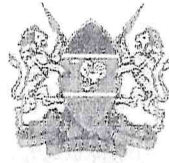


REPUBLIC OF KENYA



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 2015

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30064 - 00100, NAIROBI

29 FEB 2016

RECEIVED



TECHNICAL UNIVERSITY OF MOMBASA

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

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



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UNIVERSITY INFORMATION

(a) Background information

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

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

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

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

In a Government strategy to increase access to University education across the Country, the dream to convert the Polytechnic to a University College was realized on 23rd August 2007, through a Legal Notice No. 160, when The Mombasa Polytechnic University College (MPUC) was established. The University College status resulted in many positive changes implemented with great support by the Government of Kenya, including recruitment and development of staff, expansion of infrastructure, provision of facilities and introduction of new academic programmes under the mentorship of Jomo Kenyatta University of Agriculture and Technology. All these came at a time when the Country had started warming up to the Kenya vision 2030.



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

(b) Principal Activities

Vision

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

Mission

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

Motto

Endeavour and Achieve (Jiddu Tajiddu)

Strategic Objectives

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

(c) Key Management

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

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



(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Vice-Chancellor	- Prof. Josphat Ziro Mwatelah
2.	Deputy Vice-Chancellor (Academic, Research and Extension)	- Prof. Laila Uweso Abubakar
3.	Deputy Vice-Chancellor (Administration, Finance and Planning)	- Prof. Awadh Bin Hazim

(e) Fiduciary Oversight Arrangements

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

(f) Registered Office and Place of Business

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

(g) Corporate Contacts

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

Fax: (254) 41-2495632,

Mobile : (254) 0724 955377/0733 955377

Email: info@tum.ac.ke,

vc@tum.ac.ke

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



(h) Corporate Bankers






1. National Bank of Kenya Limited
Nkrumah Branch
P.O. Box 576- 80100
Mombasa
2. Co-operative Bank Limited
Nkrumah Branch
P.O. Box 87771- 80100
Mombasa
3. Standard Chartered Bank Limited,
Treasury Square Branch,
P.O. Box 90170-80100
Mombasa
4. Kenya Commercial Bank
Mvita Branch
P.O. Box 83534-80100
Mombasa
5. Family Bank
Jomo Kenyatta Branch
P.O. Box 97268-80100
Mombasa
6. Equity Bank
Digo Road Branch
P.O. Box 90016-80100
Mombasa

(i) Independent Auditors




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

(j) Principal Legal Adviser
Attorney General
Nairobi

THE COUNCIL MEMBERS

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



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



9.



Prof. Josephat Ziro Mwatelah – Vice
Chancellor/Council Secretary
D.O.B:

Prof Mwatelah has a PhD in Transportation Engineering, a Masters in Civil Engineering and a Bachelors of Surveying & Photogram. Before his appointment at TUM as the Vice Chancellor, he was an Associate Professor in Jomo Kenyatta University of Agriculture and Technology and headed a funded project by Japan International Cooperation Agency (JICA)



MANAGEMENT TEAM



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



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



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



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



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



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



Ms Serah Okumu – Senior Assistant Legal Officer. Master of Laws (International and African Regional Law), Bachelor of Laws, Diploma in Law



CHAIRMAN'S STATEMENT

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

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

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

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

The University Council looks forward to supportive collaboration with the government to ensure continued development of the Technical University of Mombasa as provided in its Charter. In addition, there are plans to initiate Public Private Partnerships (PPPs), which will open opportunities for growth in physical infrastructure to take care of student growth and the upcoming School of Medicine.

Dr. Linus Ikapel Etyyang, PhD
Chairman of Council



REPORT OF THE CHIEF EXECUTIVE OFFICER

One of the major milestones for financial year 2014/2015 was the ISO certification that the University attained on 31st May, 2015. The auditing and certification process was a long journey, having commenced almost four years ago. The certification comes at a time when the University has repositioned itself as one of the leading institutions of higher learning in Kenya through the establishment of national and international collaborations with renowned institutions and is a confirmation of having complied with all the requirements of the Standard and TUM's commitment to continuous improvement. With the scope focusing on design, development and delivery of teaching, learning, research and community service covering all academic departments as well as support services, it is no doubt TUM's drive towards internationalisation as well as quality products and services will prevail. With the award of the Charter that made TUM a fully-fledged university in 2013, the institution has developed a number of policies and guidelines geared towards improved service delivery as per its mandate. The ISO 9001:2008 is no doubt another milestone that cements the university's achievements as a global university of excellence in training, research and innovation.

To respond to the market needs, the University, as part of its expansion strategy, has developed a number of programs that address national priorities in the fields of business, engineering, science and technology. Currently, the University is offering over a hundred academic programs in diverse fields and continues to develop new programmes especially at graduate level. This is in addition to restructuring some of its faculties so as to bring services closer to the customers and other stakeholders. In the 2014/2015 financial year, the University established two schools namely: School of Business Studies and School of Humanities and Social Sciences. TUM is also committed to the advancement of knowledge through responsible research and scholarship addressing important scientific, social, and cultural questions of the new century. Our emphasis on interdisciplinary learning, research and discovery will connect us with the world.

To balance the development of new programmes and demand for university education, the university management, in consultation with the council, continues to develop its human resources especially the teaching staff. During the year, KShs 22.5 Million was utilized in internal scholarships for staff undertaking graduate degrees. Through this effort, the university has been able to support over one hundred (100) staff to undertake various degrees. The results have been positive as most of the staff have completed their studies and are playing a key role in teaching and programmes development.

The University has also reported growth in revenue from the internally generated funds. This however, has been utilized by the ever increasing personal emoluments and administrative as well as teaching expenses.



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

A handwritten signature in black ink, appearing to read "J. Mwatelah", is written over the printed name.

Prof. Josphat K. Z. Mwatelah
Vice-Chancellor



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 2014/2015 financial year, the University has been in compliance with all the provisions set out in the university Act, 2012, in so far as they relate to Universities. The functions and responsibilities of the Council are as provided for in the Statutes. These responsibilities relate to the proper conduct of university business, policy development, strategic planning, monitoring effectiveness and performance, finance, audit, estate management, human resource management, equality and diversity, student welfare, health and safety and the appointment of the University Officers.

The Council has the following committees: Executive Committee; Audit Committee; Finance Planning and General Purpose Committee; Human Resources Management Committee; and Sealing and Statutes Committee. All sub committees meet as per the University Almanac and submit reports to the Council.

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

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

The day to day management of the university is vested on the Senate and Management Board. The functions of the Management Board and Senate are as provided in the university charter and the university statutes. Meetings of the Senate include Regular Senate, Senate Board of Examiners, Special Senate and Extraordinary Senate. The Vice Chancellor of the University is the Chairperson of both Senate and Management.

There were no significant issues arising during 2014/2015 financial year with respect to Corporate Governance.


Dr. Linus Ikapel Ettyang
Chairman of Council



CORPORATE SOCIAL RESPONSIBILITY

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

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

As provided within its mandate, the University is actively involved in research, innovation and technology transfer. The research outputs are shared to the community through shows and exhibitions and community exchange programmes. During the period, the University spent kshs 4.9 million on exhibitions that were meant to share new technologies to the industry and the communities in general.

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


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



REPORT OF THE COUNCIL

The Council submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the University's affairs.

Principal activities

The principal activities of the University is teaching and research

Results

The results of the entity for the year ended June 30, 2015 are set out on page 1.

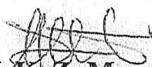
Council

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

Auditors

The Auditor-General is responsible for the statutory audit in accordance with the Section 15 of the Public Audit Act, 2003.

By order of the Council


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

Date:



STATEMENT OF COUNCIL RESPONSIBILITIES

Section 81 (5) of the Public Finance Management Act, 2012 and section 14 and 15 (1) of the State Corporations Act, require Council members to prepare financial statements in respect of the University, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for that period. The Council are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council is also responsible for safeguarding the assets of the University.

