

REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

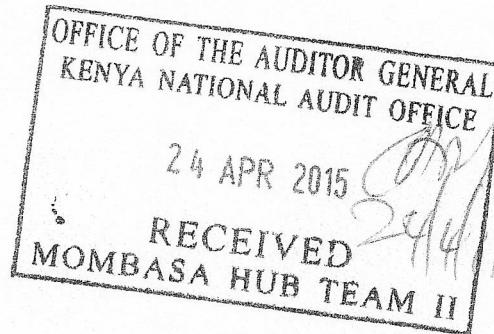
**ON**

**THE FINANCIAL STATEMENTS OF  
TECHNICAL UNIVERSITY  
OF MOMBASA**

**FOR THE YEAR ENDED  
30 JUNE 2014**



**TECHNICAL UNIVERSITY OF MOMBASA**



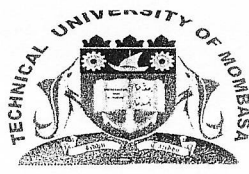
**ANNUAL FINANCIAL  
REPORT FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE, 2014**



# TECHNICAL UNIVERSITY OF MOMBASA

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## TECHNICAL UNIVERSITY OF MOMBASA

### UNIVERSITY INFORMATION

#### (a) Background information

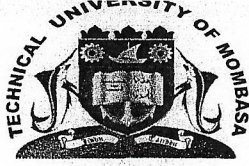
The Technical University of Mombasa (TUM) has passed through four transitional levels. The various phases it has undergone so far reflect the GOK's concerted efforts in promoting education and training in line with the dynamic technological and industrial growth in Kenya and in Africa.

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 2<sup>nd</sup> 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 23<sup>rd</sup> 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



## **TECHNICAL UNIVERSITY OF MOMBASA**

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 three well established Faculties namely Faculty of Applied and Health Science, Faculty of Business and Social Studies and Faculty of Engineering and Technology. The Three Faculties have developed and rolled out new market driven degree programs in the three thematic areas while some other new programs shall be rolled out mid-this year. In total, the University has 86 programs running all the way from Masters to certificate level.

### **(b) Principal Activities**

#### **Vision**

A World Class University of Engineering, Science and Technology.

#### **Mission**

To offer quality technological education and training through: promotion of scholarship, entrepreneurship, research and innovation, outreach to community and technological development.

#### **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.



## TECHNICAL UNIVERSITY OF MOMBASA

### (c) Key Management

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

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

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2014 and who had direct fiduciary responsibility were:

| No. | Designation   | Name                          |
|-----|---|-------------------------------|
| 1.  | Vice Chancellor   | - Prof. Josphat Ziro Mwatelah |
| 2.  | Deputy Vice Chancellor<br>(Academic, Research and<br>Extension) | - Prof. Laila Uweso Abubakar  |

### (e) 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*

### (f) Registered Office and Place of Business

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

### (g) 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>



## TECHNICAL UNIVERSITY OF MOMBASA

### (h) Corporate Bankers

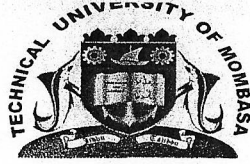
1. National Bank of Kenya Limited  
Nkrumah Branch  
P.O. Box 576- 80100  
Mombasa
2. Co-operative Bank Limited  
Nkrumah Branch  
P.O. Box 87771- 80100  
Mombasa
3. Standard Chartered Bank Limited,  
Treasury Square Branch,  
P.O. Box 90170-80100  
Mombasa
4. Kenya Commercial Bank  
Mvita Branch  
P.O. 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

### (i) Independent Auditors

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


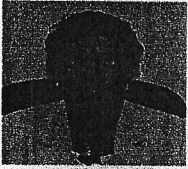



### (j) Principal Legal Adviser

Attorney General  
Nairobi



## TECHNICAL UNIVERSITY OF MOMBASA





### THE COUNCIL MEMBERS

|   |   |
|---|---|
| <p>1.</p>  <p>Dr. Linus Ikapel Etyyang – Chairman</p>                      | <p>Dr Etyyang has a PhD in Sociology, MSc in Sociology, MA in Population Education &amp; BA in Sociology.</p> <p>He has a wealth of experience in demographics and research and had worked in various ministries before going into the retirement</p>   |
| <p>2.</p>  <p>Eng. Roselane Mmbone Jilo</p>                                | <p>Eng. Jilo has an MBA in Strategic Management, BSc Electrical. She is a registered engineer and a member of Engineers Board of Kenya. 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 Engineer I Electrical.</p>   |
| <p>3.</p>  <p>Mrs. Mary Ndiga Kibuka</p>                                  | <p>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.</p>   |
| <p>4.</p>  <p>Dr. Fathiya Abdalla El-Maawy</p>                           | <p>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.</p>   |
| <p>5.</p>  <p>Mrs. Alice Mwololo – Representative National Treasury.</p> | <p>Mrs Mwololo has an M.A. in Economics, B.A. in Economics. She currently works at the National Treasury as a Deputy Chief Economist in the Economic Affairs department and has represented the National Treasury at the technical level in the World Trade Organization and the European Union. In addition, she has headed the Economic Analysis Division of the former Monopolies and Prices Commission as Head of Mergers and Acquisitions.</p> |





## TECHNICAL UNIVERSITY OF MOMBASA

|   |   |
|---|---|
| <p>6.</p>  <p>Mrs. Edith Torome – Representative Ministry of Education Science and Technology.</p> | <p>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.</p>  |
| <p>7.</p>  <p>Dr. Rispah Oduwo</p>   | <p>Dr Rispah Oduwo has a MSc. in Reproductive Physiology, BSc in Veterinary Medicine and Surgery in addition to a Diploma in Tropical Medicine and another in Project Management. She worked for a long time with the then National Council of Science and Technology (NCST) now known as National Commission for Science, Technology and Innovation (NACOSTI) rising through the ranks to become the Chief Science Secretary, Health Sciences Division before retiring. She has a wealth of experience in research and is also a board member of the African Women's Studies Centre.</p> |
| <p>8.</p>  <p>Bishop Julius Katoi Kalu- Member.<br/>M.A in Theology</p>                          | <p>Bishop Kalu has an M.A. in Theology from Episcopal 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.</p>   |
| <p>9.</p>  <p>Prof. Josephat Ziro Mwatelah – Vice Chancellor/Council Secretary</p>               | <p>Prof Mwatelah has a PhD in Transportation Engineering, a Masters in Civil Engineering and a Bachelors of Surveying &amp; Photogram. Before his appointment at TUM as the Vice Chancellor, he was an Associate Professor in Jomo Kenyatta University of Agriculture and Technology and headed a funded project by Japan International Cooperation Agency (JICA)</p>   |



# TECHNICAL UNIVERSITY OF MOMBASA

## MANAGEMENT TEAM



Prof. Josephat Ziro Mwatelah – Vice Chancellor/Council Secretary  
PhD in Transportation Engineering, Masters in Civil Engineering, Bachelor of Surveying & Photogram.



Prof. Laila Uweso Abubakar - Deputy Vice Chancellor  
(Academic, Research & EXtension)  
PhD in Biochemistry, Masters of Science in  
Biochemistry, Bachelor of Science



Prof. Awadh Binwazir Deputy Vice Chancellor  
(Administration, Finance & Planning)  
PhD in Comparative Pathology, Masters of  
Science in Pathology & Microbiology,  
Bachelor in Veterinary Medicine



Dr. Titus TunjeKadere – Registrar, Academic Affairs  
PhD Food Science & Technology, Masters of Science  
in chemical Engineering, Diploma in Applied Science  
(Food Production)



Dr. Joseph Obwogi – Registrar, Administration  
and Planning PhD in Human Resource  
Management, Masters in Business  
Administration(Accounting), Bachelor of  
Science, CPA(K)



Mrs Gaireth Kingi – Finance Officer  
Masters in Business Administration (Finance),  
Bachelor of Business Administration (Accounting)  
FCCA, CPA (K)



Mr Erastus Oruru – Ag. Legal Officer Bachelor  
of Social Legislation Bachelor of Laws  
Diploma in Law



# TECHNICAL UNIVERSITY OF MOMBASA

## 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. In the 2013/2014 financial period, only Kshs 67,000,000 was received out of the approved budget of Kshs 118,000,000. The failed disbursements has affected the university cash flow as well as contributing to non-completion of a number of capital projects that were planned.

The 2013/2014 financial statements reflect the financial status of the university, taking recognition of the increase personal emoluments that were implemented towards the end of the year as a result of the collective bargaining agreement between the public universities and the government through the Ministry Of Education, Science and Technology. Sustaining the increase 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, the plans to initiate Public Private Partnerships (PPPs), which will open opportunities for growth in physical infrastructure to take care of student growth.

**Dr. Linus Ikapel Ettyang, PhD**

**Council Chairman**



## TECHNICAL UNIVERSITY OF MOMBASA

### REPORT OF THE CHIEF EXECUTIVE

The University has developed and expanded its infrastructure over the years through the support of the Kenya Government and the internally generated funds. In the 2013/2014 financial year, the university completed the learning centre up to the fifth floor, creating more room for teaching and research. In the same period, the Kwale campus project, built under the economic stimulus project was completed and operationalised. The completion and utilization of these facilities is a great indication of the university council's commitment to increase access to higher education, especially tapping to the free primary and secondary education that was introduced recently.

To respond to the market needs, the University, as part of its expansion strategy, has developed a number of programs that address national priorities in the fields of business, engineering, science and technology. Currently, the University is offering over a hundred 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. The University is also 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 interdisciplinary learning, research and discovery will connect us with the world.

