



Enhancing Accountability

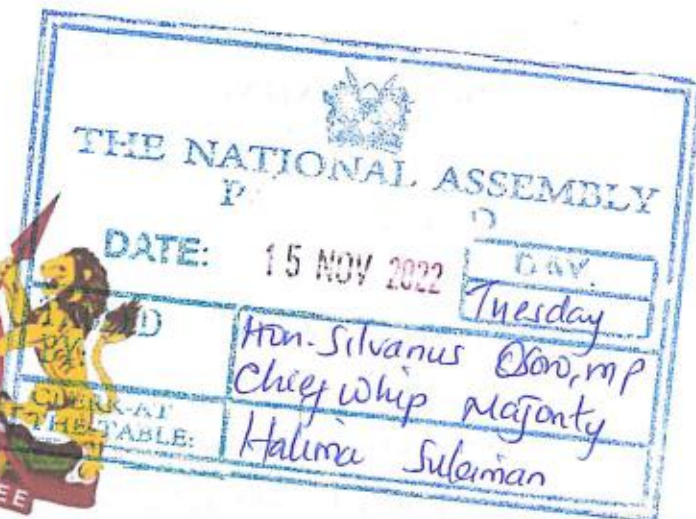
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| THE NATIONAL ASSEMBLY | |
| P. 15 NOV 2022 | |
| REPORT: | DAY: Tuesday |
| TABLED BY: | Hon. Silvanus Otoro, MP Chief Whip Majority |
| CLERK-AT THE TABLE: | Halima Superman |

THE AUDITOR-GENERAL

ON

THARAKA UNIVERSITY COLLEGE

**FOR THE YEAR ENDED
30 JUNE, 2021**



THARAKA



UNIVERSITY

COLLEGE



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30th JUNE 2021

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

Tharaka University College
Annual Reports and Financial Statements
For the Year Ended June 30, 2021

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Tharaka University College is an independent public entity established as a Constituent College of Chuka University on 27th July, 2017, through Legal Notice No. 146. The main objective of its establishment was to enhance access to quality and affordable University Education to the people of the region and beyond, with the aim of training skilled manpower required for regional and national development. The vision of the University College is to be an adaptive Centre of excellence in teaching, research, innovation and outreach for societal transformation.

Tharaka University College is represented by the Cabinet Secretary for Education, who is responsible for the general policy and strategic direction of the University College. The University College runs academic programmes, which are offered under the following four Faculties; Business Studies, Education, Humanities and Social Sciences, Life Sciences; and Natural Resources; and Physical Sciences, Engineering and Technology.

b) Principal Activities

The mandate of Tharaka University College is enshrined in the **objects and functions** as shown below:

The objectives of the University College are to:

- i) Provide directly, or in collaboration with other institutions of higher learning, facilities for quality University Education, including technological, scientific and professional education, and the integration of teaching, research, outreach and effective application of knowledge and skills to the life, work and welfare of the citizens of Kenya;
- ii) Provide and advance University Education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Academic Board shall from time-to-time determine and in so doing, contribute to realization of sustainable national economic and social development; and
- iii) Provide programmes, products, and services in ways that reflect the principles of equity and social justice.

The functions of the University College are to:

1. Participate in technological innovation as well as discovery, transmission, preservation and enhancement of knowledge;
2. Stimulate the intellectual participation of students in the economic, social, cultural,

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- scientific and technological development of Kenya;
3. Inculcate a culture of lifelong learning, responsible citizenry and innovation in technology, engineering and mathematics within the institution and society;
 4. Engage in teaching, training, scholarship, entrepreneurship, research, consultancy, community services, among other educational services, with emphasis on technology and its development, impact and application to society;
 5. Statutes and syndicates examinations for award at other institutions as may be approved by the Senate; and
 6. Facilitate the development and provision of appropriate academic programmes and community services.

Mission

To create a strong knowledge base through teaching, research and innovation and to disseminate this knowledge to produce all rounded graduates with problem solving skills for positive societal transformation

Vision

To be an adaptive centre of excellence in teaching, research, innovation and outreach for societal transformation.

Motto

The motto of Tharaka University College is "Education for Freedom".

Core Values

The University College is committed to the following set of core values:

- i) Customer value and focus
- ii) Diversity & social fairness
- iii) Environmental consciousness
- iv) Fidelity to the law
- v) Innovation
- vi) Integrity
- vii) Passion for Excellence
- viii) Peaceful Co-existence
- ix) Professionalism and Confidentiality
- x) Prudence in utilization of resources
- xi) Team work

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xii) Timeliness and Devotion to duty.

c) Key Management

The University's day-to-day management is under the following key organs:

- i) The Principal Secretary, Ministry of Education
- ii) The Council
- iii) The Academic Board

d) Fiduciary Management

Tharaka University College is led on day to day operations by Prof. Peter K. Muriungi who is the Principal (CEO) and was appointed by the Cabinet Secretary for Education on 18th January 2019.

(a) Fiduciary Oversight Arrangements

The key fiduciary oversight committees of the University College for the Financial Year 2020/2021 and their respective functions are outlined below:

1. Finance, Farms, Enterprise Company and General-Purpose Committee

- i) To review and recommend approval of policies and conditions for sound management of the financial processes and operations.
- ii) To review and report to the Board on the annual audited accounts.
- iii) To review and recommend approval of policies and conditions for sound management of financial investments.
- iv) To formulate policies and conditions for sound management of University College funds.
- v) To discuss and recommend to the full Council Annual and Quarterly Financial reports.

2. Audit, Governance and Risk Management Committee

- i) Assist in enhancing internal controls in order to improve efficiency, transparency and accountability in the management of University College funds,
- ii) Examine internal and external audit reports and recommendations after management response to ensure action is taken,
- iii) Follow up to ensure action is taken to resolve Public Accounts Committee recommendations,

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- iv) Provide oversight on risk management processes,
 - v) Any other duty as set out in the Audit Committee Charter,
- 3. Human Resources Management Committee**
- i) To provide guidance and direction to compensation and benefits of employees as per the negotiated Collective Bargaining Agreements as well as negotiate for group health care benefits.
 - ii) Implementation of employee training and development policy depending on competency needs assessment.
 - iii) Carry out the organization employee needs assessment and recommend for recruitment of various categories of staff.
 - iv) Handle and recommend to the Council staff disciplinary matters and the appropriate action to be taken.
- 4. Building, Planning and Development Committee**
- i) To oversee implementation of development projects in the University College.
 - ii) To consider and recommend to the Full Council building projects budget for the University College.
 - iii) To monitor and appraise development projects for the University College.
- 5. Grievances Handling and Appeals Committee**
- i) To hear any appeals related to staff and students discipline and recommend to the Council for the necessary action.
 - ii) To arbitrate the cases brought to the committee from various organs of the University College.
- 6. Sealing and Honorary Degree Committee**
- i) To make recommendations to the Full Council on the award of Honorary Degrees to various personnel.
 - ii) To recommend to the Council students due for graduation after the recommendation from the Academic Board.
- f) Entity Headquarters**
P.O. Box 193, 60215
Marimanti Town
Kenya.
- g) Entity Contacts**

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Telephone: (254) 0202008549/02020076920

Cell phone 0728229548

E-mail: info@tharaka.ac.ke

Website: tharaka.ac.ke

h) Entity Bankers

1. Kenya Commercial Bank Ltd,

P.O. Box 7014 - 60400

Chuka

2. Cooperative Bank of Kenya

P.O. Box 101 - 60400

Chuka

3. Equity Bank Ltd

P.O. Box 213 - 60400

Chuka

i) Independent Auditors

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Advisor

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200




Nairobi, Kenya

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2. THE UNIVERSITY COLLEGE COUNCIL




| Name(s) | Concise Description |
|---|---|
| <p>Dr. Timothy M. Kiruhi, Ph.D. Council Chairman</p>  | <p>Dr. Timothy M. Kiruhi is the current Chairman of Tharaka University College Council. He was born on 9th February, 1966. He holds a Ph. D degree in Organizational Leadership (Global Leadership focus) Regent University, USA, M.A (Leadership Studies) Azusa Pacific University, BSc (Mechanical Engineering) (UON). He is the current Vice Chancellor International Leadership University.</p> |
| <p>Prof. Peter K. Muriungi, Ph.D. Principal/CEO</p>  | <p>Professor Peter K. Muriungi was born on 21st January 1975. He is a renowned Scholar and an administrator. He started his University teaching career in Chuka University in 2009. He grew in academia and was later appointed as the Founding Director Quality Assurance and Performance Contracting. He served as acting Principal TUC from 2017 to January 2019. On 17th of January, 2019 he was appointed the Principal, TUC. He holds a Ph.D. in Linguistic University of Tromsø, Norway, M.A (Linguistics) University of Witwatersrand SA and B.Ed. (Arts) UoN</p> |

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|--|---|
| <p>Mr. James Otieno Onduru Rep. Principal Secretary State Department for University Education and Research</p>  | <p>Mr. James O. Onduru was born in 1967. He represents the Principal Secretary – State Department for University Education and Research, Ministry of Education. He is a Deputy Director and a holder of Master’s Degree in Education. He was appointed as the alternate member of Tharaka University College Council on 4th June 2020.</p> |
| <p>Justice (Rtd.) Muga Apondi Council Member</p>  | <p>Justice (Rtd.) Muga Apondi was born in 1955. He is an advocate of High Court of Kenya and a Commissioner for Oaths. He served in the Kenyan Judiciary for over 30years. He holds L.L.M and L.L.B from UoN and a diploma in Law, Kenya School of Law. He serves as an independent Council Member.</p> |
| <p>Christopher Aleke Dondo Council Member</p>  | <p>Christopher Aleke Dondo was born on 22nd October, 1955. He is an Economic consultant. He holds M.A (Economics), York University, B.A (Economics), UoN and Diploma in Finance for Non-Finance Managers, KCA University. He serves as an independent Council Member.</p> |

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| | |
|---|--|
| <p>Esther N. Michieka Council Member</p>  | <p>Esther N. Michieka was born on 27th September, 1957. She is an educationist. She served in Higher Education Loans Board (HELB) for over 20 years as a lending Manager. She holds M. A, PGDE and B.Ed., UoN. She serves as an independent Council member.</p> |
| <p>Abdi Ali Mohamed Council Member</p>  | <p>Abdi Ali Mohamed was born on 22nd June, 1974. He is a business consultant. He also worked as a senior Technical Specialist (Health, Food Security and Climate Change) Somalia. He holds M.A Public Policy and Administration, Kenyatta University, BA Sociology and Psychology UoN and Diploma in Community Health Nursing, KMTTC. He serves as an independent Council Member.</p> |
| <p>Dr. Muthoni P. Nkoroi Council Member</p>  | <p>Dr. Muthoni P. Nkoroi was born on 9th January, 1962. She has a wide range of experience as a Principal in various secondary schools in Kenya. She holds a Ph.D. in Education Management, M.A Education Management, Kenyatta University and BED (Arts), Kenyatta University. She serves as an independent Council Member.</p> |

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3. CHAIRMAN'S STATEMENT

It is my pleasure and great honor for me to present the 2nd Annual Reports and Financial Statements of Tharaka University College for Financial Year ended 30th June 2021. Despite the challenges associated with the global pandemic of COVID 19 that significantly reduced the University College activities and operations for the better part of the financial year 2020/2021, Tharaka University College made tremendous growth in the expansion of the infrastructure in the course of this financial year. During the 2020 2021 financial year the government allocated and disbursed funds for the construction of the three capital projects namely, the main Library, Science tuition block and Administration block. The University College through internally generated funds was able to sink a 250M borehole, construction of 5 story media studio building, establishment of a modern farm demonstration units and additional class rooms.

