

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

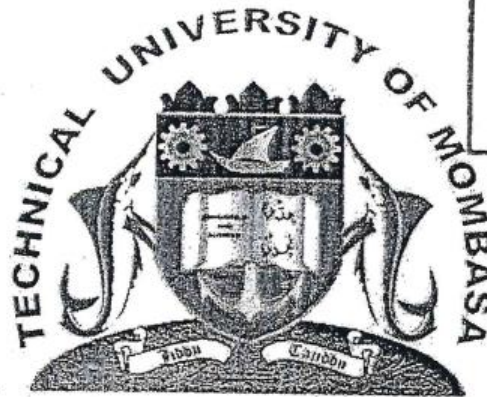
**THE FINANCIAL STATEMENTS OF  
TECHNICAL UNIVERSITY OF MOMBASA**

**FOR THE YEAR  
ENDED 30 JUNE 2018**

OFFICE OF THE AUDITOR GEN. & AL  
P. O. Box 95202, MOMBASA

20 DEC 2018

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**TECHNICAL UNIVERSITY OF MOMBASA**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2018**

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

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## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

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

TUM is profoundly committed to upholding the quest to provide higher education as envisioned by the founders. It has four established Faculties and Schools namely Faculty of Applied and Health Science, Faculty of Engineering and Technology, School of Business and School of Humanities and Social Sciences. The University admits students across the globe ranging from Kenya Universities and Colleges Central Placement Service (KUCCPS) to Self-Sponsored programmes. As a result of demand for TUM programmes, the student population has tremendously grown over the years, and currently stands 11,152 composed of 7473 males and 3679 females. TUM also recognizes the importance of human capital in driving the vision of the institution and boasts of 256 teaching staff and 399 administrative staff, giving a total of 655. To ensure programmes are congruent with the market demands, the University incorporates industry, stakeholders and professional bodies in the development and review of the programmes to comfortably offer solutions in the labour market, in the quest of supporting Kenya Vision 2030.

**(b) Principal Activities**

The principle activities of the University is to provide knowledge/education in science, engineering, business and research to students from diverse backgrounds.

**Vision**

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

**Mission**

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

**Motto**

Endeavour and Achieve (Jiddu Tajiddu)

**Strategic Objectives**

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

**(c) Key Management**

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

- Council
- Vice Chancellor
- Management
- Senate

(d) **Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	VC,	- Prof. Laila U. Abubakar
2.	DVC(A.F.P.)	- Prof. Joseph O.Rasowo
3.	Ag.DVC(A.R.E)	- Prof. Raphael N Mutuku
4.	Ag.Head of Finance	- CPA. Jacqueline Omole
5.	Registrar (AA)	-Dr. Paul Njihia Gichuhi
6.	Registrar(AP)	-Dr. Kilungu Matata
7.	Ag.Head of Procurement	-SusanWanjiru Mwangi

(e) **Fiduciary Oversight Arrangements**

- **Finance, Planning and General Purpose Committee Membership**

- I. Deputy Vice Chancellor (AFP)
- II. Registrar (AP)
- III. Finance Officer
- IV. Legal Officer

**Terms of Reference**

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

-**Human Resource Management Committee Membership**

- i. Deputy Vice Chancellor(AFP)
- ii. Registrar (AP)
- iii. Finance Officer
- iv. Legal Officer
- v. Human resource Manager

**Terms of Reference**

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

**Audit Committee**  
**Membership**

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

**Terms of Reference**

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

v.

**KEY ENTITY INFORMATION AND MANAGEMENT (Continued)**

**(f) Entity Headquarters**

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

**(g) Entity Contacts**

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

**(h) Entity Bankers**

(i) National bank of Kenya.  
Nkrumah Branch  
P.O. Box 576-80100  
Mombasa.

(j) Co-operative Bank Limited  
Nkrumah Branch  
P.O.Box 87771-80100  
Mombasa.

(k) Standard Chartered bank Limited.  
Treasury Square Branch  
P.O. Box 90170-80100  
Mombasa.

(l) Kenya Commercial Bank  
Mvita Branch  
P.O.Box 83534-80100  
Mombasa.

(m) Family Bank  
Jomo Kenyatta Branch  
P.O. Box 97268-80100  
Mombasa.

(n) Equity Bank  
Digo Road Branch  
P.O.Bank 90016-80100  
Mombasa.






**(o) Independent Auditors**





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

**(p) Principal Legal Adviser**





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



I. THE COUNCIL MEMBERS

<p>1.</p>  <p>Ms. Beatrice Kosgei – D.O.B:</p>	<p>Beatrice holds a Master of Laws, Bachelor of Laws, Diploma in Law, Higher Diploma in Human Resource Management &amp; Certificate in International Trade &amp; Development. She is currently the Company Secretary of Geothermal Development Company Limited. She previously worked for Kenya Trade Network Agency, Agricultural Development Corporation, Liberty Assurance Company, Kosgei And Company Advocates, Jim Choge And Company Advocates, Kenya Industrial Estates, and the Attorney General’s Chambers. She has a wide experience in litigation, conveyance, commercial and corporate law, company secretarial practice and Management. She is a Certified Public Secretary and an advocate of the High Court of Kenya. She Chairs Human Resources Management.</p>
<p>2.</p>  <p>Mrs. Alice Mwololo                  Representative National Treasury.                  D.O.B: 6/1/1966</p>	<p>Mrs Mwololo holds an M.A. and B.A. in Economics, and also a PGD in Development Planning from the University of Nairobi. She is currently a Chief Economist in the Budget, Fiscal and Economic Affairs Directorate at the National Treasury. She is specialized in trade and regional integration policy and has wide experience in negotiations and implementation of the East African Community Customs Union and the Common Market Protocol. She previously worked in the Ministry of Planning and National Development as an Economist in rural development. In addition, she represents the National Treasury in the National Committee on World Trade Organization negotiations and the EAC-European Union Economic Partnership negotiations</p>
<p>3.</p>  <p>Mrs. Rebecca K. Butalanyi                  Representative Ministry of Education Science and Technology.                  D.O.B:</p>	<p>Ms. Butalanyi has a Master of philosophy in Educational administration and management. Currently she is the Deputy Director of University Education with 20yrs experience in the Education sector.</p>

<p>4.</p>  <p>Ms. Jane Mbagi Mutua          Council Member          D.O.B:19/02/1972</p>	<p>Ms Mutua, has a Master's in Education, Bachelor of Education. She is a researcher and development practioner. Currently she is a Technical Education Specialist with Save the children Kenya programme. She Chairs Sealing and Statutes committee.</p>
<p>5.</p>  <p>Mr. Hamid Abiyo Morowa          Council Member          D.O.B:17/04/1948</p>	<p>Mr. Hamid, has a Masters in Agricultural economics, a Bachelor of science in Agriculture, a diploma in Range management. He has a wide range of skills gained in a span of 30yrs working both in Government and Non-Governmental organisations in project management, Resource utilisation and planning and budgeting. He Chairs Audit committee.</p>
<p>6.</p>  <p>Arch. Alfred O. Mango          Council member          D.O.B: 07/11/1967</p>	<p>Arch. Mango, has a MSc. in Architecture, a Higher diploma in Mechanical Engineering and a Diploma in Mechanical Engineering. He is a member of the Board of registration of Architecture and quantity surveyors (BORAQS). He is a council member of Architecture chapter. He is the Chief Executive Officer of Arch point consulting Architects. He Chairs the Finance and general purposes committee.</p>
<p>7.</p>  <p>Prof. Laila Uweso Abubakar          Vice-Chancellor/ Council Secretary          D.O.B: 13/12/1961</p>	<p>Prof Laila Uweso Abubakar has a PhD in Bio Chemistry, Masters of science in Biochemistry &amp; Chemistry and a Bachelor of Science (Biochemistry &amp; Chemistry).          Secretary to the Council.</p>

MANAGEMENT TEAM

<p>1.</p>  <p>Prof. Laila Uweso Abubakar          Vice-Chancellor/ Council Secretary.          D.O.B: 13/12/1961</p>	<p>Prof Laila Uweso Abubakar has a PhD in Bio Chemistry, Masters of science in Biochemistry &amp; Chemistry and a Bachelor of Science (Biochemistry &amp; Chemistry). She Chairs the Management Committee.</p>
<p>2.</p>  <p>Prof. Raphael N. Mutuku          Ag Deputy Vice Chancellor(Academic, Research &amp; Extension)</p>	<p>Prof. Raphael N. Mutuku has PhD in Forest and Wood sciences, MSc in Civil Engineering, BSc (Hons.) in Civil Engineering Corporate member (Institution of Engineers of Kenya); Registered Professional Engineer (Engineers Board of Kenya); Fellow of the Institution of Construction Project Managers of Kenya; Member of the Kenya National Academy of Sciences; Member of the Environmentalist Institute of Kenya.</p>
<p>3.</p>  <p>Prof. Joseph Ouma Rasowo          Deputy-Vice Chancellor (Administration, Finance &amp; Planning)</p>	<p>Prof. Joseph Ouma Rasowo has PhD in Aquatic Ecology/ Aquaculture, MSc in Marine Ecology &amp; Aquaculture, MBA in Strategic Management, BSc in Botany/ Zoology.</p>
<p>4.</p>  <p>Dr. Gichuhi Paul Njihia          Registrar Academic Affairs</p>	<p>Dr.Gichuhi Paul Njihia, has PhD in Pharmaceutical Synthetic Chemistry, MSc in Analytical Chemistry, BSc.in Chemistry.</p>

<p>5.</p>  <p>Dr. Matata Kilungu Registrar Administration and Planning</p>	<p>Dr. Matata Kilungu, has PhD in Human Resource Management, MBA in Human Resources Management, Post Graduate Diploma in Education, Bachelor of Commerce.</p>
<p>6</p>  <p>Mrs Jacqueline Omole Ag Finance Officer.</p>	<p>Mrs. Jacqueline Omole has Bachelor of Commerce (Finance option) and CPA (K).</p>

**CHAIRMAN'S STATEMENT**

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

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

While the mandate of the university provides for continuous growth to enhance higher education across the country, there have been challenges related to the infrastructural developments as the government has not been providing the requisite capital expenditure. More so as the University broke ground for the construction of the School of Medicine. The Program will make TUM the first University along the Kenyan Coast to offer degree courses in medicine.