The Council is responsible for the preparation and presentation of the University financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the University financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Council are of the opinion that the University financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2015, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

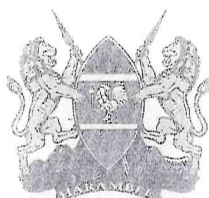
The University financial statements were approved by the Council on 1st September 2015 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Linus Ikapel Etyang'.

Dr. Linus Ikapel Etyang
Chairman of Council

A handwritten signature in black ink, appearing to be 'J.k. Z. Mwatelah'.

Prof. J.k. Z. Mwatelah
Vice-Chancellor/Council Secretary



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON TECHNICAL UNIVERSITY OF MOMBASA FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Technical University of Mombasa set out on pages 1 to 31, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in accordance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion

1.0 Property, Plant and Equipment

Repair
1.1. As previously reported, the property, plant and equipment balance of Kshs.2,711,246,384 as at 30 June 2015 (2013/2014 Kshs.2,712,243,898) includes a parcel of land LR No. Mombasa/Block/XI/386 valued at Kshs. 200 million of which ownership is in dispute and the matter is being handled by a Kenyan Court of Law. Although the University management is confident that the University has a proper title on the property, it has not been possible to confirm the actual value of the property.

Repair
1.2. As previously reported, included in property, plant and equipment balance of Kshs.2,711,246,384 as at 30 June 2015 (2013/2014 Kshs.2,712,243,898) are additions totaling Kshs.107,850,973 made in the financial year 2013/2014. However, the purchase of furniture and equipment at a 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.

Repair
1.3. As previously reported, property, plant and equipment balance amounting to Kshs.2,711,246,384 (2013/2014 Kshs.2,712,243,898) include work-In-Progress balance of Kshs.297,067,857 which included payments to various University staff amounting to Kshs.17,425,066 referred to as the project management fees. However, it is not clear and the management has not explained the basis for the payments and the supporting payment documents were not availed for audit verification.

Procurement
1.4. Included in property, plant and equipment balance of Kshs.2,711,246,384 are additions amounting to Kshs.79,128,856 which comprised of Land Kshs.9,500,000, Furniture Kshs.5,177,587, Computers Kshs.21,171,528, Equipment Kshs.28,847,917, and Motor Vehicles Kshs.14,431,824 procured during the year under review. However, there was no approved procurement plan and evidence of

supplier prequalification for the financial year as required by the Public Procurement and Disposal Act, 2005 and regulations thereof. It is not clear therefore how the need and the suppliers were identified in the absence of a pre-qualified list of suppliers and procurement plan.

1.5. Included in property, plant and equipment balance of Kshs.2,711,246,384 as at 30 June 2015 is freehold land balance of Kshs.945,500,000. The balance of freehold land of Kshs.945,500,000 include addition of Kshs.9,500,000 made during the period under audit. However, there was no evidence of the land having been competitively sourced as required by the Public Procurement and Disposal Act, 2005 as tender opening minutes, tender evaluation and acceptance and inspection reports were not availed for audit review. It was also not clear how the land was identified.

1.6. Included in property, plant and equipment balance of Kshs.2,711,246,384 is work in progress balance of Kshs.57,628,697 as at 30 June 2015. Work in Progress includes an advance payment of Kshs.1,802,697 for library detective system. However, the audit revealed that the work had not been completed, although according to the agreement dated 12 February 2014, the work was supposed to have been completed within 1 ½ months from the date of signing the agreement.

1.7. Included in property, plant and equipment balance of Kshs.2,711,246,384 is additions during the year amounting to Kshs.346,826,307 net of work- in-progress. The additions include 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.

1.8. Included under note 13 to the financial statements are property, plant and equipment with total cost of Kshs.117,102,254 which are fully depreciated and had not been revalued as at 30 June 2015. Therefore, the economic value of these assets has not been accounted for in these financial statements as they are carried at zero value. In the consequence, the accuracy and completeness of property, plant and equipment balance of Kshs.2,711,246,384 as at 30 June 2015 could not be ascertained.

2.0 Long-term Investments

As reported in the previous year, the long-term investments balance of Kshs.14,730,924 as at 30 June 2015 include an amount of Kshs.5,571,938 (2013/2014 Kshs.5,119,270) in respect of investment in Tum Enterprises Limited. The Memorandum and Articles of Association for the Company incorporated on 7 August 2013 indicates that the Company has an issued share capital of Kshs.510,200 comprising of 5,102 shares, 5,100 directly owned by Technical University and two (2) are owned by the University through the Vice Chancellor and a council member. The financial statements for the company have not been presented for review neither have the results of operation of the Company been accounted for in these financial statements.

Under the circumstance, the accuracy and validity of the investment balance of Kshs 5,571,938 as at 30 June 2015 could not be ascertained.

3.0 Receivables from Exchange Transactions

3.1. Student Debtors

As reported in previous year, included in the receivables from exchange transactions balance of Kshs.80,781,512 as at 30 June 2015 (2012/2013 Kshs.77,580,957) are student debtors balances of Kshs.37,027,767 computed at 50% of the total student debt balances of Kshs.74,055,534. The basis of recognizing 50% of the student debts was not supported by any documentary evidence or policy and therefore its reasonableness or otherwise could not be ascertained.

Consequently, it has not been possible to ascertain that the receivables from exchange transactions of Kshs.80,781,512 is fairly stated as at 30 June 2015.

3.2. Provision For Doubtful Debts

The balance of receivables from exchange transactions of Kshs.80,781,512 as at 30 June 2015 is net of general provision for bad and doubtful debt amounting to Kshs.23,280,832 (2013/2014 Kshs.18,400,142) which is 10% on the outstanding accounts receivables including staff advances totaling Kshs.993,054. However, there is no specific provision for the impairment of debts that have been outstanding for very long period which may never be recovered. Consequently, the adequacy of the provision of Kshs.23,280,832 as at 30 June 2015 is doubtful. Further, the balance of receivables from exchange transactions of Kshs.80,781,512 also includes debt in respect of TIVET bursaries amounting to Kshs.696,531, guest house accommodation debtors amounting to Kshs.6,852,396, staff medical debtors amounting to Kshs.391,721 and rent arrears amounting to Kshs.102,030 all totaling Kshs.7,650,957 that have been outstanding for a long period. No evidence has been availed for audit to demonstrate efforts to recover these long outstanding debts. The provision of 10% made against these balances appears inadequate since they have been outstanding for over three years.

Consequently, it has not been possible to ascertain that the receivables from exchange transactions of Kshs.80,781,512 is fairly stated as at 30 June 2015.

4.0 Receivables from Non-Exchange Transactions

As reported in the previous year, receivables from non-exchange transactions balance of Kshs.63,500,153 also includes other debtors amounting to Kshs.1,485,646 (2013/2014 Kshs.1,416,878) out of which Kshs.1,331,000 is a receivable from staff as a surcharge in respect of payroll fraud perpetrated by the concerned staff. However, the total amount that could have been lost out of the fraud and hence recoverable from the concerned staff has not been quantified as no forensic audit has been carried out and report availed for audit review.

Consequently, the accuracy and completeness of other debtors' figure of Kshs.1,485,646 could not be ascertained as at 30 June 2015.

5.0 Other Creditors

As reported in the previous year, the other creditors balance of Kshs.151,419,338 as at 30 June 2015 (2013/2014 Kshs.129,756,800) 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. Further, included in the balance of other creditors of Kshs.151,419,338 are long outstanding payables amounting to Kshs.1,678,334 which include VAT, other depositors, KASNEB, rent deposits and refund to general depositors. There was no satisfactory explanation as to why the debts had not been settled.