The increase in the infrastructure was necessitated by increased enrolment for the University College which caused demand for the physical infrastructure especially the learning areas. The increase in these infrastructure is also part of the requirement by the Commission for University Education to ensure the learning environment of the students is conducive

The University College in the 2020 2021 financial year started the construction of the of 1.5M litres underground water tank. The University College is located in a semi-arid area and the e construction of this water tank will assist in storage of water especially in the dry periods so that the students and other stakeholders have regular supply of water throughout the year.

The establishment of a modern farm unit will be used by the students in the Faculty of Life Sciences and Natural Resources and the members of the community will be trained on the best methods of farming in semi-arid areas. The students in Agricultural Education and Extension and other agricultural related courses will be doing their practicals from this teaching demonstration farm which has been equipped with more animals for the purposes of the learning by the students through practical experience and demonstrations.

The University College has also graded its access roads and put cabro paving for ease of access to the University College from the main road. This has ensured the University College is clean and ease of access for the students and staff accessing the University especially during rainy season. The cabro paving has also ensured that the University College has a

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secure and spacious parking for the University College staff and other visitors coming University.to get various services.

The University College library has also been equipped with new titles and also increased internet access in all the University College buildings and provided for the internet hotspots for the students and staff members. Digital library is also available through the increased subscription to Kenya Libraries and Information Services Consortium. (KLISC).the University college has also acquired an ERP system to enable it automate its operations to cope with the current business trends as a result of Covid-19.

As the Chairman of the Council of this great Divine University College I wish to thank the Government of Kenya and all the collaborating partners and stakeholders for their continued support. I also take pride in the realization that staff members, students, management and fellow Council members have continued to preserve the University College brand through resilience and commitment towards achieving our common goal of academic excellence. Thank you all for your continued commitment, loyalty, hard work and peaceful co-existence



Dr. Timothy M. Kiruhi, Ph.D.

COUNCIL CHAIRMAN

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4. REPORT OF THE PRINCIPAL/CHIEF EXECUTIVE OFFICER

Tharaka University College is an independent public entity which was established as Constituent College of Chuka University on 27th July, 2017, through Legal Notice No. 146. The University College was a campus of Chuka University and inherited the assets and liabilities which were for Chuka University Tharaka Campus. In the 2020-2021 financial year the University College was allocated 303M for recurrent expenditure. The University College was also allocated 243M for Capital development but this amount was latter reduced by half due to the budget constraints by the government of Kenya. The three capital projects that were financed by the government are, the main library, Science tuition and administration Block. The University College collected 59 million from the appropriation in aid.

The University College has grown rapidly since the reporting of its 1st batch of the Government sponsored students in September 2018. In the September 2020 intake, the University College received over 1900 Government sponsored students. Despite the COVID 19 global pandemic that has continued to interrupt the operations of the University College it continued with its mission of creating a strong knowledge base through teaching, research and innovation and to disseminate this knowledge to produce all rounded graduates with problem solving skills for positive societal transformation through embracing technology and carrying out its lectures through online teaching, Google classrooms and provision of e-library services.

It is my pleasure to highlight the following achievements made by the University College in the 2020-2021 financial year.

Student Enrolment

Tharaka University College continues to grow in students 'enrolment. The University College started its operations as a campus of Chuka University and had only 27 students. This number has grown and currently has over 2500 students. In the current financial year the University College received an additional 1900 students. The addition of these students was as a result of vigorous marketing strategies and activities to attract more students carried out by the University College in the year under review. The increased student population has triggered

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business opportunities in the local community, thus helping transform the economic outlook of the area. The allure of the beautiful, serene learning environment with ultramodern learning facilities has attracted people from all walks to Tharaka University College. The University College has an elaborate ways of taking care of student welfare including counselling services given by the University College by the Office of the Dean of students. Tharaka University College is fully paid up member of Kenya University Students Association. The University College has participated in sporting activities in the course of the year and this has been enhanced by the purchase of more buses that are being used to transport students on weekends for sporting activities with other Universities in Kenya. Tharaka University College is also a registered member of Kenya Universities sports association (KUSA). The University College has well democratically constituted student leadership comprising of members who are elected annually by the students through the delegate system.

Financial performance

Tharaka University College was established on 27th July 2017 but missed Government funding for financial years 2017-2018 and 2018-2019. The University College having been a campus of Chuka University, Chuka University continued funding its operations until the financial year 2019-2020 when the University College received the first Government funding.

In the year under review Tharaka University College has grown its net assets to 580M from 106 inherited by the University College from Chuka University. The growth of these assets was tremendous bearing in mind that the sources of funding for these assets was from the savings on recurrent grants from the Government and appropriation in aid.

Tharaka University College in the year under review applied prudent financial management in its bid to strengthen the institutional capacity as per the strategic objectives and core values. In the year under review the financial position has posted a positive liquidity indicating the University College is ready to pay its bills as they fall due and the University College remains a going concern in the fore going future and is in the right path in the implementation of its mission and objectives.

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Education, Training, Research and outreach

The University College is fully committed to provision of quality education, training and research for sustainable national and global development. In the year under review, the University College organized its 2nd International Research Conference whose theme was "Role of Science technology Innovation and Entrepreneurship for Sustainable Development". Abstracts were received from over 100 delegates from Kenya and beyond, comprising academicians, policy makers, researchers, and industry players, NGOs, CBOs, among others, from both public and private sectors. This conference was done online due to the prevailing conditions of Covid-19 in the country.

The construction and establishment of the farming demonstration unit will be used by the students in the Faculty of Life Sciences and Natural Resources to carry out farming demonstration projects. This unit will also be used by the surrounding community to acquire skills on the modern farming techniques to improve food security in the area and region at large. In the year under review this demonstration unit was used for training farmers in the surrounding community as part of the University College effort to enhance its outreach activities. The University College has invested heavily through the purchase of Ankole cows and good breeds of pigs in order to train farmers on these animals. The sale of pork will also supplement the University College income

Infrastructure

Tharaka University College has set up an elaborate master plan in order to have a clear direction on where it is and where it expect to be in future. In 2020-2021 financial year, the University College was allocated capital budget by the government of Kenya and started the construction of the main library as per the recommendation of the Commission for University Education, Science tuition block which has science laboratories, lecture halls and offices for the lecturers. The University College also started the construction of the Administration block. This will host the administrative staff of the University College to ensure they have a good working environment. The University College has also continued to construct the media Studio building which was started in the 2019 2020 financial year. This is storey building which the University College is building through savings from the University appropriation in aid. All these projects are ongoing and they are progressing on well to ensure the students and members of staff are able to learn and work in a friendly environment. The University

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College, in year under review constructed pavements in order to ease movement of students and staff members around the University College especially during rainy season.

The University College also started the construction of the 1.5M Litres water tank to ensure there is sufficient storage facilities for water. This is because the University College is located in a semi-arid area and the provision of water storage facilities is critical. The University College has also procured a bus to ensure students who are going for academic field trips are taken care of. This bus will also be used in marketing the newly established University College.


Among the other developments which have been undertaken in the University College is the expansion of structured cabling. This ensures that the University College online learning continues uninterrupted especially during this time of COVID-19 Pandemic. The University College has also established teaching demonstration unit to enable students in the faculty of life sciences and natural resources acquire the required skills for these courses.

Human Resource

Tharaka University College is committed to invest in recruitment and retention of highly qualified and experienced staff in order to realize its objective of academic excellence. During the year under review Tharaka University College staff held inter-denominational prayers and participated in staff inter-University games sponsored by the University College. This is in the spirit of team building for the University staff members.

In conclusion, may I convey my appreciation and gratitude to the University Council for their invaluable support to Tharaka University College Management and staff members, my fellow staff members for their commitment to work and their timeliness and splendid efforts that have seen Tharaka University College towards its goal of becoming a centre of excellence in teaching, learning, research, innovation and outreach.

Finally, I would like to thank the Government, local and international donors, suppliers and service providers for their trust and guidance and continued cooperation.


Prof. Peter K. Muriungi, Ph.D.

PRINCIPAL/CEO

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**5. STATEMENT OF ENTITY'S PERFORMANCE AGAINST
 PREDETERMINED OBJECTIVES**

Tharaka University College has six (6) strategic issues within its Strategic Plan for the FY 2017/2018- 2021/2022. Tharaka University College strategic issues are as follows:

- Issue 1: University Teaching and learning
- Issue 2: Research, innovation and outreach
- Issue 3: Information, communication and technology
- Issue 4: Student services
- Issue 5: Resource mobilization and management
- Issue 5: Institutional transformation

The University College develops its annual work plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The University College achieved its performance targets set for the FY 2019/2020 period for its 6 strategic pillars, as indicated in the diagram below:

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|---|--|---|---|--|
| Issue 1: University Teaching and Learning | To Expand Competitive Programmes | Faculties established | Establish additional Faculties | Faculty of Life Sciences and Natural Resource Management and Faculty of Business established |
| | To enhance Quality in Education and Training | Staff trainings | Train academic staff in online teaching | 2 trainings conducted |
| | To evaluate teaching effectiveness | Teaching evaluations done | Evaluate teaching effectiveness | 2 teaching evaluations done |
| | To train staff in effective career and academic advising | Number of staff trained | Train staff in effective career and academic advising | 2 Staff from office of career services trained during a 5 days' workshop at Chuka University |
| | To modernize learning environments | Number of lecture halls fitted with whiteboards | Install white boards in lecture halls | 20 lecture halls fitted with white boards |
| Issue 2: Research, Innovation and Outreach | To Generate and Disseminate Research Findings | Number of staff trained | Train staff in proposal writing | 43 staff trained in writing proposals |
| | To establish | Number of | Establish | Linkages |

