

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS LAID

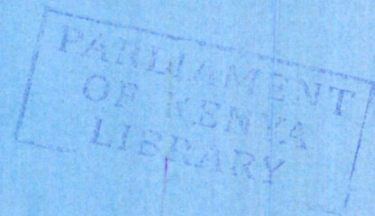
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REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
UNIVERSITY OF NAIROBI

FOR THE YEAR
ENDED 30 JUNE 2018





UNIVERSITY OF NAIROBI



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

UNIVERSITY OF NAIROBI
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For the year ended 30 June 2018

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I. KEY UNIVERSITY INFORMATION AND EXECUTIVE BOARD

a) Background information

The inception of the University of Nairobi is traced back to 1956, with the establishment of the Royal Technical College. On 20 May 1964, the Royal College Nairobi was renamed University College Nairobi as a constituent college of inter-territorial, Federal University of East Africa. In 1970, the University College Nairobi transformed into the first National University in Kenya and was renamed the University of Nairobi. Following the enactment of the Universities Act, 2012, the University of Nairobi was awarded its charter on 1 March 2013. The University of Nairobi is domiciled in Kenya.

The University of Nairobi is the oldest University in Kenya, and the largest university in the East and Central Africa Region. From its humble beginnings with 215 students in 1956 (62 years ago) when it started as the Royal Technical College, it has an enrolment of over 65,000 students today. It offers a wide range of academic programmes in its seven colleges spread over 10 campuses in which there are 29 faculties, schools and institutes.

The programmes fall under the broad areas of humanities and social sciences, natural sciences and mathematics, engineering and the built environment, arts and design, computing and informatics, law and business, medicine and health sciences, agriculture and food sciences, veterinary and animal sciences, and education. The diversity of programmes, promoting multidisciplinary teaching, research and community service, are backed up by a newly established Open, Distance Education and e-learning centre (ODEL Campus).

The University currently has the largest concentration of scholars and about 50% of all the professors in the country. It has continued to be a centre of intellectual life, a locus of research activity extending the frontiers of knowledge, a resource for professional development, and a key player in the growing global network of scholarship. For greater attention and proper management of post graduate programmes, the University in 2017 opened the newly approved Graduate School, picking from the former Board of Postgraduate Studies.

The overall performance of the University has been good, since its score in the government performance contract evaluation has been consistently rated as excellent, and its position in the global Webometrics ranking in July 2018 was 621-making it the number one University in the country and taking position 5 in Africa. On the whole, the University has maintained a leadership position nationally and regionally.

The operational environment for the Higher Education sector in the country is highly dynamic such that the University needs to understand and align itself to changes taking place in the University sub sector for it to adequately cope with the new environmental realities. These changes are captured in the Legal Framework with the implementation of the Constitution of Kenya 2010, the enactment of the Universities Act. No. 42 in 2012, the establishment of the

Commission for University Education and the award of charters to 75 private and public universities, which have led to increased competition among universities.

Even as it operates in this environment, the University has a duty to maintain its leadership position and grow it further. It has to continue to be the best and retain its leadership position in the higher education sector. Further, it has to embrace quality, retain the best staff and mobilize additional resources to maintain this leadership position.

b) Principal Activities

The Mandate of the University of Nairobi is Teaching and Learning, Research and Innovation, Consultancy and Community Service. The objectives and functions of the University are given in detail in the University of Nairobi Charter 2013.

Our Vision

A world-Class University Committed to scholarly excellence

Our Mission

To provide quality university education and training and to embody the aspirations of the Kenyan people and the global community through creation, preservation, integration, transmission and utilization of knowledge

Slogan

The slogan of the University is: Leading with excellence

Our Core Values

The University shall be bound by the National Values and Principles of Governance in Articles 10 and 232 of the Constitution. The University shall be further guided by the following core values:

- **Freedom of thought and expression:** We shall promote and defend freedom of thought and expression in all our academic inquiry and activities.
- **Innovativeness:** We shall be innovative in solving our day-to-day problems and carry out our activities in order to deliver new value to our customers.
- **Commitment:** We are committed to the mission of the University and always act in the best interests of the University.
- **Trust:** We trust the good intentions of others, view conflicts as positive and resolve them creatively and effectively to meet the vision and mission of the University.
- **Care:** We foster a leadership culture that cares, is people-focused, that connects to and is responsive to the needs of internal and external customers, and promotes stewardship over University resources.
- **Teamwork:** We work together as a team to realize the collective results that the University wishes to achieve.

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c) Key Management

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

- Council,
- University Executive Board,
- Senate,
- Deans' Committee,
- College Management Board,
- College Academic Board,
- Faculty/School Board and
- Departmental Board.

d) Fiduciary Management

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

No.	Name	Designation
1	Prof.Peter.M.F.Mbithi	Vice-Chancellor:
2	Prof.I.M.Mbeche	Deputy Vice-Chancellor (Administration and Finance)(Ag):
3	Prof.J.A.Ogeng'o	Deputy Vice-Chancellor (Academic Affairs)(Ag)
4	Prof.I.M.Mbeche	Deputy Vice-Chancellor (Student Affairs):
5	Prof.Madara Ogot	Deputy Vice-Chancellor (Research, Production & Extension)(Ag):
6	Prof. S.G Kiama	Principal, College of Agriculture and Veterinary Sciences:
7	Prof. Peter M. Ngau	Principal, College of Architecture and Engineering:
8	Prof.B.O.C.Aduda	Principal, College of Biological and Physical Sciences:
9	Prof.I.O.Jumba	Principal, College of Education and External Studies:
10	Prof.J.M'Munya	Principal, College of Health Sciences (Ag):
11	Prof.E.H.N.Njeru	Principal, College of Humanities and Social Sciences:
12	Prof. Lydia Njenga	Director, Graduate School
13	Prof. C. Gakuu	Director,Open,Distance and e- Learning (ODeI) Campus
14	Prof.P.O.K'obonyo	Deputy Principal, College of Humanities and Social Sciences
15	Prof. M. A Jama	Deputy Principal, College of Humanities and Social Sciences
16	Prof.H.Ochanda	Deputy Principal, Kenya Science Campus:
17	Prof. L. D.E. Ikamari	Deputy Director, Graduate School
18	Prof. Charles M.Mulei	Deputy Director, Graduate School
19	Prof. Harriet Kidombo	Deputy Director ODeI Campus

e) Fiduciary Oversight Arrangements

Finance and General Purpose Committee
Audit Committee
Commission for University Education
Ministry of Education

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The National Treasury
Office of the Auditor General
Office of the Controller of Budget

f) University of Nairobi Headquarters

Harry Thuku Road
P.O. Box 30197-00100
Main Campus
Nairobi, Kenya

g) University of Nairobi Contacts

Telephone: (254)020-318262
E-mail: vc@UoNbi.ac.ke, dvcaf@UoNbi.ac.ke, fo@UoNbi.ac.ke
Website: www.UoNbi.ac.ke

h) University of Nairobi Bankers

Barclays Bank of Kenya

Market Branch
P.O Box 30018-00100
Nairobi, Kenya

Kenya Commercial Bank

University Way Branch
P.O. Box 7206-00300
Nairobi, Kenya

Standard Chartered Bank Koinange

Street Branch P.O Box 30003-00100
Nairobi, Kenya

i) Independent Auditor

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084 GPO 00100
Nairobi, Kenya

j) Principal Legal Adviser

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

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II. THE UNIVERSITY COUNCIL

***Members of the University Council**

NO	NAME	DESIGNATION
1.	Prof. Julia Ojiambo	Chairperson
2.	Dr. Marie Jocelyn Rarieya	Member
3.	Mr. Abdi Mohamud Hassan	Member
4.	Mr. Wanjuki Muchemi	Member
5.	Mr. Isaac Chebon	Member
6.	Ms. Flora M. Maghanga-Mtuweta	Member
7.	Dr. Eric Mwangi	Rep. PS. Ministry of Education
8.	Mr. Samuel Kiiru	Rep. PS. National Treasury
9.	Prof. Peter M.F Mbithi	Vice Chancellor

*The above council was appointed vide the Kenya Gazette notice dated 12 September 2018.

Council Members Profile



**Prof. Julia A. Ojiambo, PhD.,
CBS., EBS., MBS**

Prof. Julia A. Ojiambo is the Chairperson of Council

Prof. Julia Ojiambo is an eminent scholar, researcher and an opinion leader. Currently she sits at the helm of the University of Nairobi as the Chairperson of Council, the supreme governance organ of the University.

Prof. Ojiambo is a graduate of various renowned world universities including University of Nairobi, University of London and Harvard University. She is a holder of a PhD. in Human Nutrition, a degree jointly examined and awarded by the University of Nairobi and McGill universities.