The 2017/2018 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 and the upcoming School of Medicine.

## **REPORT OF THE VICE CHANCELLOR**

The Technical University of Mombasa (TUM), as part of its expansion strategy, has developed market driven programmes in the fields of Business, Engineering, Science and Technology that will offer skilled manpower in areas under “The Big Four” Plan, in line with the Government Economic Transformation Agenda. Currently, the University is offering over a hundred and forty academic programs in diverse fields and continues to develop new programmes at both undergraduate and postgraduate level. This is in addition to restructuring some of its faculties so as to bring services closer to the customers and other stakeholders. TUM is committed to the advancement of knowledge through responsible research and scholarship addressing important scientific, social and cultural emerging issues of the new century. Our emphasis on research, innovation, linkages and collaboration with various stakeholders in the industry improves our visibility internationally.

To balance the development of new programmes and demand for University education, the University management, in consultation with the council, has continued to develop its human resource especially the teaching staff. Subsequently, during the year, the University spent almost Kshs. 5 Million for staff development especially in the academic field. Through this effort, the University has been able to support its staff to undertake further training. The results have been positive as most of the staff have completed their studies and are playing a key role in teaching and programmes development.

The University reported a decline in revenue from the internally generated funds during the 2017/2018 financial year. This has been attributed mainly to the countrywide staff unrest, thus affecting our academic calendar and student enrolment. Nonetheless, the University has put measures to turn this around which includes carrying out aggressive marketing for our programmes and improving service delivery to attract more students. In addition, TUM has initiated Competency-Based Education and training (CBET) programmes in the fields of instrumentation and control, welding, heavy machinery operations, mechanical technology and maintenance under the Skills for Oil and Gas (SOGA) initiative.

The University has developed and implemented work place policies to nurture holistic students and staff. Towards this end, TUM has complied towards gender and equality mainstreaming, alcohol and drug abuse prevention and intervention, HIV-Aids awareness, anti-corruption and

environmental sustainability policies. We assure our partners in the industry that the university has now matured and is ready to be in the driver's seat in the transformation of higher education.

#### **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 2017/2018 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 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

In the financial year ended 30th June, 2018, Technical university of Mombasa received from the Government of Kenya a total of Kshs. 901,836,268 for recurrent expenditure and was able to generate Appropriation In Aid of Kshs. 609,562,240. This supported employees , the student population and the academic programmes focusing on Business Administration, Management sciences, Hospitality and Tourism, Liberal studies, Applied and Health Sciences and Engineering.

In the year under review the major obligation of the university was to settle supplier's bills and part time lecturers brought forward from last semester, maintenance of physical facilities and acquisition of teaching materials.

In the same period the University received Kshs 109,170,568 to cater for the Capital expenditure. These funds were to fund the construction of School of medicine, Kwale campus hostels and Customer care.

Technical University of Mombasa strives to comply with all statutory requirements. All payments for taxes deducted from staff salaries and suppliers, pension, NHIF contributions and NSSF are always remitted on time to the relevant authorities. At the end of this financial period some payments were still outstanding but they were settled in the succeeding month and within the stipulated time frame.

In this financial year the University embarked on the construction of the following projects; School of medicine, Kwale campus hostels and Customer care. These projects are viable as they will avail the necessary infrastructure to the enable our students get the necessary training that will make them be better citizens upon graduation.

Further the University was overseeing the construction of three Technical training institutions namely; Kinango, Lunga-lunga and Fayya. Two of the three that is Kinango and Lunga-lunga have been completed and handed over to their mentoring institutions. These projects are in line with Government priorities of increasing opportunities of access to higher education, developing high level human resources capacities in line with MTEF (Medium Term Expenditure Framework).

Technical university of Mombasa like any other institution is exposed to a variety of risks associated with day to day operations. These include credit, liquidity risks and changes in market prices.

Credit risk is related to outstanding fees balances from the students who might default on their contractual obligations to pay in time, which may result in financial loss to the University. In this year the outstanding amount from students was Kshs. 131,794,350. The management is targeting to ensure that all students have nil balance by putting in place controls such no student is allowed to sit for examinations without honouring their contractual obligations. Credit risk also arises from cash and cash equivalents and deposits. Currently the University does not have significant concentration of credit risks as it deals with only well established and reputable financial institutions.

Liquidity risk, management manages this by maintaining banking facilities and through continuous monitoring of budget and actual cash flow.

As at 30th June 2018 Technical University of Mombasa had pending bills of Kshs. 201, 276,394 arising from unpaid supplier's invoices, unpaid part time teaching claims and other service provider's dues. Though the financial resources are limited as compared with the University's daily needs, the university is committed to reducing the pending bills over time.

The university is also currently servicing a bank loan with Barclays bank of Kenya. The outstanding balance as at the end of the financial year was Kshs. 47,725,000.

The University has a pending case in court whose determination will see the University pay unspecified amount of money.

Following the implementation of the 2013/2017 Collective Bargaining Agreement (CBA) the University has been able to implement the new salary rates.

Technical University of Mombasa has no major financial improbity as per internal Audit/ TUM council Audit committee, external Auditors or any other National Government agencies providing oversight. Additionally, there are no other governance issues among the Council members and top management including conflict of interest.

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

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

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

As provided within its mandate, the university is actively involved in research, innovation and technology transfer. The research outputs are shared to the community through shows and exhibitions and community exchange programmes. During the period, the University spent kshs 1.5Million on exhibitions that are meant to share new technologies to the industry and the communities in general.

The University shall continue to collaborate with all 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 crucial role towards attainment of vision 2030 as spelt out in the Government priority areas under the social and economic pillars.

## REPORT OF THE COUNCIL

The Council submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the *Technical University of Mombasa* affairs.

### Principal activities

The principal activities of the entity are teaching and research

### Results

The results of the entity for the year ended June 30, 2018 are set out on page 1 to 5

### Council

The members of the Council who served during the year are shown on page viii to ix. During the year 2018 council Chairman was appointed to serve in the capacity of permanent secretary by the President and his replacement has not been appointed yet.

### Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year. Tum did not make any surplus during the year (FY 2018) and hence no remittance to the Consolidated Fund.

### Auditors

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

By Order of the Council

## STATEMENT OF COUNCIL RESPONSIBILITIES

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

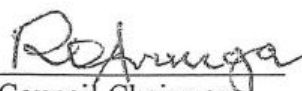
The Council are responsible for the preparation and presentation of the Technical University of Mombasa financial statements, which give a true and fair view of the state of affairs of the Technical University of Mombasa for and as at the end of the financial year (period) ended on June 30, 2018. This 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.

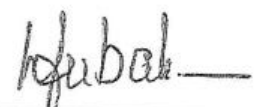
The Council accept responsibility for the Technical University of Mombasa financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Council are of the opinion that the Technical University of Mombasa financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2018, and of the *entity's* financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity'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 *entity* 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 Technical University of Mombasa financial statements were approved by the Council on \_\_\_\_\_ 2018 and signed on its behalf by:

  
Council Chairman  
Name: Dr. Robert Arunga

  
Vice Chancellor/Council Secretary  
Name: Prof. Laila Uweso Abubakar

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON TECHNICAL UNIVERSITY OF MOMBASA FOR THE YEAR ENDED 30 JUNE 2018

#### REPORT ON THE FINANCIAL STATEMENTS

##### Adverse Opinion

I have audited the accompanying financial statements of Technical University of Mombasa set out on pages 1 to 45, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Technical University of Mombasa as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual basis) and do not comply with Public Universities Act, 2012.

##### Basis for Adverse Opinion

###### 1.0 Gratuity Central Vote

Note 10 to the financial statements for the year ended 30 June 2018 reflects gratuities central vote amounting to Kshs.24,991,726 out of which gratuity amounting to Kshs.6,397,482 was not supported with contract documents.

In the circumstances, accuracy and completeness of gratuity amounting to Kshs.24,991,726 paid for the year ended 30 June 2018 could not be confirmed.

###### 2.0 Property, Plant and Equipment

###### 2.1 Land in Dispute

As previously reported, the property, plant and equipment balance of Kshs.2,807,007,446 as at 30 June 2018 (2016/2017 Kshs.2,675,649,284) includes a parcel of land LR No. Mombasa/Block/X1/386 valued at Kshs.200 million of which ownership is in dispute and the matter is on-going before a Court of Law. A review of the matter in the current year indicates that the status has not changed. Although the

old  
issue

*Report of the Auditor-General on the Financial Statements of Technical University of Mombasa for the year ended 30 June 2018*

However, the audit verification done on 20 November 2018 revealed that the work had not been completed, although according to the agreement dated 12 February 2014, the work was supposed to have been completed within 1 ½ months from the date of signing the agreement.