To balance the development of new programmes and demand for university education, the university management, in consultation with the council, continues to develop its human resources especially the teaching staff. During the year, KShs 27 million was utilized in internal scholarships for staff undertaking graduate degrees. Through this effort, the university has been able to support over one hundred (100) 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 has also reported growth in revenue from the internally generated funds and government of Kenya grants. This however, has been utilized by the ever increasing personal emoluments and administrative expenses. During the period, the university implemented a Collective Bargaining Agreement that led to payment of arrears in basic salaries and house allowance from 2010 to 2013 and also an increase of the same by 10% of the basic salary and 2.5% in house allowance for the 2013/2014 financial year.

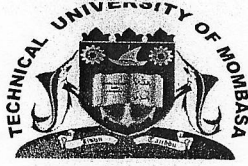


## TECHNICAL UNIVERSITY OF MOMBASA

The university is committed to working with all the partners to enhance expansion of higher education. Towards this end, the university has signed collaborative agreements with other institutions of higher learning as well as industrial players, providing opportunities for student/staff exchange as well as enhancing quality of programmes.

A handwritten signature in black ink, appearing to read "Josephat K.Z. Mwatelah".

**Prof. Josephat K.Z. Mwatelah**  
**Vice Chancellor**



# TECHNICAL UNIVERSITY OF MOMBASA

## 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 2013/2014 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 in 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.

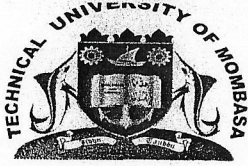


## **TECHNICAL UNIVERSITY OF MOMBASA**

There were no significant issues arising during 2013/2014 financial year with respect to Corporate Governance.

A handwritten signature in black ink, appearing to read "Linus Ikapel Ettyang", enclosed in a circular scribble.

**Dr. Linus Ikapel Ettyang**  
**Chairman of Council**



## TECHNICAL UNIVERSITY OF MOMBASA

### CORPORATE SOCIAL RESPONSIBILITY

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.

During the period, the university sponsored a number of social responsibility activities within the county and the coastal region in general that includes the blood donation that was done in partnership with the Kenya Red Cross, the HIV and AIDS awareness, tree planting at Kwale County and the Mombasa County clean up exercise. All these activities were geared towards enriching the university community and its environment on the need to work together as one nation, one people as well as enhancing environmental sustainability. Towards this end, the university incurred kshs 2.0 million in the 2013/2014 financial year. 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 vision2030 as spelt out in the government priority areas under the social and economic pillars.

A handwritten signature in black ink, appearing to read 'J.K.Z. Mwatelah', is positioned above the printed name.

**Prof. Josphat.K.Z.Mwatelah**  
**Vice Chancellor**





# TECHNICAL UNIVERSITY OF MOMBASA

## REPORT OF THE COUNCIL

The Council submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the University's affairs.

### Principal activities

The principal activities of the University are teaching and research

### Results

The results of the entity for the year ended June 30, 2014 are set out on page 18 to 40.

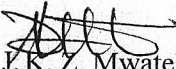
### Council

The members of the Council who served during the year are shown on page 6 & 7 In accordance with TUM statutes and the University Act.

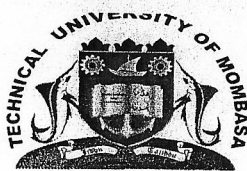
### Auditors

The Auditor General is responsible for the statutory audit in accordance with the Section 38 and 39 of the Public Audit Act, 2003, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By order of the Council

  
Prof. J. K. Z. Mwatelah  
Vice Chancellor/Council Secretary

Date: 23/07/2015



## TECHNICAL UNIVERSITY OF MOMBASA

### STATEMENT OF COUNCIL 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, 2014. 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, 2014, 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 8<sup>th</sup> August 2014 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Linus', written over a horizontal line.

**DR. LINUS IKAPEL ETTYANG**  
COUNCIL CHAIRMAN

A handwritten signature in black ink, appearing to be 'J.K. Z. Mwateleah', written over a horizontal line.

**PROF. J.K. Z. MWATELAH**  
VICE CHANCELLOR/COUNCIL  
SECRETARY



## TECHNICAL UNIVERSITY OF MOMBASA

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED June 30, 2014

|  |       | 2014                 | 2013                 |
|--|-------|----------------------|----------------------|
|  | NOTES | Kshs.                | Kshs.                |
| <b>REVENUE</b>                                 |       |                      |                      |
| <b>REVENUE FROM NON EXCHANGE TRANSACTIONS:</b> |       |                      |                      |
| <b>GOV GRANTS</b>                              | 2     | 759,440,309          | 668,300,003          |
| <b>REVENUE FROM EXCHANGE TRANSACTIONS:</b>     |       |                      |                      |
| <b>TUITION FEES</b>                            | 3     | 510,079,814          | 433,601,784          |
| <b>OTHER INCOME</b>                            | 3A    | 154,373,922          | 166,284,983          |
| <b>TOTAL INCOME</b>                            |       | <b>1,423,894,045</b> | <b>1,268,186,770</b> |
| <b>EXPENSES</b>                                |       |                      |                      |
| <b>PERSONAL EMOLUMENTS</b>                     | 4     | 916,099,024          | 721,863,375          |
| <b>COUNCIL EXPENSES</b>                        | 5     | 12,740,044           | 13,028,515           |
| <b>OPERATING /ADMINISTRATION EXPENSES</b>      | 6     | 203,116,643          | 197,215,679          |
| <b>TEACHING EXPENSES</b>                       | 7     | 230,933,831          | 218,661,069          |
| <b>STUDENTS WELFARE</b>                        | 8     | 9,364,440            | 9,825,187            |
| <b>REPAIRS &amp; MAINTENANCE</b>               | 9     | 15,001,700           | 11,796,220           |
| <b>PROVISION FOR ACCRUED EXPENSES</b>          | 10    | 812,000              | 812,000              |
| <b>PROVISION FOR BAD DEBTS</b>                 | 11    | 4,815,541            | 4,981,229            |
| <b>DEPRECIATION</b>                            | 12    | 88,075,261           | 91,379,780           |
| <b>AMORTIZATION</b>                            | 13    | 1,611,004            | -                    |
| <b>TOTAL EXPENDITURE</b>                       |       | <b>1,482,569,488</b> | <b>1,269,563,054</b> |
| <b>DEFICIT FOR THE YEAR</b>                    |       | <b>(58,675,443)</b>  | <b>(1,376,284)</b>   |

**DR. LINUS IKAPEL ETTYANG**  
COUNCIL CHAIRMAN

**PROF. J.K.Z. MWATELAH**  
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 2014

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Technical University of Mombasa set out on pages 18 to 45, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets and statement of cash flows 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 14 of the Public Audit Act, 2003. 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 13 of the Public Audit Act, 2003.

#### 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 15 (2) of the Public Audit Act, 2003 and submit the audit report in accordance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the 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 Property, Plant and Equipment**

- 1.1 As reported in the previous year, property, plant and equipment balance of Kshs.2,712,243,898 as at 30 June 2014 includes motor vehicles costing Kshs.9,738,329 whose ownership documents are in the name of Mombasa Polytechnic. Though the management has written to the Kenya Revenue Authority to effect the change of ownership, not much has been achieved. Consequently, the ownership status of these motor vehicles cannot be confirmed as at 30 June 2014.
- 1.2 As previously reported, the property, plant and equipment balance of Kshs.2,712,243,898 as at 30 June 2014 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 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 extent of impairment of the value on the property, if any, due to the dispute.
- 1.3 As reported in 2012/2013, property, plant and equipment amounting to Kshs.9,914,295 with a net book value of Kshs.4,284,033 were disposed off. This included Vice-Chancellor's house valued at Kshs.4,000,000. There was no documentary evidence produced to confirm authority and criteria used in identifying items earmarked for disposal and method used to dispose. The realized loss of Kshs.3,518,833 have been irregularly excluded in these financial statements.
- 1.4 Included in property plant and equipment balance of Kshs.2,712,243,898 as at 30 June 2014 are additions totaling Kshs.107,850,973 made during the period under review. 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.  
  
Under the circumstance, the propriety of the procurement of furniture and equipment expenditure amounting to Kshs.31,635,298 could not be ascertained.
- 1.5 Property, plant and equipment balance amounting to Kshs.2,712,243,898 also include Work In Progress balance of Kshs.297,067,857 which includes current 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.

Consequently, the propriety of the payment of Kshs.17,425,066 could not be ascertained for the year ending 30 June 2014.

## **2.0 Intangible Assets**

Included in the statement of financial position at note 13 is intangible assets balance of Kshs.3,759,010 as at 30 June 2014 which comprise a payment in respect of software amounting to Kshs.5,370,015 less annual amortization of Kshs.1,611,005. However, the balance excludes payment amounting to Kshs.6,068,800 made in respect of the same software in the financial year 2012/2013. Under the circumstance, the accuracy and propriety of the intangible assets balance of Kshs.3,579,010 as at 30 June 2014 could not be confirmed.

## **3.0 Trade and Other Receivables**

- 3.1 Included in the trade and other receivables balance of Kshs.223,378,809 as at 30 June 2014 (2012/2013 Kshs.200,686,769) are student debtors balances of Kshs.31,512,675 computed at 50% of the total student debt balances of Kshs.63,025,350. The basis of recognizing 50% of the student debts was not supported by any documentary evidence or policy and therefore its reasonableness or otherwise could not be ascertained. The debtors ageing analysis provided for audit review was not supported by any documentary evidence. Under the circumstances, any provision for impairment that would have been necessary in relation to uncertainty has not been incorporated in these financial statements.
- 3.2. Trade and other receivables balance of Kshs.223,378,809 also includes other debtors amounting to Kshs.1,416,878 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. In consequence, the accuracy and completeness of other debtors' figure of Kshs1,416,878 could not be ascertained as at 30 June 2014.
- 3.3. The balance of trade and other receivables of Kshs.223,378,809 as at 30 June 2014 is net of general provision for bad and doubtful debt amounting to Kshs.18,400,142 which is 10% on the outstanding accounts receivables including government grants amounting to Kshs.140,157,468 and staff advances totaling Kshs.1,632,723. 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.18,400,142 as at 30 June 2014 is doubtful.