Under the circumstances, the accuracy and completeness of the other creditors' balance of Kshs.151,419,338 as at 30 June 2015 could not be ascertained.

6.0 Statutory Deductions

As reported in the previous year, included in other creditors balance of Kshs.151,419,338 as at 30 June 2015 is unremitted taxes amounting to Kshs.5,545,681 comprising of VAT of Kshs.4,359,239 and withholding tax amounting to Kshs.1,186,442 that are due and payable. The University runs a restaurant and is registered for Value Added Tax and Tourism Development Fund. There is no evidence that the management has been filing any returns and paying amounts due to Kenya Revenue Authority and Tourism Development Levy as stipulated in the respective statutes. The amount of levy or tax payable including the penalties have not been quantified and accounted for in these financial statements.

Under the circumstance, the accuracy and completeness of other creditors' balance of Kshs.151,419,338 as at 30 June 2015 could not be ascertained.

7.0 Government Grants

According to the financial statements, the University received a total of Kshs.798,057,848 from the Government of Kenya during the period under audit being Kshs.733,585,835 for recurrent expenditure and Kshs.64,472,013 for capital expenditure as per note 3 and statement of changes in net assets respectively. However, according to data from the Ministry of Education Science and Technology, a total of Kshs.874,722,549 was disbursed to Technical University of Mombasa leading to variance of Kshs.76,664,701. The management was unable to explain and reconcile this variance.

In the circumstances, the accuracy and completeness of total government grants of Kshs.798,057,848 for the year ended 30 June 2015 could not be determined.

8.0 Tuition Fees

Statement of financial performance reflect tuition fees amount of Kshs.532,659,566 for the year ended 30 June 2015. However, based on the student management system report on the number of students, courses and fees charged, the computed fees collectable during the financial year was Kshs.982,817,230 resulting to a variance of Kshs.450,157,664. The management did not reconcile the two balances.

Consequently, the accuracy and completeness of tuition fees balance of Kshs.532,659,566 for the year ended 30 June 2015 could not be confirmed.

9.0 Council Expenses

As reported in the previous year, the statement of financial performance indicates a balance of Kshs.12,980,109 (2013/2014 Kshs.12,740,044) as Council expenses which includes University Chancellor's allowance of Kshs.1,100,000 (2013/2014 Kshs.1,200,000) paid during the period under review. As at the time of audit, the management did not provide a basis and the specific Government financial regulations under which the allowance was paid. Consequently, the validity and propriety of the Chancellor's allowance of Kshs.1,100,000 for the year ended 30 June 2015 could not be confirmed.

10.0 Teaching Expenses

10.1. According note 9 of the financial statements, teaching expenses balance of Kshs.281,743,068 includes part-time teaching of Kshs.211,296,098 as at 30 June 2015. The part-time teaching expense increased by Kshs.50,971,686 from the balance of Kshs.160,324,412 reported in 2013/2014 financial year. However, the rise in teaching expense was inverse to the tuition fee from module II which declined by Kshs.16,873,551 as per note 5 to the financial statements. Consequently, the increase in part-time teaching expenses did not commensurate with tuition fee from module II central vote neither has the management clearly supported the inverse change.

In the circumstances, the accuracy of the teaching expenses expenditure of Kshs.211,296,098 for the year ended 30 June 2015 could not be ascertained.

10.2. Included in teaching expenses balance of Kshs.281,743,068 as per note 9 of the financial statements is external examiners amount of Kshs.6,131,299 for the year ended 30 June 2015. However, the audit revealed that the payments were made without evidence of a signed contract between the University and the examiners. Consequently, the validity and propriety of teaching expenses of Kshs.6,131,299 could not be confirmed.

11.0 Financial Performance

The statement of financial performance reflects a deficit of Kshs.97,933,234 (2013/14: deficit – Kshs.58,675,443) for the year ended 30 June 2015. If strategies are not put in place to reverse the trend, the University is likely to face financial challenges.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of Technical University of Mombasa as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and does not with comply with Public Universities Act, 2012.



FCPA EDWARD R.O.OUKO, CBS
AUDITOR-GENERAL

Nairobi

31 March 2016



STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	2015 Kshs.	2014 Kshs.
Revenue			
Revenue From Non-Exchange Transactions:			
Gok Grants	3	733,585,835	759,440,309
Other Income	4	<u>161,760,110</u>	<u>154,373,922</u>
Total		<u>895,345,945</u>	<u>913,814,231</u>
Revenue From Exchange Transactions:			
Tuition Fees	5	532,659,566	510,079,814
Total Income		<u>1,428,005,511</u>	<u>1,423,894,045</u>
Expenses			
Personal Emoluments	6	900,090,336	916,099,024
Council Expenses	7	12,980,109	12,740,044
Operating /Administration Expenses	8	191,771,774	202,685,095
Teaching Expenses	9	281,743,068	230,933,831
Students Welfare	10	10,090,124	9,364,440
Repairs & Maintenance	11	18,559,099	15,001,700
Provision for Accrued Expenses	12	941,920	812,000
Depreciation	13	101,039,584	88,075,261
Amortization	14	4,141,349	1,611,004
Provision for Bad Debts	16	4,880,690	4,815,541
Total Expenditure		<u>1,526,238,053</u>	<u>1,482,137,940</u>
(Deficit) for the Year		(98,232,542)	(58,243,895)
Gain/ (Loss) on disposal	17	299,308	(431,548)
Net (Deficit) for the Year		<u>(97,933,234)</u>	<u>(58,675,443)</u>

Dr. Linus Ikapel ETTYANG
Chairman of Council

Prof. J.K.Z. MWATELAH
Vice-Chancellor / Council Secretary



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	2015 Kshs.	2014 Kshs. RESTATED
Assets			
Current Assets			
Inventories			
Receivables from Exchange Transactions	15	21,907,738	21,329,135
Receivables from Non-Exchange Transactions	16	80,781,512	77,580,957
Cash & Bank Balances	18	63,500,153	145,797,852
Short-term Investments	19	64,192,930	59,520,070
Total Current Assets	20	276,096,405	304,228,014
Non - Current Assets			
Property ,Plant & Equipment			
Intangible Assets	13	2,711,246,384	2,712,243,898
Long-Term Investments	14	9,663,148	3,229,960
Total Non Current Assets	21	2,735,640,456	2,729,600,848
Total Assets		3,011,736,861	3,033,828,862
Current Liabilities			
Trade and Other Payables			
Other Creditors	22	34,523,695	33,707,400
Total Current Liabilities	23	151,419,338	129,756,800
Non-Current Liabilities			
Long-Term Liabilities			
Total Liabilities	24	25,727,616	36,394,338
Net Assets			
Capital Fund			
Other Funds & Reserves	25	2,858,199,902	2,793,727,889
Total Net Assets	26	(58,133,690)	40,242,435
Total Net Assets And Liabilities		2,800,066,212	2,833,970,324
		3,011,736,861	3,033,828,862

The financial statements set out on page 1 to 31 were signed on behalf of the Council by;

Dr. Linus Ikapel Etyyang
Chairman Of Council

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



STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2015

	CAPITAL FUND KSHS	OTHER FUNDS & RESERVES KSHS RESTATED	TOTAL KSHS RESTATED
Balance as at July 1, 2013	2,684,046,949	98,421,412	2,782,468,361
Development Grant	109,680,940	-	109,680,940
Revenue Reserve	-	496,466	496,466
(Deficit) for the Year	-	(58,675,443)	(58,675,443)
Balance As At June 30, 2014	<u>2,793,727,889</u>	<u>40,242,435</u>	<u>2,833,970,324</u>
Balance At At July 1, 2014	2,793,727,889	40,242,435	2,833,970,324
Development Grant	64,472,013	-	64,472,013
Revenue Reserve	-	(442,891)	(442,891)
(Deficit) for the Year	-	(97,933,234)	(97,933,234)
Balance As At June 30, 2015	<u>2,858,199,902</u>	<u>(58,133,690)</u>	<u>2,800,066,212</u>



STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE, 2015

	NOTES	2015 Kshs	2014 Kshs
Cash Flow from Operating Activities			RESTATED
Deficit for the year		(97,933,234)	(58,675,443)
Adjustments for :			
Depreciation	13	101,039,584	88,075,261
Amortization	14	4,141,349	1,611,004
Increase in Provision for Bad Debts	16	4,880,690	4,815,541
Provision for Audit Fees	12	941,920	812,000
Gain/ Loss on Disposal	17	(299,308)	431,548
Interest Received on Investment	4	(3,301,242)	(1,341,213)
Gain/ (Loss) from Tum Enterprise	4	67,002	(119,270)
Cash Flow from Operating Activities Before Working Capital Changes		<u>9,536,761</u>	<u>35,609,428</u>
Working Capital Changes			
Increase in Trade & Other Receivables (Net of Provision)	16 & 18	74,216,454	(27,507,581)
Decrease Inventories	14	(578,603)	2,829,760
Increase in Trade and Other Payables (Net of Provision)	22 & 23	<u>21,536,913</u>	<u>32,369,804</u>
Net Cash Flow from Operating Activities		<u>95,174,764</u>	<u>7,691,983</u>
Cash Flows from Investing Activities			
Increase in Fixed Assets(Net of WIP)	13	(346,826,307)	(39,313,874)
Increase in Intangible Assets	14	(3,229,460)	(4,614,228)
Increase in Work In Progress	13	239,439,160	(69,292,885)
Increase in Investments	20 & 21	(46,318,006)	(5,260,525)
Proceeds from sale of Fixed Assets	17	299,308	3,114,602
Interest Received on Investment	4	3,301,242	1,341,213
Gain from Tum Enterprise	4	(67,002)	119,270
Net Cash Flow from Investing Activities		<u>(153,401,065)</u>	<u>(113,906,427)</u>
Long-Term Liabilities	24	(10,666,722)	(13,388,618)
Capital Fund	25	64,472,013	109,680,940
Other Funds & Reserves	26	<u>(442,891)</u>	<u>496,466</u>
Net Cash Flow from Financing Activities		<u>53,362,400</u>	<u>96,788,788</u>
Net Movement in Cash and Cash Equivalents		4,672,860	26,183,772
Cash and Cash Equivalents at Beginning of Year		<u>59,520,070</u>	<u>33,336,298</u>
Cash and Cash Equivalents at End of Year	19	<u>64,192,930</u>	<u>59,520,070</u>



STATEMENT OF COMPARISON OF BUDGET FOR THE YEAR ENDING 30 JUNE 2015

	ORIGINAL BUDGET Kshs.	ADJUSTMENTS Kshs.	FINAL BUDGET Kshs.	ACTUAL ON COMPARISON BASIS Kshs.	PERFORMANCE DIFFERENCE Kshs.
INCOME					
GOK GRANTS	732,722,550	-	732,722,550	733,585,835	863,285
INTERNALLY GENERATED	823,077,450	-	839,799,850	694,718,984	(145,080,866)
TOTAL INCOME	<u>1,555,800,000</u>	-	<u>1,572,522,400</u>	<u>1,428,304,819</u>	<u>(144,217,581)</u>
EXPENSES					
PERSONAL EMOLUMENTS	915,489,900	16,272,500	931,762,400	900,090,336	31,672,064
COUNCIL EXPENSES	16,000,000	-	16,000,000	12,980,109	3,019,891
OPERATING /ADMINISTRATION EXPENSES	235,350,000	(7,050,000)	228,300,000	191,771,774	36,528,226
TEACHING EXPENSES	260,060,100	7,050,000	267,110,100	281,743,068	(14,632,968)
STUDENTS WELFARE	10,700,000	-	10,700,000	10,090,124	609,876
REPAIRS & MAINTENANCE	19,700,000	-	19,700,000	18,559,099	1,140,901
TOTAL EXPENSES -Excludes depreciation	<u>1,457,300,000</u>	<u>16,272,500</u>	<u>1,473,572,500</u>	<u>1,415,234,510</u>	<u>58,337,990</u>

Explanation of variances:

- The negative variance in internally generated revenue was due to negative publicity about the engineering programmes.
- The budgeted amount for the teaching expenses was exceeded due to new programmes that were introduced which are yet to breakeven.



NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

2. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Capitation/Government Grants

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

Rental Income

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

ii) Revenue from exchange transactions – IPSAS 9

Fees

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

Interest on investment

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONT.....)

Sale of goods

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

Rental income

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

In-kind contributions

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

b) Budget information – IPSAS 24

The annual budget is prepared on the cash basis, that is, all planned costs and income are presented to determine the needs of the University. As a result of the adoption of the cash basis for budgeting purposes, there is need for reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment – IPSAS 17

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT...)

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

d) Intangible assets – IPSAS 31

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

e) Depreciation and impairment of property, plant and equipment

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

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

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

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

f) Inventories – IPSAS 12

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

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

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

g) Provisions – IPSAS 19

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.....)

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

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

h) Nature and purpose of reserves

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

Capital fund which constitute funds received from the Government of Kenya

Other funds and reserves constitute funds set a side to cater for unexpected cashflow challenges. It includes revenue reserve and general fund.

i) Changes in accounting policies and estimates – IPSAS 3

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

j) Employee benefits – IPSAS 25

Retirement benefit plans

The University provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the University pays fixed contributions (20% of employee's basic salary) into a separate entity (Alexander Forbes Financial Services) whereas the employee contributes 10% of the basic salary towards the same scheme, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

The University also contributes to National Social Security Fund (NSSF) currently at the rate of two hundred Kenyan shillings (Ksh 200.00) per employee per month. Contributions to the above scheme are charged to the Statement of Financial Performance in the year to which they relate. The University has no further obligation once the contribution has been remitted to the pension fund. This is subject to changes in the new NSSF act which is a pending matter in court.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT...)

k) Cash and cash equivalents

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

l) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The comparative figures for 2013/2014 for other funds & reserves and long-term liabilities have been restated because of the nature of the funds while receivables, short and long-term investments have been reclassified.

m) Long Term Liability

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

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2015.

p) Related parties – IPSAS 20

The entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. TUM Enterprises Ltd is regarded as a related party as it is wholly owned by the University. The University invested an additional Kshs 519,670 as seed money during the financial year.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT...)

2. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

(a) Critical judgments in applying accounting policies

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

(b) Key sources of estimation uncertainty

Impairment losses

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

Property, plant and equipment

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

Taxation

The University is exempted from payment of corporate tax under Income Tax Act, Second Schedule (1)(a) (i) and (1)(a)(ii), and income Tax Act, first schedule, cap 470, par 10 as amended by legal notice No. 6 of 2001.



NOTES TO THE FINANCIAL STATEMENTS

(3) GOVERNMENT GRANTS	2015 Kshs.	2014 Kshs.
Recurrent Grants received	733,585,835	759,440,309
TOTAL	<u>733,585,835</u>	<u>759,440,309</u>

The recurrent grants received include the printed estimates of Kshs 732,722,550.00 and an additional Kshs 863,248.00 from UON JAB account following deliberations between the Unions and Inter Public Universities council Consultative Forum (IPUCCF) in the rationalization of payment of basic salaries and house allowance arrears.

