPEL ETTYANG
COUNCIL CHAIRMAN

Date 13/01/2017

XIII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2016

	Revenue reserve Kshs	Capital Fund Kshs	Total Kshs
	RESSTATED		
Balance as at 1 JULY 2014	4,065,022	2,793,727,889	2,797,792,911
Development Grant	-	64,472,013	64,472,013
Surplus/(deficit) for the period	(97,530,121)	-	(97,530,121)
Adjustments during the year	4,862,882	-	4,862,882
Balance as at 30 JUNE 2015	(88,602,217)	2,858,199,902	2,769,597,685
Balance as at 30 JULY 2015	**(88,602,217)**	**2,858,199,902**	**2,769,597,685**
Development Grant		100,475,260	100,475,260
Donations Grants		485,000	485,000
Surplus/(Deficit) for the period	(104,093,172)	-	(104,093,172)
Adjustments during the year	(5,287,277)	-	(5,287,277)
Balance as at 30 JUNE 2016	**(197,982,666)**	**2,959,160,162**	**2,761,177,496**

Development Grant

Development grants are monies received from the Government to facilitate the growth of the university. These monies are used in construction of buildings and purchase of equipment.

Donations

The University received a donation of cameras from UAP limited during the year.

Prior year Adjustments

During the year an adjustment was made to correct overstated pension employers contribution.

XIV. STATEMENT OF CASH FLOWS

	Note	2015-2016 Kshs	2014-2015 Kshs Restated
Cash flows from operating activities			
Receipts			
Government grants and subsidies	3	760,994,985	733,585,835
Other income	4	197,742,331	162,059,418
Tuition Fees	5	453,892,626	532,659,566
		1,412,629,942	**1,428,304,819**
Payments			
Personal emoluments	6	966,305,561	905,396,109
Council expenses	7	13,597,182	12,980,109
Operating/ Administration expenses	8	177,435,733	191,771,774
Teaching expenses	9	238,751,295	281,743,068
Student welfare	10	5,476,919	10,090,124
Repairs & Maintenance	11	15,847,437	18,559,099
Inventories	13	7,488,234	578,603
Audit Fees	12	1,160,000	941,920
Trade receivables(Gross of provision)	14 & 15	(55,863,634)	(74,216,454)
Trade payables	18 & 19	(46,632,284)	(22,478,833)
		1,323,566,443	**1,325,365,519**
Net cash flows from operating activities		**89,063,499**	**102,939,300**
Cash flows from investing activities			
Purchase of property, plant, equipment	24	(123,142,111)	(107,387,147)
Purchase of intangible assets	25	0	(3,229,460)
Decrease/ (Increase) in investments	16 & 17	25,841,053	(46,318,006)
Net cash flows used in investing activities		**(97,301,058)**	**(156,934,613)**
Cash flows from financing activities			
Long term liabilities	20	82,697,233	(10,666,722)
Capital fund	21	100,960,260	64,472,013
Other funds & Reserves	22	(5,287,277)	4,862,882
Net cash flows used in financing activities		**178,370,216**	**58,668,173**
Net increase/(decrease) in cash and cash equivalents		**170,132,657**	**4,672,860**
Cash and Cash Equivalents at 1 JULY		64,192,930	59,520,070
Cash and Cash Equivalents at 30 JUNE		**234,325,587**	**64,192,930**

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2015-2016	2015-2016	2015-2016	2015-2016	2015-2016
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Government grants and subsidies	771,772,550	-	771,772,550	760,994,985	(10,777,565)
Tuition Fee	547,403,141	-	547,403,141	453,892,626	(93,510,515)
Other Income	238,481,013	-	238,481,013	197,742,331	(40,738,682)
Total income	**1,557,656,704**	**-**	**1,557,656,704**	**1,412,629,942**	**(145,026,762)**
Expenses					
Personal Emoluments	995,681,036	11,866,977	1,007,548,013	966,305,561	41,242,454
Council Expenses	20,000,004	(4)	20,000,000	13,597,182	6,402,818
Operating/ Administration Expenses	254,527,516	(12,473,112)	242,054,404	177,435,733	64,618,671
Teaching Expenses	268,325,024	5,948,126	274,273,150	238,751,295	35,521,855
Students Welfare	12,100,004	-	12,100,004	5,476,919	6,623,085
Repairs & Maintenance	21,900,012	-	21,900,012	15,847,437	6,052,575
Audit fees	-	-	0	1,160,000	(1,160,000)
Total expenditure	**1,572,533,596**	**5,341,987**	**1,577,875,583**	**1,418,574,127**	**159,301,456**
Surplus/(deficit) for the period	**(14,876,892)**	**(5,341,987)**	**(20,218,879)**	**(5,944,185)**	**(14,274,694)**

Explanations on the variances.