Further, the balance of trade and other receivables of Kshs.223,378,809 also includes debts in respect of TIVET bursaries amounting to Kshs.696,531, guest house accommodation debtors amounting to Kshs.8,380,724, staff medical debtors amounting to Kshs.983,930 and rent arrears amounting to Kshs.150,430 all totaling Kshs.10,211,615 that have been outstanding for a long period. No evidence has been availed for audit to demonstrate efforts to recover these long outstanding debts. The provision of 10% made against these balances appear inadequate since they have been outstanding for over three years. In consequence, it has not been possible to ascertain that the

trade and other receivables of Kshs.223, 378,809 is fairly stated as at 30 June 2014.

#### **4.0 Other Creditors**

4.1 The other creditors balance of Kshs.129,756,800 as at 30 June 2014 excludes an amount of Kshs.39,195,284 in respect of unpaid employer pension contribution arising from the Collective Bargaining Agreement signed between the management of public universities and the trade union in April, 2014. The management, however, deducted and remitted the employee contribution which effectively created an obligation on the University to remit the employer contribution in line with the rules of the pension scheme. Under the circumstance, the accuracy and completeness of the other creditors of Kshs.129,756,800 as at 30 June 2014 could not be confirmed.

4.2. Further included in the balance of other creditors of Kshs.129,756,800 are long outstanding payables amounting to Kshs.6,801,533 which include VAT, other depositors, KASNEB, rent deposits and refund to general depositors. There was no satisfactory explanation as to why the debts had not been settled.

Under the circumstances, the accuracy and completeness of the other creditors' balance of Kshs.129,756,800 as at 30 June 2014 could not be ascertained.

#### **5.0 Statutory Deductions**

##### **5.1 Non Compliance with Value Added Tax Act, 2013 and Tourism Act, 2011**

The other creditors balance of Kshs.129,756,800 as at 30 June 2014 includes VAT payable amounting to Kshs.3,573,610 which is not supported by VAT returns to Kenya Revenue Authority. The University runs a restaurant and is registered for Value Added Tax and Tourism Development Fund. There is no evidence that the management has been filing any returns and paying amounts due to Kenya Revenue Authority and Tourism Development Levy as stipulated in the respective statutes. The amount of levy or tax payable including the penalties have not been quantified and accounted for in these financial statements. Under the circumstance, the accuracy and completeness of other creditors' balance of Kshs.129,756,800 as at 30 June 2014 could not be ascertained.

##### **5.2 Unremitted Taxes**

Included in other creditors balance of Kshs.129,756,800 as at 30 June, 2014 is unremitted taxes amounting to Kshs.29,987,669 comprising of PAYE of Kshs.25,927,791, VAT of Kshs.2,235,691 and Withholding tax amounting to Kshs1,824,187 that are due and payable. No proper explanation has been given for non-remittance of deducted taxes. The fines and penalties for non-compliance have not been accrued in the books of accounts.

Under the circumstance, the statutory compliance of the University with various tax legislation as at 30 June 2014 could not be ascertained.

## **6.0 Cash and Bank Balances**

The financial statements indicates that cash and bank balance was Kshs.59,520,070 as at 30 June 2014. However, the bank reconciliations indicated that there was a total of Kshs.1,658,389 unrecorded receipts. Further, some of the unrecorded receipts are dating back to December, 2013. It is not clear and the management has not explained why the receipts have not been recorded in the cash book yet some of the amounts were received more than six months before year end. The cash and bank balance has been arrived at after a set-off against bank overdraft of Kshs.3,600,116 contrary to the requirement of IPSAS No.1 paragraph 54 which states that assets and liabilities should not be offset except when offsetting is required or permitted by another International Public Sector Accounting Standard. Under the circumstances, the accuracy of the cash and bank balances of Kshs.59,520,070 as at 30 June 2014 could not be confirmed.

## **7.0 Council Expenses**

The financial statement indicates a balance of Kshs.12,740,044 as Council expenses which includes University Chancellor's allowance of Kshs1,200,000 paid during the period under review. As at the time of audit, the management did not provide a basis and the specific Government financial regulations under which the allowance was paid. Consequently, the validity and propriety of the Chancellor's allowance of Kshs.1,200,000 for the year ended 30 June 2014 could not be confirmed.

## **8.0 Teaching Expenses**

Teaching expenses balance of Kshs.230,933,831 in the statement of financial performance for the year ended 30 June 2014 include production expenses of Kshs.1,670,582 which relates to distribution of internally generated incomes from various University departments staff. It is not clear and the management has not explained if the payments were based on any contractual terms between the University and the staff, neither were the documents in support of the payment availed for audit review. Under the circumstance, the propriety of teaching expenses balance of Kshs.1,670,582 for the year ended 30 June 2014 could not be confirmed.

## **9.0 Investments**

The investment balance of Kshs.9,126,990 indicated in the statement of financial position as at 30 June 2014 include an amount of Kshs.5,119,270 in respect of investment in Tum Enterprises Limited. The Memorandum and Articles of Association for the Company incorporated on 7 August 2013 shows that the Company has an issued share capital of Kshs.510,200 comprising of 5102 shares, 5100 directly owned by Technical University and two (2) are owned by the University through the Vice Chancellor and a council member. No financial statements for the Company have been presented for review neither have the results of operation of the Company been consolidated in these financial statements. In consequence the fair value of the investment in Tum Enterprises Limited could not be established.

Under the circumstance, the accuracy and validity of the investment balance of Kshs9,126,990 as at 30 June 2014 could not be ascertained.



## 10.0 Irregular Payment of Legal fees

As reported in the previous year, a legal firm was contracted and paid Kshs.5,950,000 for representing the University on purchase of land in Takaungu in Kilifi District. No bids were floated for the procurement of the services contrary to the Public Procurement and Disposal Act, 2005 and the regulations thereof. It was therefore not possible to confirm that the University received value for money on this irregular procurement.

## 11.0 Accuracy of Financial Statements

The financial statements were noted to have the following errors under the cash flow statement:

|                               | Computed<br>Balance as per<br>Statement of<br>Financial<br>Position | Balance as<br>per Cash<br>Flow<br>Statement | Unexplained<br>Difference |
|-------------------------------|---|---|---------------------------|
|                               | Kshs.   | Kshs.                                       | Kshs.                     |
| Increase in Intangible Assets | 3,759,010   | 4,614,228                                   | 855,218                   |
| Increase in Fixed Assets      | 107,850,793   | 35,767,724                                  | 72,083,269                |

Under the circumstance, the accuracy of the statement of cash flows for the year ended 30 June 2014 could not be ascertained.

### Adverse Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of Technical University of Mombasa as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and does not comply with Public Universities Act, 2012.



Edward R.O.Ouko, CBS  
AUDITOR-GENERAL

Nairobi

17 July 2015



## TECHNICAL UNIVERSITY OF MOMBASA

### STATEMENT OF FINANCIAL POSITION AS AT June 30, 2014

|   |              | 2014                 | 2013                 |
|---|--------------|----------------------|----------------------|
|   | <u>NOTES</u> | Kshs.                | Kshs.                |
| <b>ASSETS</b>                           |              |                      |                      |
| <b>CURRENT ASSETS</b>                   |              |                      |                      |
| INVENTORIES                             | 14           | 21,329,135           | 24,158,895           |
| INVESTMENTS                             | 15           | 9,126,990            | 4,866,465            |
| TRADE & OTHER RECEIVABLES               | 16           | 223,378,809          | 200,686,769          |
| CASH & BANK BALANCES                    | 17           | 59,520,070           | 33,336,298           |
| <b>TOTAL CURRENT ASSETS</b>             |              | <b>313,355,004</b>   | <b>263,048,427</b>   |
| <b>NON - CURRENT ASSETS</b>             |              |                      |                      |
| PROPERTY ,PLANT & EQUIPMENT             | 12           | 2,712,243,898        | 2,696,014,336        |
| INTANGIBLE ASSETS                       | 13           | 3,759,010            | -                    |
| LONG-TERM INVESTMENTS                   | 15A          | 5,000,000            | 4,000,000            |
| <b>TOTAL NON CURRENT ASSETS</b>         |              | <b>2,721,002,908</b> | <b>2,700,014,336</b> |
| <b>TOTAL ASSETS</b>                     |              | <b>3,034,357,912</b> | <b>2,963,062,763</b> |
| <b>CURRENT LIABILITIES</b>              |              |                      |                      |
| TRADE AND OTHER PAYABLES                | 19           | 27,385,521           | 29,953,818           |
| OTHER CREDITORS                         | 20           | 129,756,800          | 100,328,578          |
| SHORT TERM LIABILITIES                  | 21           | 6,321,879            | -                    |
| <b>TOTAL CURRENT LIABILITIES</b>        |              | <b>163,464,200</b>   | <b>130,282,396</b>   |
| <b>NON-CURRENT LIABILITIES</b>          |              |                      |                      |
| LONG-TERM LIABILITIES                   | 21A          | 26,468,985           | 40,470,308           |
| <b>TOTAL NON-CURRENT LIABILITIES</b>    |              | <b>26,468,985</b>    | <b>40,470,308</b>    |
| <b>TOTAL LIABILITIES</b>                |              | <b>189,933,185</b>   | <b>170,752,704</b>   |
| <b>NET ASSETS</b>                       |              |                      |                      |
| CAPITAL FUND                            | 22           | 2,793,727,889        | 2,684,046,949        |
| OTHER FUNDS & RESERVES                  | 23           | 50,696,838           | 108,263,110          |
| <b>TOTAL NET ASSETS</b>                 |              | <b>2,844,424,727</b> | <b>2,792,310,059</b> |
| <b>TOTAL NET ASSETS AND LIABILITIES</b> |              | <b>3,034,357,912</b> | <b>2,963,062,763</b> |