As a scholar and researcher, Prof. Ojiambo rose through ranks in teaching & research to become a Professor of Human Nutrition. She has written several scientific papers which have been published in various scientific journals of global repute. Besides, Prof. Ojiambo is a recipient of the UN Ceres medal for her contribution in the field of human nutrition and advancement of women in Kenya.

Having served as a legislator in the National Assembly of the Republic of Kenya, Prof. Ojiambo's contribution

saw the establishment of the Kenya Institute of Special Education. She also authored and sponsored the following legislations: Kenya Nutritionist and Dietitians Act of 2007, Supplies Practitioners Management Act of 2007 and the Public Procurement Disposal Act of 2005.

She has chaired and served on Boards of various State Corporations including the Kenya Plants Health Inspectorate (KEPHIS) and National Fund for the Disabled in Kenya.

Dr. Marie Jocelyn Rarieya is a member of Council



Dr. Marie Jocelyn Rarieya

Dr. Marie Rarieya holds a PhD in Science and Technology Studies (STS) from Rensselaer Polytechnic Institute, New York; Master's in Computer Based Information Systems from University of Sunderland, UK; a Post-graduate Diploma in Curriculum Development, and a Bachelor's Degree in Education (Biological Sciences) from the University of Nairobi. She is currently the Vice President for Evaluation Capacity Building and Professional Development at the International Centre for Evaluation and Development (ICED), Nairobi. She has published a number of peer-reviewed journal articles and book chapters, including conference proceedings on issue pertaining to Agriculture, Climate Change, and Education and Training.

Mr. Abdi Mohamud Hassan is a member of Council



Mr. Abdi Mohamud Hassan

Abdi Mohamud Hassan is an Advocate of the High Court of Kenya, and a transformational leader with vast experience in the management of state bodies, directing their strategy formulation and execution processes, and supervising financial and administrative management of the organizations to guarantee attainment of their mandates and objectives. Mr. Hassan has distinguished himself in leadership as an agent of positive change by ensuring high levels of professionalism, ethical standards, and fairness in the discharge of public duties.

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Mrs. Flora M. Maghanga-Mtuweta

Mrs. Flora M. Maghanga-Mtuweta is a member of Council

Mrs. Flora M. Maghanga-Mtuweta is a seasoned, accomplished Finance and Administration professional with over 25 years experience; having held various senior management positions in private and public sector. She has an MBA in Strategic Management from the University of Nairobi and A Bachelors in Economics and Business from Kenyatta University. She is a Certified Public Accountant of Kenya and a member of The Institute of Certified Public Accountant of Kenya. She has vast experience in financial management, Micro Finance and Fundraising having worked as a pioneer County Executive Committee Member in the devolved system of government and Involved in the startup of two Micro Finance Institutions one of which is a bank now. She is a Board Member of The Centre For Public Finance and Tax, Association of Women Accountants of Kenya and a Council Member of The University of Nairobi.

Mr. Wanjuki Muchemi is a member of Council



Mr. Wanjuki Muchemi

Mr. Wanjuki Muchemi is a senior legal practitioner with a wealth of experience in international Commercial Law, Arbitration, Alternative Dispute Resolution, Multilateral and Bilateral Finance negotiations. He holds a Master of Business Administration (MBA) degree in Strategic Management and a Bachelor of Laws (LL.B. Hons.) degree from the University of Nairobi. He is an Advocate of the High Court of Kenya, Fellow of The Chartered Institute of Arbitrators, London, U.K. (FCI Arb.), Member of The Institute of Certified Public Secretaries of Kenya (CPS(K)), and The Law Society of Kenya.



Mr. Samuel Kiiru

Mr. Samuel Kiiru

Mr. Samuel Kiiru is a member of Council representing the Principal Secretary, The National Treasury. He is the Principal Economist at the National Treasury. He holds a Masters Degree in Economics from the Carleton University, Ottawa, Canada and a Bachelor Degree in Economics from the University of Nairobi.



**Prof. Peter M.F. Mbithi,
PhD, EBS**

Prof. Peter M.F. Mbithi

Prof. Peter M.F. Mbithi is a member of Council. He is currently the Vice Chancellor. He is a Professor of Veterinary Surgery, University of Nairobi. He was Chairman, Department of Clinical Studies in 2003, he served as the Principal, College of Agriculture and Veterinary Sciences and Deputy Vice-Chancellor (Administration and Finance), a position he held till his appointment as the Vice Chancellor.

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III. CHANCELLOR ,COUNCIL CHAIR AND PRINCIPAL OFFICERS



Dr. Vijoo Ratansi



Prof. J.A Ojiambo



Prof. P.M.F.Mbithi



Prof. I. M. Mbeche



Prof. J.A. Ogeng'o



Prof. Madara Ogot



Prof. S.Kiama



Prof. P.M. Ngau



Prof. B.O.C Aduda



Prof. E.H. N.Njeru



Prof. I. O. Jumba



Prof. J. M'Imunya



Prof. L.Njenga



Prof. C. Gakuu



Prof. P.O.K'obonyo



Prof. L. Ikimari



Prof. M. A. Jama



Prof. H. Kidombo



Prof. H. Ochanda



Prof. C. M. Mulei



Mr. P. Agutu



Mr. P. Muturi



Mr. J. Kenduiwo



Mr. B. M. Waweru



Mr. P.K. Busienei

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Chancellor:

V. RATTANSI, D.Litt . (Hon),(Nairobi), D.Litt (Moi)

Chairperson of the University Council:

JULIA ZUMA OJIAMBO,PhD,CBS,EBS,MBS

Vice-Chancellor:

P.M.F. MBITHI, EBS, IOM, B.V.M.,M.Sc.(Nairobi), M.V.Sc.(Saskatchewan), PhD(Nairobi)

Deputy Vice-Chancellor (Administration and Finance)(Ag):

ISAAC M.MBECHE, B.Ed.,M.A.(Nairobi) PhD(Lancaster)

Deputy Vice-Chancellor (Academic)(Ag):

J.A.OGENGO,BSc,MBCh,PhD,MD,(Nairobi)

Deputy Vice-Chancellor (Student Affairs):

I.M.MBECHE.,B.Ed.,M.A.(Nairobi) PhD(Lancaster)

Deputy Vice-Chancellor (Research, Production and Extension)(Ag):

MADARA OGOT, BSE (Princeton), MSc, PhD (Penn State), MBA (Rutgers), PhD (Nairobi)

Principal, College of Agriculture and Veterinary Sciences:

KIAMA, S.G., BVM, MSc (Nairobi), PhD,(Bern)

Principal, College of Architecture and Engineering:

P.M. NGAU, BEd,(KU), MA (Nairobi) PhD,(UCLA)

Principal, College of Biological and Physical Sciences:

B. O. C. ADUDA, BEd, M.Sc Nairobi , PhD, DIC (London)

Principal, College of Education and External Studies:

I.O.JUMBA, B.Sc., M.Sc., PhD. (Nairobi).

Principal, College of Health Sciences (Ag):

J.M M'Imunya, MBChB, MMed Obstetrics & Gynecology (Nairobi)

Principal, College of Humanities and Social Sciences:

E. H. N. NJERU, BA, MA (Nairobi), PhD(California)

Director, Graduate School

PROF. LYDIA NJENGA ,B.Sc.,M.Sc.,PhD.(Nairobi)

Director, Open, Distance and Electronic Learning (ODeI) Campus

PROF. CHRISTOPHER GAKUU MWANGI,BED.,(Ku),MBA.,(Usiu),,PhD.,(Nairobi)

Deputy Principal, College of Humanities and Social Sciences: Main Campus

PROF. MOHAMUD ABDI JAMA , B.A.,B.Com.,(Nairobi),PhD (Washington)

Deputy Principal, College of Humanities and Social Sciences:Lower Kabete Campus

P.O.K'OBONYO, B.A.,(Makerere),MBA (Nairobi), P.G.Dip .(ESAMI), Ph.D.,(South Carolina)

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Deputy Principal, Kenya Science Campus:

H. OCHANDA, M.Sc.(Nairobi), Ph.D(Warwick).

Deputy Director, Graduate School

PROF. L. D.E. IKAMARI ,B.A.,M.A.,(Nairobi),PhD.,(Australia)

Deputy Director, Graduate School

PROF. CHARLES M. MULEI, B.V.M., PhD.,(Nairobi)

Deputy Director (ODEI Campus)

PROF. HARRIET KIDOMBO, B.A.,(Nairobi),M.Sc.,(UK),PhD.,(Nairobi)

Registrar, Administration (Ag.):

MR.PETER M.MUTURI, B.A, M.A.Comm.Studies,(Nairobi)

Registrar, Academic (Ag.):

B. M. WAWERU, B.A. (Nairobi)

Director, Library and Information Services (Ag.):

MUMO ANGELA MBULA, BA, (Nairobi), MA. Lib & Inf.Sc.,(KU)

Registrar, Planning:

B.D. NJUGUNA, BA (Hon) PGDipMC, MA, (Nairobi), MPRSK,MKIM

Finance Officer:

P.K. BUSIENEI, B.Com, MBA, (Nairobi), C.P.A.(K)

Chief Internal Auditor:

PATRICK O.AGUTU,BSc,USIU,MBA,Nairobi,CPAK,AMKIM

IV. CHAIRPERSON'S STATEMENT



I am pleased to submit the University of Nairobi Annual Report and Financial Statements for the year ended 30 June 2018. Among other key areas, the University was able to promote the research function, which is a core business through realization of Kshs 2.13 billion from our research partners. The University also continued with its main teaching functions where the student enrolment recorded an all time high of over 80,000 students.