(4) OTHER INCOME	2015 Kshs.	2014 Kshs.
Registration Fee	3,835,102	3,829,405
Internal Examinations	37,200,924	37,425,079
Sports Levy	5,432,268	5,795,055
Library Levy	7,261,087	7,182,978
Library Fines	42,310	48,535
Academic Trips	2,625,887	2,022,396
Medical Levy	6,368,375	6,703,005
Industrial Attachment Levy	5,791,692	4,784,751
ICT Levy	13,464,755	16,699,788
Academic Transcripts	32,350	63,600
Students hostel fee	12,718,847	12,827,998
Student Holiday Accommodation	-	120,300
Maintenance Levy	8,380	20,550
Application Fee	2,461,909	2,765,532
Project Fee	-	59,525
Student Readmission Fee	1,828	14,995
Lost Items	57,311	53,530
Graduation Fee	2,441,262	2,634,225
Alumni Fee	-	234,900
Center Fees	58,500	16,000
Penalties	101,250	211,800
Materials Testing	69,400	39,400
Catering Income	7,744,522	10,567,929
Kiziwi Income	19,215,427	16,939,574
Training Restaurant Income	3,499,372	4,407,217
External Research Income	11,935,705	3,006,419
Consultancy Fee	5,000	1,137,000



NOTES TO THE FINANCIAL STATEMENTS (CONT...)

Hire of Facilities	2,865,540	2,078,000
Hire of Transport	1,242,610	982,200
Photocopy & bindery Income	184,786	293,678
Short Courses	-	633,000
Remarking	-	6,000
Rent Income	7,010,028	6,564,822
Staff training levy	3,993,000	841,101
Interest on Investment	3,301,242	1,341,213
Gain from TUM Enterprise	(67,002)	119,270
Tendering Fees Central Vote	110,000	73,000
Administrative Fees Central Vote	677,525	732,236
Miscellaneous Income	68,918	1,057,916
TOTALS	<u>161,760,110</u>	<u>154,373,922</u>

(5)	2015	2014
TUITION FEES	Kshs.	Kshs.
Tuition Fee Regular Central Vote	102,846,485	68,828,759
Tuition Fee Module II Central Vote	417,977,015	434,850,566
Tuition Fee LAMU	9,409,171	5,840,164
Tuition Fee Ukunda	2,426,895	560,325
TOTALS	<u>532,659,566</u>	<u>510,079,814</u>

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

Tuition fee module II is fees paid by self-sponsored students and this is our major income generating activity. There has been a decrease due to the bad publicity regarding lack of accreditation of our engineering programmes.

(6)	2015	2014
PERSONAL EMOLUMENTS	Kshs.	Kshs.
Basic Salaries	385,987,557	425,732,421
House Allowance	226,250,382	226,462,430
Medical Insurance	72,765,094	62,401,623
Pension Employers Expense	61,391,870	52,007,262
NSSF Employer's Expense	1,919,200	1,698,200
Group Life	3,584,790	-
Responsibility Allowance	12,618,834	11,183,000



NOTES TO THE FINANCIAL STATEMENTS (CONT...)

Non Practicing Allowance	742,000	-
Professorial Allowance	225,000	-
Professional Allowance	498,000	-
Telephone Allowance	7,049,610	6,464,263
Acting Allowance	140,118	1,723,471
Special Duty Allowance	509,814	1,148,390
Management Allowance	21,057,332	18,710,000
Book and Research Allowance	1,896,000	1,480,000
Gratuities	3,714,403	14,541,266
Leave Allowance	8,484,943	9,211,260
Commuter Allowance	41,977,883	37,618,317
Car Allowance	26,564,319	24,883,217
Entertainment Allowance	11,636,835	11,265,000
Electricity & Water Allowance	3,736,800	3,345,000
Radio Alarm Maintenance	25,000	10,440
Passage and Baggage Allowance	597,185	935,628
Domestic Workers Allowance	1,320,000	1,170,000
Risk Allowance	239,880	98,700
Overtime Allowance	479,620	-
Extraneous Allowance	4,677,867	4,009,136
TOTAL	<u>900,090,336</u>	<u>916,099,024</u>

(7)

COUNCIL EXPENSES

	2015	2014
	Kshs.	Kshs.
Chancellor's Allowance	1,100,000	1,200,000
Chairman's Allowance	957,000	957,000
Sitting Allowance	4,160,000	3,960,000
Accommodation Allowance	2,886,000	2,823,000
Mileage	1,241,968	508,969
Travel Expenses	2,525,741	3,291,075
Consultancy (Training)	109,400	-
TOTAL	<u>12,980,109</u>	<u>12,740,044</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT...)

(8)	2015	2014
ADMINISTRATIVE/OPERATING EXPENSES	Kshs.	Kshs.
Casual wages	2,406,894	2,549,928
Travel and Subsistence	10,755,106	14,081,425
Fuel and oils	5,155,500	8,283,078
Maintenance of Vehicles	2,920,479	3,128,552
*Office Stationery	3,575,906	5,790,139
*Photocopying	157,462	294,819
*Computer Stationery	4,478,686	5,357,414
Service Charge	650,445	5,800
Advertising and Publicity	10,702,328	14,342,844
*Printing and Publishing	3,469,139	4,258,677
Newspapers	1,561,200	2,011,020
Shows and Exhibitions	5,563,070	4,975,784
Electricity	21,714,550	23,428,654
Water and Conservancy	1,399,008	2,328,852
Graduation Expenses	9,051,459	6,050,067
Official Entertainment	2,131,513	3,185,397
Expenses of Boards and Committees	10,462,133	10,075,327
Staff Development and Training	17,288,013	19,929,180
Staff Welfare	2,556,558	1,542,900
Staff Dependants Bursary Scheme	2,168,311	2,201,937
Cleaning Materials	5,695,646	5,536,321
Fumigation & Waste Collection Services	3,175,840	1,804,322
Purchase of Gas and firewood	2,847,969	3,246,792
Purchase of Utensils beddings & fittings	2,313,810	1,046,682
Purchase of foodstuffs	22,419,407	22,144,972
Vehicle Licenses and Inspection	237,500	229,528
Vehicle Insurance	1,774,092	2,367,007
General Insurance	3,405,405	2,841,758
Bank Charges	1,973,284	1,723,901
Payment of Rent and Rates	4,078,308	1,013,345
Staff Uniforms	1,174,010	3,653,256
Governance	6,418,647	7,360,204
Subscription Fee	1,501,979	985,827
Professional Services	2,555,463	4,399,372
Hire of Security Services	11,241,700	8,957,768
Funeral Expenses	170,000	-
Ex gratia payments Bereavement	309,999	200,000
CSR Donations	46,500	20,000
Postal and Courier Services	951,644	718,881
Telephone Expenses	1,312,811	613,365
TOTAL	<u>191,771,774</u>	<u>202,685,095</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT...)

(9)	2015	2014
TEACHING EXPENSES	Kshs.	Kshs.
Library Expenses	7,080,531	6,565,259
Purchase of Teaching Materials	10,371,495	10,802,011
Curriculum and Development	3,555,355	2,787,340
Academic Trips	4,955,744	3,150,430
Maintenance Computer Hardware and Networks	46,700	-
Internet Charges	11,507,027	6,719,334
Maintenance Computer Software	2,089,742	3,831,775
Internal Research Expenses	2,942,430	2,906,138
External Research Expenses	4,144,254	4,600,542
Part time Teaching	211,296,098	160,324,412
Production Expenses	1,914,125	1,872,482
Examination Materials	7,433,560	7,106,441
External Examiners	6,131,299	5,538,560
Consultancy Expenses	2,896,354	3,425,800
ISO Certification	1,379,230	383,815
Seed Money Kwale Campus	-	8,240,236
Publications and conference research	1,107,754	-
Industrial Attachment Expenses	2,891,370	2,678,955
TOTAL	<u>281,743,068</u>	<u>230,933,530</u>

(10)	2015	2014
STUDENTS WELFARE EXPENSES	Kshs.	Kshs.
Guidance and Counselling	381,410	365,692
Sports Activities	3,900,423	3,177,495
TUMSU Elections	1,194,108	982,630
Medical Expenses Clinic / Medical	3,837,268	4,452,318
Student Work study Programme	367,515	386,305
Music and Drama Dean of students	409,400	-
TOTAL	<u>10,090,124</u>	<u>9,364,440</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT...)