- The negative variance in Government grants was due to a reduction in remittances for the last two months.
- The variance in tuition fees and other incomes is due to negative publicity concerning the engineering courses.

XVI. NOTES TO THE FINANCIAL STATEMENTS

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

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

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Capitation/Government Grants
Revenues from government grants is measured at fair value and recognized on obtaining control of the cash and includes only amounts receivable in relation to the current financial year.

Rental Income
The University has limited rental houses that are let to its staff. Those staff with essential duties such as security, catering, clinic are given priority. Staff are required to sign lease agreements and payments deducted from their salaries at the end of every month.

ii) Revenue from exchange transactions – IPSAS 9

Fees
Revenue from tuition fees is recognized from duly registered students as per the fees policy and in the year in which the University delivers services to the student and collectability of the related receivables is reasonably assured.

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

Interest on investment
It comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

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.

In-kind contributions

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

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the University. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment – IPSAS 17

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

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

It should be noted that the University was given land in Kind at Gotani by the Kaloleni CDF to establish a campus. This has however not been recognized in this financial statements as we are yet to get a title deed of the land. The Management is pursuing the matter with Kaloleni CDF

d) Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The annual rate of Amortization is 30%.

e) Depreciation and impairment of property, plant and equipment

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

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

Buildings	2%
Plant and Equipment	10%
Motor Vehicles	20%
Computers and Other Electronics	30%
Furniture and Fittings	10%

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

f) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. The cost of inventories comprises purchase price, import duties, transportation and handing charges.

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.

Provisions – IPSAS 19

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.

h) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. The current reserves maintained by the University are;

- Capital fund which constitute funds received from the Government of Kenya
- Other funds and reserves constitute funds set aside to cater for unexpected cash inflow challenges. It includes revenue reserve and general fund.

i) Changes in accounting policies and estimates – IPSAS 3

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.

j) Employee benefits – IPSAS 25

Retirement benefit plans

The University provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the University pays fixed contributions (20% of employee's basic salary) into a separate entity (Alexander Forbes Financial Services) whereas the employee contributes 10% of the basic salary towards the same scheme, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.
The University also contributes to National Social Security Fund (NSSF) currently at the rate of two hundred Kenyan shillings (Ksh 200.00) per employee per month. Contributions to the above scheme are charged to the Statement of Financial Performance in the year to which they relate. The University has no further obligation once the contribution has been remitted to the pension fund. This is subject to changes in the new NSSF act which is a pending matter in court.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

l) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The comparative figures for 2014/2015 for depreciation & amortization for the statement of financial performance have been restated due to changes that were made on the fixed assets register to reflect true and fair value of the assets held by the University that had been understated initially. Property, plant and equipment and intangible assets have been restated for the same reason thus affecting the figures in statement of financial position.

m) Long Term Liability

The long term liability relates to former employees of Mombasa Polytechnic Board of Governors having paid the fifth instalment out of the total ten instalments agreed by the then Council. These are forwarded to Alexander Forbes Financial Services for current employees. Those who are no longer in the service of the University are paid off their dues and in the cases of death, the next of kin.

n) 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 30 June 2016.

p) Related parties – IPSAS 20

The entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. TUM Enterprises Ltd is regarded as a related party.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the company's accounting policies, which are described in note 1, the Council is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key areas of judgment in applying the entities accounting policies are dealt with below:

(a) Critical judgments in applying accounting policies

There are no critical judgments, apart from those involving estimations (see below), that the Council has made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(b) Key sources of estimation uncertainty

Impairment losses

At the end of each reporting period date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the University estimates the recoverable amount of the cash generating unit to which the asset belongs.

Property, plant and equipment

Critical estimates are made by the Council in determining depreciation rates for property, plant and equipment.

Taxation

The University is exempted from payment of corporate tax given that it is a non-commercial state corporation.