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| | linkages with research organizations | linkages established | linkages with research organizations | established with Leiden University and Chuka University |
| | To organize annual conferences | 1 Conference per year | Organize annual conferences | 1 conference conducted |
| | To promote research in Science, Engineering and Technology | TVET Directorate | Promote research in Science, Engineering and Technology | TVET Directorate established |
| | To enhance outreach in the ASALs | Trees planted | Plant Trees | 1000 trees planted |
| Issue 3: Information Communication and Technology | To Enhance the Development and Effective Use of ICT Infrastructure | ICT policy | Develop ICT policies | ICT policy in place |
| | To expand intranet and internet coverage | % coverage | Extend LAN to all offices Extend WIFI coverage at the University College | 70% coverage achieved |
| | To utilize ICT infrastructure in teaching and learning | Number of computers | Equip Computer Laboratories | 50 computers purchased |
| | To constitute an Open, Distance and E-learning (ODEL) Board | ODEL Board | Constitute an Open, Distance and E-learning (ODEL) Board | ODEL Board in place |
| Issue 4: Student Services | To enhance work study programme | Number of beneficiaries | Enhance work study programme | 50 students benefited |
| | To Strengthen Student Governance Mechanism | Number of students sensitized | Sensitize students on effective and democratic elections and leadership | 20 students sensitized on effective and democratic elections and leadership |

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| | To Strengthen Students' Career Services | Career week | Organize open and career weeks | 1 career week organized |
| Issue 5: Resource Mobilization and Management | To train staff on public procurement and disposal | Number of staff trained | Train staff on public procurement and disposal | 54 staff trained |
| | To enable fees payments using online platforms | Operational Platform in place | Enable fees payments using online platforms | Operational Platform in place |
| | To Recruit and Train Qualified Staff | Skills Gap analysis Report | Undertake a skills gap analysis | 1 Skills Gap analysis Report in place |
| | To support staff Welfare | 100% compliance | Timely submission of staff deductions | 100% compliance achieved |
| Issue 6: Institutional Transformation | To acquire plants and equipment | 1 Bus 1 Standby Generator | Procure 1 Bus and 1 Standby Generator | Procured 1 Bus 1 Standby Generator |
| | To comply with the Constitution and Statutory requirements | Compliance certificate | Remit statutory Deductions | 100% compliance |
| | To enhance Gender and Affirmative Action Compliance | Team appointed | Appoint a team to review the policies | 2 committees for gender and disability mainstreaming established |
| | To Adhere to the 30% procurement rule for preferential groups (Youths, women, PWDs) | % awarded | Adhering to the 30% procurement rule for preferential groups (Youths, women, PWDs) | 73% of total procurement was awarded to AGPO |

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6. CORPORATE GOVERNANCE STATEMENT

Tharaka University College is committed to exhibiting best practices in all aspects of corporate governance as guided by the Universities Act 2012 and the Mwongozo Code of Governance. The Mwongozo Code was established by the Government to provide guidance on effective leadership, governance and management of public resources. The Act requires the University College to have three separate bodies, each with clearly defined functions and responsibilities, to oversee and manage its activities, as follows:

i) The Council

This is the governing body of the University College. The Council comprises nine members as disclosed in pages 8 to 9. The Council is constituted taking into account requirements of the sector, diversity of skills, age, value addition, gender, academic qualifications and experience necessary to help achieve the Universities College goals and objectives. The Council is appointed by the Cabinet Secretary for Education.

As the governing body of the University College, the Council has a responsibility of maintaining a sound system of internal controls that support the achievement of policies, aims and objectives, whilst safeguarding the public and other University resources. The University College Council is vested with powers and authority by the Universities Act, 2012. The Council is guided by the guidelines from the Ministry of Education, State department for University Education and Research and Commission for University Education (CUE) to effectively fulfil its corporate governance responsibility towards its stakeholders.

The University also embraces the Public Officers and Ethics Act and the Mwongozo, Code of Governance for State Corporations. The Council is also the executive governing body responsible for the academic policy and strategic direction of the University College, including its external relations, and for the administration of the University College. The Council is responsible for the management of the University's finances and assets, in accordance with the Public Financial Management Act, 2012 and Public Financial regulations of 2015.

Meetings of the Council

The meetings of the Council are held at least once every quarter in a Financial Year.

Council Committees

To promote smooth running of its affairs, certain functions of the Council are delegated to its committees, which report to the Council.

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These Committees include the following:

- i) Finance, Farm, Enterprise Company and General-Purpose Council Committee.
- ii) Audit, Governance and Risk Management Council Committee.
- iii) Grievances Handling Appeals Council Committee.
- iv) Human Resources Management Council Committee.
- v) Building, Planning and Development Committee.
- vi) Sealing and Honorary Degree and Convocation Council Committee.

All Committees of the Council have an appointed chairperson. The decisions, reports and recommendations of these committees are formally reported to the Council.

Remuneration of the Council

The members of the council, other than the Chief Executive Officer, do not receive a salary. They are however paid a sitting allowance for every meeting attended at the rate of Ksh. 20,000 per sitting. The Chairman receives honoraria as stipulated in the Government communique. The committee members do not receive any remuneration apart from the reimbursement of expenses incurred while on the University College duties.

ii) The Management Team

Members of the Management team are appointed by the Council through a competitive process. The membership consists of the CEO/Principal, the Deputy Principal (Administration, finance, Planning and Development), Deputy Principal (Academics, Research and student Affairs) Finance Officer, Registrar (Academic Affairs) and Registrar (Administration and Planning).

iii) The Academic Board

This is the academic authority of the University College. It is composed of the Principal, Deputy Principals, Deans, Directors, Heads and Chairmen of the academic Departments, two students' representatives and Faculty representatives. Its role is to discuss and approve student results as well as students' discipline and other academic matters. The Academic Board is chaired by the Principal.

The Principal academic and administrative officer of the University College is the Principal/CEO who has a general responsibility to the Council for maintaining and promoting the efficiency and good order of the University College.

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7. MANAGEMENT DISCUSSION AND ANALYSIS

Tharaka University College niche area is in dry land farming and mineralogy. The University College is located in a semi-arid area and dry land farming techniques implemented by the University College through the investment in teaching demonstration units will improve food security especially in the areas that receive low rainfall in the republic of Kenya. Dry land farming such as bee keeping and goat keeping and drip irrigation to minimize the amount of water used in irrigation of crops will ensure high productivity at minimal cost. This intervention is contributing to the government effort of food security in the BIG four Agenda

During the year under review the University College realized a total revenue of Kshs.362M. In the year under review the University College employed strict austerity measures and stringent internal control systems that resulted in the University College realizing a surplus of kshs.73Million. This surplus was used in the capital projects which were undertaken in the 2020/2021 financial year.

In our statement of financial position, the Net Assets of the University College now stand at Kshs.538 million. This was a tremendous growth from the assets that were inherited from Chuka University, worth Ksh. 106M. This increase in net worth was mainly due to acquisition of high precision laboratory equipment to be used by the students taking science courses during practical's, acquisition of a bus to support student practical's and field trips, construction of the three main capital projects that were funded by the government through development funding namely science tuition, administration block and the main library. These buildings are critical in order to support the growing staff and student population at the University College. The increase in the assets has also been contributed by the University College effort to expand structured cabling to increase internet connectivity in order to support the ongoing online teaching and google classes by the lecturers due to Covid- 19. The buildings that were inherited from Chuka University were also completed by the University College. The completion of these buildings was necessitated by the requirement for extra lecture rooms to take care of increased population of the University College and the requirements by Commission for University Education due to increased programs declared under Kenya Universities and Colleges Central Placement Services by the University College in the 2020-2021 academic year.

The current assets of the University College recorded an amount of 177 Million against the current liabilities of Kshs 40. Million. This means that the University College liquidity is stable and can meet its obligations as and when they fall due.

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Compliance with statutory requirements

The University College has complied with all the statutory rules and regulations and has not been penalized in the year under review. Payroll deductions withheld at the time of payment of salaries such as N.S.S.F, N.H.I.F, Pension for employee and employer, bank and SACCO deductions, HELB are always paid in a timely manner. Payment of taxes such as VAT and PAYE are filed and paid before the due dates. The University College has also ensured that payment of salaries is paid in a timely manner

Major Risks

Tharaka University College was exposed to COVID-19 pandemic which affected its operation in the course of the year under review.

8. ENVIRONMENTAL AND SUSTAINABILITY RESPONSIBILITY

Tharaka University College is located in a semi-arid area. The University College has participated in planting trees around its compound to create a conducive micro climate. The University College has participated in several corporate social responsibilities activities as highlighted below:

i) Sustainability strategy and profile

Tharaka University College has ensured that the available resources are taken care of to ensure that the future generations are put into consideration. The University College has ensured that that the recently adopted laws on the absorption of all the students who scored C+ and above in the Universities. This has in effect reduced the income for the University College because of less students who are privately sponsored. The University College has ensured that the available resources are used prudently to reduce the expenses.

ii) Environmental Conservation

The University College bought tree seedlings from the community and the students who had tree nurseries and came from poor background to supplement their source of income to be used in the University College. The seedlings that were bought were planted in the compound to improve on the microclimate. This is also in an effort to achieve the Government target of 10% forest cover. The University College also trained farmers on the various ways of bee keeping and animal husbandry.

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iii)Employee Welfare

Tharaka University College has continued to invest in the quality employees to ensure the optimum productivity from the human capital.in the 2020/2021 financial year the University College ensured that it promoted all the employees who were due for promotion in the financial year. The University College also sponsored employees in the inter University games and training to motivate them and for the purposes of capacity building.

iii)Corona Virus Global Pandemic

Tharaka University College has continued to support the war against the corona virus Pandemic through several initiatives as high lightened below:

The University College, through the Physical Sciences Department, is producing alcohol-based sanitizers and hand-washing liquid soap for use by students, staff and the neighboring community. The University College has also installed automatic dispensers for hand washing and sanitizing all over the campus. These dispensers are foot operated to avoid touching of the soap container, sanitizer or the taps.

The University College has also conducted training to staff, students and the surrounding community in order to enhance capacity on preparedness for reopening the University College.

In the year under review the University College started the construction and equipping of the University College health unit in order to prepare the University College for reopening amidst COVID-19 pandemic. The construction of this Health unit which was started in the 2019/2020 financial year has now been fully constructed and equipped with the required drugs. This was funded from University College savings.

iv) Corporate Social Responsibility/Community Engagement

Tharaka University College has continued to have various engagement with the surrounding community to ensure that the members of the society benefits from the University College. In the 2020/2021 financial year the University College trained farmers on the animal husbandry and the effect of Corona virus. The University College also distributed tree seedlings to the community in order to support the government effort of increasing the forest cover in the country.