(11)	2015	2014
REPAIRS AND MAINTENANCE	Kshs.	Kshs.
Repairs and Maintenance	2,655,600	2,284,270
Maintenance of Buildings and Stations	14,654,299	11,723,228
Maintenance of Sewerage	1,249,200	994,202
TOTAL	<u>18,559,099</u>	<u>15,001,700</u>

(12)	2015	2014
PROVISION FOR ACCRUED EXPENSES	Kshs	Kshs
Audit Fees	<u>941,920</u>	<u>812,000</u>

Technical University of Morib
Financial Statements
For the year ended 30 June 2015



NOTES TO THE FINANCIAL STATEMENTS (CONT...)

PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2015

(13)

ASSETS RATES COST / VALUATION	FREE HOLD LAND		BUILDING		FURNITURE & FITTINGS		COMPUTER & OTHER ELECTRONICS		PLANT & EQUIPMENTS		MOTOR VEHICLE		CAPITAL WORK IN PROGRESS		TOTAL
	KSHS	0.0	0.02	0.1	0.3	0.1	0.2	KSHS	0.1	0.2	KSHS	KSHS	KSHS	KSHS	
As at 1 July 2013	935,500,000		1,250,449,603	63,602,537	130,216,617	381,628,239	43,915,214	227,774,972	3,033,087,182						
Additions	0		1,235,884	20,905,377	5,686,906	11,485,707	0	69,292,885	108,606,759						
Disposal	0		(329,055)	0	0	(6,500,000)	0	0	(6,829,055)						
As at 30 June 2014	<u>935,500,000</u>		<u>1,251,356,432</u>	<u>84,507,914</u>	<u>135,903,523</u>	<u>386,613,946</u>	<u>43,915,214</u>	<u>297,067,857</u>	<u>3,134,864,886</u>						
Additions	9,500,000		267,697,451	5,177,587	21,171,528	28,847,917	14,431,824	(239,439,160)	107,387,147						
Reallocations	0		0	0	(7,345,077)	0	0	0	(7,345,077)						
Disposal	0		0	(384,550)	(12,668,640)	(142,095)	0	0	(13,195,285)						
As at 30 June 2015	<u>945,500,000</u>		<u>1,519,053,883</u>	<u>89,300,951</u>	<u>137,061,334</u>	<u>415,319,768</u>	<u>58,347,038</u>	<u>57,628,697</u>	<u>3,221,711,671</u>						
DEPRECIATION															
As at 1 st July 2013	0		80,030,131	22,616,514	80,186,342	130,541,025	24,454,620	0	337,828,632						
Charge for the Year	0		25,027,129	8,450,791	10,433,703	38,661,395	5,502,243	0	88,075,261						
Disposal	0		(32,905)	0	0	(3,250,000)	0	0	(3,282,905)						
As at 30 June 2014	<u>0</u>		<u>105,024,355</u>	<u>31,067,305</u>	<u>90,620,045</u>	<u>165,952,420</u>	<u>29,956,863</u>	<u>0</u>	<u>422,620,988</u>						
Charge for the Year	0		30,381,078	8,929,695	12,548,027	41,531,977	7,648,807	0	101,039,584						
Disposal	0		0	(384,550)	(12,668,640)	(142,095)	0	0	(13,195,285)						
As at 30 June 2015	<u>0</u>		<u>135,405,433</u>	<u>39,612,450</u>	<u>90,499,432</u>	<u>207,342,302</u>	<u>37,605,670</u>	<u>0</u>	<u>510,465,287</u>						
NET BOOK VALUES															
As at 30 June 2015	<u>945,500,000</u>		<u>1,383,648,450</u>	<u>49,688,501</u>	<u>46,561,902</u>	<u>207,977,466</u>	<u>20,741,368</u>	<u>57,628,697</u>	<u>2,711,246,384</u>						
As at 30 June 2014	<u>935,500,000</u>		<u>1,146,332,077</u>	<u>53,440,478</u>	<u>45,283,478</u>	<u>220,661,526</u>	<u>13,958,351</u>	<u>297,067,857</u>	<u>2,712,243,898</u>						



NOTES TO THE FINANCIAL STATEMENTS (CONT...)

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

Computers and related equipment.....Kshs.99,253,254
Motor vehiclesKshs.17,849,000

The Capital Work in Progress of Kshs 57,628,697 includes the following projects

WORKS IN PROGRESS NAME OF COMPANY	DESCRIPTION	2015 Kshs.	2014 Kshs
Balance B/F		297,067,857	-
Transfers		(267,817,451)	-
Pawacon Projects		3,014,308	-
A.N.K Constructions Ltd	Learning centre	-	187,417,772
Atomic Electronics	Electricals	20,317,255	51,900,185
EpcO	Mabokoni classes	-	51,761,046
Jumbo Interlinks Limited	Foldable partitions Clinic	-	2,823,520
Kensar General Supplies & Construction Ltd	Rehabilitation	-	-
Kensar General Supplies & Construction Ltd	Drilling of boreholes	822,250	501,359
Nzambani Paints And Hardware	Kiziwi drainage ✓	1,732,340	2,663,975
Management Project Fees		690,000	-
Intergrated Technologies and Systems Limited	Library expense	1,802,138	-
TOTAL		<u>57,628,697</u>	<u>297,067,857</u>

(14)	2015 Kshs.	2014 RESTATED Kshs.
INTANGIBLE ASSETS		
Opening Balance	5,370,014	755,786
Reallocation from computer hardware	7,345,077	-
Purchase of Computer Software	3,229,460	4,614,228
TOTAL	<u>15,944,551</u>	<u>5,370,014</u>
Amortization b/f	(2,140,054)	(529,050)
Amortization charge for the year	(4,141,349)	(1,611,004)
TOTAL	<u>(6,281,403)</u>	<u>(2,140,054)</u>
BALANCE C/F	<u>9,663,148</u>	<u>3,229,960</u>

The Intangible Assets include SAGE ACCPAC and Student Management System Software



NOTES TO THE FINANCIAL STATEMENTS (CONT...)

(15)	2015	2014
INVENTORIES	Kshs	Kshs
Inventories Estates department	3,233,570	5,753,551
Inventories Catering department	199,722	288,220
Inventories Mechanical Engineering	1,188,671	1,061,673
Inventories Clinic	1,128,150	1,168,014
Inventories Kiziwi department	766,465	457,259
Inventories Training and restaurant	204,864	271,333
Inventories Central Stores	5,539,058	4,984,348
Inventories Electrical department	70,928	75,112
Inventories Applied Science department	3,352,373	3,368,259
Inventories Business Studies department	54,009	135,108
Inventories Medical Engineering department	4,352,147	2,859,972
Inventories Computing & Information department	71,545	69,737
Inventories Library department	186,627	64,529
Inventories Building Engineering department	187,086	312,143
Inventories Liberal Studies department	71,201	43,062
Inventories Ukunda Campus	1,164,086	278,211
Inventories Lamu Campus	109,281	116,362
Inventories Research and Innovation Department	27,955	22,242
TOTAL	<u>21,907,738</u>	<u>21,329,135</u>

(16)	2015	2014
RECEIVABLES FROM EXCHANGE TRANSACTIONS	Kshs.	Kshs.
Prepaid Insurances	56,827,089	52,044,539
Deposit Contingency	725,000	725,000
General Trade receivables	838,477	838,477
Student Debtors	37,027,767	31,512,675
TIVET Bursaries MOHEST	696,531	696,531
Guest Accommodation Debtors	6,852,396	8,380,724
Staff Medical Debtors	391,721	983,930
Staff Salary Advances	601,333	648,793
Rent Arrears	102,030	150,430
Provision	(23,280,832)	(18,400,142)
TOTAL	<u>80,781,512</u>	<u>77,580,957</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT...)