NOTES TO THE FINANCIAL STATEMENTS

3. Government Grants

	2016 Kshs	2015 Kshs
Recurrent Grants Received	760,994,984	733,585,835
Total Recurrent Grants Received	**760,994,985**	**733,585,835**

4. Other Income

	2016 Kshs	2015 Kshs Restated
Registration Fee	8,433,548	3,835,102
Internal Examinations	43,812,344	37,200,924
Sports Levy	10,690,575	5,432,268
Library Levy	12,054,124	7,261,087
Library Fines	22,470	42,310
Academic Trips	878,890	2,625,887
Medical Levy	16,355,225	6,368,375
Industrial Attachment Levy	7,958,597	5,791,692
ICT Levy	20,307,718	13,464,755
Academic Transcripts	12,150	32,350
Students hostel fee	10,489,176	12,718,847
Student Holiday Accommodation	175,300	0
Maintenance Levy	9,560	8,380
Teaching Materials Levy	1,000	0
Application Fee	3,114,755	2,461,909
Project Fee	45,625	0
Student readmission fee	7,786,111	1,828
Lost Items	57,790	57,311
Graduation Fee	4,381,920	2,441,262
Centre Fees	16,000	58,500
Penalties	78,750	101,250
Materials Testing	123,200	69,400
Catering	7,604,897	7,744,522
Kiziwi Guest House	18,446,110	19,215,427
Training Restaurant	3,451,408	3,499,372
External Research	2,028,050	11,935,705
Consultancy Fee	1,477,600	5,000
Administrative Research	14,550	0
Student ID	21,185	0
Hire of Facilities	2,943,736	2,865,540
Hire of Transport	613,568	1,242,610
Photocopy & Bindery	439,643	184,786
Rent	7,651,982	7,010,028
Staff Training	3,351,250	3,993,000
Interest on Investment	1,332,293	3,301,242
Gain from Tum	0	(67,002)
Profit on Disposal of assets	400,600	299,308
Tendering Fees	63,000	110,000

Administrative Fees	611,667	677,525
Miscellaneous Income	485,964	68,918
Total	**197,742,331**	**162,059,418**

5. Tuition Fees

	2016 Kshs	2015 Kshs
Tuition Fee Regular	50,652,932	102,846,485
Tuition Fee Module II	394,102,554	417,977,015
Tuition Fee Lamu	8,526,750	9,409,171
Tuition Fee Ukunda	610,390	2,426,895
Total	**453,892,626**	**532,659,566**

6. Personal Emoluments

	2016 Kshs	2015 Kshs
Basic Salaries	407,982,160	385,987,557
House Allowance	232,765,134	226,250,382
Medical Insurance	75,206,870	72,765,094
Pension Employers Expense	64,709,786	66,697,643
NSSF Employers Expense	2,134,700	1,919,200
Group Life	4,508,354	3,584,790
Responsibility Allowance	13,865,932	12,618,834
Non-Practicing Allowance	2,412,000	742,000
Professorial Allowance	420,000	225,000
Professional Allowance	0	498,000
Telephone Allowance	7,100,710	7,049,610
Acting Allowance	244,439	140,118
Special Duty Allowance	522,257	509,814
Management Allowance	22,047,166	21,057,332
Book & Research Allowance	2,628,000	1,896,000
Gratuities	19,656,120	3,714,403
Leave Allowance	8,728,607	8,484,943
Commuting Allowance	47,910,081	41,977,883
Car Allowance	30,918,617	26,564,319
Entertainment Allowance	11,258,667	11,636,835
Electricity & Water Allowance	3,850,629	3,736,800
Radio Alarm Maintenance	0	25,000
Passage & Baggage Allowance	385,501	597,185
Domestic Workers Allowance	1,063,333	1,320,000
Risk Allowance	373,550	239,880
Over-time Allowance	0	479,620
Extraneous Allowance	5,517,948	4,677,867
Hardship Allowance	95,000	0
Total	**966,305,561**	**905,396,109**

NOTES TO THE FINANCIAL STATEMENTS (CONT...)