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9.REPORT OF THE COUNCIL

The Council submits the report together with the financial statements for the year ended June 30, 2021, which indicate the state of the University's affairs.

i)Principal activities

The principal activities of the University College are to provide directly, or in collaboration with other institutions a strong knowledge base through teaching, research and innovation and to disseminate this knowledge to produce all rounded graduates with problem solving skills for positive societal transformation

ii)Results

The results of the entity for the year ended June 30, 2021 are set out on pages 27 to 30 for financial statements and pages 50 to 60 for the notes to the financial statements.

ii)University Council

The members of the Council who served during the year are shown on page 6 to 8 in accordance with the Universities Act, 2012.

iii)Dividends/Surplus remission

Tharaka University College received less funding for development expenditure. The surplus realized in its recurrent budget was used to fund the development expenditure.

Auditors

The Auditor General is responsible for the statutory audit of the University College in accordance with the Section 38 & 39 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to carry out the audit of the University for the year ended June 30, 2021.

By Order of the University Council



Prof. Peter K. Muriungi, Ph.D.

PRINCIPAL/CEO

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10. STATEMENT OF COUNCILS' RESPONSIBILITIES

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

The Council is responsible for the preparation and presentation of the University's 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 (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that this 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 University; (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's 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, 2012 and the State Corporations Act. The Council is of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2020, and of the University's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the University College, 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.

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON THARAKA UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tharaka University College set out on pages 29 to 72, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tharaka University College as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Financial Management Act, 2012 and the University Act, 2012.

Basis for Qualified Opinion

Unsupported Biological Assets

The statement of financial position and Note 30 reflects a balance of Kshs.13,272,813 in respect to biological assets which includes cattle, goats, pigs, pixie orange and trees. However, Management did not disclose the methods and significant assumptions applied in determining the fair value of each group of agricultural produce at the point of harvest or reporting contrary to the provisions of Paragraph 45 of IPSAS 27.

Further, analysis of changes in biological assets from previous year to the year under review reflects a net increase of Kshs.12,132,713 as analyzed below;

| Description | 2019/2020 | | 2020/2021 | | Increase (Kshs) |
|--------------|-----------|---------------------|-----------|--------------------|-------------------|
| | Quantity | Total value (Kshs.) | Quantity | Total value (Kshs) | |
| Cattle | 16 | 725,000 | 38 | 3,485,023 | 2,760,023 |
| Goats | 43 | 165,000 | 88 | 489,000 | 324,000 |
| Pigs | - | - | 33 | 346,000 | 346,000 |
| Pixie Orange | 569 | 250,100 | 609 | 264,890 | 14,790 |
| Trees | - | - | 7,943 | 8,687,900 | 8,687,900 |
| | | 1,140,100 | | 13,272,813 | 12,132,713 |

However, Management did not present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the year under review as required by Paragraph 48 of IPSAS 27. The presentation and disclosure of the biological assets did not conform to the accounting standards.

In the circumstances, the accuracy, validity and completeness of the balance of Kshs.13,272,813 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Tharaka University College Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects an approved budgeted expenditure of Kshs.561,919,807 and actual expenditure of Kshs.467,373,913 resulting to an under expenditure of Kshs.94,545,894 or 17% of the budget.

The under expenditure may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and University Council

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My

conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the College to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
-
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the College to express an opinion on the financial statements.
 - Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

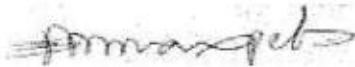
25 July, 2022

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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's financial statements were approved by the Board on 12th August 2021 and signed on its behalf by:



Prof. Peter K. Muriungi, Ph.D.
PRINCIPAL/CEO

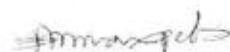


Dr. Timothy M. Kiruhi, Ph.D.
COUNCIL CHAIRMAN

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12. STATEMENT OF FINANCIAL PERFORMANCE

| Tharaka University College | | | |
|---|------|--------------------|--------------------|
| Statement of Financial Performance | | | |
| For the Year Ended June 30, 2021 | | | |
| | Note | 2020-2021 | 2019-2020 |
| | | 30th June 2021 | 30th June 2020 |
| | | Kshs | Kshs |
| Revenue from Non-Exchange Transactions | | | |
| Exchequer Recurrent Grants | 6 | 303,662,590 | 312,126,181 |
| Other Revenue from Non-Exchange Transactions | 7 | - | 312,615 |
| Sub-total | | 303,662,590 | 312,438,796 |
| Revenue from Exchange Transactions | | | |
| Tuition and Related Income | 8 | 49,334,689 | 35,254,251 |
| Miscellaneous from Exchange Transactions | 9 | 4,650,665 | 702,345 |
| Other Income | 10 | 4,451,158 | 4,306,890 |
| Sub-Total | | 58,436,512 | 40,263,486 |
| Total Revenue (A) | | 362,099,102 | 352,702,282 |
| Expenses | | | |
| Employment Expenses | 11 | 177,205,884 | 135,812,383 |
| Council Expenses | 12 | 7,497,333 | 4,614,780 |
| Establishment Expenses | 13 | 31,050 | 19,500 |
| Repairs and Maintenance Expenses | 14 | 11,142,272 | 2,273,286 |
| Academic Expenses | 15 | 16,908,809 | 3,494,371 |
| Students and Alumni Expenses | 16 | 3,648,781 | 1,136,165 |
| Staff Welfare and Development Expenses | 17 | 3,045,900 | 148,900 |
| Finance costs | 18 | 589,495 | 286,586 |
| Depreciation and Amortization | 19 | 17,582,829 | 12,132,713 |
| Audit Fees | 20 | 696,000 | 696,000 |
| General Operating Expenses | 21 | 50,100,353 | 24,359,288 |
| Increase/Decrease in Provision for Doubtful Debts | 22 | (27,330) | 124,756 |
| Total Expenditure (B) | | 288,421,376 | 185,098,728 |
| Surplus / Deficit (A-B) | | 73,677,726 | 167,603,554 |



Prof. Peter K. Muriungi, Ph.D.

PRINCIPAL/CEO



Antony Mutegi

Accountant



Dr. Timothy M. Kiruhi, Ph. D

COUNCIL CHAIRMAN


ICPAK No. 1366


Tharaka University College
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13. STATEMENT OF FINANCIAL POSITION

| <i>Tharaka University College</i> | | | |
|--|------|--------------------|--------------------|
| <i>Statement of Financial Position</i> | | | |
| <i>As at June 30, 2021</i> | | | |
| | Note | 30th June 2021 | 30th June 2020 |
| ASSETS: | | Ksh | Ksh |
| Current Assets | | | |
| Cash and Cash Equivalents | 23 | 152,670,752 | 85,677,451 |
| Receivables from Exchange Transactions | 24 | 9,645,126 | 12,350,859 |
| Receivables from Non-Exchange Transactions | 25 | - | 15,511,686 |
| Prepayments | 26 | 919,150 | 512,940 |
| Inventory | 27 | 14,695,740 | 5,874,531 |
| Total | - | 177,930,768 | 119,927,467 |
| Non-Current Assets | | | |
| Tangible Assets -Property, Plant & Equipment | 28 | 385,664,840 | 236,552,601 |
| Intangible Assets - Comp Software | 29 | 2,200,200 | - |
| Biological Assets | 30 | 13,272,813 | 1,140,100 |
| Total | | 401,137,853 | 237,692,701 |
| Total Assets | | 579,068,621 | 357,620,168 |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Payables from Exchange Transactions | 31 | 31,986,437 | 14,416,303 |
| Retention Work in Progress | 31 | 8,280,300 | - |
| Total Liabilities | | 40,266,737 | 14,416,303 |
| Equity Funds & Reserves | | | |
| Capital Funds | | 238,461,372 | 116,541,079 |
| Accumulated Surplus | | 241,281,280 | 167,603,554 |
| Revaluation Reserve | | 59,059,232 | 59,059,232 |
| Total Equity and Reserves | | 538,801,884 | 343,203,865 |
| Total Equity and Liabilities | | 579,068,621 | 357,620,168 |


 Prof. Peter K. Muriungi, Ph.D.
 PRINCIPAL/CEO


 Antony Mutegi
 Accountant
 ICPAK No. 1366


 Dr. Timothy M. Kiruhi, Ph. D
 COUNCIL CHAIRMAN

Tharaka University College
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14. STATEMENT OF CHANGES IN NET ASSETS

| <i>Tharaka University College</i> | | | | | |
|--|------|--------------------|----------------------------------|------------------------|--------------------|
| <i>Statement of Changes in Net Assets/Equity</i> | | | | | |
| <i>For the Period Ended June 30 , 2021</i> | | | | | |
| | Note | Capital Fund | Revaluation Reserves - PPE | Accumulated Surplus | Total |
| | | Ksh | Ksh | Ksh | Ksh |
| 2019/2020 | | | | | |
| Balance as at 01/07/2019 | | 10,307,933 | - | - | 10,307,933 |
| Surplus/Deficit for the Year | | - | - | 167,603,554 | 167,603,554 |
| Revaluation Surplus | | - | 59,059,232 | - | 59,059,232 |
| Adjustment for Year R/E | | 106,233,146 | - | - | 106,233,146 |
| Balance as at 30/06/2020 | | 116,541,079 | 59,059,232 | 167,603,554 | 343,203,865 |
| 2020-2021 | | | | | |
| Balance as at 01/07/2020 | | 116,541,079 | 59,059,232 | 167,603,554 | 343,203,865 |
| Surplus/Deficit for the Year | | - | - | 73,677,726 | 73,677,726 |
| Capital Grants | 32 | 121,920,293 | - | - | 121,920,293 |
| Balance as at 30/06/2021 | | 238,461,372 | 59,059,232 | 241,281,280 | 538,801,884 |