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

(17)	2015	2014
	Kshs	Kshs
GAIN ON DISPOSAL OF ASSETS		
Cost of Assets	13,195,285	6,829,055
Accumulated Depreciation	<u>(13,195,285)</u>	<u>(3,282,912)</u>
Net Book Value	<u>0</u>	<u>3,546,143</u>
Sales	299,308	3,114,602
Gain/(Loss) on Disposal	<u>299,308</u>	<u>(431,541)</u>

(18)	2015	2014
	Kshs	Kshs
RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		RESTATED
Recurrent Grants	61,060,212	56,662,814
Development Grants	-	83,494,654
Staff Imprest	954,295	4,223,506
Other Debtors	1,485,646	1,416,878
TOTAL	<u>63,500,153</u>	<u>145,797,852</u>



NOTES TO THE FINANACIAL STATEMENTS (CONT...)

(19)	2015	2014
CASH AND BANK BALANCES	Kshs.	Kshs.
Petty Cash	181,320	-
CASH BALANCES		
Cash at Bank National Bank Current Account I	4,166,128	4,546,065
Cash at Bank National Bank Current Account II	1,751,749	(3,600,116)
Cash at Bank Co-op Bank Fees collection Account	8,277,010	10,271,208
Cash at Bank StanChart Bank Fees collection Acc.	7,237,666	6,793,076
Cash at Bank KCB Lamu Satellite Campus	8,480,766	7,327,701
Cash at Bank Family Bank Research A/C	5,868,471	5,248,335
Cash at bank Kiziwi Guest House	6,980,073	6,657,469
Cash at bank Equity Fees Collection a/c	679,468	8,525,716
Cash at bank Development A/C Standard Chartered	658,206	8,793,365
Cash at bank Economic Stimulus Programme	10,860,782	1,673,215
Cash at bank NBK fees collection a/c	3,262,522	3,284,036
Cash at bank NBK GOVSEA Project	5,740,444	-
Cash at bank KCB fees collection	<u>48,325</u>	-
BANK BALANCES	<u>64,192,930</u>	<u>59,520,070</u>

(20)	2015	2014
SHORT-TERM INVESTMENTS	Kshs.	Kshs.
Fixed Deposit Bank of Africa	25,216,647	-
Fixed Deposit Kenya Commercial Bank	20,497,425	-
TOTAL	<u>45,714,072</u>	-



NOTES TO THE FINANCIAL STATEMENTS (CONT...)

(21)	2015	2014
	Kshs.	Kshs.
LONG-TERM INVESTMENTS		
Fixed Deposit National Bank of Kenya	4,158,986	4,007,720
Seed Money TUM Enterprises	5,571,938	5,119,270
Shares in Consolidated Bank	5,000,000	5,000,000
TOTAL	<u>14,730,924</u>	<u>14,126,990</u>

Fixed deposit of Kshs. 4,158,986 is a guarantee for Kenya Power and Vivo Energy maintained by National bank of Kenya.

The University invested Kshs. 5,000,000 in Tum Enterprise Ltd. in 2013/2014. Kshs. 119,270 relates to surplus for financial year 2013/2014 and Kshs. (67,002) is deficit for financial year 2014/2015.

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

(22)	2015	2015
	Kshs	Kshs
TRADE AND OTHER PAYABLES		
General Trade Payables	28,587,863	27,385,521
Prior year trade creditors	10,170	-
Short-term Service gratuity	<u>5,925,662</u>	<u>6,321,879</u>
TOTAL	<u>34,523,695</u>	<u>33,707,400</u>

(23)	2015	2014
	Kshs.	Kshs.
OTHER CREDITORS		
PAYE Deductions	26,297,733	28,090,283
VAT Retained	4,322,444	3,573,610
Income Tax Withholding	1,186,442	1,824,187
VAT Clearing	36,795	36,796
Student Union Fee	135,808	-
Student Benevolent Fund	256,603	-
Accrued Payables	3,200,605	3,891,316
Rent Deposit	9,000	9,000
Unclaimed wages	203,780	-
TVET institutions	4,499,815	-
HELB	124,925	129,493
CDF	318,550	318,550
Other Depositors	681,026	681,026
LAPSSSET Funds	1,123,500	-
Foreign Examinations CILT	586,372	140,804



NOTES TO THE FINANCIAL STATEMENTS(CONT...)

External Examinations – KMTLB	446,016	510,460
External Examinations – KASNEB	6,170	4,670
External Examinations – KNEC	513,313	390,233
Refund to General Debtors	90,457	90,457
Pension Deductions/Contributions	2,919,152	13,072,910
NSSF Payables	150,800	150,000
NHIF Payables	1,045,290	239,700
Poly Sacco	2,937,941	3,688,804
Staff Benevolent Fund	86,651	88,201
Loan Payables Barclays	1,339,100	1,488,378
Insurance Payables Cannon Assurance K	61,089	75,072
Trade Unions Payables	548,071	260,332
Other Payables	63,213,854	25,484,091
Retentions Payable	13,897,070	18,675,150
Welfare Payables MSA Poly Workers Welfare	600	600
Insurance Payables Mercantile & Gen Ass/Saham	100,794	90,020
Insurance Payables British American Insurance	295,149	243,119
Insurance Payables UAP Insurance Company	54,974	53,204
Insurance Payables Blue Shield Insurance	13,556	11,666
Insurance Payables CFC Life Insurance	52,129	45,935
Insurance Payables Madison Insurance	26,535	33,030
Insurance Payables Jubilee Insurance	78,561	80,056
Insurance Payables ICEA	88,204	59,184
Insurance Payables Pan Africa Life Assurance	57,500	68,082
Insurance Payables Corporate Insurance Company	19,246	12,762
Insurance Payables Kenindia	4,943	9,846
Insurance Payables Pioneer Assurance Co. Ltd	-	31,000
Mwalimu SACCO	6,690,543	3,199,107
Kitui Teachers SACCO	90,840	98,300
KEMFRI SACCO	20,611	43,687
Fundilima SACCO	126,737	51,668
Kenversity SACCO	41,235	47,364
Chuna SACCO	80,235	63,234
Kenya Bankers Sacco	5,000	5,000
Kilifi Teachers Sacco	31,600	29,500
CDA Sacco	7,000	8,000



NOTES TO THE FINANCIAL STATEMENTS(CONT...)

Loan Payables KCB	3,988,731	1,580,961
Loan Payables NBK	3,569,751	4,768,802
Loan Payables HFCK	19,000	19,000
Loan Payables Standard Chartered	177,405	127,988
Loan Payables CFC stanbic	79,767	115,022
Loan Payables Co operative Bank	417,655	309,054
Ministry Of Housing	15,500	15,500
Loan Payables Family Bank	135,894	70,196
Loan Payables Milimani Commercial Court	41,180	13,180
Loan Payables Bank of Africa	810,923	166,887
Loan payables Faulu	36,652	-
Loan payables Jamii bora	66,863	-
Loan payables select management services ltd	13,725	-
Stima SACCO	499,353	106,000
Ukaguzi SACCO	7,200	38,711
Utabibu cooperative savings & credit society	46,074	-
Bandari SACCO	5,000	-
Mwalimu sacco Kisumu	5,750	-
Imarisha sacco Ltd	17,200	-
Net Pay	762,632	14,396,432
Audit Fees	2,566,420	812,000
Salary advance refund	1,334	-
Post Bank Shares	4,000	4,000
Amedo payables	16,965	15,180
TOTAL	<u>151,419,338</u>	<u>129,756,800.00</u>

(24)	2015	2014
LONG TERM LIABILITIES	Kshs.	Kshs.
Service Gratuity	18,230,688	26,468,985
Students Caution Money	<u>7,496,928</u>	<u>9,925,353</u>
TOTAL	<u>25,727,616</u>	<u>36,394,338</u>

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



NOTES TO THE FINANCIAL STATEMENTS(CONT...)