7. Council Expenses

	2016 Kshs	2015 Kshs
Chancellor's Allowance	1,000,000	1,100,000
Chairman's Allowance	783,000	957,000
Sitting Allowance	4,567,000	4,160,000
Accommodation Allowance	3,546,400	2,886,000
Mileage	499,840	1,241,968
Travel Expenses	3,200,942	2,525,741
Consultancy	0	109,400
Total	**13,597,182**	**12,980,109**

8. Administrative/Operating Expenses

	2016 Kshs	2015 Kshs
Casual Wages	442,313	2,406,894
Travel and Subsistence	10,669,948	10,755,106
Fuel and Oils	5,237,099	5,155,500
Maintenance of Vehicle Transport	2,373,262	2,920,479
Office Stationery	4,148,079	3,575,906
Photocopying	431,928	157,462
Computer Stationary	3,590,447	4,478,686
Service Charge Kiziwi Guest House	0	650,445
Advertising and Publicity	10,089,029	10,702,328
Printing and Publishing	3,421,792	3,469,139
Newspapers	1,668,860	1,561,200
Shows and Exhibitions Research	2,054,401	5,563,070
Electricity	19,140,028	21,714,550
Water and Conservancy	1,458,892	1,399,008
Graduation Expenses	6,799,201	9,051,459
Official Entertainment	2,749,384	2,131,513
Expenses of Boards and Committees	10,141,174	10,462,133
Staff Development and Training	6,727,011	17,288,013
Staff Welfare	3,134,820	2,556,558
Staff Dependant Bursary Scheme	1,544,385	2,168,311
Cleaning Materials	6,153,275	5,695,646
Fumigating & Waste Collection Services Accommodation	1,371,744	3,175,840
Purchase of Gas and Firewood	2,795,890	2,847,969
Purchase of Utensils, Beddings & Fittings	719,365	2,313,810
Purchase of Foodstuffs	21,626,246	22,419,407
Vehicle Licenses and Inspection Transport	242,745	237,500
Vehicle Insurance Transport	2,377,267	1,774,092
General Insurance	3,344,404	3,405,405
Bank Charges	1,874,599	1,973,284
Payment of Rent and Rates	4,817,205	4,078,308

Staff Uniforms	1,851,910	1,174,010
In House Capacity Building	357,380	0
Governance	3,096,696	6,418,647
Subscription Fee	1,831,110	1,501,979
Professional Services	8,456,085	2,555,463
Hire of Security Services	8,620,700	11,241,700
Hire of Cleaning Services	2,244,200	0
Funeral Expenses	729,530	170,000
Ex Gratia Payments Bereavement	0	309,999
CSR Donation	46,800	46,500
Postal and Carrier Services	671,180	951,644
Telephone Expenses	1,370,935	1,312,811
Interest Expense	6,715,256	0
Hire of Facilities	80,500	0
TUM Enterprises Closed	218,658	0
Total	**177,435,733**	**191,771,774**

D/B

D/B

9. Teaching Expenses

	2016 Kshs	2015 Kshs
Library	1,681,462	7,080,531
Purchase of Teaching Materials	9,346,204	10,371,495
Curriculum and Development Academic Trips	1,997,845	3,555,355
Academic Trips	1,868,050	4,955,744
Maintenance, Computer Hardware and Networks	487,652	46,700
Internet Charges Directorate of ITCS	15,685,379	11,507,027
Maintenance, Computer Software Directorate of ITCS	4,438,894	2,089,742
Internal Research	2,962,873	2,942,430
External Research	2,999,777	4,144,254
Part time Teaching	162,964,503	211,296,098
Production	12,052,397	1,914,125
Examination Materials Registrar	6,888,441	7,433,560
External Examiners	5,351,819	6,131,299
Consultancy	4,148,586	2,896,354
ISO Certification	1,491,277	1,379,230
Publications and Conferences Research	422,715	1,107,754
Accreditation	233,000	0
Industrial Attachment	3,730,421	2,891,370
Total	**238,751,295**	**281,743,068**

D/B

NOTES TO THE FINANCIAL STATEMENTS (CONT…)

10. Student Welfare Expenses

	2016 Kshs	2015 Kshs
Guidance and Counselling Dean of Students	398,595	381,410
Sports Activities Dean of Students	3,462,693	3,900,423
TUMSU Elections Dean of Students	970,096	1,194,108
Medical	0	3,837,268
Student Work Study Programme	135,215	367,515
Music and Drama Dean Of Students	510,320	409,400
Total	**5,476,919**	**10,090,124**