In the circumstances, the propriety, completeness and value for money for library detective system of Kshs.1,802,697 for the year ended 30 June 2018 could not be confirmed.

## **2.6 Perimeter Fence**

As previously reported, included in property, plant and equipment balance of Kshs.2,807,007,446 as at 30 June 2018 is a balance of Kshs.42,717,651 in respect of Work in progress for the year ended 30 June 2017. The work in progress balance of Kshs.42,717,651 include expenditure amounting to Kshs.6,930,750 as at 30 June 2017 for the construction of a perimeter fence on Gotani land in Kaloleni. However, records available indicate that the project was abandoned due to inability of the university to process ownership document for the land donated by Kaloleni CDF. Management confirmed that the status of the project remained the same at the time of audit on 20 November 2018. It was not clear why the university commenced fencing of land to which it had not title to. In addition, the probable costs resulting from legal suits for termination of the contract have not been quantified and determined in these financial statements. The public did not realize value for money from the abandoned project. No additional information was availed during the current audit.

In the circumstances, the ownership, accuracy, propriety and completeness of property, plant and equipment figure of Kshs.2,807,007,446 as at 30 June 2018 could not be confirmed.

## **2.7 Fully Depreciated Assets**

As previously reported in the previous years, property, plant and equipment with total cost of Kshs.58,755,216 as at 30 June 2018 were fully depreciated. This balance remained after the management revalued the motor vehicles with a total cost of kshs.58,347,038 during the year 2017/2018. Therefore, the economic value of these assets has not been accounted for in these financial statements as they are carried at nil value contrary to International Public Sector Accounting Standards No. 17 which states that the revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date.

Consequently, the accuracy, propriety and completeness of property, plant and equipment figure of Kshs.2,807,007,446 as at 30 June 2018 could not be ascertained.

## **3.0 Long-term Investments**

As reported in the previous year, the statement of financial position reflects long term investments balance of Kshs12,324,338 as at 30 June 2018 (2016/2017- Kshs.12,324,338) which includes an amount of Kshs.5,571,938 in respect of investment in TUM Enterprises Limited. The Memorandum and Articles of Association

## **6.0 Other Creditors**

### **6.1 Unpaid Pension**

As reported previously, the other creditors balance of Kshs.208,649,736 as at 30 June 2018 (2016/2017 Kshs.134,214,905) 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.

### **6.2 Long Outstanding Payables**

As reported previously, included in the balance of other creditors of Kshs.208,649,736 as at 30 June 2018 are long outstanding payables amounting to Kshs.1,392,678 which include VAT retained, other depositors, Foreign Examinations CILT and salary advance refund. The management indicated that all the outstanding debts have been settled, however, no evidence was availed for audit verification.

In the circumstances, the outstanding payables balance of Kshs.1,392,678 for the year ended 30 June 2018 could not be confirmed.

### **6.3 Statutory Deductions**

As reported previously, included in other creditors balance of Kshs.208,649,736 as at 30 June 2018 is unremitted taxes amounting to Kshs.88,385,226 comprising of PAYE of Kshs.84,490,076, VAT of Kshs.2,913,792, and withholding tax amounting to Kshs.867,312 that were due and payable. The management indicated that the unremitted taxes amounting to Kshs.88,385,226 has been settled. However, no evidence was availed for audit verification.

In the circumstances, the accuracy and completeness of other creditors' balance of Kshs.208,649,736 as at 30 June 2018 could not be ascertained.

## **7.0 Cash and Cash Equivalent**

### **7.1 Bank Balance Variances**

Note 27 to the financial statements for the year ended 30 June 2018 reflects cash and bank balance of Kshs.181,795,716. However, audit revealed differences between the bank account balances as per bank statements and certificate of balances used in bank reconciliation for the two bank accounts resulting to unreconciled variance of Kshs.483,665 as summarized below:



<b>Item</b>	<b>Statement of Financial Position Kshs.</b>	<b>Changes in Net Assets Kshs.</b>	<b>Variance Kshs.</b>
Capital Fund	3,095,605,808	3,103,126,416	7,520,608
Other Funds & Reserves	(294,826,524)	(375,460,854)	(80,634,330)
<b>Net Assets</b>	<b>2,800,779,284</b>	<b>2,727,665,562</b>	<b>(73,113,722)</b>

In the circumstances, the accuracy and completeness of the capital fund and other funds reserve balances of Kshs.3,095,605,808 and Kshs.294,826,524 respectively as at 30 June 2018 could not be confirmed.

#### **10.0 Government Grant**

The statement of financial performance for the year ended 30 June 2018 reflects government grants of Kshs.1,106,896,462. However, records available from the for State Department for University Education and Research for the year ended 30 June 2018 reflects an amount of Kshs.826,134,972 as transferred to Technical University of Mombasa during the year under review resulting to unreconciled variance of Kshs.280,761,490.

Consequently, the accuracy and completeness of government grants of Kshs.1,106,896,462 for the year ended 30 June 2018 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Technical University of Mombasa in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

#### **Other Matter**

##### **1.0 Budgetary Control and Performance**

The university had a final budget of Kshs.1,809,740,992 while the total expenditure amounted to Kshs.1,811,483,800 resulting to overall over expenditure of Kshs.1,742,808 of the budget as summarized below:

addition of Kshs.102,422,550 in the year 2016/2017 (2015/2016-Kshs 92,922,550 and 2014/2015-Kshs 9,500,000). However, during the audit no evidence of the land having been competitively sourced as required by the Public Procurement and Disposal Act, 2005 as tender opening minutes, tender evaluation and acceptance and inspection reports were not availed for audit review. It was also not clear how the land was identified. A review of the matter in the current year indicates that the prequalified list of suppliers and procurement plan were not available.

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

## **2.0 Legal Fees**

As previously reported, included in the additions of freehold land of Kshs.102,422,550 as at 30 June 2017 is legal fees amounting to Kshs.10,136,950 paid to a law firm. However, there was no evidence of competitive selection of the law firm as required by the Public Procurement and Disposal Act, 2005 and neither was approval by the Attorney General for use of private law firm availed for audit. It was observed that the law firm was added to the list of pre-qualified service providers in October, 2015 although the sale agreement was signed in January, 2015, that is nine (9) months after the sale agreement had been signed. It was not clear the role of the law firm in the land transaction that had already been concluded.

## **3.0 Furniture**

As previously reported, included in property, plant and equipment balance of Kshs.2,807,007,446 as at 30 June 2018 (2016/2017 Kshs.2,675,649,284) are additions totaling Kshs.107,850,973 made in the financial year 2013/2014. However, the purchase of furniture and equipment at the cost of Kshs.20, 905,377 and Kshs.10, 729,921 respectively did not have any evidence of having been competitively sourced as required by the Public Procurement and Disposal Act, 2005 as no tender opening minutes, tender evaluation, and acceptance and inspection reports were availed for audit review. No additional details were availed in the current audit.

## **4.0 Television Sets**

As previously reported, included in property, plant and equipment balance of Kshs.2,807,007,446 as at 30 June 2018 (2016/2017- Kshs.2,675,649,284) were additions during year 2014/2015 amounting to Kshs.346,826,307 net of work-in-progress. The additions included procurement of five smart television sets at a total cost of Kshs.4, 553,448. The audit revealed procurement was done through requests for quotation contrary to the Public Procurement and Disposal Act, 2005. In addition, the supplier delivered 65 inch-size instead of the 70 inch – size TV sets as per the supply order. A review of the matter in the current year indicates that the matter is pending in court.

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

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

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

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

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

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

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

		2018	2017
	NOTES	Kshs.	Kshs.
<b>REVENUE</b>			
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS:</b>			
GOK GRANTS	7	1,106,896,462	749,122,549
OTHER INCOME	8	282,449,759	233,613,162
<b>TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>1,389,346,221</b>	<b>982,735,711</b>
<b>REVENUE FROM EXCHANGE TRANSACTIONS:</b>			
TUITION FEES	9	327,112,481	535,747,258
<b>TOTAL INCOME</b>		<b>1,716,458,702</b>	<b>1,518,482,969</b>
<b>EXPENSES</b>			
PERSONAL EMOLUMENTS	10	1,336,215,850	1,004,356,739
COUNCIL EXPENSES	11	13,119,580	13,541,977
OPERATING /ADMINISTRATION EXPENSES	12	179,709,205	186,646,559
TEACHING EXPENSES	13	183,717,363	239,800,000
STUDENTS WELFARE	14	9,838,770	13,690,778
REPAIRS & MAINTENANCE	15	14,204,039	18,201,319
DEPRECIATION	28	100,530,723	93,045,742
AMORTIZATION	16	1,162,638	1,061,736
AUDIT FEES	14	1,160,000	1,160,000
PROVISION FOR BAD DEBTS	17	7,596,843	7,453,102
		<b>1,847,255,011</b>	<b>1,578,957,952</b>
<b>DEFICIT FOR THE YEAR</b>		<b>(130,796,309)</b>	<b>(60,474,983)</b>
TAX		0	0
<b>DEFICIT FOR THE YEAR</b>		<b>(130,796,309)</b>	<b>(60,474,983)</b>