Financial Performance

During the FY 2017/2018, the University registered a deficit of Kshs 1.41 billion compared to a surplus of Kshs 582.67 million registered in FY 2016/2017 resulting into accumulated deficit of Kshs 496.79 million compared to accumulated revenue reserve of Kshs 908.52 million in FY 2016/2017. In FY 2017/2018 total revenue amounted to Kshs 13.75 billion representing an increase of 6.1% compared to FY 2016/2017, where as total expenditure amounted to Kshs 15.16 billion representing an increase of 22.1% compared to FY 2016/2017 due to the implementation of CBA 2013-2017.

Strategic Direction

The University's remains "a world class University committed to scholarly excellence" as postulated in the 2013-2018 Strategic Plan. This is achieved through the following Strategic Objectives: managing the University efficiently; efficiently offering quality academic programmes; contributing to scientific and technological innovations; and enhancing the competitiveness of the University. The just finalized 2018-2023 Strategic Plan will guide the University's strategic direction for the next five years.

To this end therefore, the University has managed to enhance its visibility and competitiveness both locally and internationally. In July 2018 Webometric ranking, the University emerged position 1 in Kenya, position 5 in Africa and position 621 in the world.

Future Outlook

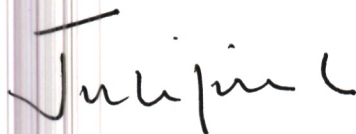
The University will continue to implement its Strategic Plans, whose thrust continues to address the "Big Four" Initiatives and other national priorities in order to improve the quality of lives of Kenyans and make Kenya globally competitive. The University has negotiated FY 2018/2019 Performance Contract whose purpose is to establish the basis for ensuring that efficient and effective services are delivered to Kenyans in line with the provisions of the Constitution and by

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requiring the University of Nairobi to adapt systems that enable innovativeness and adaptability of public services to the needs of users.

Further, the University continues to revamp and consolidate its core income generating activities with a view to sustaining its financial performance. As for physical infrastructure, the completion of the University of Nairobi Towers at the main Campus ,the Kisumu Campus Complex and the acquisition of Uniplaza building at our Mombasa Campus eased the pressure on physical facilities. The eLearning strategy has been actualized through the establishment of ODeL Campus to respond to the growing demand for virtual learning in the Country.

Finally, I would like to thank the Government for the support it has continued to give in realization of the University's mandate. Allow me to take this opportunity to thank our research partners, alumni and other stakeholders for their support in steering the University through another successful year.



PROF. JULIA AUMA OJIAMBO, PhD, CBS, EBS, MBS
Chairman of Council

25 March 2019

V. REPORT OF THE VICE CHANCELLOR



It gives me much pleasure in presenting the Annual Report and Financial Statements of the University of Nairobi for the year ended 30 June 2018.

The University continues to review its strategy as detailed in its Strategic Plans to better match capacity to demand. The University will work towards capturing growth opportunities in the market, despite the current not so favorable global economic outlook. The on-going renewal programmes aimed at maintaining a top ranked sustainable University with attributes of world class-ness will go a long way in sustaining an enduring and valuable scholarly excellence.

The University has embarked on a number of initiatives aimed at enhancing learners' experience on campus. Improving efficiency and customer service has not been overlooked. The students' total population, which forms the bulk of its clientele, is currently in excess of 80,000. Indeed, with 164 Professors, 264 Associate Professors and a research portfolio of Kshs 4 billion, the University of Nairobi is the incubation point of knowledge for scholars and students. The University has graduated over 200,000 graduates since inception in 1970.

During the financial year 2017/2018, the University reported a deficit of Kshs 1.41 billion against a surplus of Kshs 582.67 million in FY 2016/2017. The cumulative deficit as at 30 June 2018 was Kshs 496.79 million against cumulative surplus of Kshs 908.52 million in 2016/2017. The financial performance in the current year was realized in an environment of increased costs of academic programmes, reduced Government Capitation, and reduced Module II fees due to closures associated with industrial activities and the 2017 general elections as well as enhanced personal emoluments based on improved terms and conditions of service.

The University continues to prudently manage its financial resources. However, as in the previous years, the budget was not matched by Government funding. Expenditure on personal emoluments stood at KShs 11.83 billion while the total Government funding for recurrent expenditure was Kshs 7.93 billion, resulting to a shortfall of Kshs 3.90 billion for personal emoluments. This shortfall was bridged by enhanced income-generating activities in various campuses as well as support from the subsidiary company, the University of Nairobi Enterprises and Services Limited (UNES).

At the same time, the University received research grants to the tune of Kshs 2.13 billion during the year. This went a long way in the realization of the University's mission of teaching and research.

The University has over years steadily sustained its ranking among the best Universities in Africa and in the World.

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UoN's Webometrics ranking

Ranking Period	Africa Rank	World Rank
Jan-2012	17	1,367
Jul-2012	14	1,435
Jan-2013	12	1,326
Jan-2014	9	1,167
Jan-2015	7	855
Jan-2016	6	697
Jul-2018	5	621

The combined impact of the University's performance is reflected in the recent steady improvements in the University's global ranking. On the whole, the University has maintained a leadership position nationally and regionally.

Finally, I would like to express my special thanks to the University community who worked tirelessly to ensure smooth operation of this institution. Going forward, the University intends to continuously look into ways of improving and providing world-class service at all customer service points, not only in the lecture halls but also in other aspects of students' life.



PROF. PETER.M.F. MBITHI,
EBS, IOM BVM,MSc,(Nbi),MVSc,(Saskatchewan),PhD,(Nbi)
Vice Chancellor

25 March 2019

VI. CORPORATE GOVERNANCE STATEMENT

The University of Nairobi Council is responsible for the overall management and governance of the institution and is accountable to the stake-holders for ensuring that the institution complies with the law and the best practices in Educational Governance and Business Ethics. The Council members are committed to the need to conduct the business and operations of the University with integrity and in accordance with Generally Accepted Standards and endorse the internationally developed principles of good governance.

COUNCIL MEMBER

The Council is appointed in accordance with the Universities Act, 2012 (No. 42 of 2012) by the Cabinet Secretary as follows— (a) Chairperson; (b) the Principal Secretary in the Ministry for the time being responsible for the university education; (c) the Principal Secretary in the Ministry for the time being responsible for Finance; (d) five members appointed by the Cabinet Secretary through an open process; and (e) the Vice-Chancellor who shall be an ex officio member and secretary of the Council. The full Council meets at least four times a year. The members receive all information relevant to the discharge of their obligations in an accurate, timely and clear manner so that they can guide and maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Council has delegated authority for conduct of day- to-day business to the Vice Chancellor and the University Executive Board (UEB).The Council nonetheless retains responsibility for establishing and maintaining the institution's overall control of financial, operational and compliance issues as well as implementing strategies for the long term success of the University.

COMMITTEES OF THE COUNCIL

The main standing committees of the Council include;

Finance and General Purpose Committee

Terms of Reference:

- i. To act on behalf of the Council except so far as the Council may wish to limit the powers of the Finance and General Purpose Committee in any respect.
- ii. Shall pay due regard to the necessity to refer matters of major importance to the Governing Council for final approval.
- iii. Shall not have the power to approve the Annual Estimates and Expenditure.

Building Committee

Terms of Reference:

- i. To take charge of all arrangements for the erection of new buildings once the finances have been made available, to appoint executive architects and to award contracts on such projects.

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- ii. To be responsible for authorizing expenditure for all maintenance work with the provision that the Committee will have authority to delegate the very minor maintenance work to the executive officer of the University.
- iii. To take charge of all work under the minor works and maintenance programme which exceed £200 in cost.
- iv. To report progress to Council or the Finance and General Purpose Committee of the Council.

Audit and Risk Committee

Statutes Committee

INTERNAL CONTROLS

The University has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the institution remains structured to ensure appropriate segregation of duties.

The University is exposed to a variety of risks that can have financial, operational and compliance impacts on our performance, reputation and legitimacy to operate.