11. Repairs and Maintenance

	2016 Kshs	2015 Kshs
Repairs and Maintenance	1,081,824	2,655,600
Maintenance of Building and Stations	13,656,813	14,654,299
Maintenance of Sewerage	1,108,800	1,249,200
Total	**15,847,437**	**18,559,099**

12. Audit Fees

	2016 Kshs	2015 Kshs
Office of the Auditor General	1,160,000	941,920
Total	**1,160,000**	**941,920**

13. Department Inventories

	2016 Kshs	2015 Kshs
Estates & Project Planning	4,837,866	3,233,570
Hospitality & Tourism	1,220,812	199,722
Mechanical Engineering	1,579,191	1,188,671
Health Unit	5,379,238	1,128,150
Kiziwi Department	0	766,465
Training and Restaurant	0	204,864
Administration	2,119,984	5,539,058
Electrical Engineering	224,648	70,928
Applied & Health Science	3,092,905	3,352,373
Business & Social Studies	365,190	54,009
Medical Engineering Department	3,994,946	4,352,147
ICTS	12,466	71,545
Library Department	276,474	186,627
Building & Civil Engineering	237,113	187,086
Liberal Studies Department	0	71,201
Kale Campus	724,341	1,164,086
Lamu Campus	326,014	109,281
Research and Innovation Department	0	27,955
Registry	3,835,476	0
Student Services	1,036,326	0
Inventories, Transport & Logistics	132,982	0
Total	**29,395,972**	**21,907,738**

NOTES TO THE FINANCIAL STATEMENTS (CONT…)

14. Receivables From Exchange Transaction

	2016 Kshs	2015 Kshs
Prepaid Insurances	61,821,604	56,827,089
Deposit Contingency	725,000	725,000
General Trade Receivables	838,477	838,477
Student Debtors	33,218,139	37,027,767
TIVET Bursaries MOHEST	696,531	696,531
Guest Accommodation Debtors	7,192,748	6,852,396
TUMEL Debtors	561,090	0
Staff Medical Debtors	142,974	391,721
Staff Salaries Advances	241,143	601,333
Rent Arrears	53,530	102,030
Less Provision	(27,957,144)	(23,280,832)
Total	**77,534,092**	**80,781,512**

O/B

15. Receivables From Non- Exchange Transactions

	2016 Kshs	2015 Kshs
Staff Imprest	2,859,081	954,295
Other Debtors	3,348,546	1,485,646
Recurrent Grant Receivables	0	61,060,212
Total Receivables from non -exchange transactions	**6,207,627**	**63,500,153**

O/B

16. Short Term Investments

	2016 Kshs	2015 Kshs
Fixed Deposit HFCK	20,524,281	0
Fixed Deposit KCB	0	20,497,425
Fixed Deposit Bank of Africa	0	25,216,647
Total	**20,524,281**	**45,714,072**

O/B

17. Long Term Investment

	2016 Kshs	2015 Kshs
Shares in Consolidated Bank	5,000,000	5,000,000
Seed Money TUM Enterprises	5,571,938	5,571,938
Fixed Deposit NBK	3,507,724	4,158,986
Total	**14,079,662**	**14,730,924**

O/B

Money was fixed of kshs. 20,524,281 in the HFCK bank during the year. The university holds shares in the consolidated bank which consists of one hundred and ninety five thousands (195,000) preference shares and fifty five thousand (55,000) ordinary shares at Kshs 20each.

Fixed deposit of kshs 3,507,724 is a guarantee for Kenya power and Vivo Energy maintained by National Bank of Kenya

NOTES TO THE FINANCIAL STATEMENTS (CONT…)

18. Trade and Other Payables

	2016 Kshs	2015 Kshs
General Trade Payables	25,059,013	28,587,863
Short term Service Gratuity	0	5,925,662
Prior year Trade Creditors	64,695	10,170
Student Creditors	1,058,605	0
Total	**26,182,313**	**34,523,695**