**DR. LINUS IKAPEL ETTYANG**  
COUNCIL CHAIRMAN

**PROF. J.K.Z. MWATELAH**  
VICE CHANCELLOR / COUNCIL  
SECRETARY



**TECHNICAL UNIVERSITY OF MOMBASA**  
STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2013

|                                    | <b>CAPITAL FUND</b>  | <b>OTHER FUNDS AND RESERVES</b> | <b>INVESTMENT FUNDS</b> | <b>TOTAL</b>         |
|------------------------------------|----------------------|---------------------------------|-------------------------|----------------------|
|                                    | <b>Kshs</b>          | <b>Kshs</b>                     | <b>Kshs</b>             | <b>Kshs</b>          |
| <b>Balance As At July 1, 2012</b>  | 2,426,411,763        | 112,977,123                     | 19,279,377              | 2,558,668,263        |
| General Fund                       | 19,279,377           |                                 |                         | 19,279,377           |
| Development Grant                  | 235,005,164          |                                 |                         | 235,005,164          |
| Donations Grants                   | 3,350,645            |                                 |                         | 3,350,645            |
| Students Caution Money             |                      | 2,379,871                       |                         | 2,379,871            |
| Revenue Reserve                    |                      | (5,717,600)                     |                         | (5,717,600)          |
| Deficit for the Year               |                      | (1,376,284)                     |                         | (1,376,284)          |
| Investment Funds                   |                      |                                 | (19,279,377)            | (19,279,377)         |
| <b>Balance As At June 30, 2013</b> | <b>2,684,046,949</b> | <b>108,263,110</b>              | <b>-</b>                | <b>2,792,310,059</b> |

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2014

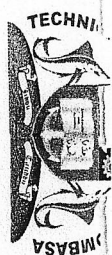
|                                    | <b>CAPITAL FUND</b>  | <b>OTHER FUNDS &amp; RESERVES</b> | <b>TOTAL</b>         |
|------------------------------------|----------------------|-----------------------------------|----------------------|
| <b>Balance A At July 1, 2013</b>   | 2,684,046,949        | 108,263,110                       | 2,792,310,059        |
| General Fund                       | -                    | 1,000,000                         | 1,000,000            |
| Development Grant                  | 109,680,940          | -                                 | 109,680,940          |
| Students Caution Money             | -                    | 612,705                           | 612,705              |
| Revenue Reserve                    | -                    | (503,534)                         | (496,466)            |
| Deficit for the Year               | -                    | (58,675,443)                      | (58,675,443)         |
| <b>Balance As At June 30, 2014</b> | <b>2,793,727,889</b> | <b>50,696,838</b>                 | <b>2,844,424,727</b> |



## TECHNICAL UNIVERSITY OF MOMBASA

### STATEMENT OF CASHFLOWS FOR THE YEAR ENDED June 30, 2014

|   | 2014                 | 2013                 |
|---|----------------------|----------------------|
|   | Kshs.                | Kshs.                |
| <b>Cash flows from operating activities</b>                               |                      |                      |
| Deficit for the Year  | (58,675,443)         | (1,376,284)          |
| Adjustments for:  |                      |                      |
| Depreciation  | 88,075,261           | 91,379,780           |
| Amortization  | 1,611,004            | -                    |
| Increase in provision for bad debts                                       | 4,815,541            | 4,981,229            |
| Loss on disposal  | 431,541              | -                    |
| Interest received on investment   | (1,341,213)          | -                    |
| Gain from Tum enterprise  | (119,270)            | -                    |
| Dividends proceeds  | (3,114,602)          | -                    |
| <b>Cash flow from operating activities before working capital Changes</b> | <b>31,682,819</b>    | <b>94,984,725</b>    |
| <b>WORKING CAPITAL CHANGES</b>  |                      |                      |
| Increase in Trade & Other Receivables                                     | (27,507,581)         | (113,295,127)        |
| Increase Inventories  | 2,829,760            | (2,929,556)          |
| Increase in Trade and Other Payables                                      | 26,859,925           | 27,060,231           |
| <b>Cash flow from operating activities</b>                                | <b>2,182,104</b>     | <b>(89,164,452)</b>  |
| <b>Cash flows from investing activities</b>                               |                      |                      |
| Increase in fixed assets  | (35,767,724)         | (270,601,846)        |
| Increase in Intangible Assets   | (4,614,228)          | (7,345,077)          |
| Increase in Work in progress  | (69,292,885)         | (81,931,608)         |
| Increase in Investments   | (5,260,525)          | 61,413,529           |
| Loss on disposal  | (431,541)            | -                    |
| Interest received on investment   | 1,341,213            | -                    |
| Gain from Tum enterprise  | 119,270              | -                    |
| Dividends proceeds  | 3,411,602            | -                    |
| <b>Cash flow from investing activities</b>                                | <b>(110,791,818)</b> | <b>(298,465,002)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                |                      |                      |
| Capital Fund  | 109,680,940          | 257,635,186          |
| Other Funds & Reserves  | 1,109,171            | (3,337,729)          |
| Investment Funds  | -                    | (19,279,377)         |
| Long-Term Liabilities   | (7,679,444)          | (6,798,718)          |
| <b>Net cash flow from financing activities</b>                            | <b>103,110,667</b>   | <b>228,219,362</b>   |
| <b>Net movement in cash and cash equivalents</b>                          | <b>26,183,772</b>    | <b>(64,425,367)</b>  |
| Cash and Cash Equivalents At Beginning of Year                            | 33,336,298           | 97,761,665           |
| Cash and Cash Equivalents At End of Year                                  | 59,520,070           | 33,336,298           |



**TECHNICAL UNIVERSITY OF MOMBASA**  
STATEMENT OF COMPARISON OF BUDGET

| STATEMENT OF COMPARISON OF BUDGET FOR THE YEAR ENDING June 30, 2014 |                      |                     |                      |                               |                           |  |
|---|----------------------|---------------------|----------------------|-------------------------------|---------------------------|--|
|   | ORIGINAL<br>BUDGET   | ADJUSTMENTS         | FINAL<br>BUDGET      | ACTUAL ON<br>COMPARISON BASIS | PERFORMANCE<br>DIFFERENCE |  |
|   | Kshs.                | Kshs.               | Kshs.                | Kshs.                         | Kshs.                     |  |
| INCOME  |                      |                     |                      |                               |                           |  |
| GOK GRANTS  | 732,722,550          | (26,717,759)        | 759,440,309          | 759,440,309                   | -                         |  |
| INTERNALLY GENERATED  | 659,898,593          | 0                   | 659,898,593          | 664,453,736                   | 4,555,143                 |  |
| <b>TOTAL INCOME</b>   | <b>1,392,621,143</b> | <b>(26,717,759)</b> | <b>1,419,338,902</b> | <b>1,423,894,045</b>          | <b>4,555,143</b>          |  |
| EXPENSES  |                      |                     |                      |                               |                           |  |
| PERSONAL EMOLUMENTS   | 839,598,484          | 500,000             | 839,098,484          | 916,099,024                   | (77,000,540)              |  |
| COUNCIL EXPENSES  | 15,500,000           | 0                   | 15,500,000           | 12,740,044                    | 2,759,956                 |  |
| OPERATING /ADMINISTRATION<br>EXPENSES                               | 235,509,008          | (13,169,996)        | 222,339,012          | 203,116,643                   | 19,222,369                |  |
| TEACHING EXPENSES   | 262,074,740          | 15,600,000          | 246,474,740          | 230,933,831                   | 15,540,909                |  |
| STUDENTS WELFARE  | 13,250,000           | (3,450,000)         | 9,800,000            | 9,364,440                     | 435,560                   |  |
| REPAIRS & MAINTENANCE   | 18,250,000           | 0                   | 18,250,000           | 15,001,700                    | 3,248,300                 |  |
| <b>TOTAL EXPENSES</b>   | <b>1,351,982,232</b> | <b>(519,996)</b>    | <b>1,351,462,236</b> | <b>1,387,255,682</b>          | <b>(35,793,446)</b>       |  |



# TECHNICAL UNIVERSITY OF MOMBASA

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

#### 1. Statement of compliance and basis of preparation

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

The financial statements have been prepared on the basis of historical cost, 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.

##### 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.

##### **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.

##### *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



## TECHNICAL UNIVERSITY OF MOMBASA

be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the University.

### **Rental income**

Rental income arising from operating leases on investment properties is accounted for 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 cash basis, that is, all planned costs and income are presented to determine the needs of the University. As a result of the adoption of the cash basis for budgeting purposes, there is need for 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.

### **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 rate annual rate of Amortization is 30%.



## TECHNICAL UNIVERSITY OF MOMBASA

### 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 handling 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.

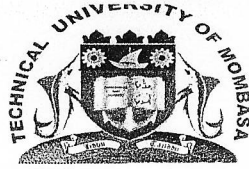
### g) Provisions – IPSAS 19

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.





## TECHNICAL UNIVERSITY OF MOMBASA

### h) Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. It states the reserves maintained and appropriate policies adopted.

### 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

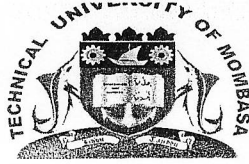
Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account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

### m) Long Term Liability

The long term liability relates to former employees of Mombasa Polytechnic Board of Governors having paid the fifth installment out of the total ten installments agreed by the then Council. These are forwarded



## TECHNICAL UNIVERSITY OF MOMBASA

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 June 30, 2014.