The effective management of risk is therefore critical to supporting the delivery of the University's strategic objectives.

The University's approach to risk management is aimed at embedding a risk-aware culture in all decision-making, and a commitment to managing risk in a proactive and effective manner. This includes the early identification and evaluation of risks, the management and mitigation of risks before they materialize, and dealing with them effectively in the event they do materialize. Major risks such as natural disasters, which cannot be managed using internal controls, are transferred to third parties in the insurance markets, to the extent considered appropriate or possible.

The design, implementation and monitoring of the process of risk management is the responsibility of the University. In this regard, management is accountable to the University Council.

An Internal Audit Department headed by the Chief Internal Auditor and the Audit Committee, chaired by a council member, evaluates and coordinates the management of identified strategic risks, financial and non-financial, faced by the University. Risk management processes are reviewed regularly for continuing relevance and effectiveness. The Strategic Internal Audit Department reports to the Vice Chancellor and the Audit Committee. The Audit Committee reports to the Council.

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A report on the risk management process that is being followed, as well as a summary of the risk register and appropriate risk treatment plans, is presented to the Audit and Risk Management Committee and to the Council of the University on a regular basis.

COMMUNICATION WITH COUNCIL

The University is committed to ensuring that stakeholders and the general public are provided with full and timely information about its performance. This is achieved by the distribution of the University's annual report and the release of notices in the press.

Periodically, there are press releases announcing other major University developments which could be considered important. The Annual Report and Financial Statements are published each year and distributed to the National Assembly.

COUNCIL MEMBERS EMOLUMENTS

The Council Members are paid sitting allowance which is included in the Council expenses in the Annual Report and Financial Statements.

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VII. MANAGEMENT DISCUSSION AND ANALYSIS

University’s Operational and Financial Performance

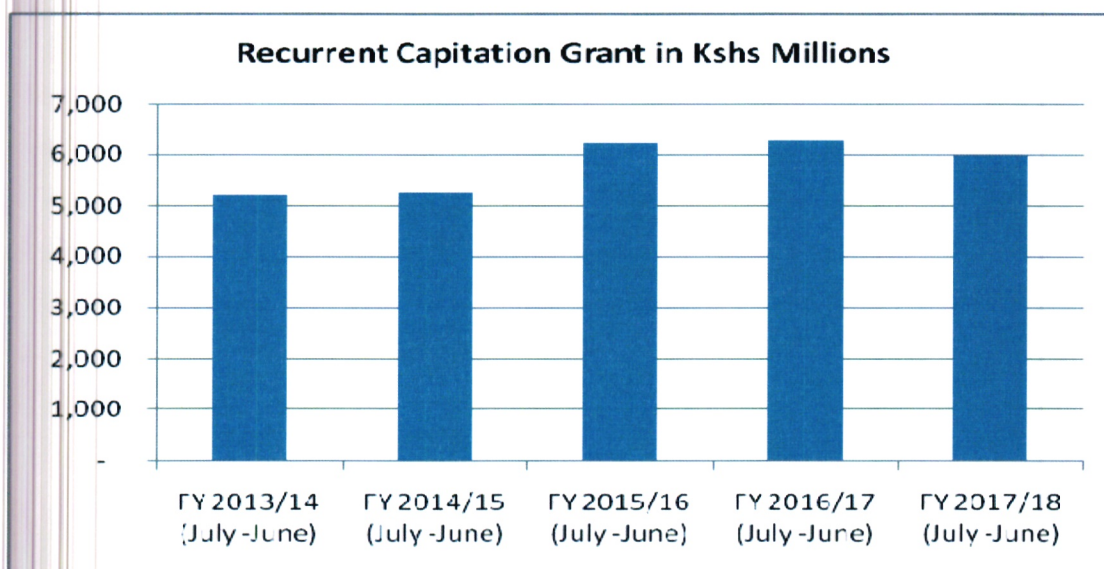
During the year ended 30 June 2018, the University registered a deficit Kshs 1.41 billion compared to a surplus of Kshs 582.67 million registered in the previous financial year 2016/2017. The accumulated deficit as at June 30, 2018 was Kshs 496.79 million compared to accumulated surplus of Kshs 908.52 million in fiscal year 2016/2017. In FY 2017/2018 total revenue amounted to Kshs 13.75 billion representing an increase of 6.1% compared to FY 2016/2017, whereas total expenditure amounted to Kshs 15.16 billion representing an increase of 22.1% compared to FY 2016/2017 due to the implementation of CBA 2013-2017.

REVENUES

Government Capitation

The University of Nairobi being a government owned entity receives Recurrent and Development Capitation to finance its operations.

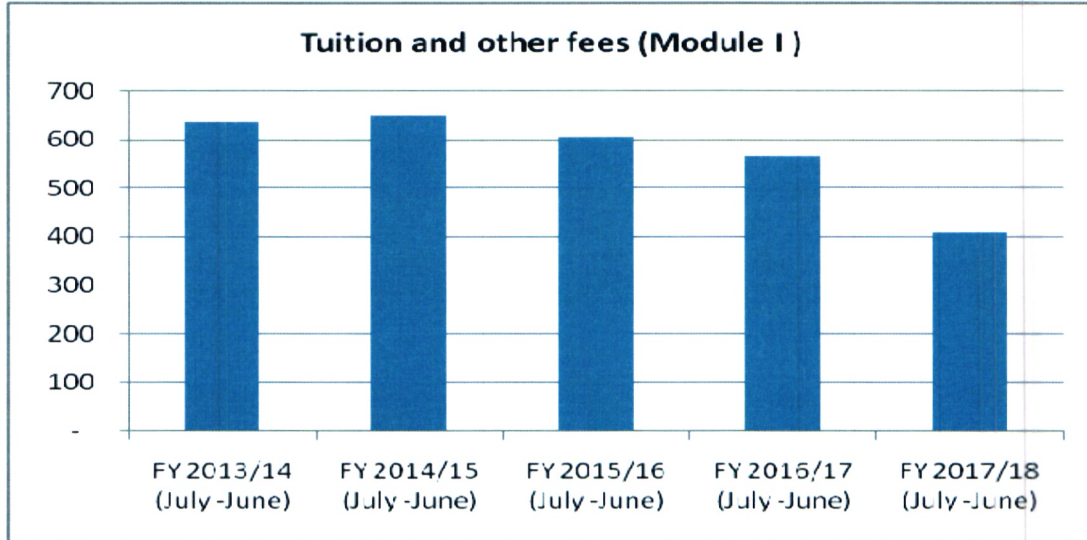
Government funding in the last five years was insufficient to finance university activities and catered for 33% of the budget, translating to 67% funding to the payroll costs. The Government Capitation in financial year FY 2017/2018 GoK was reduced by Kshs 145.49 million per month, which translated to Ksh 1.7 billion for the whole year compared to fiscal year 2016/2017. The Government thereafter provided CBA 2013-2017 Salary support of Ksh 80 million per month and Kshs 500 million one off support.



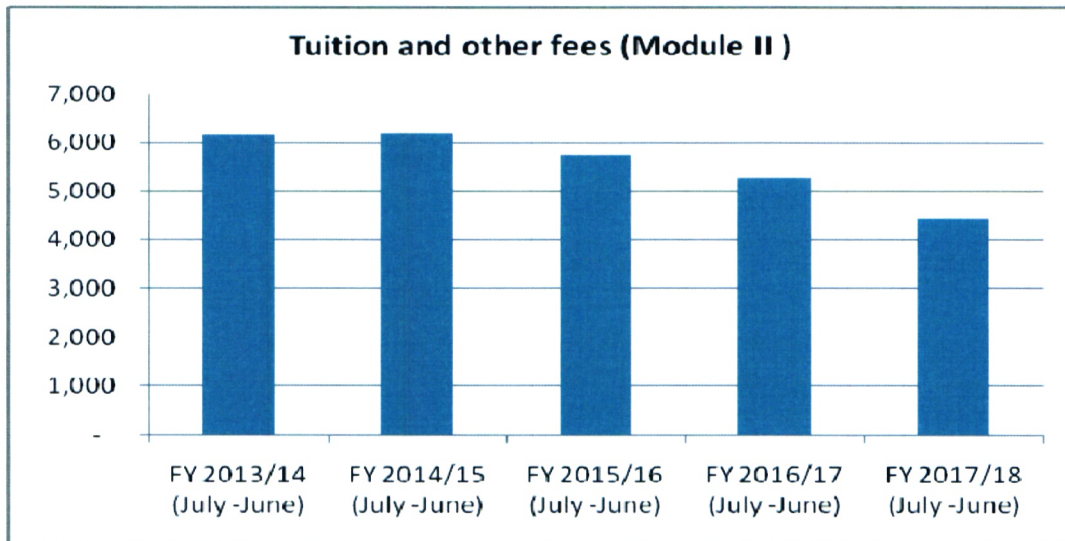
The funding gap in capitation can be attributed to the establishment of a huge number of universities chartered by the Government since 2013. The new dispensation is characterized by stiffer competition for students, funding and staff and the application of DUC formulae.