19. Other Creditors

	2016 Kshs	2015 Kshs
PAYE Deductions	19,746,349	26,297,733
VAT Retained	14,308	4,322,444
Income Tax Withholding	638,740	1,186,442
VAT Clearing	2,342,649	36,795
Student Union Fee	397,635	135,808
Student Benevolent Fund	118,880	256,603
Accrued Payables	1,114,131	3,200,605
Rent Deposit	122,500	9,000
Unclaimed Wages	203,780	203,780
KUCCPS Levy	937,675	0
CUE Levy	996,195	0
TVET Institutions	71,012,071	4,499,815
HELB	33,585	124,925
CDF	318,550	318,550
Other Depositors	681,026	681,026
LAPSSET Refunds	483,000	1,123,500
Foreign Examinations CILT	596,272	586,372
External Examinations-KMTLB	30,205	446,016
External Examinations-KASNEB	9,170	6,170
External Examinations-KNEC	504,478	513,313
Refund to General Debtors	90,457	90,457
Pension Deductions/Contributions	197,135	2,919,152
NSSF Payables	0	150,800
NHIF Payables	0	1,045,290
Poly Sacco	0	2,937,941
Staff Benevolent Fund	252,301	86,651
Loan Payables Barclays	0	1,339,100
Insurance Payables Cannon Assurance K	0	61,089
Trade Unions Payables	146,100	548,071
Other Payables	84,293,130	63,213,854
Retentions	15,534,714	13,897,070
Welfare Payables MSA Poly Workers Welfare	0	600
TUMEL Payables	57,700	0
Insurance Payable Saham Assurance Co.	0	100,794

Insurance Payable British American Insurance	0	295,149
Insurance Payable UAP Assurance Life Ltd	0	54,974
Insurance Payable Blue Shield Insurance	0	13,556
Insurance Payable CFC Life Insurance	0	52,129
Insurance Payable Madison Insurance	0	26,535
Insurance Payable Jubilee Insurance	0	78,561
Insurance Payable ICEA	0	88,204
Insurance Payable Pan Africa Life Assurance	0	57,500
Insurance Payable Corporate Insurance Company	0	19,246
Insurance Payable Kenindia	0	4,943
Mwalimu SACCO	3,226,183	6,690,543
Kitui Teachers SACCO	0	90,840
KEMFRI SACCO	0	20,611
Fundilima SACCO	0	126,737
Kenversity SACCO	0	41,235
Chuna SACCO	0	80,235
Kenya Bankers SACCO	0	5,000
Kilifi Teachers SACCO	0	31,600
CDA Sacco	0	7,000
Loans Payable KCB	0	3,988,731
Loans Payable NBK	0	3,569,751
Loans Payable HFCK	0	19,000
Loans Payable Standard Chartered	0	177,405
Loans Payable CFC Stanbic	0	79,767
Loans Payable Co-operative Bank	0	417,655
Ministry of Housing	0	15,500
Loans Payable Family Bank	0	135,894
Loans Payable Milimani Commercial Court	0	41,180
Loans Payable Bank of Africa	0	810,923
Loans Payable Faulu Bank	0	36,652
Loans Payable Jamii Bora	0	66,863
Loans Payable Select Management Services Ltd	0	13,725
Stima SACCO	0	499,353
Ukaguzi SACCO	0	7,200
Utabibu Cooperative Savings & Credit Society	0	46,074
Bandari Sacco	0	(5,000)
Mwalimu Sacco Kisumu	0	5,750
Imarisha Sacco Limited	0	17,200
Net Pay	1,130,451	762,632
Provision for Audit Fees	1,160,000	2,566,420
Salary Advance Refund	1,334	1,334
Post Bank Shares	2,300	4,000
Amendo Payables	0	16,965
Total	**206,393,004**	**151,419,338**

NOTES TO THE FINANCIAL STATEMENTS (CONT…)

20. Long Term Liabilities

	2016 Kshs	2015 Kshs
Student Caution Money	9,322,548	7,496,928
Long-term Service Gratuity	17,652,301	18,230,688
Bank Loan	81,450,000	0
Total general expenses	**108,424,849**	**25,727,616**

21. Capital Fund

	2016 Kshs	2015 Kshs
B/F	2,858,199,902	2,793,727,889
Development Grant	100,475,260	64,472,013
Donation Grants	485,000	0
C/F	**2,959,160,162**	**2,858,199,902**

22. Other Funds & Reserves

	2016 Kshs	2015 Kshs Restated
B/F	(88,602,217)	4,065,022
Revenue Reserve	5,287,277	4,862,882
Deficit for Period	(104,093,172)	(97,530,121)
C/F	**(197,982,666)**	**(88,602,217)**