### 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.

### 3. 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:

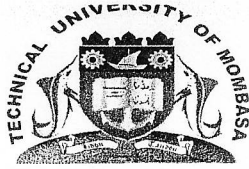
#### (a) Critical judgments in applying accounting policies

There are no critical judgments, apart from those involving estimations (see b 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 company estimates the recoverable amount of the cash generating unit to which the asset belongs.



## TECHNICAL UNIVERSITY OF MOMBASA

### *Property, plant and equipment*

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

#### DETAILED EXPLANATION ON NOTES

| NOTE 2                    | 2014               | 2013               |
|---------------------------|--------------------|--------------------|
| GOVERNMENT GRANTS         | Kshs.              | Kshs.              |
| Recurrent Grants received | 759,440,309        | 668,300,003        |
| <b>TOTAL</b>              | <b>759,440,309</b> | <b>668,300,003</b> |

The recurrent grants received include the printed estimates of Kshs 732,722,550.00 and an additional Kshs 26,717,759 from UON JAB account following deliberations between the Unions and Inter Public Universities council Consultative Forum (IPUCCF) in the rationalization of payment of basic salaries and house allowance arrears. This resulted in a total of Kshs 759,440,309.00.

| NOTE 3                             | 2014               | 2013               |
|------------------------------------|--------------------|--------------------|
| TUITION FEES                       | Kshs.              | Kshs.              |
| Tuition Fee Regular Central Vote   | 68,828,759         | 29,833,453         |
| Tuition Fee Module II Central Vote | 434,850,566        | 399,835,598        |
| Tuition Fee LAMU                   | 5,840,164          | 3,042,182          |
| Tuition Fee Ukunda                 | 560,325            | 890,551            |
| <b>TOTALS</b>                      | <b>510,079,814</b> | <b>433,601,784</b> |

Tuition fee regular is fees paid by government sponsored students. The fees paid increased substantially as a result of development of curriculum development on additional degree programs in the faculties.

Tuition fee module II is fees paid by self-sponsored students and this is our major income generating activity



## TECHNICAL UNIVERSITY OF MOMBASA

| NOTE 3A                        | 2014       | 2013       |
|--------------------------------|------------|------------|
| OTHER INCOME                   | Kshs.      | Kshs.      |
| Registration Fee               | 3,829,405  | 4,806,237  |
| Internal Examinations          | 37,425,079 | 37,762,065 |
| Sports Levy                    | 5,795,055  | 5,883,221  |
| Library Levy                   | 7,182,978  | 7,194,586  |
| Library Fines                  | 48,535     | 61,455     |
| Academic Trips                 | 2,022,396  | 1,720,432  |
| Medical Levy                   | 6,703,005  | 6,871,935  |
| Industrial Attachment Levy     | 4,784,751  | 4,825,274  |
| ICT Levy                       | 16,699,788 | 17,954,280 |
| Academic Transcripts           | 63,600     | 44,650     |
| Students hostel fee            | 12,827,998 | 13,829,345 |
| Student Holiday Accommodation  | 120,300    | -          |
| Maintenance Levy               | 20,550     | -          |
| Application Fee                | 2,765,532  | 3,330,410  |
| Project Fee                    | 59,525     | 1,250,000  |
| Guidance and Counselling       | -          | 1,500,000  |
| Student Readmission Fee        | 14,995     | 26,000     |
| Lost Items                     | 53,530     | 77,575     |
| Graduation Fee                 | 2,634,225  | 2,561,483  |
| Alumni Fee                     | 234,900    | 240,000    |
| Center Fees                    | 16,000     | 77,500     |
| Penalties                      | 211,800    | 130,000    |
| Materials Testing              | 39,400     | 103,400    |
| Catering Income                | 10,567,929 | 7,745,284  |
| Kiziwi Income                  | 16,939,574 | 22,731,659 |
| Training Restaurant Income     | 4,407,217  | 3,671,200  |
| External Research Income       | 3,006,419  | 7,114,600  |
| Consultancy Fee                | 1,137,000  | 386,650    |
| Administrative Research Income | -          | 1,000      |
| Hire of Facilities             | 2,078,000  | 1,727,583  |
| Hire of Transport              | 982,200    | 772,270    |
| Photocopy & bindery Income     | 293,678    | 18,526     |
| Short Courses                  | 633,000    | 45,000     |
| CISCO                          | 40,000     | 203,900    |
| Remarking                      | 6,000      | 3,000      |
| Rent Income                    | 6,564,822  | 5,589,937  |



## TECHNICAL UNIVERSITY OF MOMBASA

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Staff training levy              | 841,101            | -                  |
| Interest on Investment           | 1,341,213          | 3,496,927          |
| Gain from TUM Enterprise         | 119,270            | -                  |
| Profit on Disposal of Assets     | -                  | 399,233            |
| Tendering Fees Central Vote      | 73,000             | 1,407,500          |
| Administrative Fees Central Vote | 732,236            | 720,866            |
| Other Income                     | 1,057,916          | -                  |
| <b>TOTALS</b>                    | <b>154,373,922</b> | <b>166,284,983</b> |

| <b>NOTE 4</b>                 |                    |                    |
|-------------------------------|--------------------|--------------------|
| <b>PERSONAL EMOLUMENTS</b>    | <b>Kshs.</b>       | <b>Kshs.</b>       |
| Basic Salaries                | 425,732,421        | 294,049,241        |
| House Allowance               | 226,462,430        | 193,531,832        |
| Medical Insurance             | 62,401,623         | 59,505,380         |
| Pension Employers Expense     | 52,007,262         | 40,992,196         |
| NSSF Employer's Expense       | 1,698,200          | 1,833,800          |
| Responsibility Allowance      | 11,183,000         | 10,437,667         |
| Telephone Allowance           | 6,464,263          | 6,246,912          |
| Acting Allowance              | 1,723,471          | 1,589,597          |
| Special Duty Allowance        | 1,148,390          | 1,092,038          |
| Management Allowance          | 18,710,000         | 18,215,000         |
| Book and Research Allowance   | 1,480,000          | 1,460,000          |
| Gratuities                    | 14,541,266         | 2,376,240          |
| Leave Allowance               | 9,211,260          | 8,456,250          |
| Commuter Allowance            | 37,618,317         | 40,603,537         |
| Car Allowance                 | 24,883,217         | 20,490,000         |
| Non Use of Official Car       | -                  | 90,000             |
| Entertainment Allowance       | 11,265,000         | 11,206,100         |
| Electricity & Water Allowance | 3,345,000          | 3,154,826          |
| Security Alarm Installation   | -                  | 450,000            |
| Radio Alarm Maintenance       | 10,440             | 109,620            |
| Passage and Baggage Allowance | 935,628            | 27,775             |
| Domestic Workers Allowance    | 1,170,000          | 1,202,500          |
| Risk Allowance                | 98,700             | 71,200             |
| Overtime Allowance            | -                  | 9,000              |
| Extraneous Allowance          | 4,009,136          | 4,662,664          |
| <b>TOTAL</b>                  | <b>916,099,024</b> | <b>721,863,375</b> |



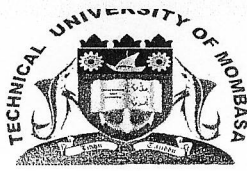
## TECHNICAL UNIVERSITY OF MOMBASA

The increase in personal emoluments was as a result of Collective Bargaining Agreement that led to payment of arrears in basic salaries and house allowance from 2010 to 2013 and also an increase of the same by 10% of the basic salary and 2.5% in house allowance in the financial year just concluded. The rise in basic salaries also increased pension contributions for the employer.

### NOTE 5

| <b>COUNCIL EXPENSES</b> | <b>Kshs.</b>      | <b>Kshs.</b>      |
|-------------------------|-------------------|-------------------|
| Chancellor's Allowance  | 1,200,000         | 400,000           |
| Chairman's Allowance    | 957,000           | 891,000           |
| Sitting Allowance       | 3,960,000         | 5,368,000         |
| Accommodation Allowance | 2,823,000         | 2,630,715         |
| Mileage                 | 508,969           | 3,112,029         |
| Travelling Allowance    | 3,291,075         | 626,771           |
| <b>TOTAL</b>            | <b>12,740,044</b> | <b>13,028,515</b> |

| <b>NOTE 6</b>                            | <b>2014</b>  | <b>2013</b>  |
|--|--------------|--------------|
| <b>ADMINISTRATIVE/OPERATING EXPENSES</b> | <b>Kshs.</b> | <b>Kshs.</b> |
| Casual wages                             | 2,549,928    | 1,168,580    |
| Travel and Subsistence                   | 14,081,425   | 14,680,290   |
| Fuel and oils                            | 8,283,078    | 7,181,946    |
| Maintenance of Vehicles                  | 3,128,552    | 2,129,288    |
| Office Stationery                        | 5,790,139    | 5,558,816    |
| Photocopying                             | 294,819      | 65,159       |
| Computer Stationery                      | 5,357,414    | 6,143,993    |
| Service Charge                           | 5,800        | 932,319      |
| Advertising and Publicity                | 14,342,844   | 16,034,159   |
| Printing and Publishing                  | 4,258,677    | 1,322,900    |
| Newspapers                               | 2,011,020    | 1,478,840    |
| Shows and Exhibitions                    | 4,975,784    | 5,272,494    |
| Electricity                              | 23,428,654   | 19,875,402   |
| Water and Conservancy                    | 2,328,852    | 1,865,735    |
| Graduation Expenses                      | 6,050,067    | 6,185,047    |
| Official Entertainment                   | 3,185,397    | 3,179,395    |
| Expenses of Boards and Committees        | 10,075,327   | 8,683,539    |