Student Fees

These comprise of fees from government sponsored students and Self sponsored Students (Module II) and accounts for about 40% of the total Revenue.



The fee from Module I students has been on the decline due to low placement of regular students by KUCCPS as a result of the poor performance of candidates in the 2016 and 2017 KCSE .

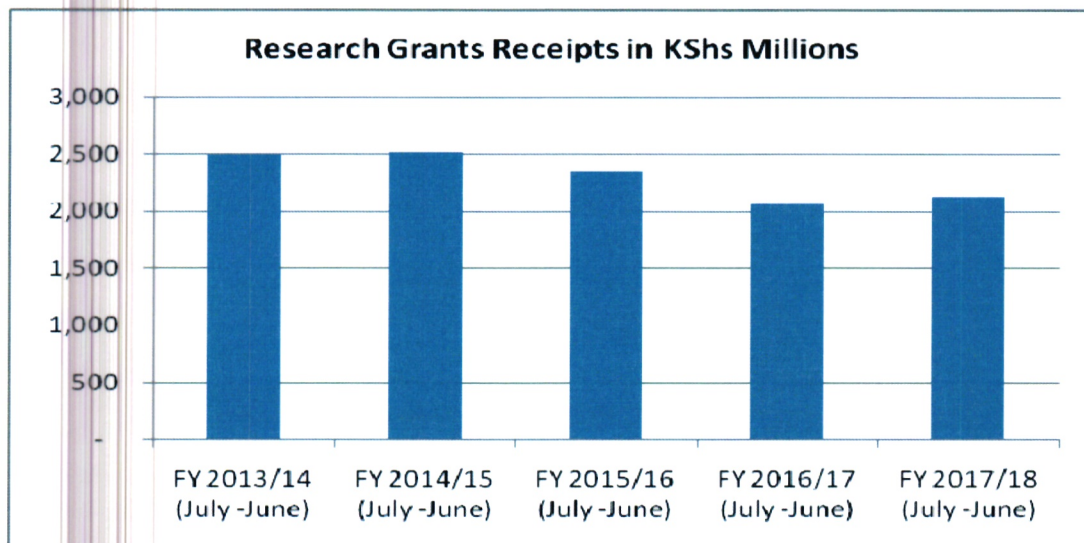


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The decline of Module II fees revenue is attributed to a decline in student enrolment, accelerated intake in previous years for integrated programmes, which later normalized, change of term dates, industrial action by staff affecting admissions and semester schedules as well as the drop in performance of the 2016 and 2017 KSCE candidates.

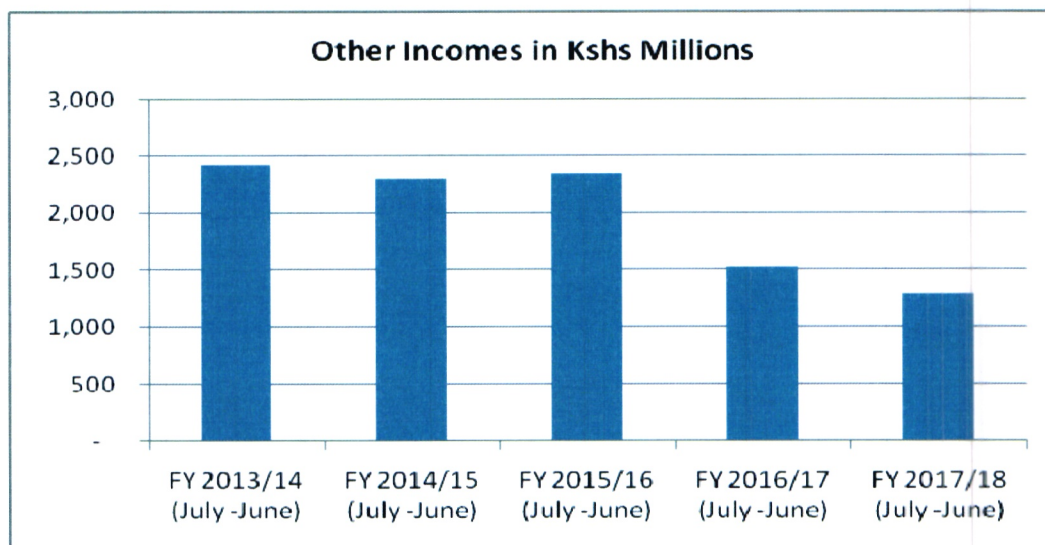
Research Grants

The University has a vibrant Research culture, providing leadership in creativity and innovation. The University continues to attract Research grants and in the year ended 30 June 2018 the received Research grants was to the tune of Kshs 2.13 billion.



Other Incomes

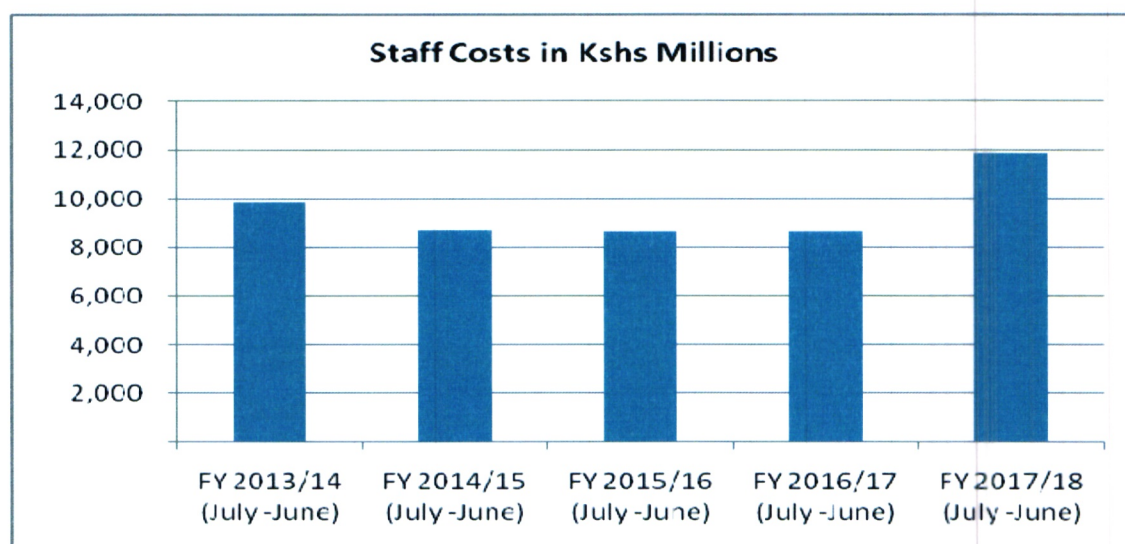
Included under this category are revenues from Accommodation and Catering services. Income Generating Units, Investment Income, Donations, Dividends from Subsidiary (UNES Ltd), Research grants administrative overhead Charges and Rental Income.



EXPENSES

Staff Costs

Staff costs account for about 52% of the total University expenditure. The Net Recurrent Capitation from Government has over the years financed 68% of the payroll costs leaving the University to reallocate 32% from its internally generated revenues to bridge the payroll funding gap. This means the Management is usually left with insufficient funds from the AIA to finance Operations and Maintenance expenses. In the year 2016/2017 GoK remitted Kshs.521 million monthly against the University wage bill of Kshs 770 Million per month. However, in the current year 2017/2018 GoK remitted Kshs 376 million per month against the University wage bill of about Kshs 900 Million per month. Due to the implementation of the CBA 2013-2017 in FY 2017/2018, GoK remitted an additional Kshs 80 million per month as enhanced capitation, Kshs 1.96 billion as CBA salary areas capitation and Kshs 500 million as support capitation.