23. Cash and cash equivalents

	2016 Kshs	2015 Kshs
Bank	227,697,913	64,011,610
Cash-on-hand and in transit	0	181,320
Short-term deposits	0	0
Cash in transit	6,627,674	0
Total cash and cash equivalents	**234,325,587**	**64,192,930**

NOTES TO THE FINANCIAL STATEMENTS (CONT…)

Detailed analysis of the cash and cash equivalents

23 (a) Banks

Name of the Bank	Bank Account Number	Currency	2016 Kshs	2015 Kshs
National Bank A/C I	01021007510800	Ksh	681,906	4,166,128
National Bank A/C II	01021007510501	Ksh	2,566,455	1,751,749
Co-operative Bank (Fee)	01129079001600	Ksh	17,012,300	8,277,010
Standard Chartered (Fee)	0102092728000	Ksh	22,418,660	7,237,666
Kenya Commercial Bank (Lamu)	1118817192	Ksh	7,226,738	8,480,766
Family Bank	096000015735	Ksh	812,890	5,868,471
Kenya Commercial Bank (Kiziwi)	1126859206	Ksh	8,644,484	6,980,073
Equity Bank (Fee)	0460297818058	Ksh	10,094,138	679,468
Standard Chartered (Dev.)	0102092728001	Ksh	1,496,941	658,206
National Bank (ESP)	01038007510800	Ksh	120,137,566	10,860,782
National Bank (Fee)	01038074211700	Ksh	24,304,522	3,262,522
National Bank (GOVSEA)	01020036152900	Ksh	5,730,544	5,740,444
Kenya Commercial Bank (Fee)	1169329578	Ksh	6,432,608	48,325
Barclays Bank	2034098894	Ksh	138,161	0
Total			**227,697,913**	**64,011,610**
Cash in transit		Ksh	6,627,674	0
Grand total		**Ksh**	**234,325,587**	**64,011,610**

23 (b) Cash in hand and in transit

Form of cash holding e.g. liquid cash, Mpesa, Tangaza, etc.	2016 Kshs	2015 Kshs
Petty Cash	0	181,320
Total	**0**	**181,320**

NOTES TO THE FINANCIAL STATEMENTS (CONT…)

24. Property, plant and equipment

	Free hold Land	Buildings	Furniture & Fittings	Computer & Other Electronics	Plant & Equipment	Motor Vehicle	Capital Work in Progress	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July, 2014	935,500,000	1,251,356,432	84,507,914	135,903,523	386,613,946	43,915,214	297,067,857	3,134,864,886
Additions	9,500,000	267,697,451	5,177,587	21,171,528	28,847,917	14,431,824	(239,439,160)	107,387,147
Reallocations from computer H/W to S/W	0	0	0	(7,345,077)	0	0	0	(7,345,077)
Disposals	0	0	(384,550)	(12,668,640)	(142,095)	0	0	(13,195,285)
At 30 June 2015	**945,000,000**	**1,519,053,883**	**89,300,951**	**137,061,334**	**415,319,768**	**58,347,038**	**57,628,697**	**3,221,711,671**
Additions	102,422,550	43,413,340	3,183,618	256,978	9,649,024	0	(35,783,399)	123,142,111
Disposals	0	0	(587,800)	(4,956,000)	(110,000)	0	0	(5,653,800)
Transfer/adjustments	0	0	0	0	0	0	0	0
At 30 June 2016	**1,047,422,550**	**1,562,467,223**	**91,896,769**	**132,362,312**	**424,858,792**	**58,347,038**	**21,845,298**	**3,339,199,982**
Depreciation and impairment								
At 1 July 2014	0	105,024,355	31,067,305	123,438,319	165,956,760	33,311,663	0	458,798,401
Depreciation	0	30,381,078	8,930,095	2,053,415	41,531,977	7,611,807	0	90,508,372
Disposals	0	0	(384,550)	(12,668,640)	(142,095)	0	0	(13,195,285)
Impairment	0	0	0	0	0	0	0	0
At 30 June 2015	**0**	**135,405,433**	**39,612,850**	**112,823,094**	**207,346,642**	**40,923,470**	**0**	**536,111,488**
Depreciation	0	31,249,344	9,189,677	642,553	42,496,880	6,806,607	0	90,385,061
Disposals	0	0	(587,800)	(4,956,000)	(110,000)	0	0	(5,653,800)
Impairment	0	0	0	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0	0	0	0
At 30 June 2016	**0**	**166,654,777**	**48,214,727**	**108,509,647**	**249,733,522**	**47,730,077**	**0**	**620,842,749**
Net book values								
At 30 June 2016	**1,047,422,550**	**1,395,812,446**	**43,682,042**	**23,852,665**	**175,125,271**	**10,616,961**	**21,845,298**	**2,718,357,233**
At 30 June 2015	**945,000,000**	**1,383,648,450**	**49,688,101**	**24,238,240**	**207,973,127**	**17,423,568**	**57,628,697**	**2,685,600,183**