## TECHNICAL UNIVERSITY OF MOMBASA

|  |                    |                    |
|--|--------------------|--------------------|
| Staff Development and Training           | 19,929,180         | 19,480,787         |
| Staff Welfare                            | 1,542,900          | 1,505,525          |
| Staff Dependants Bursary Scheme          | 2,201,937          | 1,698,181          |
| Cleaning Materials                       | 5,536,321          | 5,604,441          |
| Fumigation & Waste Collection Services   | 1,804,322          | 1,304,633          |
| Purchase of Gas and firewood             | 3,246,792          | 2,690,834          |
| Purchase of Utensils beddings & fittings | 1,046,682          | 779,114            |
| Purchase of foodstuffs                   | 22,144,972         | 25,144,975         |
| Finder's fee                             | -                  | 187,414            |
| Vehicle Licenses and Inspection          | 229,528            | 263,588            |
| Vehicle Insurance                        | 2,367,007          | 1,743,676          |
| General Insurance                        | 2,841,758          | 4,788,659          |
| Bank Charges                             | 1,723,901          | 1,470,410          |
| Payment of Rent and Rates                | 1,013,345          | 421,108            |
| Staff Uniforms                           | 3,653,256          | 2,632,293          |
| Governance                               | 7,360,204          | 8,015,838          |
| Subscription Fee                         | 985,827            | 748,491            |
| Loss on Disposal of Assets               | 431,548            | -                  |
| Professional Services                    | 4,399,372          | 7,341,880          |
| Hire of Security Services                | 8,957,768          | 7,798,360          |
| Funeral Expenses                         | -                  | 239,010            |
| Ex gratia payments Bereavement           | 200,000            | 222,600            |
| CSR Donations                            | 20,000             | 94,780             |
| Postal and Courier Services              | 718,881            | 722,881            |
| Telephone Expenses                       | 613,365            | 510,359            |
| Hire of facilities                       | -                  | 47,940             |
| <b>TOTAL</b>                             | <b>203,116,643</b> | <b>197,215,679</b> |



## TECHNICAL UNIVERSITY OF MOMBASA

| NOTE 7                                     | 2014               | 2013               |
|--|--------------------|--------------------|
| TEACHING EXPENSES                          | Kshs.              | Kshs.              |
| Library Expenses                           | 6,565,259          | 2,703,397          |
| Purchase of Teaching Materials             | 10,802,011         | 9,303,999          |
| Curriculum and Development                 | 2,787,340          | 1,577,975          |
| Academic Trips                             | 3,150,430          | 2,590,600          |
| Maintenance Computer Hardware and Networks | -                  | 189,432            |
| Internet Charges                           | 6,719,334          | 3,093,689          |
| Maintenance Computer Software              | 3,831,775          | 1,705,145          |
| Internal Research Expenses                 | 2,906,138          | 3,030,893          |
| External Research Expenses                 | 4,600,542          | 2,071,392          |
| Part time Teaching                         | 160,324,412        | 163,844,987        |
| Production Expenses                        | 1,872,482          | 1,143,418          |
| Examination Materials                      | 7,106,441          | 5,614,649          |
| External Examiners                         | 5,538,560          | 4,611,570          |
| Consultancy Expenses                       | 3,425,800          | 1,820,750          |
| ISO Certification                          | 383,815            | 843,089            |
| Student Project Expenses                   | -                  | 1,220,000          |
| Charter Award Ceremony                     | -                  | 9,937,713          |
| Seed Money Kwale Campus                    | 8,240,236          | -                  |
| Industrial Attachment Expenses             | 2,678,955          | 3,358,371          |
| <b>TOTAL</b>                               | <b>230,933,530</b> | <b>218,661,069</b> |

### Seed money kwale campus.

The University spent Kshs. 8,240,236 in the year ended 2014 towards setting up and running activities at Kwale campus.

| NOTE 8                            | 2014             | 2013             |
|-----------------------------------|------------------|------------------|
| STUDENTS WELFARE EXPENSES         | Kshs.            | Kshs.            |
| Guidance and Counselling          | 365,692          | 349,200          |
| NACC Mainstreaming Activities     | -                | 2,530,110        |
| Sports Activities                 | 3,177,495        | 3,645,519        |
| TUMSU Elections                   | 982,630          | 591,181          |
| Medical Expenses Clinic / Medical | 4,452,318        | 1,863,333        |
| Student Work study Programme      | 386,305          | 845,844          |
| <b>TOTAL</b>                      | <b>9,364,440</b> | <b>9,825,187</b> |





## TECHNICAL UNIVERSITY OF MOMBASA

| <b>NOTE 9</b>                         | <b>2014</b>       | <b>2013</b>       |
|---------------------------------------|-------------------|-------------------|
| <b>REPAIRS AND MAINTENANCE</b>        | <b>Kshs.</b>      | <b>Kshs.</b>      |
| Repairs and Maintenance               | 2,284,270         | 1,686,910         |
| Maintenance of Buildings and Stations | 11,723,228        | 9,235,610         |
| Maintenance of Sewerage               | 994,202           | 873,700           |
| <b>TOTAL</b>                          | <b>15,001,700</b> | <b>11,796,220</b> |

| <b>NOTE 10</b>                        | <b>2014</b>    | <b>2013</b>    |
|---------------------------------------|----------------|----------------|
| <b>PROVISION FOR ACCRUED EXPENSES</b> | <b>Kshs.</b>   | <b>Kshs.</b>   |
| Accrued Expenses Central Vote         | 812,000        | 812,000        |
| <b>TOTAL</b>                          | <b>812,000</b> | <b>812,000</b> |

This is provision of payment of audit fees to Kenya National Audit Office.

| <b>NOTE 11</b>                     | <b>2014</b>      | <b>2013</b>      |
|------------------------------------|------------------|------------------|
| <b>PROVISION FOR BAD DEBTS</b>     | <b>Kshs.</b>     | <b>Kshs.</b>     |
| Provision for bad & doubtful debts | 4,815,541        | 4,981,229        |
| <b>TOTAL</b>                       | <b>4,815,541</b> | <b>4,981,229</b> |

The provision for bad and doubtful debts is 10% of all other accounts receivable except for Government grants.



## TECHNICAL UNIVERSITY OF MOMBASA

### PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 12

| PROPERTY, PLANT AND EQUIPMENT        |                    |                      |                              |                                      |                         |                   |                      |  |  |
|--------------------------------------|--------------------|----------------------|------------------------------|--------------------------------------|-------------------------|-------------------|----------------------|--|--|
|                                      | FREE HOLD<br>LAND  | BUILDING             | FURNITURE<br>AND<br>FITTINGS | COMPUTER<br>AND OTHER<br>ELECTRONICS | PLANT AND<br>EQUIPMENTS | MOTOR<br>VEHICLE  | TOTAL                |  |  |
| RATES                                | 0.0                | 0.02                 | 0.1                          | 0.3                                  | 0.1                     | 0.2               | TOTAL                |  |  |
|                                      | Kshs               | Kshs                 | Kshs                         | Kshs                                 | Kshs                    | Kshs              | Kshs                 |  |  |
| B/F                                  | 935,500,000        | 1,053,964,775        | 61,516,667                   | 116,456,444                          | 331,157,560             | 35,160,885        | 2,533,756,331        |  |  |
| Additions During The Year            | 0                  | 200,484,828          | 2,738,970                    | 17,699,173                           | 51,513,660              | 9,789,329         | 282,225,960          |  |  |
| Disposal During The Year             | 0                  | (4,000,000)          | (653,100)                    | (3,939,000)                          | (287,195)               | (1,035,000)       | (9,914,295)          |  |  |
| <b>TOTAL COST</b>                    | <b>935,500,000</b> | <b>1,250,449,603</b> | <b>63,602,537</b>            | <b>130,216,617</b>                   | <b>382,384,025</b>      | <b>43,915,214</b> | <b>2,806,067,996</b> |  |  |
| Accumulated Depreciation B/F         | 0                  | 55,261,139           | 16,909,360                   | 71,136,754                           | 92,479,280              | 16,292,577        | 252,079,110          |  |  |
| Depreciation For The Year            | 0                  | 25,008,992           | 6,360,254                    | 12,988,588                           | 38,238,903              | 8,783,043         | 91,379,780           |  |  |
| Accumulated Depreciation - Disposals | 0                  | (240,000)            | (653,100)                    | (3,939,000)                          | (177,158)               | (621,000)         | (5,630,258)          |  |  |
| <b>Accumulated Depreciation C/F</b>  | <b>0</b>           | <b>80,030,131</b>    | <b>22,616,514</b>            | <b>80,186,342</b>                    | <b>130,541,025</b>      | <b>24,454,620</b> | <b>337,828,632</b>   |  |  |
| <b>NBV AS AT June 30, 2013</b>       | <b>935,500,000</b> | <b>1,170,419,472</b> | <b>40,986,023</b>            | <b>50,030,275</b>                    | <b>251,843,000</b>      | <b>19,460,594</b> | <b>2,468,239,364</b> |  |  |
| <b>NBV AS AT June 30, 2012</b>       | <b>935,500,000</b> | <b>998,703,636</b>   | <b>44,607,307</b>            | <b>45,319,690</b>                    | <b>238,678,280</b>      | <b>18,868,308</b> | <b>2,281,637,221</b> |  |  |