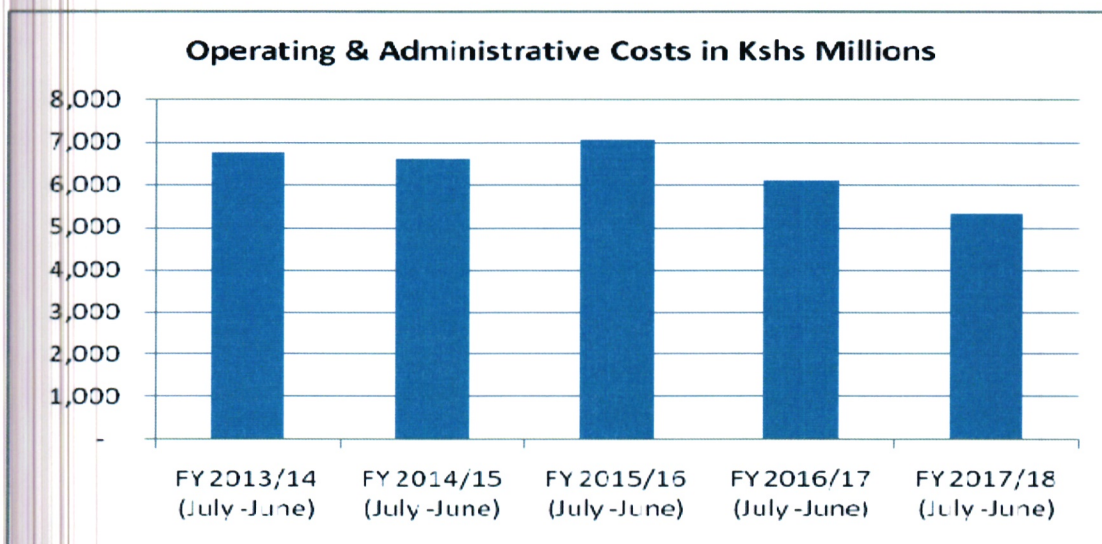
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In the fiscal years 2013/2014 and 2017/2018 expenditure on personal emoluments increased substantially due to the implementation and payment of CBA 2010-2013 and CBA 2013-2017 arrears.

Operating and Administrative Expenses

This accounts for about 44% of the total expenditure. Included under this category are:

- i. Expenditure relating Research grants Projects
- ii. Expenditure on Income Generating Activities
- iii. Repair and Maintenance Expenses
- iv. Teaching and Office running expenses.
- v. Transport and travel
- vi. ICT expenditure



In the fiscal years 2016/2017 and 2017/2018, expenditure reduced drastically due to austerity measures implementation by management following the budget cuts..

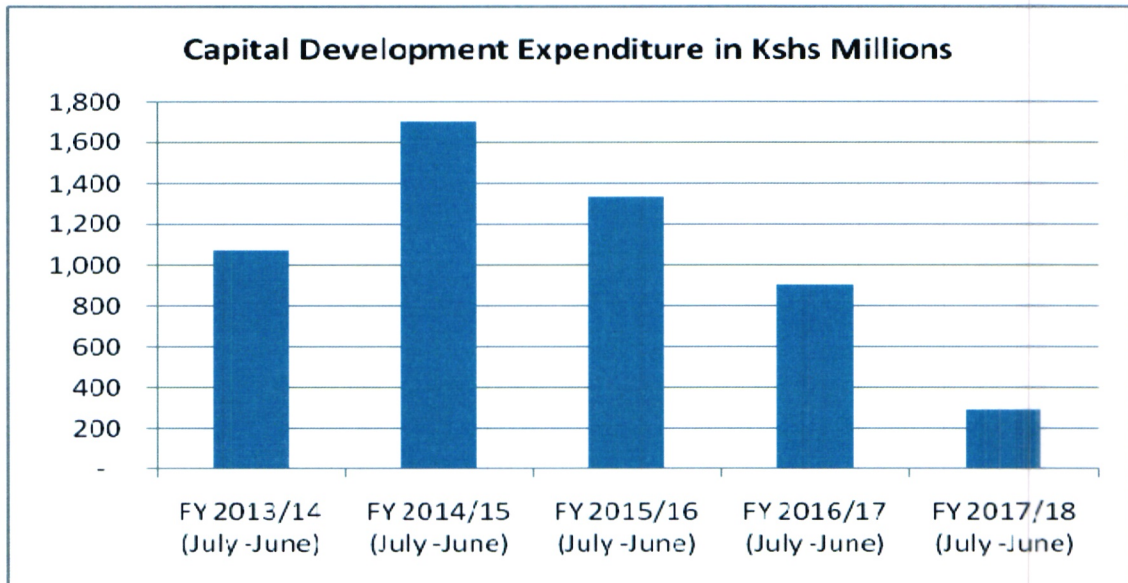
Direct Service Providers Payments.

This relates to payments made to faculty who do extra teaching load to Module II and III students attending classes in the evenings including weekends as well as science based students who are integrated with Government sponsored students. The payment is pegged on the actual fees collections from self sponsored students which have dropped.

The direct service providers' payments dropped from FY 2014/2015 due to reduced payment rates for DSPs coupled with an overall decline in self-sponsored student revenues.

Capital Development Expenditure.

The growth in capital expenditure over the years was as a result of the development or acquisition of these teaching facilities: the Uni-Plaza Mombasa Campus, the University of Nairobi Towers, the Kisumu Campus Complex, and the School of Pharmacy Building among others.

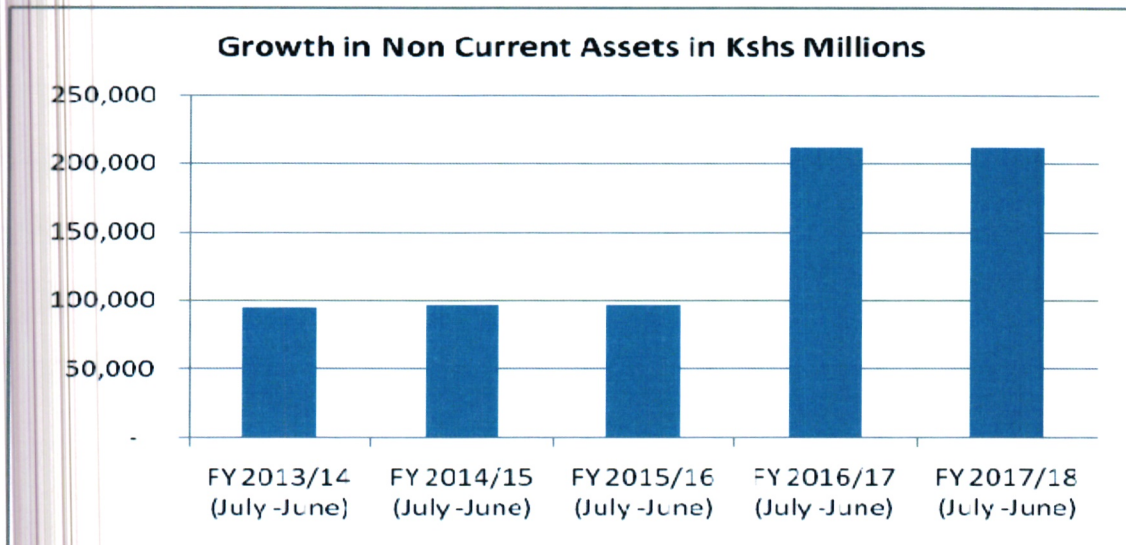


Due to the decline in the Internally Generated revenues and inadequate government Capitation, most of the projects scheduled for construction have been put on hold. This explains the decline in Capital Development Expenditure in the FY2016/2017 and FY 2017/2018.

Assets Base

The Campuses of the University are strategically located within the City of Nairobi and in the Satellite locations. There is a well developed state of the art physical infrastructure that includes lecture halls, teaching and research laboratories, demonstration farms, student amenities as well as sports and health facilities. There is also an established network of extra mural centers countrywide.

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The revaluation of Land and Buildings in the FY 2016/2017 has seen the University's Non Current Asset move from Kshs.97.42 billion to over Ksh.200 billion.

Compliance with Statutory Requirements

The University endeavors to ensure full compliance with statutory requirements and other Government regulations.

In accordance with the Constitutional requirement, the University continued to ensure diversity and inclusion in all its activities. As at 30 June 2018, the staff establishment had a representation from 168 Districts of the Republic as illustrated by the table below:

No	District	No.of Staff	Percentage (%)
1	Baringo	37	0.7
2	Bomet	36	0.6
3	Bondo	57	1.0
4	Borabu	6	0.1
5	Bungoma	165	2.9
6	Bureti	12	0.2
7	Busia	96	1.7
8	Butere	28	0.5
9	Butula	5	0.1
10	Chepalungu	1	0.0
11	Chuka	4	0.1
12	Dagoreti	2	0.0
13	Egypt	2	0.0
14	Ekereyo	2	0.0
15	Eldoret	11	0.2
16	Elgeyo Marakwet	9	0.2