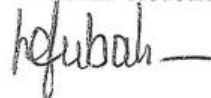
The notes set out on pages 6 to 40 form an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2018

		A	B
		2018	2017
	NOTES	Kshs.	Kshs.
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
INVENTORIES	18	27,790,893	14,005,158
RECEIVABLES FROM EXCHANGE TRANSACTIONS	17	122,943,393	72,762,827
RECEIVABLES FROM NON EXCHANGE TRANSACTIONS	19	5,252,480	4,545,344
CASH & BANK BALANCES	20	181,795,716	257,639,643
<b>TOTAL CURRENT ASSETS</b>		<b>337,782,482</b>	<b>348,952,972</b>
<b>NON - CURRENT ASSETS</b>			
PROPERTY ,PLANT & EQUIPMENT	28	2,807,007,446	2,675,649,284
INTANGIBLE ASSETS	16	310,263	1,472,901
LONG-TERM INVESTMENTS	21	12,324,338	12,324,338
<b>TOTAL NON CURRENT ASSETS</b>		<b>2,819,642,047</b>	<b>2,689,446,523</b>
<b>TOTAL ASSETS</b>		<b>3,157,424,529</b>	<b>3,038,399,495</b>
<b>CURRENT LIABILITIES</b>			
TRADE AND OTHER PAYABLES	22	84,647,000	27,062,264
OTHER CREDITORS	23	208,649,736	134,214,905
<b>TOTAL CURRENT LIABILITIES</b>		<b>293,296,736</b>	<b>161,277,169</b>
<b>NON-CURRENT LIABILITIES</b>			
LONG-TERM LIABILITIES	24	63,348,509	88,283,897
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>63,348,509</b>	<b>88,283,897</b>
<b>TOTAL LIABILITIES</b>		<b>356,645,245</b>	<b>249,561,066</b>
<b>NET ASSETS</b>			
CAPITAL FUND	25	3,095,605,808	2,970,382,834
OTHER FUNDS & RESERVES	26	(294,826,524)	(181,544,405)
<b>TOTAL NET ASSETS</b>		<b>2,800,779,284</b>	<b>2,788,838,429</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>3,157,424,529</b>	<b>3,038,399,495</b>


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

Vice Chancellor  
 Name: Prof. Laila Abubakar.

Sign. 

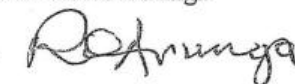
Date: 20/12/2018

Head of Finance  
 Name: CPA Jacqueline Omole  
 ICPAK Member Number: 7729.

Sign. 

Date: 20/12/2018

Chairman of the Council  
 Name: Dr. Robert Arunga

Sign. 

Date: 20/12/2018

**STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED 30 JUNE 2018**

	General Fund	Revaluation Reserve	Retained Earnings	Development Grants	Other Funds & Reserves	Total
<b>Balance At At July 1, 2016</b>	2,099,590,762	0	(197,982,666)	859,569,400	0	2,761,177,496
Revenue Reserve			76,913,244			76,913,244
Surplus (deficit) for the Year			(60,474,983)			(60,474,983)
Development Grant				18,743,280		18,743,280
Assets Adjustment Reserves					(7,520,608)	(7,520,608)
<b>Balance At At June 30, 2017</b>	<b>2,099,590,762</b>	<b>0</b>	<b>(181,544,405)</b>	<b>878,312,680</b>	<b>(7,520,608)</b>	<b>2,788,838,429</b>
<b>Balance At At July 1, 2017</b>	<b>2,099,590,762</b>	<b>0</b>	<b>(181,544,405)</b>	<b>878,312,680</b>	<b>(7,520,608)</b>	<b>2,788,838,429</b>
Revaluation Reserves		16,052,406				16,052,406
Revenue Reserve			17,514,190			17,514,190
Surplus (deficit) for the Year			(130,192,201)			(130,192,201)
Development Grant				109,170,568		109,170,568
<b>Balance As At June 30, 2018</b>	<b>2,099,590,762</b>	<b>16,052,406</b>	<b>(294,222,416)</b>	<b>987,483,248</b>	<b>(7,520,608)</b>	<b>2,801,383,392</b>

Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances need to be done.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

		2018	2017
	NOTES	Kshs.	Kshs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>			
GOVERNMENT GRANTS AND SUBSIDIES	7	1,106,896,462	749,122,549
OTHER INCOMES	8	282,449,759	233,613,162
TUITION FEES	5	327,112,481	535,747,258
		<b>1,716,458,702</b>	<b>1,518,482,969</b>
<b>PAYMENTS</b>			
PERSONAL EMOLUMENTS	10	1,336,215,850	1,004,356,739
COUNCIL EXPENSES	11	13,119,580	13,541,977
OPERATING /ADMINISTRATION EXPENSES	12	179,709,205	186,646,559
TEACHING EXPENSES	13	183,717,363	239,800,000
STUDENTS WELFARE	14	9,838,770	13,690,778
REPAIRS & MAINTENANCE	15	14,204,039	18,201,319
INCREASE/DECREASE INVENTORIES	18	13,785,735	(15,390,814)
AUDIT FEES		1,160,000	1,160,000
TRADE RECEIVABLES	17&19	58,484,545	1,019,554
TRADE PAYABLES	22&23	(132,019,567)	71,298,148
		<b>1,678,215,520</b>	<b>1,534,324,260</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>38,243,182</b>	<b>(15,841,291)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
PROPERTY ,PLANT & EQUIPMENT	28	(215,836,479)	(57,858,401)
INTANGIBLE ASSETS	16	0	(781,429)
INCREASE/DECREASE IN INVESTMENTS	21	0	22,279,605
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(215,836,479)</b>	<b>(36,360,225)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
LONG-TERM LIABILITIES	24	(24,935,388)	(20,140,952)
CAPITAL FUND	25	109,170,568	18,743,280
OTHER FUNDS & RESERVES	26	17,514,190	76,913,244
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>101,749,370</b>	<b>75,515,572</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(75,843,927)</b>	<b>23,314,056</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>257,639,643</b>	<b>234,325,587</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>181,795,716</b>	<b>257,639,643</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs
<b>Revenue</b>										
Government grants and subsidies	793,634,976		-		793,634,976		1,106,896,462		313,261,486	
Internally generated	1,110,933,072		-		1,110,933,072		609,528,510		(501,404,562)	
<b>Total income</b>	<b>1,904,568,048</b>		-		<b>1,904,568,048</b>		<b>1,716,424,972</b>		<b>(188,143,076)</b>	
<b>Expenses</b>										
Personal emoluments	1,116,820,000		-		1,116,820,000		1,410,840,100		(294,020,100)	
Council expenses	20,000,000		-		20,000,000		13,119,580		6,880,420	
Operating/administration expenses	286,551,016		-		286,551,016		180,502,676		106,048,340	
Teaching expenses	335,699,984		-		335,699,984		183,313,535		152,386,449	
Students welfare	17,009,992		-		17,009,992		9,830,270		7,179,722	
Repairs & maintenance	32,500,000		-		32,500,000		12,717,639		19,782,361	
Audit fees	1,160,000		-		1,160,000		1,160,000		-	
<b>Total expenditure</b>	<b>1,809,740,992</b>		-		<b>1,809,740,992</b>		<b>1,811,483,800</b>		<b>(1,742,808)</b>	
<b>Surplus/(deficit) for the period</b>	<b>94,827,056</b>		-		<b>94,827,056</b>		<b>(95,058,828)</b>		<b>(189,885,884)</b>	

**Budget notes**

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx

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

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

### 3. ADOPTION OF NEW AND REVISED STANDARDS

#### i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

**Fees, taxes and fines**

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii) Revenue from exchange transactions

*Rendering of services*

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

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

*Sale of goods*

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

**Interest income**

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

**Dividends**

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

**Rental income**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**b) Budget information**

The original budget for FY 2017-2018 was approved by the National Assembly on June. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations July on the 2017-2018 budget following the governing body's approval.

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

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

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

**c) Taxes**

***Current income tax***

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxes (Continued)

*Deferred tax*

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

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

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**c) Taxes (Continued)**

*Sales tax*

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

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

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

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

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

**e) Property, plant and equipment**

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

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

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

**f) Leases**

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

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

**g) Intangible assets**

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

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

**h) Research and development costs**

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

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



4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Research and development costs (Continued)

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

i) Financial instruments

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

*Held-to-maturity*

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

*Impairment of financial assets*

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

#### h) Research and development costs (Continued)

##### i) Financial instruments (Continued)

###### *Financial assets (Continued)*

###### *Impairment of financial assets (Continued)*

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

###### *Financial liabilities*

###### *Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

###### *Loans and borrowing*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

##### i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**i) Inventories (Continued)**

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**j) Provisions**

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

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

***Contingent assets***

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**k) Nature and purpose of reserves**

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

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

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

**m) Employee benefits**

**Retirement benefit plans**

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

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

**n) Foreign currency transactions**

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

**o) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**p) Related parties**

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. Members of key management are regarded as related parties and comprise the directors, the VC and senior managers.

**q) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**s) Budget information**

The original budget for FY 2017-2018 was approved by the National Assembly on June. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations July on the 2017-2018 budget following the governing body's approval.