## TECHNICAL UNIVERSITY OF MOMBASA

| TECHNICAL UNIVERSITY OF MOMBASA      |                               |                |                      |                      |                              |                    |                   |                          |                      |
|--------------------------------------|-------------------------------|----------------|----------------------|----------------------|------------------------------|--------------------|-------------------|--------------------------|----------------------|
| NOTE 12                              | PROPERTY, PLANT AND EQUIPMENT | FREE HOLD LAND | BUILDING             | FURNITURE & FITTINGS | COMPUTER & OTHER ELECTRONICS | PLANT & EQUIPMENTS | MOTOR VEHICLE     | CAPITAL WORK IN PROGRESS | TOTAL                |
|                                      |                               | 0.0            | 0.02                 | 0.1                  | 0.3                          | 0.1                | 0.2               |                          |                      |
|                                      |                               | KSHS           | KSHS                 | KSHS                 | KSHS                         | KSHS               | KSHS              | KSHS                     | KSHS                 |
| B/F                                  | 935,500,000                   |                | 1,250,449,603        | 63,602,537           | 130,216,617                  | 382,384,025        | 43,915,214        | 227,774,972              | 3,033,842,968        |
| Additions During The Year            | -                             |                | 1,235,884            | 20,905,377           | 5,686,906                    | 10,729,921         | -                 | 69,292,885               | 107,850,973          |
| Disposal During The Year             | -                             |                | (329,055)            | -                    | -                            | (6,500,000)        | -                 | -                        | (6,829,055)          |
| <b>TOTAL COST</b>                    | <b>935,500,000</b>            |                | <b>1,251,356,432</b> | <b>84,507,914</b>    | <b>135,903,523</b>           | <b>386,613,946</b> | <b>43,915,214</b> | <b>297,067,857</b>       | <b>3,134,864,886</b> |
| Accumulated Depreciation B/F         | -                             |                | 80,030,131           | 22,616,514           | 80,186,342                   | 130,541,025        | 24,454,620        | -                        | 337,828,632          |
| Depreciation For Year 2014           | -                             |                | 25,027,129           | 8,450,791            | 10,433,703                   | 38,661,395         | 5,502,243         | -                        | 88,075,261           |
| Accumulated Depreciation - Disposals | -                             |                | (32,905)             | -                    | -                            | (3,250,000)        | -                 | -                        | (3,282,905)          |
| <b>Accumulated Depreciation C/F</b>  | <b>-</b>                      |                | <b>105,024,355</b>   | <b>31,067,305</b>    | <b>90,620,045</b>            | <b>165,952,420</b> | <b>29,956,863</b> | <b>-</b>                 | <b>422,620,988</b>   |
| NBV AS AT June 30, 2014              | 935,500,000                   |                | 1,146,332,077        | 53,440,609           | 45,283,478                   | 220,661,526        | 13,958,351        | 297,067,857              | 2,712,243,898        |
| NBV AS AT June 30, 2013              | 935,500,000                   |                | 1,170,419,472        | 40,986,023           | 50,030,275                   | 251,843,000        | 19,460,594        | 227,774,972              | 2,468,239,364        |



## TECHNICAL UNIVERSITY OF MOMBASA

NOTES TO ACCOUNTS CONTINUED.....

Property, plant and equipment includes the following items that are fully depreciated:

Computers and related equipment.....Kshs.99,253,254

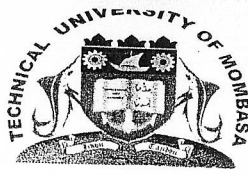
Motor vehicles .....Kshs.17,849,000

The Capital Work in Progress of Kshs 297,067,857 includes the following projects

|  |                       | 2014               | 2013               |
|--|-----------------------|--------------------|--------------------|
|  |                       | Kshs.              | Kshs               |
| <b>WORKS IN PROGRESS</b>                   |                       |                    |                    |
| <b>NAME OF COMPANY</b>                     | <b>DESCRIPTION</b>    |                    |                    |
| A.N.K CONSTRUCTIONS LTD                    | Learning centre       | 187,417,772        | 146,021,024        |
| ATOMIC ELECTRONICS                         | Electricals           | 51,900,185         | 33,069,251         |
| EPCO                                       | Mabokoni classes      | 51,761,046         | 45,454,817         |
| JUMBO INTERLINKS LIMITED                   | Foldable partitions   | 2,823,520          | 2,804,960          |
| KENSAR GENERAL SUPPLIES & CONSTRUCTION LTD | Clinic Rehabilitation | -                  | 424,920            |
| KENSAR GENERAL SUPPLIES & CONSTRUCTION LTD | Drilling of boreholes | 501,359            | -                  |
| NZAMBANI PAINTS AND HARDWARE               | Kiziwi drainage       | 2,663,975          |                    |
| <b>TOTAL</b>                               |                       | <b>297,067,857</b> | <b>227,774,972</b> |

| NOTE 13                             | 2014             | 2013     |
|-------------------------------------|------------------|----------|
| INTANGIBLE ASSETS                   | Kshs.            | Kshs.    |
| Computers Software                  |                  | -        |
| Purchase of Computer Software       | 5,370,015        | -        |
| Acc. Amortization Computer Software | (1,611,004)      | -        |
| <b>TOTAL</b>                        | <b>3,759,010</b> | <b>-</b> |

The Intangible Assets include SAGE ACCPAC and Student Management System Software



## TECHNICAL UNIVERSITY OF MOMBASA

| NOTE 14  | 2014              | 2013              |
|--|-------------------|-------------------|
| <b>DEPARTMENTAL INVENTORIES</b>                | <b>Kshs.</b>      | <b>Kshs.</b>      |
| Inventories Estates department                 | 5,753,551         | 4,210,389         |
| Inventories Catering department                | 288,220           | 788,161           |
| Inventories Mechanical Engineering             | 1,061,673         | 989,484           |
| Inventories Clinic                             | 1,168,014         | 2,153,899         |
| Inventories Kiziwi department                  | 457,259           | 1,207,536         |
| Inventories Training and restaurant            | 271,333           | 235,180           |
| Inventories Central Stores                     | 4,984,348         | 5,286,563         |
| Inventories Electrical department              | 75,112            | 1,735,443         |
| Inventories Applied Science department         | 3,368,259         | 3,208,929         |
| Inventories Business Studies department        | 135,108           | 223,740           |
| Inventories Medical Engineering department     | 2,859,972         | 3,205,801         |
| Inventories Computing & Information department | 69,737            | 285,448           |
| Inventories Library department                 | 64,529            | 108,763           |
| Inventories Building Engineering department    | 312,143           | 263,092           |
| Inventories Liberal Studies department         | 43,062            | 71,718            |
| Inventories Ukunda Campus                      | 278,211           | 59,112            |
| Inventories Lamu Campus                        | 116,362           | 100,238           |
| Inventories Research and Innovation Department | 22,242            | 25,399            |
| <b>TOTAL</b>                                   | <b>21,329,135</b> | <b>24,158,895</b> |

The following are different types of inventories included above.

| NO           | DESCRIPTION         | AMOUNT               |
|--------------|---------------------|----------------------|
|              |                     | <b>KSHS</b>          |
| 1            | Stationery          | 4,074,876.49         |
| 2            | Computer Stationery | 1,570,428.00         |
| 3            | Cleaning Materials  | 1,100,175.40         |
| 4            | Food Stuffs         | 550,917.00           |
| 5            | Teaching Materials  | 11,975,836.40        |
| 6            | Medicines           | 1,210,387.80         |
| 7            | Certificates        | 464,200.00           |
| 8            | Cat & Exam Booklets | 382,312.70           |
| <b>TOTAL</b> |                     | <b>21,329,133.79</b> |



## TECHNICAL UNIVERSITY OF MOMBASA

| NOTE 15                              | 2014             | 2013             |
|--------------------------------------|------------------|------------------|
| INVESTMENTS                          | Kshs.            | Kshs.            |
| Fixed Deposit National Bank of Kenya | 4,007,720        | 4,574,299        |
| Fixed Deposit Consolidated Bank      | -                | 292,166          |
| Seed Money TUM Enterprises           | 5,119,270        | -                |
| <b>TOTAL</b>                         | <b>9,126,990</b> | <b>4,866,465</b> |

Fixed deposit of Kshs. 4,007, 720 is a guarantee for Kenya Power and Vivo Energy maintained by National bank of Kenya.

The University invested Kshs. 5,000,000 in Tum Enterprise Ltd. Kshs.119,270 reflected above is the profit from TUM Enterprises for the financial year ended June 2014

| NOTE 15A                    | 2014      | 2013      |
|-----------------------------|-----------|-----------|
| LONG-TERM INVESTMENTS       | Kshs.     | Kshs.     |
| Shares in Consolidated Bank | 5,000,000 | 4,000,000 |
|                             | 5,000,000 | 4,000,000 |

These are shares that were bought in 1992 and consist of one hundred and ninety five thousand (195,000) preference shares and fifty five thousand (55,000) ordinary shares at Kshs.20 each.

| NOTE 16                       | 2014               | 2013               |
|-------------------------------|--------------------|--------------------|
| TRADE & OTHER RECEIVABLES     | Kshs.              | Kshs.              |
| Staff Imprest                 | 4,223,506          | 3,605,949          |
| Prepaid Insurances            | 52,044,539         | 45,925,217         |
| Deposit Contingency           | 725,000            | -                  |
| General Trade receivables     | 838,477            | 1,238,477          |
| Student Debtors               | 31,512,675         | 36,225,701         |
| TIVET Bursaries MOHEST        | 696,531            | 696,531            |
| Guest Accomodation Debtors    | 8,380,724          | 8,073,008          |
| Other Debtors                 | 1,416,878          | 65,878             |
| Recurrent Grants Receivable   | 56,662,814         | 50,666,667         |
| Development Grants Receivable | 83,494,654         | 65,925,605         |
| Staff Medical Debtors         | 983,930            | 708,243            |
| Staff Salary Advances         | 648,793            | 981,164            |
| Rent Arrears                  | 150,430            | 158,930            |
| LESS PROVISION                | (18,400,142)       | (13,584,601)       |
| <b>TOTAL</b>                  | <b>223,378,809</b> | <b>200,686,769</b> |