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17	Embakasi	2	0.0
18	Embu	107	1.9
19	Emuhaya	16	0.3
20	Foreigner	14	0.2
21	Garissa	7	0.1
22	Gatanga	3	0.1
23	Gatundu	13	0.2
24	Gilgil	1	0.0
25	Githunguri	8	0.1
26	Gucha	39	0.7
27	Hamisi	14	0.2
28	Homabay	108	1.9
29	Igembe	3	0.1
30	Imenti	19	0.3
31	India	5	0.1
32	Isiolo	6	0.1
33	Juja	1	0.0
34	Kahuro	1	0.0
35	Kajiado	42	0.7
36	Kakamega	206	3.7
37	Kaloleni	2	0.0
38	Kampala	2	0.0
39	Kandara	1	0.0
40	Kangema	4	0.1
41	Kangundo	50	0.9
42	Kapenguria	2	0.0
43	Kapsabet	2	0.0
44	Karachuonyo	2	0.0
45	Kasarani	1	0.0
46	Katheri	3	0.1
47	Kathiani	5	0.1
48	Keiyo	14	0.2
49	Kerala	1	0.0
50	Kericho	28	0.5
51	Kiambu	388	6.9
52	Kibwezi	14	0.2
53	Kieni	3	0.1
54	Kiharu	1	0.0
55	Kikuyu	22	0.4
56	Kilifi	33	0.6
57	Kilungu	9	0.2
58	Kimilili	3	0.1

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59	Kinangop	1	0.0
60	Kirinyaga	123	2.2
61	Kisii	250	4.4
62	Kisumu	206	3.7
63	Kitale	12	0.2
64	Kitui	76	1.3
65	Koibatek	14	0.2
66	Konoin	3	0.1
67	Kuria	5	0.1
68	Kwale	15	0.3
69	Kwanza	2	0.0
70	Laikipia	42	0.7
71	Lamu	4	0.1
72	Langata	3	0.1
73	Lari	5	0.1
74	Lodwar	1	0.0
75	Loitokitok	2	0.0
76	Londiani	2	0.0
77	Lugari	14	0.2
78	Lurambi	1	0.0
79	Maara	10	0.2
80	Machakos	219	3.9
81	Makueni	149	2.6
82	Malindi	10	0.2
83	Mandera	6	0.1
84	Manga	2	0.0
85	Mara	2	0.0
86	Maraba	1	0.0
87	Maragua	20	0.4
88	Maralal	1	0.0
89	Marani	4	0.1
90	Marsabit	1	0.0
91	Masaba	7	0.1
92	Masinga	5	0.1
93	Mathioya	7	0.1
94	Mathira	8	0.1
95	Matungulu	7	0.1
96	Mawingo	1	0.0
97	Mbeere	29	0.5
98	Mbita	5	0.1
99	Mbooni	15	0.3
100	Meru	177	3.1

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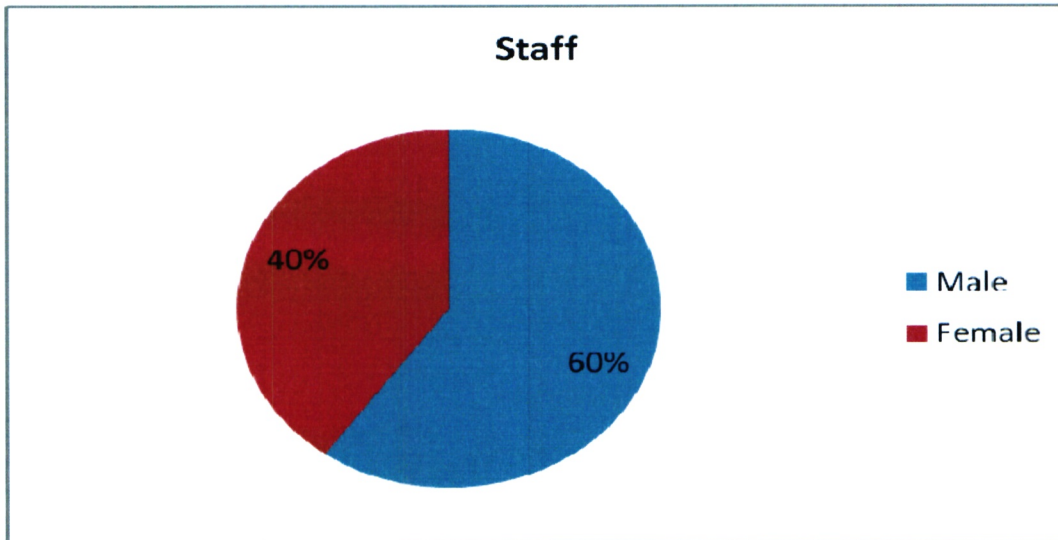
101	Migori	57	1.0
102	Migwani	1	0.0
103	Molo	10	0.2
104	Mombasa	33	0.6
105	Moyale	2	0.0
106	Mt. Elgon	11	0.2
107	Muhoroni	7	0.1
108	Mukaa	3	0.1
109	Mukurweni	1	0.0
110	Mumias	18	0.3
111	Muranga	267	4.7
112	Mutitu	1	0.0
113	Mutomo	1	0.0
114	Mwala	11	0.2
115	Mwatate	2	0.0
116	Mwingi	31	0.6
117	Myamira	1	0.0
118	Nairobi	128	2.3
119	Naivasha	5	0.1
120	Nakuru	102	1.8
121	Nambale	1	0.0
122	Nandi	46	0.8
123	Nanyuki	2	0.0
124	Narok	15	0.3
125	Ndhiwa	10	0.2
126	Njoro	2	0.0
127	Null	143	2.5
128	Nyahururu	6	0.1
129	Nyakach	17	0.3
130	Nyamache	5	0.1
131	Nyambene	2	0.0
132	Nyamira	129	2.3
133	Nyandarua	67	1.2
134	Nyando	47	0.8
135	Nyanza	4	0.1
136	Nyaribari	2	0.0
137	Nyatike	7	0.1
138	Nyeri	357	6.3
139	Oyugis	4	0.1
140	Pokot	4	0.1
143	Rachuonyo	63	1.1
144	Rangwe	3	0.1

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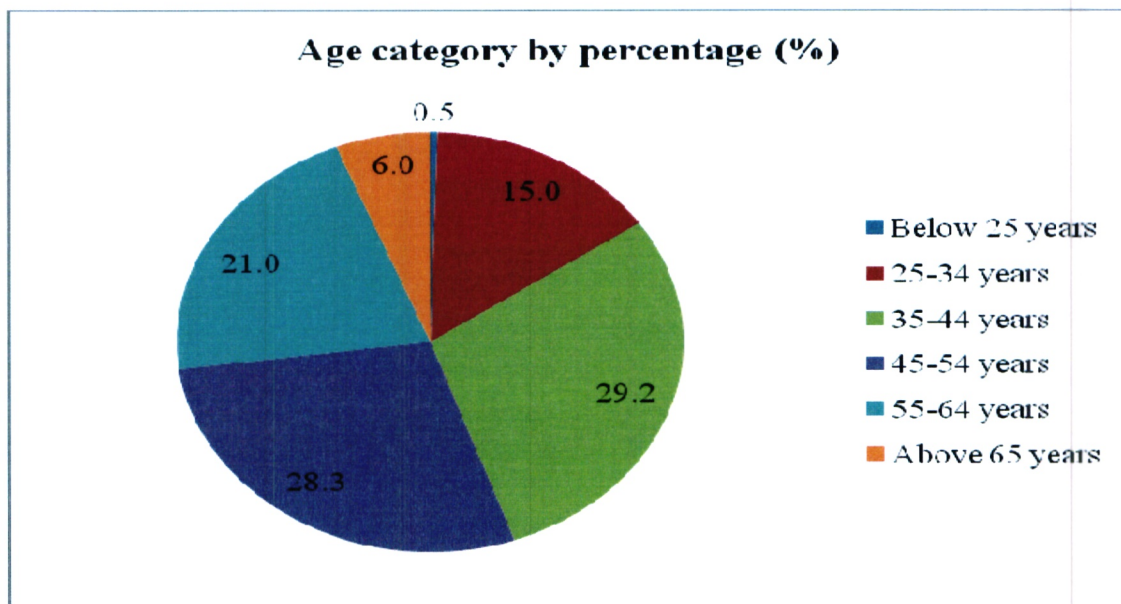
145	Rarieda	18	0.3
146	Rongo	13	0.2
147	Ruiru	4	0.1
148	Runyenjes	2	0.0
149	Sabatia	9	0.2
150	Samburu	3	0.1
151	Siaya	325	5.8
152	Sotik	8	0.1
153	Suba	15	0.3
155	Taita Taveta	67	1.2
156	Tana River	3	0.1
157	Tanzanian	2	0.0
158	Teso	15	0.3
159	Tharaka Nithi	20	0.4
160	Thika	61	1.1
161	Tigania	6	0.1
162	Tinderet	1	0.0
163	Trans Mara	2	0.0
164	Trans Nzoia	62	1.1
165	Turkana	2	0.0
166	Uasin Gishu	45	0.8
167	Uganda	2	0.0
168	Vihiga	155	2.8
169	Voi	5	0.1
170	Wajir	7	0.1
171	Wundanyi	3	0.1
172	Yatta	6	0.1
173	America	1	0.0

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The staff establishment further met the Gender rule requirement as per the data below:



Staff establishment representation by age



In addition, the University awarded Kshs 248 million worth procurement tenders to women, youth and persons with disabilities in line with the requirement to create access to Government procurement opportunities for special groups in the financial year 2017/2018.