Tharaka University College
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15. STATEMENT OF CASH FLOWS

| <i>Chuka University</i> | | | |
|--|------|----------------------|---------------------|
| <i>Cash Flow Statement</i> | | | |
| <i>For the Period Ended June 30, 2021</i> | | | |
| | | 2020/2021 | 2019/2020 |
| | Note | Kshs | Kshs |
| Surplus / (Deficit) from Operations | | 73,677,726 | 167,603,554 |
| Adjustments for Non-Cash Items in the Income Statement: | | | |
| Depreciation and Amortization Charge for the Year | 19 | 17,582,829 | 12,132,713 |
| Less: Non-Operating Income | | - | |
| | | 91,260,555 | 179,736,267 |
| Working Capital Adjustments | | | |
| Increase/Decrease in Receivables -Exchange Transactions | 24 | 2,705,733 | 12,350,859 |
| Increase/decrease in Receivables - Non Exchange Transactions | 25 | 15,511,686 | (15,511,686) |
| Increase/Decrease in prepayments | 26 | (406,210) | (512,940) |
| Increase/Decrease in Inventory | 27 | (8,821,209) | (5,874,531) |
| Increase/Decrease in Payable from Exchange Transactions | 31 | 25,850,434 | 14,416,303 |
| Net Cash Flows Used in Operating Activities (A) | | 126,100,989 | 159,902,554 |
| Cash flows from investing activities | | | |
| Acquisition Plant & Equipment | 28 | (3,525,780) | (9,452,062) |
| Acquisition of Motor Vehicles | 28 | (12,002,500) | 20,877,000 |
| Acquisition of Furniture & Fittings | 28 | (4,910,309) | (5,449,350) |
| Acquisition of Computer Hardware | 28 | (7,716,996) | (5,768,466) |
| Purchase of Library Books | 28 | - | (6,156,580) |
| Computer Software Acquired | 29 | (2,200,200) | - |
| Additions to Biological Assets | 30 | - | (948,675) |
| Work in Progress Paid | 33 | (150,672,196) | (35,880,903) |
| Net Cash Flows Used in Investing Activities (B) | | (181,027,981) | (84,533,036) |
| Cash Flows from Financing Activities | | | |
| Capital Fund | 32 | 121,920,293 | 10,307,933 |
| Net Cash Flows used in Financing Activities (C) | | 121,920,293 | 10,307,933 |
| Net Increase/(Decrease) in Cash and Cash Equivalents(A+B+C) | | 66,993,301 | 85,677,451 |
| Cash and Cash Equivalents Bal B/F | 23 | 85,677,451 | - |
| Cash and Cash Equivalents C/F | 23 | 152,670,752 | 85,677,451 |

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16. Statement of Comparison of Budget and Actual Amounts

| Tharaka University College | | | | | | | | | |
|--|--------------------|-------------------|-----------|--------------------|--------------------|----------------------------|------------------------|------------|------|
| Statement of Comparison of Budget and Actual Amounts | | | | | | | | | |
| For the Period Ended June 30, 2021 | | | | | | | | | |
| | Original Budget | Adjustments | | Final Budget | | Actual on Comparable Basis | Performance Difference | | Note |
| | | 2020/2021 | 2020/2021 | 2020/2021 | 2020/2021 | | Kshs | % | |
| INCOME | | | | | | | | | |
| GOK Recurrent Capitalation | 303,662,590 | - | - | 303,662,590 | 303,662,590 | - | - | 100 | |
| GOK Development Capitalation | 121,920,293 | - | - | 121,920,293 | 121,920,293 | - | - | 100 | |
| A-I-A / Internally Generated Funds | 35,000,000 | 22,456,297 | - | 57,456,297 | 57,456,297 | - | - | 100 | |
| Committed Savings | 77,900,412 | - | - | 77,900,412 | 77,900,412 | - | - | 100 | |
| Interest From Deposits | - | 980,215 | - | 980,215 | 980,215 | - | - | 100 | |
| Total Revenue (A) | 538,483,295 | 23,436,512 | - | 561,919,807 | 561,919,807 | - | - | 100 | |
| Expenses | | | | | | | | | |
| Employment Expenses | 170,467,000 | 110,826,558 | - | 178,467,000 | 177,205,884 | 1,261,116 | - | 99 | |
| Council Expenses | 8,500,000 | (1,000,000) | - | 7,500,000 | 7,497,333 | 2,667 | - | 100 | |
| Establishment Expenses | 3,000,000 | (2,900,000) | - | 100,000 | 31,050 | 68,950 | - | 31 | 1 |
| Repairs and Maintenance Expenses | 12,700,000 | (1,000,000) | - | 11,700,000 | 11,142,272 | 557,728 | - | 95 | |
| Academic Expenses | 24,000,000 | (6,100,000) | - | 17,900,000 | 16,908,809 | 991,191 | - | 94 | |
| Students and Alumni Expenses | 1,700,000 | 2,000,000 | - | 3,700,000 | 3,648,781 | 51,219 | - | 99 | |
| Staff Welfare and Development Expenses | 2,500,000 | 1,100,000 | - | 3,600,000 | 3,045,900 | 554,100 | - | 85 | 2 |
| Finance Costs | 400,000 | 250,000 | - | 650,000 | 589,495 | 60,505 | - | 91 | |
| Depreciation and Amortization | 5,000,000 | 12,900,000 | - | 17,900,000 | 17,582,829 | 317,171 | - | 98 | |
| Audit Fees | 696,000 | - | - | 696,000 | 696,000 | - | - | 100 | |

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| | | | | | | |
|--|--------------------|----------------------|--------------------|--------------------|-------------------|-----------|
| General Operating Expenses | 58,000,000 | (4,300,000) | 53,700,000 | 50,100,353 | 3,599,647 | 93 |
| Provision for Doubtful Debts | 100,000.00 | - | 100,000 | 97,426 | 2,574 | 97 |
| Purchase of Plant Property and Equipment | 54,100,000 | (24,600,000) | 29,500,000 | 28,155,585 | 1,344,415 | 95 |
| Capital Projects | 197,320,295 | 39,086,512 | 236,406,807 | 150,672,196 | 85,734,611 | 64 |
| Total Expenditure | 538,483,295 | 126,263,070 | 561,919,807 | 467,373,913 | 94,545,894 | 83 |
| Budget Surplus/Deficit | - | (102,826,558) | - | 94,545,894 | | |

Reconciliation of Budget Surplus and Surplus as per the Statement of Financial Performance.

| | | |
|--|--|----------------------|
| Surplus as per the Statement of Comparison of Budget and Actual Amounts | | 94,545,894 |
| Add | | |
| Provision for Doubtful Debts | | 97,426 |
| Purchase of Property, Plant and Equipment | | 28,155,585 |
| Payment for Capital Projects | | 150,672,196 |
| Decrease in Provision for Doubtful Debts | | 27,330 |
| Less | | 178,952,537 |
| Savings Committed | | (77,900,412) |
| GOK Development Capitation | | (121,920,293) |
| | | (199,820,705) |
| Surplus as per the Statement of Financial Performance | | 73,677,726 |
| 1. Establishment Expenses | | |

This was not realized as the planned expenditure delayed due to the process in the procurement as a result of Covid-19

2. Staff welfare and development expenses

The approved budget was not utilized as most of the staff members did not qualify for fees waiver because they were on contracts.

3. Capital projects

Capital projects delayed due to rains in the area because of the poor road network in the area

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17. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Tharaka University College is an independent public entity established as a Constituent College of Chuka University on 27th July, 2017, through Legal Notice No. 146. The Public Financial Management Act 2012, and the Public Financial Management Regulations 2015, governs the financial management of Tharaka University College. Tharaka University College is wholly owned by the Government of Kenya and is domiciled in Kenya. The University College principal activity is to enhance access to quality and affordable University Education to the people of the region and beyond, with the aim of training skilled manpower required for regional and national development. The vision of the University College **is to be an adaptive Centre of excellence in teaching, research, innovation and outreach for societal transformation**

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Tharaka University College financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the University College.

The financial statements have been prepared in accordance with the PFM Act 2012, and PFM Regulation Act 2015, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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3. ADOPTION OF NEW AND REVISED STANDARDS

- i. **New and amended standards and interpretations in issue effective in the year ended 30 June 2021.**

| Standard | Impact |
|-----------------------------|---|
| Other Improvements to IPSAS | <p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> |

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021*

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| Standard | Effective date and impact: |
|---|---|
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and |

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| Standard | Effective date and impact: |
|--|---|
| | (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. |
| Amendments | Applicable: 1st January 2023: |
| to Other IPSAS resulting from IPSAS 41, Financial Instruments | <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |

iii. Early adoption of standards

Tharaka University College did not early – adopt any new or amended standards in year ended 2020/2021

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is

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probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

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

Dividends

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

Rental income

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

b) Budget information

Tharaka University College budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 6 of these financial statements.

c) Taxes

Current income tax

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

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

Tharaka University College is a public institution of higher learning, established under Legal Notice 146 of 2017. By the nature of its establishment and operations, The University College is a public entity that is not subject to income tax. The University does not engage in any unrelated trade or business. Therefore, no income taxes have been reported in the University's financial statements. Accordingly, no provision for income taxes is required.

Deferred tax

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

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

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

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

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

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

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

Sales tax

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

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- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

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

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

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

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

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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. University land is freehold property and not subjected to amortization. Depreciation on other property is charged so as to write off the value of the assets during their estimated useful life, using straight line method.

Assets are subjected to a full year's depreciation and amortization except those acquired within the last three months of the year. A gain or loss resulting from the disposal of property, plant and equipment arises where proceeds from disposal differ from its carrying amount. Those capital gains or losses are recognized in the statement of financial performance.

The annual rates are:

| | |
|---------------------------------|--------|
| Buildings | 2.50% |
| Machinery and Equipment | 20% |
| Furniture and Fittings | 12.50% |
| Motor Vehicles | 25% |
| Computer & Computer peripherals | 30% |
| Library Books | 20% |

f) Leases

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

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

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

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the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Computer software is amortized on straight line basis at the rate of 30%.

h) Research and development costs

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

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

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i) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity.

After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset

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

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

b) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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

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j) Inventories

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

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

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

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

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

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

k) Provisions

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

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

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

l) Contingent liabilities

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

m) Contingent Assets

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

n) Changes in accounting policies and estimates

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

o) Employee benefits

Retirement benefit plans

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

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

After University inherited the former Eastern Campus of Egerton University, the staff opted to remain in the Egerton University Pension Scheme. The scheme is funded by contributions based on the basic salary from both employees and employer at a rate of 10% and 20% respectively. The University also contributes to the statutory National Social Security Fund (N.S.S.F.) at Kshs.200 per employee of the University College. This is a defined contribution scheme registered under N.S.S.F. Act. The University's obligations under this scheme are limited to specific contributions legislated from time to time and currently limited to a maximum of Ksh 200.00 per employee per month, while the employer contributes Ksh 200.00 per month.

p) Foreign currency transactions

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

q) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

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r) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

s) Service concession arrangements

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

t) Cash and cash equivalents

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

u) Comparative figures

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

v) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

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5) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION

UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year,

are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

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Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 22 & 24

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Tharaka University College management has provided for a provision for bad debts at the rate of 1% of the Receivables from exchange transactions.