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**s) Budget information (Continued)**

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

**t) Comparative figures**

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

**u) 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, 2018.

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

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

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

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY  
(Continued)**

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 17.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**6 TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

Name of the Entity sending the grant	Amount recognized in Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund KShs	Total grant income during the year KShs	2016-2017 KShs
Ministry of Education	901,836,215		32,500,000	934,336,215	749,122,549
<b>Total</b>	<b>901,836,215</b>		<b>32,500,000</b>	<b>934,336,215</b>	<b>749,122,549</b>

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

**7.GOK GRANTS**

		2018 Kshs.	2017 Kshs.
	NOTES		
<b>REVENUE</b>			
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS:</b>			
GOK GRANTS	7	1,106,896,462	749,122,549

**8. OTHER INCOME**

	2018 Kshs.	2017 Kshs.
<b>OTHER INCOME</b>		
Registration Fee	12,923,010	11,708,968
Internal Examinations	71,354,280	47,424,648
Sports Levy	17,279,225	13,868,910
Library Levy	17,351,730	14,560,950
Library Fines Central Vote	16,910	56,030

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Academic Trips Central Vote	46,500	277,113
Medical Levy	25,980,325	22,346,015
Industrial Attachment Levy	12,681,559	12,340,366
ICT Levy	42,804,715	23,663,972
Academic Transcripts Central Vote	71,000	28,600
Students hostel fee	13,111,530	10,157,283
Student Holiday Accommodation Accomodation	0	257,200
Maintenance Levy Central Vote	0	7,750
Application Fee	1,165,325	1,710,150
Project Fee Central Vote	165,000	311,875
Student Readmission Fee Central Vote	7,950	1,759,553
Lost Items Central Vote	38,200	38,940
Graduation Fee	8,413,000	7,993,398
Penalties Central Vote	144,745	162,600
Materials Testing Central Vote	21,600	34,200
Catering Income Catering	5,354,104	8,554,994
Kiziwi Income Kiziwi Guest House	15,783,797	21,539,881
Training Restaurant Income Training Restaurant	154,712	2,996,170
External Research Income Research	22,118,647	19,214,499
Consultancy Fee Central Vote	0	115,200
Administrative Research Income Central Vote	0	2,200
Student ID Central Vote	4,207,000	0
Thesis Examination Central Vote	15,000	0
Practicals/Laboratory workshops Central Vote	3,000	0
Hire of Facilities Central Vote	1,541,259	1,440,615
Hire of Transport Transport	19,850	120,010
Photocopy & bindery Income Library	265,823	397,336
Remarking	3,000	0
Rent Income Central Vote	3,255,899	4,800,003
Staff training levy Central Vote	3,578,588	3,648,169
Interest on Investment Central Vote	104,268	1,477,850
Profit on Disposal of Assets Central Vote	434,300	0
Tendering Fees Central Vote	0	6,000
Insurance Claims Central Vote	500	0
Administrative Fees Central Vote	811,681	591,714
Internet Services Central Vote	506,000	0
Miscellaneous Income	715,727	0
<b>TOTAL</b>	<b>282,449,759</b>	<b>233,613,162</b>



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**9. TUITION FEES**

	<b>2018</b>	<b>2017</b>
<b>TUITION FEES</b>	<b>Kshs.</b>	<b>Kshs.</b>
Tuition Fee Regular Central Vote	84,362,656	100,592,287
Tuition Fee Module II Central Vote	237,702,628	428,076,848
Tuition Fee LAMU	5,047,197	7,078,123
<b>TOTAL</b>	<b>327,112,481</b>	<b>535,747,258</b>

**10. PERSONAL EMOLUMENTS**

	<b>2017-2018</b>	<b>2016-2017</b>
<b>PERSONAL EMOLUMENTS</b>	<b>Kshs.</b>	<b>Kshs.</b>
Basic Salaries Central Vote	697,247,855	433,308,997
House Allowance Central Vote	281,529,767	246,145,472
Medical Insurance Central Vote	71,591,754	87,098,916
Pension Employers Expense Central Vote	82,310,210	61,732,778
NSSF Employer's Expense Central Vote	1,770,700	2,045,410
Group Life Central Vote	3,201,242	0
Responsibility Allowance Central Vote	15,999,940	14,971,000
Non Practising Allowance Central Vote	2,652,000	2,652,000
Professorial Allowance Central Vote	1,585,000	480,000
Telephone Allowance Central Vote	6,388,865	7,939,960
Acting Allowance Central Vote	1,541,324	1,079,058
Special Duty Allowance Central Vote	588,108	603,607
Management Allowance Central Vote	23,987,998	22,661,334
Book and Research Allowance Central Vote	3,570,000	2,936,000
Gratuities Central Vote	24,991,726	7,452,773
Leave Allowance Central Vote	13,198,469	9,531,141
Commuting Allowance Central Vote	43,277,517	46,540,645
Car Allowance Central Vote	34,152,700	32,410,748
Entertainment Allowance Central Vote	11,583,496	11,332,498
Electricity & Water Allowance	4,475,133	4,098,530
Passage and Baggage Allowance Central Vote	400,948	1,052,946
Domestic Workers Allowance Central Vote	2,220,000	1,270,000
Risk Allowance Central Vote	298,256	304,250
Extraneous Allowance Cenral Vote	6,676,042	5,767,536
Hardship Allowance	976,800	941,140
<b>TOTAL</b>	<b>1,336,215,850</b>	<b>1,004,356,739</b>

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**11. COUNCIL EXPENSES**

	<b>2017-2018</b>	<b>2016-2017</b>
<b>COUNCIL EXPENSES</b>	<b>Kshs.</b>	<b>Kshs.</b>
Sitting Allowance	4,980,000	4,360,000
Accommodation Allowance	4,022,200	3,767,000
Travelling Allowance	2,005,800	2,438,379
Mileage Allowance	615,580	445,598
Chairman's Allowance	896,000	1,331,000
Chancellor's Allowance	600,000	1,200,000
<b>TOTAL</b>	<b>13,119,580</b>	<b>13,541,977</b>

**12. ADMINISTRATIVE/OPERATING EXPENSES**

	<b>2018</b>	<b>2017</b>
<b>ADMINISTRATIVE/OPERATING EXPENSES</b>	<b>Kshs.</b>	<b>Kshs.</b>
Casual wages	7,664,216	381,912
Travel and Subsistence	11,168,945	11,663,308
Fuel and oils	3,319,000	3,773,600
Maintenance of Vehicles Transport	3,228,151	929,708
Office Stationery	5,213,069	8,146,735
Photocopying	266,409	440,137
Computer Stationery	4,793,798	3,558,271
Service Charge Kiziwi Guest House	0	94,470
Advertising and Publicity	6,140,376	3,891,376
Printing and Publishing	0	879,200
Newspapers	1,033,447	858,997
Shows and Exhibitions Research	2,819,959	1,512,259
Electricity	17,564,328	18,990,878
Water and Conservancy	2,654,110	1,591,184
Graduation Expenses Central Vote	7,859,441	6,407,175
Official Entertainment	251,320	1,207,644
Expenses of Boards and Committees	10,840,360	11,666,450
Staff Development and Training Central Vote	2,636,217	5,065,557
Staff Welfare Central Vote	3,099,500	2,906,800
Staff Dependants Bursary Scheme Central Vote	359,312	1,183,452
Cleaning Materials	9,428,633	7,715,028
Fumigation & Waste Collection Services Accomodation	1,259,920	1,635,338
Purchase of Gas and firewood	1,769,645	2,529,881
Purchase of Utensils beddings & fittings	2,751,750	2,108,090
Purchase of foodstuffs	17,744,901	26,009,649
Vehicle Licenses and Inspection Transport	301,590	220,626
Vehicle Insurance Transport	1,227,711	1,509,423

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General Insurance Central Vote	836,012	8,917,726
Bank Charges	557,955	1,685,717
Payment of Rent and Rates	5,115,560	4,239,985
Staff Uniforms	81,640	1,841,828
In house Capacity Building Human Resource	407,074	140,100
Governance	2,394,500	2,509,960
Subscription Fee	1,831,162	1,614,245
Professional Services Central Vote	15,131,038	9,574,686
Hire of Security Services	11,287,720	13,886,320
Hire of Cleaning Services Central Vote	5,280,000	2,797,064
Funeral Expenses Central Vote	118,114	210,000
CSR Donations Central Vote	339,400	64,786
Alumni expenses Central Vote	4,000	0
Postal and Courier Services	686,556	551,716
Telephone Expenses Central Vote	786,233	801,797
Interest Expense Central Vote	9,456,133	10,913,481
Hire of facilities	0	20,000
<b>TOTAL</b>	<b>179,709,205</b>	<b>186,646,559</b>

**13. TEACHING EXPENSES**

	<b>2018</b>	<b>2017</b>
<b>TEACHING EXPENSES</b>	<b>Kshs.</b>	<b>Kshs.</b>
Library Expenses Library	4,983,882	2,509,475
Purchase of Teaching Materials	6,922,155	13,660,302
Curriculum and Development	827,100	5,621,391
Academic Trips	65,000	126,700
Maintenance Computer Hardware and Networks	441,608	210,000
Internet Charges Directorate of ITCS	15,570,266	15,290,876
Maintenance Computer Software Directorate of ITCS	5,475,022	1,769,000
Internal Research Expenses Research	1,309,751	4,957,196
External Research Expenses Research	11,570,366	2,032,125
Part time Teaching	102,196,605	154,728,020
Production Expenses Central Vote	9,082,942	15,914,297
Examination Materials Registrar AA	5,168,813	6,154,649
External Examiners	3,333,335	6,721,168
Consultancy Expenses	4,234,040	5,256,238
ISO Certification	426,800	838,900
Publications and Conferences Research	545,357	145,960
Accreditation Central Vote	8,160,000	0
Industrial Attachment Expenses	3,404,321	3,863,703
<b>TOTAL</b>	<b>183,717,363</b>	<b>239,800,000</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**14. STUDENT WELFARE EXPENSES**