NOTES TO THE FINANCIAL STATEMENTS (CONT…)

Property, Plant and equipment includes the following items that are fully depreciated:
Computer and related equipment…… Ksh 133,516,323.80
Motor vehicles…….. Ksh 24,314,000.20

The capital works in Progress of kshs 21,845,298 includes the following projects

WORKS IN PROGRESS

NAME OF COMPANY	DESCRIPTION	2016 kshs	2015 kshs
Balance			29,250,406
Pawacon Ltd		-	3,014,308
Atomic Electronics	Electrical upgrading	11,180,130	20,317,255
Kensar General Supplies & Construction	Clinic Rehabilitation	1,242,250	822,250
Nzambani Paints & Hardware	Kiziwi drainage	-	1,732,340
Management project fees		690,000	690,000
Intergrated Technologies & Systems ltd	Library equipment	1,802,138	1,802,138
Ifata engineering		6,930,750	-
TOTAL		**21,845,268**	**57,628,697**

25. Intangible Assets

	Kshs
Cost	
At 1 July 2014	**5,370,014**
Reallocation from Computer hardware	7,345,077
Additions	3,229,460
At 30 June 2015	**15,944,550**
Additions	0
At 30 June 2016	**15,944,550**
Amortization and impairment	
At 1 July 2014	**(6,547,100)**
Amortization	(4,556,629)
At 30 June 2015	**(11,103,729)**
Amortization	(3,087,614)
Impairment loss	0
At 30 June 2016	**(14,191,343)**
Net book values	
At 30 June 2016	**1,753,207**
At 30 June 2015	**4,840,821**

Intangible Assets include SAGE ACCPAC and Student Management System software

XVII. 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)*
1.1	Land LR No. Mombasa/Block/XI/ 386 ownership is in dispute.	The matter is with the courts and we are awaiting the outcome.		Not resolved	
1.2					
1.3	No supporting payment documents for project management fees.				
1.4	Absence of a procurement plan and approved list of pre-qualified suppliers.				
1.5					
1.6	Advance payment for a Library detective system	The contractor has been sued by the institution for failure of executing the contract.		Not resolved	
1.7	Procurement of smart T.Vs through quotations	The matter is in court		Not resolved	
1.8	Fully depreciated assets.	The matter had been noted and disclosed under note 13 in the accounts			
2.0	Long term investments(TUMEL)	The enterprise will have to submit its financial statement for audit before consolidation in the financial statements of the university.	Managing Director TUMEL	Not resolved	
3.1	Student debtors				
3.2	Provision for doubtful debts	A policy has been formulated to give guidance on a specific provision.		Not resolved	
4.0	Receivables from non-exchange transaction				
5.0	Other creditors				
6.0	Statutory deductions	Most of the said taxes had been remitted, those that had not have since been remitted.		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)*
7.0	Government grants	A reconciliation has been done between the Ministry and the university		resolved	
8.0	Tuition fees	The reconciliation is being done		Not resolved	
9.0	Council expenses	Communication has been done to the Ministry to forward to the university the circular that authorised the payment of the Chancellors allowance.	Vice chancellor	Not resolved	
10.1	Teaching expenses				
10.2	External examiners engaged without signed contracts.	External examiners are issued with contract which they accept before they are engaged by the university.		Resolved	
11.0	Financial performance	Strategies are being put in place to revert the deficit trend			

Vice-Chancellor

Date 13/01/2017

Chairman of the Council

Date 13/01/2017