6) Transfers from Ministries Departments and Agencies

| Description | 2020-2021 | 2019-2020 |
|---|--------------------|--------------------|
| | Kshs | Kshs |
| Exchequer Recurrent Grants | | |
| Ministry of Education-Exchequer Recurrent Grants | | |
| July | 23,221,882 | 42,745,506 |
| August | 23,221,882 | 23,078,999 |
| September | 23,221,883 | 23,078,999 |
| October | 23,221,882 | 23,078,999 |
| November | 23,221,882 | 23,078,999 |
| December | 23,221,882 | 23,078,999 |
| January | 23,221,882 | 23,078,999 |
| February | 23,221,882 | 23,078,999 |
| March | 23,221,884 | 23,078,999 |
| April | 48,221,882 | 23,078,999 |
| May | 23,221,884 | 23,078,999 |
| June | 23,221,883 | 38,590,685 |
| Total | 303,662,590 | 312,126,181 |

7) Other Revenue from Non-Exchange Transactions

| Description | 2020-2021 | 2019-2020 |
|---|-----------|----------------|
| | Kshs | Kshs |
| Other Revenue from Non-Exchange Transactions | | |
| Donations | - | 312,615 |
| Total | - | 312,615 |

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8) Tuition and Related Income

| Description | 2020-2021 | 2019-2020 |
|---|---------------------|--------------------|
| Revenue from Exchange Transactions | Kshs | Kshs |
| Income from Diploma & Certificates Courses | 8,534,800 | 650,000 |
| Income from Government Sponsored Students | 42,091,700 | 13,329,588 |
| Income from Self Sponsored Undergraduate Students | 3,831,700 | 8,453,566 |
| Income from Self Sponsored Postgraduate Students | 8,849,750 | 5,546,800 |
| Total Income Earned | 63,307,950 | 27,979,954 |
| Less: Non Tuition Income Included in the Income Earned | | |
| Caution Money | (2,090,000) | (810,000) |
| Medical Fees | (2,378,000) | (734,000) |
| Accommodation Charges | (534,000) | (1,258,800) |
| Application Fees | (169,000) | (156,000) |
| Fines for Damages | (3,000) | (9,500) |
| Student Union | (1,088,200) | (354,000) |
| Less: | | |
| Tuition Fees Prepaid | (7,639,561) | (1,765,018) |
| Tuition Fees Refund | (71,500) | (114,000) |
| Total | (13,973,261) | (5,201,318) |
| Add: | | |
| Tuition Fees Receivable | - | 12,475,615 |
| Total Tuition & Related Income for the Year | 49,334,689 | 35,254,251 |

9) Other miscellaneous income from exchange transactions

| Description | 2020-2021 | 2019-2020 |
|-----------------------------------|------------------|----------------|
| Other Miscellaneous Income | Kshs | Kshs |
| Income Catering | 4,447,215 | 652,555 |
| Income Medical | 29,455 | 8,790 |
| Income Farm | 173,995 | 41,000 |
| Total | 4,650,665 | 702,345 |

10) Other Income from Exchange Transactions

| Description | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| Other Income from Exchange Transactions | Kshs | Kshs |
| Hire of Facilities | 22,800 | - |
| Disposal of Miscellaneous Items | 135,985 | 12,000 |
| Accommodation Charges | 534,000 | 1,258,800 |
| Application Fees | 169,000 | 156,000 |
| Charges for A.I. Services & other surcharges | 3,000 | 9,500 |
| Conferences & Seminars | 116,378 | - |
| Library Subscription | 1,000 | - |
| Research Funds | 110,780 | 2,136,590 |
| Medical fees | 2,378,000 | 734,000 |
| Interest on Bank Deposit | 980,215 | - |
| Total | 4,451,158 | 4,306,890 |

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11) Employment Expenses

| Description | 2020-2021 | 2019-2020 |
|------------------------------------|--------------------|--------------------|
| Employment Expenses | Kshs | Kshs |
| Personnel Emoluments: | | |
| July | 11,742,945 | 6,328,080 |
| August | 11,773,607 | 8,913,869 |
| September | 11,832,283 | 9,169,473 |
| October | 12,092,431 | 10,291,671 |
| November | 11,972,545 | 11,349,339 |
| December | 12,391,665 | 11,639,764 |
| January | 13,757,917 | 13,425,901 |
| February | 12,554,526 | 12,550,919 |
| March | 12,556,782 | 12,049,947 |
| April | 12,565,394 | 12,049,947 |
| May | 12,955,604 | 12,079,110 |
| June | 12,853,742 | 12,079,110 |
| Total | 149,049,441 | 131,927,130 |
| Casual Labour Expenses | 7,078,933 | 3,800,383 |
| Gratuity and Pension Expense | 19,296,294 | - |
| Hospitalization & Medical Expenses | 1,781,216 | 84,870 |
| Total employment Expenses | 177,205,884 | 135,812,383 |

12) Council Expenses

| Description | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| Council Expenses | Kshs | Kshs |
| Sitting Allowance, Lunch Accommodation & Mileage | 7,497,333 | 4,614,780 |
| Total | 7,497,333 | 4,614,780 |

13) Establishment Expenses

| Description | 2020-2021 | 2019-2020 |
|---|---------------|---------------|
| Establishment Expenses | Kshs | Kshs |
| Teaching Demonstration and Watering Units | 31,050 | 19,500 |
| Total | 31,050 | 19,500 |

14) Repairs and Maintenance Expenses

| Description | 2020-2021 | 2019-2020 |
|--|-------------------|------------------|
| Repairs and Maintenance Expenses | Kshs | Kshs |
| Vehicle Repairs/Transport Operating Expenses | 2,312,503 | 1,676,381 |
| Fuel & Oils-Generator | 1,097,520 | 258,500 |
| Grounds Maintenance | - | 338,405 |
| Computer/Software Maintenance | - | - |
| Plant & Equipment | - | - |
| Furniture | - | - |
| Buildings | 7,732,249 | - |
| Total | 11,142,272 | 2,273,286 |

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15) Academic Expenses

| Description | 2020-2021 | 2019-2020 |
|---|-------------------|------------------|
| Academic Expenses | Kshs | Kshs |
| Part- Time Lect. Expenses | 14,413,727 | 1,685,005 |
| Graduation Expenses | 222,701 | - |
| Teaching Practice & Field Attachment All. | 217,600 | - |
| Academic Field Trips | 211,111 | 99,480 |
| Teaching Materials | 848,760 | 1,467,816 |
| Other Research Expenses | 994,910 | 242,070 |
| Total Academic Expenses | 16,908,809 | 3,494,371 |

16) Students and Alumni expenses

| Description | 2020-2021 | 2019-2020 |
|------------------------------|---------------------|------------------|
| Students and Alumni expenses | Kshs | Kshs |
| Student Welfare Expenses | 3,470,381.00 | 1,049,765 |
| Student Work Study Expenses | 178,400.00 | 86,400 |
| Basic Needs Expense | - | - |
| Total | 3,648,781.00 | 1,136,165 |

17) Staff Welfare and Alumni expenses

| Description | 2020-2021 | 2019-2020 |
|--------------------------------------|------------------|----------------|
| Staff Welfare & Development expenses | Kshs | Kshs |
| Staff Development - | 1,247,648 | - |
| Staff Welfare Expenses | 1,798,252 | 148,900 |
| Staff Education Fund-Tuition Waiver | - | - |
| Total | 3,045,900 | 148,900 |

18) Finance Cost

| Description | 2020-2021 | 2019-2020 |
|---------------------------|----------------|----------------|
| Finance Cost | Kshs | Kshs |
| Bank Charges Interest | 589,495 | 286,586 |
| Total Finance Cost | 589,495 | 286,586 |

19) Depreciation and Amortization

| Description | 2020-2021 | 2019-2020 |
|--|-------------------|-------------------|
| Depreciation and Amortization | Kshs | Kshs |
| Buildings | 3,525,000 | - |
| Plant & Equipment | 2,623,928 | 1,978,572 |
| Motor Vehicles | 5,219,250 | 5,219,250 |
| Furniture & Fittings | 1,649,281 | 1,272,739 |
| Computer Hardware | 3,334,054 | 2,430,836 |
| Library Books | 1,231,316 | 1,231,316 |
| Total Depreciation & Amortization | 17,582,829 | 12,132,713 |

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20) Audit fees

| Description | 2020-2021 | 2019-2020 |
|-------------------------|----------------|----------------|
| Audit Fees | Kshs | Kshs |
| Audit Fees | 696,000 | 696,000 |
| Total Audit Fees | 696,000 | 696,000 |

21) General Operating Expenses

| Description | 2020-2021 | 2019-2020 |
|--|-------------------|-------------------|
| General Operating Expenses | Kshs | Kshs |
| General Insurances | - | 512,940 |
| Property Insurances | 622,470 | 397,784 |
| Travelling and Subsistence for staff | 7,714,750 | 7,540,618 |
| University Committees' Expenses | 1,771,340 | 24,705 |
| Animal Breeding Expenses | 1,335,131 | - |
| Postage and Telephone | 117,164 | 117,525 |
| Electricity Expenses | 1,727,458 | 1,933,756 |
| Honorarium | 234,740 | 455,500 |
| Water Supply and Sewerage Expenses | 527,960 | 223,360 |
| Staff Uniforms | 139,050 | - |
| Newspapers Journals and Videos | 266,691 | 156,900 |
| Printing & Publishing | 1,284,350 | 106,604 |
| Office Stationery | 2,226,408 | 1,779,592 |
| General Subscription | 626,859 | 484,200 |
| Professional Services- ISO | 418,540 | - |
| Hire of Security Services | 3,653,942 | 1,786,627 |
| Hire of Cleaning Services | 2,469,473 | - |
| Internet Expenses | 778,526 | 486,102 |
| Official Entertainment | 801,471 | 179,000 |
| Conferences & Seminars | 1,094,400 | - |
| Cleaning Materials | 734,033 | 467,506 |
| Corporate Social Responsibility | 210,000 | 459,340 |
| Quality Assurance fees -CUE Subscription | 1,151,000 | 343,000 |
| Farm general expenses | 3,801,731 | 1,105,805 |
| Advertisement & Publicity | 5,378,872 | 3,183,551 |
| Exhibitions and Local Shows | - | 914,434 |
| KUCCPS Placement fees | 1,327,500 | 97,500 |
| Landscaping of University Grounds | 217,200 | - |
| Purchase of foodstuff | 5,075,632 | 1,459,693 |
| Medical drugs | 73,590 | 117,246 |
| Covid 19 | 2,142,666 | - |
| Signage | 282,880 | 26,000 |
| Strategic Plan | 1,242,131 | - |
| Purchase of Games Equipment | 652,395 | - |
| Total | 50,100,353 | 24,359,288 |

22) Provisions for Doubtful Debts

| Description | 2020-2021 | 2019-2020 |
|--|---------------|----------------|
| Provisions for Doubtful Debts | Kshs | Kshs |
| Bal B/F 1st July 2020 | 124,756 | 124,756 |
| Increase/Decrease During the Year Period | (27,330) | 124,756 |
| Balance as at 30th June 2021 | 97,426 | 249,512 |