	<b>2018</b>	<b>2017</b>
<b>STUDENTS WELFARE EXPENSES</b>	<b>Kshs.</b>	<b>Kshs.</b>
Guidance and Counselling Dean Of Students	153,881	304,690
Sports Activities Dean Of Students	5,739,212	3,809,670
TUMSU Elections Dean Of Students	0	904,744
Medical Expenses Clinic / Medical	2,653,330	7,380,109
Student Work study Programme	169,067	305,635
Music and Drama Dean of Students	1,123,280	985,930
<b>TOTAL</b>	<b>9,838,770</b>	<b>13,690,778</b>

**15. REPAIRS AND MAINTENANCE**

	<b>2017-2018</b>	<b>2016-2017</b>
<b>REPAIRS AND MAINTENANCE</b>	<b>Kshs.</b>	<b>Kshs.</b>
Repairs and Maintenance	3,086,379	7,661,531
Maintenance of Buildings and Stations	10,986,060	9,817,822
Maintenance of Sewerage	131,600	721,966
<b>TOTAL</b>	<b>14,204,039</b>	<b>18,201,319</b>

**16. INTANGIBLE ASSETS-SOFTWARE**

	<b>2018</b>	<b>2017</b>
<b>INTANGIBLE ASSETS</b>	<b>Kshs.</b>	<b>Kshs.</b>
Opening Balance	16,725,980	15,944,551
Additions	0	781,429
Acc. Amortization Computer Software	(16,415,717)	(15,253,079)
<b>BALANCE C/F</b>	<b>310,263</b>	<b>1,472,901</b>

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**17. RECEIVABLE FROM EXCHANGE TRANSACTION**

	<b>2018</b>	<b>2017</b>
<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>	<b>Kshs.</b>	<b>Kshs.</b>
Prepaid Insurances	20,624,250	36,765,870
Deposit Contingency	725,000	725,000
General Trade receivables	838,477	838,477
Student Debtors	131,794,350	57,423,118
TIVET Bursaries MOHEST	696,531	696,531
Guest Accomodation Debtors	11,060,644	11,378,163
Staff Medical Debtors	120,776	120,776
Staff Salary Advances	142,454	225,138
Rent Arrears	(52,000)	0
LESS PROVISION	(43,007,089)	(35,410,246)
<b>TOTAL</b>	<b>122,943,393</b>	<b>72,762,827</b>

**18. DEPARTMENTAL INVENTORIES**

	<b>2018</b>	<b>2017</b>
<b>DEPARTMENTAL INVENTORIES</b>	<b>Kshs.</b>	<b>Kshs.</b>
Inventories Estates & project planning	3,973,815	1,787,019
Inventories Hospitality & Tourism	277,549	555,398
Inventories Mechanical Engineering	6,952,205	155,974
Inventories Health Unit	1,642,352	1,175,665
Inventories Kiziwi department	452,098	0
Inventories Administration	2,522,982	1,277,252
Inventories Electrical Engineering	2,255	15,265
Inventories Applied & Health Science	3,774,464	2,275,957
Inventories Business & Social studies	19,584	247,889
Inventories Medical Engineering department	473,813	39,390
Inventories ICTS	423,057	43,707
Inventories Library department	249,634	100,013
Inventories Building & civil Engineering	25,580	22,470
Inventories K. le Campus	1,078,300	762,034
Inventories Campus	1,022,000	53,203
Inventories Kisumu	3,067,823	2,440,095
Inventories Mombasa Services	1,291,522	2,362,386
Inventories Logistics	13,943	691,441
Inventories Mombasa Health science department	37,615	0
Inventories Mombasa business	41,868	0
Inventories Mombasa of Humanities	48,521	0

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Inventories Accounting and finance	40,211	0
Inventories Management Science	25,563	0
Inventories Social science Department	37,407	0
Inventories Maths and science department	39,376	0
Inventories Medical Science Department	203,217	0
Inventories Communication Department	54,139	0
<b>TOTAL</b>	<b>27,790,893</b>	<b>14,005,158</b>

**19. RECEIVABLE FROM NON EXCHANGE TRANSACTION**

	2018	2017
	Kshs.	Kshs.
<b>RECEIVABLES FROM NON EXCHANGE TRANSACTIONS</b>		
Staff Imprest	3,526,250	3,144,874
Litigation Debtor Susan Bosire Mwangi	310,305	0
Other Debtors	1,398,625	1,400,470
Disposal of Assets Receivable	17,300	0
<b>TOTAL</b>	<b>5,252,480</b>	<b>4,545,344</b>

**20. CASH AND CASH EQUIVALENT**

	2018	2017
	Kshs.	Kshs.
<b>CASH AND BANK BALANCES</b>		
Cash in Hand NBK Current Account I	380,895	0
<b>CASH BALANCES</b>	<b>380,895</b>	<b>0</b>
Cash at Bank National Bank Current Account -01021007510800	1,159,500	2,471,745
Cash at Bank National Bank Current Account II-01021007510801	34,619,149	4,451,593
Cash at Bank Co operative Bank Fees collection Account -01129079001600	6,563,201	15,650,307
Cash at Bank Standard Chart Bank Fees collection Acc.-010209272800	11,173,077	22,428,493
Cash at Bank KCB Lamu Satellite Campus -1118817192	7,570,071	13,823,711
Cash at Bank Family Bank Research A/C-096000015735	28,825,512	19,513,471
Cash at bank Kiziwi Guest House -1126859206	26,082,247	24,053,353
Cash at bank Equity Fees Collection a/c -0460297818058	6,384,570	10,365,285
Cash at bank Development A/C Standard Chartered -102092728001	9,875,733	8,505,522
Cash at bank Economic Stimulus Programme -01020036152900	4,919,534	67,699,780
Cash at bank NBK fees collection a/c -01038074211700	27,718,538	10,425,069
Cash at bank Cash in hand KCB Fees Collection A/C -1169329578	3,664,156	21,875,857
Cash at bank Barclays Fees Collection A/C -2034098894	12,859,533	36,375,457
<b>BANK BALANCES</b>	<b>181,414,821</b>	<b>257,639,643</b>
<b>CLEARING ACCOUNTS</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>181,795,716</b>	<b>257,639,643</b>

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**21. LONG-TERM INVESTMENTS**

Description	2017-2018	2016-2017
	KShs	KShs
Shares in Consolidated Bank	5,000,000	5,000,000
Seed Money TUM Enterprises	5,571,938	5,571,938
Guarantee National Bank of Kenya	1,752,400	1,752,400
<b>Total</b>	<b>12,324,338</b>	<b>12,324,338</b>

**22. TRADE AND OTHER PAYABLES**

	2017-2018	2016-2017
	Kshs.	Kshs.
<b>TRADE AND OTHER PAYABLES</b>		
General Trade Payables	84,647,000	27,062,264
<b>TOTAL</b>	<b>84,647,000</b>	<b>27,062,264</b>

**23. OTHER CREDITORS**

	2018	2017
	Kshs.	Kshs.
<b>22. OTHER CREDITORS</b>		
PAYE Deductions	(84,490,076)	(39,385,391)
VAT Retained	(114,046)	(14,308)
Income Tax Withholding	(867,312)	(1,035,472)
VAT Clearing	(2,913,792)	(2,917,852)
Student Union Fee	(4,348,858)	(16,019)
Student Benevolent Fund	(413,745)	(286,045)
Accrued Payables	(2,275,110)	(4,224,178)
Rent Deposit	(131,500)	(131,500)
Provision of Contigent Liability	(14,000,000)	0
Unclaimed Wages	0	(203,780)
KUCCPS Levy	(754,975)	(816,475)
CUE Levy	(5,776,375)	(3,579,375)
Alumni Association	(1,639,500)	0
Book Fee	(214,600)	0
Rent Tax Withholding	(88,401)	0
Alliance Francaise Tuition fee	(2,161,470)	0
TVET Institutions	(12,288,074)	(18,769,410)
Jumuiya za county Za Pwani	(1,500,002)	0
HELB	(33,587)	(64,037)
CDF	0	(318,550)
Other Depositors	(681,026)	(681,026)
LAPSSET refunds	(750,000)	(750,000)