(25) CAPITAL FUND	2015 Kshs.	2014 Kshs.
B/F	2,793,727,889	2,684,046,949
Development Grant	64,472,013	109,680,940
Donations Grants	-	-
C/F	<u>2,858,199,902</u>	<u>2,793,727,889</u>

(26) OTHER FUNDS & RESERVES	2015 Kshs.	2014 Kshs.
B/F	40,242,435	RESTATED 98,421,412
Revenue Reserve	(442,891)	496,466
Deficit for the Period	<u>(97,933,234)</u>	<u>(58,675,443)</u>
C/F	<u>(58,133,690)</u>	<u>40,242,435</u>



NOTES TO THE FINANCIAL STATEMENTS (CONT...)

27. CAPITAL COMMITMENTS

There are only one project which is ongoing and is expected to be completed in the coming financial year namely:

Fencing of Gotani. The total contract sum of the project is Kshs 15,796,937. No payments were made in the financial year under consideration as a certificate was presented for payment on 30/6/2015.

The institution plans to establish a medical school costing about Kes 104 Million. However, the first phase which will be completed in the next financial year is expected to cost Kshs 54 Million. There are also plans to put up hostels at Kwale campus with the first phase consisting of the ground floor expected to cost about Kes 30 Million.

28. OPERATING LEASE RENTAL

With the establishment of a new campus in Kwale, the University had to enter into two lease agreements in an effort to provide accommodation for students studying there. The agreements are for a period of three years and they began in September, 2013.



TECHNICAL UNIVERSITY OF MOMBASA

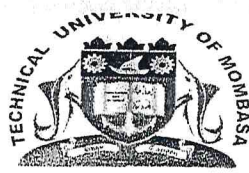
PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

1. PROPERTY, PLANT AND EQUIPMENT

- 1.1 The University is still pursuing change of PIN name with KRA to read Technical University of Mombasa and not Mombasa Polytechnic as is currently the case. Only then can we change the log books to reflect the current status.
- 1.2 The University has a title deed for parcel of land LR No. Mombasa/XI/386 which is proof of ownership that the land belongs to Technical University of Mombasa. However, there are squatters on some sections of the land and this matter is before a court of law. We are awaiting the outcome.
- 1.3 The Management earmarked the development of the learning centre at the spot where the former principal's house stood. For this to take place, there was need for the demolition (disposing off) of the Principal's house. At the time of the demolition, the building had not been fully depreciated so the resulting loss was charged to the reserve account as it had not been captured in the relevant financial period.
- 1.4 The procurement of furniture and equipment went through the legal process of tender opening, evaluation and award as per the Public Procurement and Disposal Act. These documents are in the procurement department.
- 1.5 Kshs 17,425,066.00 payment for professional fees is a cumulative figure running over three financial years namely 2011/2012, 2012/2013 and 2013/2014. These is payment of professional fees at 5% of the project cost to members of staff who provide expertise in the construction projects on campus. The market rate for such services is between 8% to 12% hence the University constructs its buildings at lower costs. These payments were approved by the Council on 3/2/2011.

2. INTANGIBLE ASSETS

The previous payment of Kshs 6,068,800.00 in 2012/2013 was included in the Property Plant and Equipment schedule and depreciated under computer and other electronics. With adoption of IPSAS, the later payment of Kshs 5,370,015 was amortized and classified in intangible assets.



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3. TRADE AND OTHER RECEIVABLES

3.1 Due to the nature of invoicing which is done on a semester basis and the fact that payments made by students are not directly linked to a particular invoice, it is not possible to get an aging analysis of student debtors unless we do so manually for over 8,000 students. For suppliers, it is possible to track payments made for particular invoices but not so with students.

The May to August semester runs across two financial years since our year end is in the month of June hence the halving i.e. 50% calculation.

3.2 The Kshs 1,331,000 receivable arising out of a surcharge of a member of staff for payroll fraud is a matter being handled by the Criminal Investigation Department after which we will be able to know the next course of action.

3.3 There is a draft debt policy which is awaiting approval by the Council and once in place, we shall be able to have a basis of writing off the outstanding TVET bursaries which the government promised to remit but did not honor the debt and also the Kiziwi debtors most of whom arose from seminars held by the Ministry of Education for free primary education.

4. OTHER CREDITORS

4.1 The total arrears we paid for the CBA from July 2010 to March 2014 was Kshs 76,321,570.00 and thereafter, the new salary scales were effected in the May and June 2014 payrolls. It is important to note that all the arrears were paid and there is no outstanding claim for staff. The government did not promise to pay pension on the arrears hence we as TUM submitted only the employees' portion to the pension scheme.

4.2 The VAT amounts have since been settled. Other depositors balance has reduced substantially over the years and the balance outstanding is for amounts remitted but lacking payment schedules. We are in constant communication with the concerned organizations so that once schedules are provided only then can we update the student statements.

5. STATUTORY DEDUCTIONS

5.1 The VAT payable of Kshs 3,573,610 is in regard to construction payments and Kiziwi guest house. The payments have since been settled in this financial year 2015/2016. Kiziwi's amount of Kshs 1,374,715.00 could not be settled earlier as they first had to register for VAT obligation in order to claim input VAT.



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5.2 The PAYE of Kshs 29,987,669 was paid before the 9th of the following month, ie July 2014 as per regulation as this relates to the payroll for June 2014.

6. CASH AND BANK BALANCES

The unrecorded receipts are payments made into our bank account of whom we are trying to track the source so that we receipt. There are cases of students who pay fees but have no registration numbers and this can only be receipted once they complete the registration process. Some of these payment have since been receipted after tracing the source.

The Kshs 3,600,116 is not a bank overdraft but rather a cash book balance after taking into account the un-presented cheques.

7. COUNCIL EXPENSES

Given that the Chancellor of all public universities was the president, a function which was devolved after the NARC government came into power, there has been no circular on the Chancellor's allowance. However, since the Chairman of Council draws a monthly allowance, the University Council considered doing the same for the Chancellor. More so, we drew comparison figures of the amounts to pay with other public institutions of higher learning. In addition, a letter was sent to the Ministry seeking guidance on the same and we are yet to receive a response.

8. TEACHING EXPENSES

The production expenses were paid as per the TUMEL policy which was availed at the time of the audit.

9. INVESTMENTS

The net profit of Kshs 119,270.00 was realized in the financial statements prepared in the year 2014/2015.

10. IRREGULAR PAYMENT OF LEGAL FEES

The amount of Kshs 5,950,000.00 (inclusive of VAT) was paid to the University legal adviser who is prequalified to issue legal services and was money charged for conveyancing. The University tried to acquire land in Kilifi district for Kshs 690 Million and conveyancing fee needs to be paid whether the land is acquired or not.

11. ACCURACY OF FINANCIAL STATEMENTS

a) The difference in intangible assets of Kshs 855, 218.00 between the Statement of Financial Position and Statement of Cash Flow is because Kshs 3,759,010.00 is the Net Book Value as at 30.06.2014 and Kshs 4,614,228.00 is the movement in cash as a result of additional acquisition in software.



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- b) There is no increase in fixed assets. The amount of Kshs 35,767,724.00 excludes Works in Progress and disposals of Kshs 69,292,885.00 and Kshs 2,790,384.00 that have been accounted for separately in the Cash Flow statement where as in the Statement of Financial Position, they have been combined to give a block figure of Kshs 107,850,793.00