- a) Prepaid insurance is for staff medical insurance that was renewed on 1<sup>st</sup> April 2014 and will expire on 31<sup>st</sup> March 2015.
- b) Deposit contingency of Kshs. 725,000 is provision towards a matter pending in court



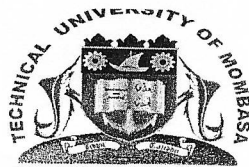
## TECHNICAL UNIVERSITY OF MOMBASA

NOTES TO ACCOUNTS CONTINUED.....

| NOTE 17  | 2014              | 2013              |
|--|-------------------|-------------------|
| <b>CASH AND BANK BALANCES</b>                    | <b>Kshs.</b>      | <b>Kshs.</b>      |
| Cash in Hand StanChart Fees Collection Account   | -                 | 1,000             |
| <b>CASH BALANCES</b>                             | <b>-</b>          | <b>1,000</b>      |
| Cash at Bank National Bank Current Account I     | 4,546,065         | 4,513,622         |
| Cash at Bank National Bank Current Account II    | (3,600,116)       | (25,033,281)      |
| Cash at Bank Co-op Bank Fees collection Account  | 10,271,208        | 1,914,824         |
| Cash at Bank StanChart Bank Fees collection Acc. | 6,793,076         | 3,925,686         |
| Cash at Bank KCB Lamu Satellite Campus           | 7,327,701         | 4,480,431         |
| Cash at Bank Family Bank Research A/C            | 5,248,335         | 5,698,540         |
| Cash at bank Kiziwi Guest House                  | 6,657,469         | 26,584,677        |
| Cash at bank TOWA sub project                    | -                 | 19,230            |
| Cash at bank Equity Fees Collection a/c          | 8,525,716         | 5,384,338         |
| Cash at bank Development A/C Standard Chartered  | 8,793,365         | 2,778,285         |
| Cash at bank Economic Stimulus Programme         | 1,673,215         | 292,433           |
| Cash at bank NBK fees collection a/c             | 3,284,036         | 2,776,513         |
| <b>BANK BALANCES</b>                             | <b>59,520,070</b> | <b>33,335,298</b> |

18. The bank overdraft is brought about by the un presented cheques from our suppliers of Kshs.4, 423,793 against bank balance of Kshs.795,417 and cash in transit of 7.5million from Standard chartered bank to National bank on 30<sup>th</sup> June 2014.

| NOTE 19                         | 2014                | 2013                |
|---------------------------------|---------------------|---------------------|
| <b>TRADE AND OTHER PAYABLES</b> | <b>Kshs.</b>        | <b>Kshs.</b>        |
| General Trade Payables          | (27,385,521)        | (29,943,818)        |
| Prior year trade creditors      | -                   | (10,000)            |
| <b>TOTAL</b>                    | <b>(27,385,521)</b> | <b>(29,953,818)</b> |



## TECHNICAL UNIVERSITY OF MOMBASA

| NOTE 20                                       | 2014         | 2013         |
|---|--------------|--------------|
| OTHER CREDITORS                               | Kshs.        | Kshs.        |
| PAYE Deductions                               | (28,090,283) | (8,846,575)  |
| VAT Retained                                  | (3,573,610)  | (2,198,895)  |
| Income Tax Withholding                        | (1,824,187)  | (1,136,961)  |
| VAT Clearing                                  | (36,796)     | (36,796)     |
| Student Union Fee                             | -            | (632,838)    |
| Student Benevolent Fund                       | -            | (1,071,130)  |
| Accrued Payables                              | (3,891,316)  | (1,531,081)  |
| Rent Deposit                                  | (9,000)      | (9,000)      |
| HELB  | (129,493)    | (2)          |
| CDF   | (318,550)    | -            |
| Other Depositors                              | (681,026)    | (4,461,715)  |
| Foreign Examinations CILT                     | (140,804)    | (9,139)      |
| External Examinations – KMTLB                 | (510,460)    | -            |
| External Examinations – KASNEB                | (4,670)      | (4,670)      |
| External Examinations – KNEC                  | (390,233)    | (144,070)    |
| Refund to General Debtors                     | (90,457)     | (90,457)     |
| Pension Deductions/Contributions              | (13,072,910) | (2,104,953)  |
| NSSF Payables                                 | (150,000)    | -            |
| NHIF Payables                                 | (239,700)    | (160)        |
| Poly Sacco                                    | (3,688,804)  | (4,562,277)  |
| Staff Benevolent Fund                         | (88,201)     | (601)        |
| Loan Payables Barclays                        | (1,488,378)  | (1,154,734)  |
| Insurance Payables Cannon Assurance K         | (75,072)     | -            |
| Trade Unions Payables                         | (260,332)    | (2,019)      |
| Other Payables                                | (25,484,091) | (33,315,330) |
| Retentions Payable                            | (18,675,150) | (35,643,414) |
| Welfare Payables MSA Poly Workers Welfare     | (600)        | (600)        |
| Insurance Payables Mercantile & Gen Ass       | (90,020)     | (87,350)     |
| Insurance Payables British American Insurance | (243,119)    | -            |
| Insurance Payables UAP Insurance Company      | (53,204)     | -            |
| Insurance Payables Blue Shield Insurance      | (11,666)     | -            |
| Insurance Payables CFC Life Insurance         | (45,935)     | -            |





## TECHNICAL UNIVERSITY OF MOMBASA

|  |                      |                      |
|--|----------------------|----------------------|
| Insurance Payables Madison Insurance           | (33,030)             | (3,001)              |
| Insurance Payables Jubilee Insurance           | (80,056)             | (7,500)              |
| Insurance Payables ICEA                        | (59,184)             | -                    |
| Insurance Payables Pan Africa Life Assurance   | (68,082)             | -                    |
| Insurance Payables Corporate Insurance Company | (12,762)             | -                    |
| Insurance Payables Kenindia                    | (9,846)              | -                    |
| Insurance Payables Pioneer Assurance Co. Ltd   | (31,000)             | -                    |
| Mwalimu SACCO                                  | (3,199,107)          | (2,541,213)          |
| Kitui Teachers SACCO                           | (98,300)             | -                    |
| KEMFRI SACCO                                   | (43,687)             | 1                    |
| Fundilima SACCO                                | (51,668)             | -                    |
| Kenversity SACCO                               | (47,364)             | (14,020)             |
| Chuna SACCO                                    | (63,234)             | (1,501)              |
| Kenya Bankers Sacco                            | (5,000)              | -                    |
| Kilifi Teachers Sacco                          | (29,500)             | -                    |
| CDA Sacco                                      | (8,000)              | -                    |
| Loan Payables KCB                              | (1,580,961)          | -                    |
| Loan Payables NBK                              | (4,768,802)          | (68,617)             |
| Loan Payables HFCK                             | (19,000)             | -                    |
| Loan Payables Standard Chartered               | (127,988)            | -                    |
| Loan Payables CFC stanbic                      | (115,022)            | -                    |
| Loan Payables Co operative Bank                | (309,054)            | -                    |
| Ministry Of Housing                            | (15,500)             | -                    |
| Loan Payables Family Bank                      | (70,196)             | -                    |
| Loan Payables Milimani Commercial Court        | (13,180)             | -                    |
| Loan Payables Bank of Africa                   | (166,887)            | -                    |
| Stima SACCO                                    | (106,000)            | -                    |
| Ukaguzi SACCO                                  | (38,711)             | -                    |
| Net Pay  | (14,396,432)         | 166,040              |
| Provision for Audit Fees                       | (812,000)            | (812,000)            |
| Post Bank Shares                               | (4,000)              | (2,000)              |
| Amedo payables                                 | (15,180)             | -                    |
| <b>TOTAL</b>                                   | <b>(129,756,800)</b> | <b>(100,328,578)</b> |



## TECHNICAL UNIVERSITY OF MOMBASA

| NOTE 21                | 2014               | 2013     |
|------------------------|--------------------|----------|
| SHORT TERM LIABILITIES | Kshs.              | Kshs.    |
| Service Gratuity       | (6,321,879)        | -        |
| <b>TOTAL</b>           | <b>(6,321,879)</b> | <b>-</b> |

| NOTE 21A              | 2014                | 2013                |
|-----------------------|---------------------|---------------------|
| LONG TERM LIABILITIES | Kshs.               | Kshs.               |
| Service Gratuity      | (26,468,985)        | (40,470,308)        |
| <b>TOTAL</b>          | <b>(26,468,985)</b> | <b>(40,470,308)</b> |

BOG staff gratuity is gratuity for the Mombasa polytechnic staff who were employed under the Board of Governance and are still in the employment service of Tum.

| MOVEMENT OF THE BOG GRATUITY IN THE YEAR: |  |                   |
|---|--|-------------------|
| Balance b/f 2013                          |  | 40,470,308        |
| Adjustments for understatement year 2013  |  | 71,130            |
|   |  | 40,541,438        |
| Paid in the year                          |  | (7,821,704)       |
| Balance as at 30th June 2014              |  | <b>32,790,864</b> |

Included in the staff service gratuity balance of Kshs.32,790,864 is Kshs.6,321,879 short term gratuity due for payment in the year 2015.

| NOTE 22           | 2014                 | 2013                 |
|-------------------|----------------------|----------------------|
| CAPITAL FUND      | Kshs.                | Kshs.                |
| B/F               | 2,684,046,949        | 2,426,411,763        |
| MOVEMENTS         |                      |                      |
| General Fund      | -                    | 19,279,377           |
| Development Grant | 109,680,940          | 235,005,164          |
| Donations Grants  | -                    | 3,350,645            |
| <b>C/F</b>        | <b>2,793,727,889</b> | <b>2,684,046,949</b> |

The amount of Kshs.1, 000,000 for General fund is adjustment for the opening balance on long term investment understated in the previous years.