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Foreign Examinations CILT	(596,272)	(596,272)
External Examinations – KNEC	(139,700)	0
Pension Deductions/Contributions	(1,389,988)	(3,096,533)
NSSF Payables	(350)	1,350
NHIF Payables	(1,100)	200
Poly Sacco	(77,251)	(1,070,013)
Staff Benevolent Fund	(88,749)	(251,499)
Loan Payables Barclays	0	(1,056,351)
Trade Unions Payables	12,425	37,715
Other Payables	(40,000,000)	(15,754,675)
Retentions Payable	(30,962,705)	(20,039,915)
Welfare Payables Staff contributions	(569,206)	0
TUMEL Payables	(937,944)	(2,371,601)
Insurance Payables British American Insurance	(1)	0
Insurance Payables CFC Life Insurance	(30,200)	(30,200)
Insurance Payables ICEA	(2,000)	(2,000)
Insurance Payables Corporate Insurance Company	(529)	0
Insurance Payables Kenindia	(1,500)	(1,500)
Insurance Payables UAP Insurance Ltd	(5,001)	(5,001)
Insurance Payables CIC GROUP	(4,500)	(4,500)
Mwalimu SACCO	(3,362,909)	(6,853,422)
Kilifi Teachers Sacco	(131,186)	0
Loan Payables KCB	(5,000)	(7,288,354)
Loan Payables NBK	(21,935)	0
Loan Payables Milimani Commercial Court	(65,902)	0
Loan Payables Bank of Africa	(1)	0
Loan Payables Select Management Services Ltd	(48,038)	0
Ukaguzi SACCO	(58,697)	0
Nacico Co op Savings & Credit Society	(25,916)	0
Mombasa Port Savings & Credit Co op Society Ltd	(104,350)	0
Net Pay	(2,378,651)	(1,475,582)
Provision for Audit Fees	(2,320,000)	(1,160,000)
Salary Advance Refund	(1,334)	(1,334)
Post Bank Shares	(2,000)	(2,000)
Helb control a/c	9,205,275	0
CDF control a/c	1,458,954	0
Sponsors control a/c	(551,026)	0
<b>TOTAL</b>	<b>(208,649,736)</b>	<b>(134,214,905)</b>



**24. LONG TERM LIABILITIES**

	<b>2018</b>	<b>2017</b>
<b>LONG TERM LIABILITIES</b>	<b>Kshs.</b>	<b>Kshs.</b>
Students Caution Money	(16,732,678)	(12,976,178)
Long term Service Gratuity	(5,890,831)	(11,957,719)
Bank Loan	(40,725,000)	(63,350,000)
<b>TOTAL</b>	<b>(63,348,509)</b>	<b>(88,283,897)</b>

**25. CAPITAL FUND**

	<b>2017-2018</b>	<b>2016-2017</b>
<b>CAPITAL FUND</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>B/F</b>	<b>2,970,382,834</b>	<b>2,959,160,162</b>
<b>MOVEMENTS</b>		
Development Grant	109,170,568	18,743,280
Revaluation Reserves	16,052,406	0
Assets Adjustment Reserves	0	(7,520,608)
<b>C/F</b>	<b>3,095,605,808</b>	<b>2,970,382,834</b>

**26. OTHER FUNDS & RESERVES**

	<b>2018</b>	<b>2017</b>
<b>OTHER FUNDS &amp; RESERVES</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>B/F</b>	<b>(181,544,405)</b>	<b>(197,982,666)</b>
<b>MOVEMENTS</b>		
Revenue Reserve	17,514,190	76,913,244
<b>SURPLUS (DEFICIT) FOR THE PERIOD</b>	<b>(130,192,201)</b>	<b>(60,474,983)</b>
<b>C/F</b>	<b>(294,222,416)</b>	<b>(181,544,405)</b>

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**27. DETAIL ANALYSIS OF THE CASH AND CASH EQUIVALENTS**

	2018	2017
	Kshs.	Kshs.
<b>CASH AND BANK BALANCES</b>		
Cash in Hand NBK Current Account I	380,895	0
<b>CASH BALANCES</b>	<b>380,895</b>	<b>0</b>
Cash at Bank National Bank Current Account -01021007510800	1,159,500	2,471,745
Cash at Bank National Bank Current Account II-01021007510801	34,619,149	4,451,593
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Cash at Bank Standard Chart Bank Fees collection Acc.-010209272800	11,173,077	22,428,493
Cash at Bank KCB Lamu Satellite Campus -1118817192	7,570,071	13,823,711
Cash at Bank Family Bank Research A/C-096000015735	28,825,512	19,513,471
Cash at bank Kiziwi Guest House -1126859206	26,082,247	24,053,353
Cash at bank Equity Fees Collection a/c -0460297818058	6,384,570	10,365,285
Cash at bank Development A/C Standard Chartered -102092728001	9,875,733	8,505,522
Cash at bank Economic Stimulus Programme -01020036152900	4,919,534	67,699,780
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Cash at bank Cash in hand KCB Fees Collection A/C -1169329578	3,664,156	21,875,857
Cash at bank Barclays Fees Collection A/C -2034098894	12,859,533	36,375,457
<b>BANK BALANCES</b>	<b>181,414,821</b>	<b>257,639,643</b>
<b>CLEARING ACCOUNTS</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>181,795,716</b>	<b>257,639,643</b>

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**28. PROPERTY, PLANT AND EQUIPMENT**

15. PROPERTY, PLANT AND EQUIPMENT										
	FREE HOLD LAND	BUILDING	FURNITURE & FITTINGS	COMPUTER & OTHER ELECTRONICS	PLANT & EQUIPMENTS	MOTOR VEHICLE	CAPITAL WORK IN PROGRESS	TOTAL		
RATES	0.0	0.02	0.1	0.3	0.1	0.1	0.2			
COST										
Balance As At July 1, 2016	1,047,422,550	1,562,467,223	91,896,769	132,362,312	424,858,792	58,347,038	21,845,298			3,339,199,982
Additions During The Year	0	0	181,298	24,672,699	12,132,051	0	20,872,353			57,858,401
Cost Adjustment During The Year	0	0	(11,477,858)	0	0	0	0			(11,477,858)
As At June 30, 2017	1,047,422,550	1,562,467,223	80,600,209	157,035,011	436,990,843	58,347,038	42,717,651			3,385,580,525
Additions During The Year	0	0	12,097,834	5,712,841	2,176,731	0	195,849,073			215,836,479
Revaluation During The Year	0	0	0	0	0	16,052,406	0			16,052,406
Disposal During The Year	0	0	(43,500)	(712,000)	0	0	0			(755,500)
As At June 30, 2018	1,047,422,550	1,562,467,223	92,654,543	162,035,852	439,167,574	74,399,444	238,566,724			3,616,713,910
<b>DEPRECIATION AND IMPAIRMENT</b>										
Balance As At July 1, 2016	0	166,654,777	48,214,727	108,509,647	249,733,521	47,730,077	0			620,842,749
Depreciation For Year 2017	0	31,285,992	6,876,305	6,340,166	43,699,048	4,844,231	0			93,045,742
Accumulated Depreciation - Adjustment	0	0	(3,957,250)	0	0	0	0			(3,957,250)
As At June 30, 2017	0	197,940,769	51,133,782	114,849,813	293,432,569	52,574,308	0			709,931,241
Depreciation For Year 2018	0	31,249,344	8,276,486	10,937,361	43,970,686	6,096,846	0			100,530,723
Accumulated Depreciation - Disposals	0	0	(43,500)	(712,000)	0	0	0			(755,500)
As At June 30, 2018	0	229,190,113	59,366,768	125,075,174	337,403,255	58,671,154	0			809,706,464
<b>NET BOOK VALUES</b>										
As At June 30, 2018	1,047,422,550	1,333,277,110	33,287,775	36,960,678	101,764,319	15,728,290	238,566,724			2,807,007,446
As At June 30, 2017	1,047,422,550	1,364,526,454	29,466,427	42,185,198	143,558,274	5,772,730	42,717,651			2,675,649,284

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The university operates a defined benefit scheme for all full-time employees from July 1, 2000. The scheme is based on 10% percentage of salary of an employee at the time of retirement. During the year, no actuarial valuers were engaged to value the scheme.

The University also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

**29. FINES, PENALTIES AND LEVIES**

Description	2017-2018	2016-2017
	KShs	KShs
Sports Levy	17,278,225	13,869,910
Library Levy	17,350,730	14,561,950
Library Fines Central Vote	16,910	56,030
Academic Trips Central Vote	46,500	277,113
Medical Levy	25,978,825	22,347,515
Industrial Attachment Levy	12,681,559	12,340,366
ICT Levy	42,804,715	23,663,972
Sports Levy	17,278,225	13,869,910
Library Levy	17,350,730	14,561,950
Maintenance Levy	0	7,750
Staff training levy	3,578,588	3,648,169
<b>Total</b>	<b>154,365,007</b>	<b>119,204,635</b>

**30. BORROWINGS**

Description	2017-2018	2016-2017
	KShs	KShs
Balance at beginning of the period	63,350,000	81,450,000
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	22,625,000	18,100,000
Repayments of domestic borrowings during the period	0	0
Balance at end of the period	<b>40,725,000</b>	<b>63,350,000</b>

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

Description	2017-2018	2016-2017
	KShs	KShs
Short term borrowings(current portion)	NIL	NIL

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The university operates a defined benefit scheme for all full-time employees from July 1, 2000. The scheme is based on 10% percentage of salary of an employee at the time of retirement. During the year, no actuarial valuers were engaged to value the scheme.