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23) Cash & Cash Equivalents

| Description | 2020-2021 | 2019-2020 |
|--|--------------------|-------------------|
| Cash & Cash Equivalents | Kshs | Kshs |
| KCB - Fees Collection A/C - 1240985967 | 30,389,947 | 45,251,205 |
| Coop Development A/C 01120572400000 | 47,955,307 | 11,658,893 |
| Coop-Fee Collection A/C 011295724000000 | 25,107,063 | 8,543,493 |
| Equity fees collection A/C 0210277753588 | 21,036,835 | 20,223,860 |
| KCB-Retention A/C 1281110027 | 28,181,600 | - |
| Total | 152,670,752 | 85,677,451 |

24) Receivable from Exchange Transactions

| Description | 2020-2021 | 2019-2020 |
|---|------------------|-------------------|
| Receivable from Exchange Transactions | Kshs | Kshs |
| Students Fees Receivable | 9,742,552 | 12,475,615 |
| Total Receivables from Exchange Transactions | 9,742,552 | 12,475,615 |
| Less: Impairment/Provision for Doubtful Debts | (97,426) | (124,756) |
| Net Receivables from Exchange Transactions | 9,645,126 | 12,350,859 |

25) Receivable from Non Exchange Transaction

| Description | 2020-2021 | 2019-2020 |
|---|-------------|-------------------|
| Receivable from Non-Exchange Transaction | Kshs | Kshs |
| Exchequer Recurrent Grant | - | 15,511,686 |
| Total | - | 15,511,686 |

26) Prepayments

| Description | 2020-2021 | 2019-2020 |
|---------------------------|----------------|----------------|
| Prepayments | Kshs | Kshs |
| Prepaid General Insurance | 919,150 | 512,940 |
| Total | 919,150 | 512,940 |

27) Inventory

| Description | 2020-2021 | 2019-2020 |
|---------------------------------|-------------------|------------------|
| Inventory | Kshs | Kshs |
| Main Stores | 13,812,877 | 5,537,214 |
| Medical Supplies | 324,848 | 111,423 |
| Farm Supplies & Consumables | 365,980 | 139,724 |
| Catering Supplies & Consumables | 192,035 | 86,170 |
| Total | 14,695,740 | 5,874,531 |

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20) Tangible Assets, Property, Plant and Equipment Schedule

| PPE Schedule | Land | Buildings | 2.50% | 20% | 25% | 12.50% | 30% | 20% | Work In Progress | Totals |
|--|-------------------|--------------------|-------------------|-------------------|----------------------|---------------------|------------------|--------------------|--------------------|-------------------|
| Particulars | | | Plant & Equip | Motor Vehicle | Furniture & Fittings | Comp Hardware & ICT | Library Books | | | |
| 2019/2020 | | | | | | | | | | |
| Opening Balances | 32,000,000 | - | 440,800 | - | 4,732,560 | 2,334,320 | - | 66,534,041 | 106,041,721 | |
| Additions | - | - | 9,452,062 | 20,877,000 | 5,449,350 | 5,768,466 | 6,156,580 | 35,880,903 | 83,584,361 | |
| W.I.P Capitalized | - | 96,940,768 | - | - | - | - | - | (96,940,768) | - | |
| Cost At 30th June 2020 | 32,000,000 | 96,940,768 | 9,892,862 | 20,877,000 | 10,181,910 | 8,102,786 | 6,156,580 | 5,474,176 | 189,626,082 | |
| Depreciation and impairment | | | | | | | | | | |
| Acc. Depreciation At 1 July 2019 | - | - | - | - | - | - | - | - | - | |
| Depreciation charge for the year | - | - | 1,978,572 | 5,219,250 | 1,272,739 | 2,430,836 | 1,231,316 | - | - | 12,132,713 |
| Depreciation as at 30 June 2020 | - | - | 1,978,572 | 5,219,250 | 1,272,739 | 2,430,836 | 1,231,316 | - | - | 12,132,713 |
| Net Book Value as at 30th June 2019 | 32,000,000 | - | 440,800 | - | 4,732,560 | 2,334,320 | - | 66,534,041 | 106,041,721 | |
| Net Book Value as at 30th June 2020 | 32,000,000 | 96,940,768 | 7,914,290 | 15,657,750 | 8,909,171 | 5,671,950 | 4,925,264 | 5,474,176 | 177,493,369 | |
| 30th June Revaluation 2020/2021 | 47,000,000 | 141,000,000 | 7,914,290 | 15,657,750 | 8,909,171 | 5,671,950 | 4,925,264 | 5,474,176 | 236,552,601 | |
| Cost/Value as at 1.7.20 | 47,000,000 | 141,000,000 | 7,914,290 | 15,657,750 | 8,909,171 | 5,671,950 | 4,925,264 | 5,474,176 | 236,552,601 | |
| Additions | - | - | 3,525,780 | 12,002,500 | 4,910,309 | 7,716,996 | - | 150,672,196 | 178,827,781 | |
| W.I.P Capitalized | - | - | - | - | - | - | - | - | - | |
| Cost At 30th June 2020 | 47,000,000 | 141,000,000 | 11,440,070 | 27,660,250 | 13,819,480 | 13,388,946 | 4,925,264 | 156,146,372 | 415,380,382 | |
| Depreciation and impairment | | | | | | | | | | |
| Acc. Depreciation At 1 July 2020 | - | - | 1,978,572 | 5,219,250 | 1,272,739 | 2,430,836 | 1,231,316 | - | - | 12,132,713 |
| Depreciation charge for the year | - | 3,525,000 | 2,623,928 | 5,219,250 | 1,649,281 | 3,334,054 | 1,231,316 | - | - | 17,582,829 |
| Depreciation as at 30 June 2021 | - | 3,525,000 | 4,602,500 | 10,438,500 | 2,922,020 | 5,764,890 | 2,462,632 | - | - | 29,715,542 |
| NBV as at 30th June 2020 | 47,000,000 | 141,000,000 | 7,914,290 | 15,657,750 | 8,909,171 | 5,671,950 | 4,925,264 | 5,474,176 | 236,552,601 | |
| NBV as at 30th June 2021 | 47,000,000 | 137,475,000 | 6,837,570 | 17,221,750 | 10,897,460 | 7,624,056 | 2,462,632 | 156,146,372 | 385,664,840 | |

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21) Intangible Assets-Computer Software

| Description | Kshs |
|---|-----------|
| Year 2019/2020 | |
| Accumulated Amortization 1/07/2019 | - |
| Amortization Charge for the Period | - |
| Accumulated Amortization 30/06/2020 | - |
| Carrying amount as at 30 June 2019 | - |
| Carrying amount as at 30 June 2020 | - |
| Year 2020/2021 | |
| Cost/Value at 1/7/2020 | - |
| Additions/adjustments | 2,200,200 |
| Cost/Value at 30/06/2020 | 2,200,200 |
| Accumulated Amortization 1/07/2020 | - |
| Amortization Charge for the Period | - |
| Accumulated Amortization 30/06/2021 | - |
| Carrying amount as at 30 June 2020 | - |
| Carrying amount as at 30 June 2021 | 2,200,200 |

22) Biological Assets

| Item | Unit | 2019/2020 | | | 2020/2021 | | |
|--------------------|---------|-----------|-----------|---------|-----------|-----------|---------|
| | | Qty | Cost/Unit | Total | Qty | Cost/Unit | Total |
| Pixie Orange | numbers | 117 | 1,000 | 117,000 | 120 | 1,000 | 120,000 |
| Pixie Orange | numbers | 201 | 350 | 70,350 | 229 | 350 | 80,150 |
| Pixie Orange | numbers | 251 | 250 | 62,750 | 260 | 249 | 64,740 |
| He goats | Heads | 3 | 5,000 | 15,000 | 15 | 10,000 | 150,000 |
| She goats | Heads | 20 | 4,500 | 90,000 | 24 | 8,000 | 192,000 |
| He goat-kid | Heads | 14 | 3,000 | 42,000 | 32 | 3,000 | 96,000 |
| She goat-kid | Heads | 6 | 3,000 | 18,000 | 17 | 3,000 | 51,000 |
| Indigenous bull | Heads | 3 | 40,000 | 120,000 | 6 | 80,000 | 480,000 |
| Indigenous bull | Heads | 1 | 30,000 | 30,000 | 6 | 50,000 | 300,000 |
| Indigenous heifers | Heads | 2 | 40,000 | 80,000 | 3 | 80,000 | 240,000 |
| Indigenous heifers | Heads | 6 | 30,000 | 180,000 | 7 | 50,000 | 350,000 |
| Local male calf | Heads | | | - | 2 | 25,000 | 50,000 |

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| | | | | | | | |
|----------------------|---------|---|---------|------------------|-------|---------|-------------------|
| Local female calf | Heads | 1 | 15,000 | 15,000 | 1 | 15,023 | 15,023 |
| Jersey heifer | Heads | | | - | 3 | 150,000 | 450,000 |
| Ankole Bull | Heads | | | - | 1 | 250,000 | 250,000 |
| Ankole heifer-Female | Heads | 3 | 100,000 | 300,000 | 6 | 200,000 | 1,200,000 |
| Ankole Male calf | Heads | - | - | - | 1 | 50,000 | 50,000 |
| Ankole female calf | Heads | - | - | - | 2 | 50,000 | 100,000 |
| Boars | Heads | - | - | - | 2 | 40,000 | 80,000 |
| Sows | Heads | - | - | - | 5 | 35,000 | 175,000 |
| Piglets | Heads | - | - | - | 26 | 3,500 | 91,000 |
| Neem Tree | Numbers | - | - | - | 1,195 | 500 | 597,500 |
| Ashoka Trees | Numbers | - | - | - | 5,752 | 1,200 | 6,902,400 |
| Saluting Cyprus | Numbers | - | - | - | 306 | 500 | 153,000 |
| Indigenous Trees | Numbers | - | - | - | 690 | 1,500 | 1,035,000 |
| Total | | | | 1,140,100 | | | 13,272,813 |

Tharaka University College in the 2019/2020 financial year established farm demonstration unit. Since then the biological assets have increased in sizes and also the numbers. As result of this the University College engaged Tharaka Nithi County Agricultural Officer who did valuation for all the biological assets based on the market prices.

The University College did not include the trees in the valuation report for 2019/2020 financial year but this has been adjusted and included in the biological asset register and valuation report for the current financial year.