The University also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

**29. FINES, PENALTIES AND LEVIES**

Description	2017-2018	2016-2017
	K Shs	K Shs
Sports Levy	17,278,225	13,869,910
Library Levy	17,350,730	14,561,950
Library Fines Central Vote	16,910	56,030
Academic Trips Central Vote	46,500	277,113
Medical Levy	25,978,825	22,347,515
Industrial Attachment Levy	12,681,559	12,340,366
ICT Levy	42,804,715	23,663,972
Sports Levy	17,278,225	13,869,910
Library Levy	17,350,730	14,561,950
Maintenance Levy	0	7,750
Staff training levy	3,578,588	3,648,169
<b>Total</b>	<b>154,365,007</b>	<b>119,204,635</b>

**30. BORROWINGS**

Description	2017-2018	2016-2017
	K Shs	K Shs
Balance at beginning of the period	63,350,000	81,450,000
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the period	22,625,000	18,100,000
Repayments of domestic borrowings during the period	0	0
<b>Balance at end of the period</b>	<b>40,725,000</b>	<b>63,350,000</b>

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

Description	2017-2018	2016-2017
	K Shs	K Shs
Short term borrowings(current portion)	NIL	NIL
Long term borrowings	40,725,000	63,350,000
<b>Total</b>	<b>40,725,000</b>	<b>63,350,000</b>

).

### 31. FINANCIAL RISK MANAGEMENT

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

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

#### (i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

### 32. FINANCIAL RISK MANAGEMENT (Continued)

#### (i) Credit risk (Continued)

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

	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 2018</b>				
Receivables from exchange transactions	102,319,143	-	-	-
Receivables from non -exchange transactions	5,711,500	5,711,500	-	-
Bank balances	181,765,692	181,765,692	-	-
<b>Total</b>	<b>289,796,335</b>	<b>289,796,335</b>	-	-
<b>At 30 June 2017</b>				
Receivables from exchange transactions	72,888,427	72,888,427	-	-
Receivables from non -exchange transactions	4,545,344	4,545,344	-	-
Bank balances	257,550,048	257,550,048	-	-
<b>Total</b>	<b>334,983,819</b>	<b>334,983,819</b>	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the

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

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

a) Foreign currency risk

Technical university of Mombasa has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

**34.. FINANCIAL RISK MANAGEMENT (Continued)**

(iii) Market risk (Continued)

a) Foreign currency risk (Continued)

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	kshs	kshs	kshs
<b>At 30 June 2018</b>			
Financial assets(investments, cash ,debtors)	317,063,447	-	317,063,447
Liabilities			
Trade and other payables	84,647,000	-	84,647,000
Borrowings	40,725,000	-	40,725,000
Net foreign currency asset/(liability)	<b>191,691,447</b>	-	<b>191,691,447</b>

Technical University of Mombasa manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Ksh	Other currencies	Total
	kshs	kshs	kshs
<b>At 30 June 2017</b>			
Financial assets(investments, cash ,debtors)	342,726,808	-	342,726,808
Liabilities			
Trade and other payables	27,062,264	-	27,062,264

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Borrowings	63,350,000	-	63,350,000
Net foreign currency asset/(liability)	252,314,544	-	252,314,544

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**35. FINANCIAL RISK MANAGEMENT (Continued)**

(iii) Market risk (Continued)

b) Interest rate risk

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

*Management of interest rate risk*

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

*Sensitivity analysis*

The U analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 70,321,326 (2017: KShs 60,474,983 ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 63,498,732 (2018 – KShs 137,336,124)

**Fair value of financial assets and liabilities**

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entit* considers relevant and observable market prices in its valuations where possible.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

(iii) Market risk (Continued)

a) Financial instruments not measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

	2017-2018	2016-2017
	Kshs	Kshs
Revaluation reserve	16,052,406	-
Retained earnings	17,914,190	76,913,244
Capital reserve	3,079,553,402	2,970,382,834
<b>Total funds</b>	<b>3,113,519,998</b>	<b>3,047,296,078</b>
Total borrowings	40,725,000	63,350,000
Less: cash and bank balances	(181,795,716)	(257,639,643)
Net debt/(excess cash and cash equivalents)	141,070,716	194,289,643
<b>Gearing</b>	<b>22.4%</b>	<b>24.6%</b>

37. RELATED PARTY TRANSACTIONS

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the *university*, holding 100% of the *university's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) Ministry of Education Science and Technology

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. RELATED PARTY BALANCE (Continued)

Government of Kenya (Continued)

- iii) Key management;
- iv) Board of directors;

	2018 Kshs	2017 Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of goods to xxx	-	-
Sales of services xxx	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from National Government	1,106,896,462	749,122,549
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	-	-
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for 654 employees	978,777,622	679,454,469
Payments for goods and services for	-	-
<b>Total</b>		
<b>d) Key management compensation</b>		
Councils' emoluments	13,119,580	13,541,977
Compensation to the CEO	XXX	XXX
Compensation to key management	XXX	XXX
<b>Total</b>	XXX	XXX

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**38. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities	2017-2018	2016-2017
	Kshs	Kshs
Court case for former Vice Chancellor against the University	14,000,000	
Bank guarantees in favour of subsidiary	-	-
<b>Total</b>	<b>14,000,000</b>	<b>14,000,000</b>

*(Give details)*

**39. CAPITAL COMMITMENTS**

Capital commitments	2017-2018	2016-2017
	Kshs	Kshs
Authorised for School of medicine	xxx	-
Authorised and contracted for Kwale hostels	xxx	-
Authorised and contracted for Customer care		
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

**40. DIVIDENDS/SURPLUS REMISSION**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. . The university did not make any surplus during the year (FY 2018 Nil) and hence no remittance to the Consolidated Fund.

**41. EVENTS AFTER THE REPORTING PERIOD**

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

**42. ULTIMATE AND HOLDING ENTITY**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

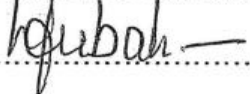
## APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Non-disclosure of financial statements of Tum enterprises	This was not done since the audit was done by a private auditor not appointed by the office of the Auditor general	Managing Director of Tumel and Finance officer	Not resolved	Before the next audit period
3.1	Property plant and equipment Includes land which was not completely sourced	The management is committed to follow procurement rules and regulations as stated in procurement Act 2015	Procurement Manager	Not resolved	Mistake already occurred. Should not be repeated in future.
3.2	Plant and equipment not Included in the Financial statements	The plant and equipment was donated to the university by African Development bank through the ministry of Education. At the time of the audit, not all the documents had been received.	Dean Faculty of Engineering and Finance officer	Not resolved	By 31 <sup>st</sup> March 2019
3.3	Legal fee paid to law firm not pre- qualified as required by the public procurement Act	The Advocate was later on prequalified	Legal officer and procurement manager	Not resolved	Should not be repeated in future
3.4	Building and telecommunication mast not valued	The lease lapsed last year in December 2017. The mast has since been removed. The lease was for the period in which the university took ownership of the land	Legal officer and Registrar Administration and planning	resolved	Time frame not applicable since the matter has already been resolved.
3.5	Furniture not	The management is	Procurement	Not	Mistake

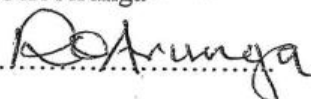
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	competitively sourced as required by public procurement Act 2015	committed to follow the procurement rules and regulations Act 2015	manager	Resolved	already done. Time frame not applicable.
3.6	Television Sets procured using wrong procurement method contrary to the procurement Act	The case is with the Ethics and Anti-Corruption court at Mombasa law courts	Legal officer	Not resolved	Time frame when the court proceedings will be finalised by the EACC.

Vice Chancellor  
Prof. Laila Uweso Abubakar

Sign 

Date.....

Chairman of the Council  
Dr. Robert Arunga

Sign 

Date.....

**APPENDIX II: PROJECTS IMPLEMENTED BY TECHNICAL UNIVERSITY OF MOMBASA**

**Projects**

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
School of Medicine	1	GOK				
Kwale Hostels	2	GOK/AIA				

**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)*

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	School of medicine						GOK
2	Kwale Hostels						GOK/AIA
3	Customer care						AIA

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**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>		<b>TECHNICAL UNIVERSITY OF MOMBASA</b>	
<b>Break down of Transfers from the Ministry of Education</b>			
<b>FY 17/18</b>			
a.	Recurrent Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		1/8/2017	66,136,248
		4/9/2017	66,136,248
		3/10/2017	66,136,247
		3/11/2017	66,136,248
		2/12/2017	66,136,248
		2/12/2017	45,083,852
			CBA Arrears for 2013-2016
		2/1/2018	9,016,770
			Salary increment resulting from CBA2013-17
		2/1/2018	66,136,247
		8/1/2018	66,136,248
		03/05/2017	62,426,880
		9/1/2018	9,016,770
			Salary Increments arising from CBA 2013-2017
		13/3/2018	66,136,248
		13/3/2018	9,016,770
			Salary Increments arising from the CBA 2013-2017
		13/4/2018	66,136,248
		6/4/2018	9,016,770
			Salary Increments arising from CBA 2013-2017
		2/8/2018	66,136,248
		2/5/2018	9,016,770
			Salary increments arising from CBA 2013-2017
		11/6/2018	9,016,770
			Salary Increment arising from CBA 2013-2017
		11/6/2018	66,136,248
		28/6/2018	9,016,770
			Salary Increments arising from CBA 2013-2017
		28/6/2018	66,136,247
		<b>TOTAL</b>	<b>901,836,215</b>
	CBA receipts for 2016/2017		205,060,247
			Payment of salary in arrears for 2013-2017
			<b>1,106,896,462</b>
b.	Development Grants		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
		18/10/2017	32,500,000
		<b>Total</b>	<b>32,500,000</b>
	Development grant 2016/2017		<b>76,670,568</b>

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

Finance Officer  
Technical University of Mombasa.

Head of Accounting Unit  
Ministry of Education.

Sign           *[Handwritten Signature]*          

Sign-----