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23) Payables / Accruals from exchange transactions

| Description | 2020-2021 | 2019-2020 |
|--|-------------------|-------------------|
| Payables / Accruals from exchange transactions | Kshs | Kshs |
| Accruals from General Creditors | - | 502,490 |
| Part-Time Lecturers-Wages & Salaries Accrued | - | 1,460,705 |
| Student Caution Money Payable | 2,090,000 | 1,278,000 |
| Audit Fees Payable | 1,392,000 | 696,000 |
| Staff Gratuity Payable | 20,864,876 | 8,714,090 |
| Prepaid Tuition Income | 7,639,561 | 1,765,018 |
| Sub Total | 31,986,437 | 14,416,303 |
| Add | | |
| Retention for W.I.P Payable | 8,280,300 | - |
| Total | 40,266,737 | 14,416,303 |

24) Capital Fund

| Description | 2020-2021 | 2019-2020 |
|--------------------------|--------------------|-----------|
| Exchequer Capital Grants | Kshs | Kshs |
| Ministry of Education | | |
| 1st Disbursement | 121,920,293 | - |
| 2nd Disbursement | - | - |
| 3rd Disbursement | - | - |
| Total | 121,920,293 | - |

25) Work In Progress

| Description | 2020-2021 | 2019-2020 |
|--------------------------|--------------------|----------------------|
| Work in Progress | Kshs | Kshs |
| Science Tuition Block | 28,752,278 | - |
| Library Block | 13,605,500 | - |
| Media House | 47,912,085 | 1,392,600 |
| Administration Block | 24,595,213 | - |
| Swimming Pool | 1,839,743 | 253,200 |
| Underground tank | 2,337,374 | - |
| Borehole | 6,250,710 | - |
| Health Unit | 6,878,728 | 3,575,175 |
| Septic Tank | - | 253,200 |
| Education Block | - | 6,600,135 |
| Business Block | - | 7,564,363 |
| Farm Demonstration Units | - | 7,108,019 |
| Cafeteria | - | 9,134,211 |
| Cabro Paving | 10,353,628 | - |
| Fish Pond | 363,100 | - |
| Gazebo | 4,614,926 | - |
| Sewerage | 774,425 | - |
| Lecture Hall | 2,394,486 | - |
| Total | 150,672,196 | 35,880,903.00 |

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FINANCIAL RISK MANAGEMENT

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

The University financial risk management objectives and policies are detailed below

(i) Credit risk

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

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

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

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| | Total amount Kshs | Fully performing Kshs | Past due Kshs | Impaired Kshs |
|--|-------------------------|-----------------------------|---------------------|------------------|
| At 30 June 2021 | | | | |
| Receivables from exchange transactions | 9,645,126 | 9,645,126 | Nil | Nil |
| Receivables from non-exchange transactions | Nil | Nil | Nil | Nil |
| Bank balances | 152,670,752 | 152,670,752 | Nil | Nil |
| Total | 162,315,878 | 162,315,878 | Nil | NIL |
| At 30 June 2020 | | | | |
| Receivables from exchange transactions | 12,475,615 | 12,475,615 | Nil | Nil |
| Receivables from non-exchange transactions | 15,511,686 | 15,511,686 | Nil | Nil |
| Bank balances | 85,677,451 | 85,677,451 | Nil | Nil |
| Total | 113,664,752 | 113,664,752 | Nil | Nil |

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

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

ii) Liquidity risk

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

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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| | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|-------------------------------|----------------------|-----------------------|------------------|-------------------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2021 | | | | |
| Trade payables | 31,986,437 | Nil | Nil | 31,986,437 |
| Current portion of borrowings | Nil | Nil | Nil | Nil |
| Provisions | Nil | Nil | Nil | Nil |
| Deferred income | Nil | Nil | Nil | Nil |
| Employee benefit obligation | Nil | Nil | Nil | Nil |
| Total | 31,986,437 | Nil | Nil | 31,986,437 |
| At 30 June 2020 | | | | |
| Trade payables | 14,416,303 | Nil | Nil | 14,416,303 |
| Current portion of borrowings | Nil | Nil | Nil | xxx |
| Provisions | Nil | Nil | Nil | xxx |
| Deferred income | Nil | Nil | Nil | xxx |
| Employee benefit obligation | Nil | Nil | Nil | xxx |
| Total | 14,416,303 | Nil | Nil | 14,416,303 |

(iii) Market risk

The University College Council has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

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a) Foreign currency risk

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

Tharaka University College did not have a foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period.

The entity manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected because of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits. Management of Tharaka University College has continued to bank with commercial banks that offer favorable interest rate in order to manage interest rate risk.

Sensitivity analysis

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

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Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the University's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

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| | Level 1 Kshs | Level 2 Kshs | Level 3 Kshs | Total Kshs |
|------------------------------|-----------------|--------------------|-----------------|--------------------|
| At 30 June 2021 | | | | |
| Financial Assets | | | | |
| Quoted equity investments | Nil | Nil | Nil | Nil |
| Non- financial Assets | | | | |
| Investment property | Nil | Nil | Nil | Nil |
| Land and buildings | Nil | 184,475,000 | Nil | 184,475,000 |
| Total | Nil | 184,475,000 | Nil | 184,475,000 |
| At 30 June 2020 | | | | |
| Financial Assets | | | | |
| Quoted equity investments | Nil | Nil | Nil | Nil |
| Non- financial Assets | | | | |
| Investment property | Nil | Nil | Nil | Nil |
| Land and buildings | | 188,000,000 | | 188,000,000 |
| Total | Nil | 188,000,000 | Nil | 188,000,000 |

There were no transfers between levels 1, 2 and 3 during the year.

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

iv) Capital Risk Management

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

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| | 2020-2021 | 2019-2020 |
|---|--------------------|--------------------|
| | | Kshs |
| Revaluation reserve | 59,847,688 | 59,847,688 |
| Retained earnings | 241,281,280 | 167,603,554 |
| Capital reserve | 238,461,372 | 115,752,623 |
| | | |
| Total funds | 538,801,884 | 343,203,865 |
| | | |
| | | |
| Total borrowings | Nil | Nil |
| Less: cash and bank balances | Nil | Nil |
| Net debt/(excess cash and cash equivalents) | Nil | Nil |
| Gearing | Nil | N/A |

RELATED PARTY BALANCES

a) Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions.

Related parties include management personnel, their associates and close family members.

The entity is related to;

i) The National Government;

Tharaka University College gets funding from the National Government through the National Treasury of Kenya. The funding is separated in to two: Recurrent grant and capital grant which is used to finance part of the University College budget.

ii) The Principal Secretary, Ministry of Education;

Tharaka University College is an independent public entity established through a legal order as per the Universities Act, 2012. It is represented by the Cabinet Secretary for Education, who is responsible for the general policy and strategic direction of the University College.

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iii) The University management;

The University management is mandated to make the day-to-day decisions on behalf of the University College. They have a significant influence over the operating and financial decision.

iv) The Council Members;

As the governing body of the University College, the Council, have a responsibility of maintaining a sound system of internal control that supports the achievement of policies, aims and objectives,

Whilst safeguarding the public and other university resources. The University Council is vested with powers and authority by its Charter and the Universities Act, 2012.

The Council is also the executive governing body responsible for the academic policy and strategic direction of the University, including its external relations, and for the Administration of the University College.

The Council is responsible for the management of the University's finances and assets, in accordance with the Public Financial Management Act, 2012 and Public Financial regulations of 2015.

v) Academic Board

This is the academic authority of the University College. It is composed of the Principal, Deputy Principals, Deans, Directors Heads and Chairmen of the academic Departments, two students' representatives and Faculty representatives. Its role is to discuss and approve student results as well as students' disciplinary matters. The Academic Board is chaired by the Principal.

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b) Related party transactions

i) Related Party Transfers

| | 2020-2021 | 2019/2020 |
|---------------------------------|--------------------|--------------------|
| Transfers from related parties' | | |
| Recurrent | | |
| Capital | 303,662,590 | 296,614,495 |
| Transfers to related parties | 121,920,293 | - |
| | - | - |
| Totals | 425,582,883 | 296,614,495 |

ii) Key management remuneration

| | 2020-2021 | 2019/2020 |
|--------------------|-------------------|-------------------|
| University Council | | |
| Key management | 7,497,333 | 4,614,780 |
| Compensation | 18,182,179 | 18,140,172 |
| Totals | 25,679,512 | 22,754,952 |

26) Events after the reporting period

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

27) Ultimate and Holding Entity

The entity is a State Corporation under the Ministry of Education. Its ultimate parent is the Government of Kenya.

28) Currency

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

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Appendices

APPENDIX 1: Progress on follow up of Auditor General Recommendations

Tharaka University College did not have previous year's auditor's recommendation since the report has not been released by the Auditor General.



Prof. Peter K. Muriungi, Ph.D.

PRINCIPAL/CEO

22nd November 2021

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APPENDIX II: Projects implemented by the Entity

| Status Report 20-21 As at 30/06/2021 | | | |
|---|---------------------------|-------------------------------|-----------------------------|
| Project Name | Total Project Cost | Total Expended To Date | Completion % to-date |
| Science Tuition Block | 500,000,000 | 28,752,278 | 5.75 |
| Library Block | 500,000,000 | 13,605,500 | 2.72 |
| Media House | 100,000,000 | 49,304,685 | 49.30 |
| Administration Block | 500,000,000 | 24,595,213 | 4.92 |
| Swimming Pool | 10,000,000 | 2,092,943 | 20.93 |
| Underground Tank | 20,000,000 | 2,337,374 | 11.69 |
| Septic Tank | 1,027,625 | 253,200 | 24.64 |

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APPENDIX III: Inter-entity transfers.

| Tharaka University College, Breakdown of Transfers from the State Department of University Education for FY 2020/2021 | | | | |
|--|---------------------------|----------------------------|----------------------|---------------------------------------|
| a | Recurrent Grants | | | |
| | | Bank Statement Date | Amount (Kshs) | FY to which the amounts relate |
| | | 07.08.2020 | 23,221,882 | 2020/2021 July |
| | | 31.08.2020 | 23,221,882 | 2020/2021 August |
| | | 01.10.2020 | 23,221,883 | 2020/2021 September |
| | | 30.10.2020 | 23,221,882 | 2020/2021 October |
| | | 07.12.2020 | 23,221,882 | 2020/2021 November |
| | | 04.01.2021 | 23,221,882 | 2020/2021 December |
| | | 04.02.2021 | 23,221,882 | 2020/2021 January |
| | | 10.03.2021 | 23,221,882 | 2020/2021 February |
| | | 09.04.2021 | 23,221,884 | 2020/2021 March |
| | | 10.05.2021 | 48,221,882 | 2020/2021 April |
| | | 16.06.2021 | 23,221,882 | 2020/2021 May |
| | | 25.06.2021 | 23,221,883 | 2020/2021 June |
| | | Total | 303,662,588 | |
| b | Development Grants | | | |
| | | Bank Statement Date | Amount (Kshs) | FY to which the amounts relate |
| | | 14/09/2020 | 121,920,293 | 2020/2021 |

Accountant
Tharaka University College

Sign  -----

Head of Accounting Unit
Ministry of Education

Sign 