In implementing the Government policy that promotes consumption of local products the University spent Kshs 298.2 million on goods and services that fall under this category of local content in its procurement for the financial year 2017/2018.

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Further, in fulfillment of other statutory requirements, the University undertook the following activities which also help to ensure a conducive and safe work environment for optimal performance:

- i. Translation of the Service Delivery Charter into Braille-to enable the visually impaired to access our services.
- ii. Modification of office environment-to create access for Persons with Disability.
- iii. Continued to advice on the establishment of Nyandarua University in Nyandarua County.
- iv. Continued to mentor Koitalel Arap Samoei University.
- v. Continued to maintain the quality and integrity of university examinations, theses and dissertations by implementing CUE Guidelines and Standards 2014.
- vi. Employment-As at 30 June 2018, twenty seven (27) persons with disability (PWD) were in employment and the University will progressively enhance the recruitment of Persons with Disability.
- vii. The University prepared its financial statements in accordance with the Public Financial Management Act (PFM) 2012, the PFM Act Regulations, the State Corporations Act, the University Act and the International Public Sector Accounting Standards (IPSAS).
- viii. Statutory deductions were effected and remittances done as per the governing statutory requirements.

The University has received several certificates of compliance for example Promotion and Mainstreaming of National Cohesion and National Values and Principles of Governance compliance certificate, Kenya Revenue Authority Tax compliance certificate, Higher Loans Board compliance certificate, NHIF and NSSF compliance certificates etc.

There are no known major non-compliance issues that may expose the University to potential contingent liabilities.

Key projects and investment decisions the University is planning/implementing

The University of Nairobi Towers and Kisumu Campus Complex are among the infrastructural projects recently undertaken by the University and were expected to further smoothen the business of teaching, learning and conducting research.

Major risks facing the University

Challenges

Several changes have happened in the external and internal environments of the University, which may influence this short-term implementation plan. These are outlined below.

External Environment

This is a summary of significant changes in the external environment.

Competition

The Government of Kenya recently gazetted new public universities in the country, raising intense competition in the higher education sector in the country. The new as well as the old players in the sector have opened campuses and learning centres all over the country thereby reducing the market catchment areas for the University of Nairobi.

Regulatory environment

Regulations of the higher education sector have changed. Universities are now required to operate within guidelines set by the regulators. Conforming to these regulatory requirements often has meant heavy capital expenditure, which is putting additional strain on the universities' budgets. A failure to meet regulatory requirements has led to closing some universities' campuses or to halting students' intake. This trend of increased regulation is expected to continue.

Quality, relevant education and more research

The demand for quality and relevant University education has become more persistent, while there has been a mounting feeling that universities are not undertaking enough research. Consequently, more research output is expected from these institutions.

Funding

Funding from the government has consistently fallen below the requirements of the universities, which are under pressure to raise resources to finance their operations. The situation is acute in the University of Nairobi where the monthly Exchequer subvention is insufficient to cover the monthly wage bill. As a result, salaries are paid only after mobilizing additional money from internal sources, leaving very little income to finance operations. There is an urgent need to rethink financing the University as austerity measures and cost-cutting containment may not fully solve the problem.

KCSE results

The 2016 and 2017 KCSE results saw a total of 88,929 and 70,073 candidates scoring C+ and above respectively. This has adverse implications on admissions, especially for the Module II Programmes because all these students were absorbed by the public Universities.

Similarly, the number of regular students placed to the University was 4,540 against a capacity of 5,617 in 2018 as per the KUCCPS 2018 Placement Report.

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Internal Environment

This is a summary of significant changes in the internal environment.

Unplanned University closures

It is essential that University operations continue without interruptions, but closures of the University occasioned by staff or student indiscipline do occur, though they should not occur, as they disrupt academic programmes, dent the image of the University and interrupt revenue inflows.

Ageing staff

With the implementation of the Government's circular on retention in service of officers beyond the mandatory retirement age, the University is likely to experience a challenge of retaining services of experienced Academic Staff.

Human resources issues

To address the challenge of a huge wage bill that is not matched by Government funding, the University management operationalized the Government circular on post retirement contract.

Strategic Direction

In order to address the above challenges, the University in its short term Implementation Plan for the years 2016/2017 and 2017/2018 has come up with the following identified Strategic Objectives;

- i. To produce holistic, quality and relevant graduates in diverse fields
- ii. Rationalise enrolment of students in different programmes
- iii. Upscale access to quality education and training through increased adoption of educational technology
- iv. Enhance the growth of postgraduate students
- v. Enhance internationalization of the University
- vi. Enhance the throughput of the teaching and learning system
- vii. Improve brand visibility of the University
- viii. Create an awareness in prospective students and business communities
- ix. Enhance customer experience in the University
- x. Actively engage the alumni
- xi. Enhance public relations programmes
- xii. Ensure the University community have appropriate utilities and amenities

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- xiii. Upgrade the research infrastructure in flagship projects
- xiv. Ensure faculty and staff have appropriate facilities and tools
- xv. Develop and implement a programme for succession planning
- xvi. Derive increased value from “identified” landed assets
- xvii. Institute effective cost-containment and expenditure controls
- xviii. Grow income from new streams
- xix. To demonstrate leadership in research and innovation through creation, preservation, application and dissemination of knowledge

Material arrears in statutory /financial obligations

The University does not have a commercial loan or material pending bills, tax default, outstanding staff and pension obligations /actuarial deficit on pension schemes, on payment of dividends and loan redemption to the National Exchequer.

The University’s financial probity and serious governance issues

The Auditor General gave the University a qualified opinion for the FY 2016/2017 financial statements on account of two parcels of land, LR .NO.11645 at Kenya Science Campus and LR.NO.22378 in Upper Kabete whose title ownership documents the University is still pursuing with the Government.

The current University council was appointed on September 6, 2018 via the Kenya Gazette notice No.9373 following the expiry of tenure for the former.

Organizational Sustainability

The University considers its employees as its most valued assets. The University has continued to enhance capacity through acquisition and retention of talent to affectively deliver on its mandate. During the financial year 2017/2018 a total of 164 Professors and 264 Associate were in employment.

The University is committed to assisting employees realize their full potential and make their optimal contribution to our vision of a world class University. Towards this, the University conducted several in-house trainings, sponsored several staff to attend various development courses, seminars and conferences aimed at skills, knowledge and abilities. The trainings included both individual and group trainings aimed at enhancing technical and behavioral competences as well as learning best practices in other jurisdictions. In addition, the University sponsored long term management and leadership trainings geared towards succession planning and career development.

In its commitment to promote staff and student well-being at the University, the University provides medical services to students and staffs on outpatient basis. All patients are seen at in the University Health Centers by the University employed doctors. If patients are to be referred to other doctors or hospitals, this is only by the relevant specialists ie children to be referred by only

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paediatrician, obstetrical and gynecological cases to be referred only by the Obstetrician and gynecologist and general cases by the physician. Surgical cases can be refereed by the Medical Officers. This has not only helped to motivate the staff and students but also enhance their performance and productivity.

During the financial year 201/2018, the University operationalised the CBA 2013-2017 for staff meant to benefit staff members, enhance work morale, and improve attraction and retention of staff. The CBA 2013-2017 was implemented as per the Salaries and Remuneration Commission's guidelines.

The University operates a defined Contribution Retirement Benefits Scheme for its employees on Permanent and Pensionable terms of employment as per the RBA requirements. The University also pays service gratuity for employees on contract under their terms of employment.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The University of Nairobi attaches great importance to Corporate Social Responsibility as a sure way of building sustainable partnerships with the community

The university in the year July 2017 to June 2018, worked closely with different organizations to support initiatives aimed at uplifting the standards of living by focusing on areas that create avenues for development.

In this regard the University continually identifies and supports noble causes in the areas of Education, community development, the environment, health, safety and food security.

In the year 2017/2018 the University of Nairobi undertook the following Corporate Social Responsibility activities geared towards impacting knowledge to the community, conservation of the environment, improving the health and welfare of the community, community empowerment and helping the less privileged, enhancing security and promoting peaceful coexistence among different communities and religions:

Environmental Sustainability

On 10 April 2018, students and staff of the College of Biological and Physical Sciences participated in a tree planting event at the college. The event, led by Professor Kazue Fujiwara a Japanese Professor was significant because it used a new and tested method 'the Miyawaki method'. The Miyawaki method has been used extensively in Japan and worldwide to restore degraded forests and has proved one of the fastest way to ensure fast vegetation growth due to use of two ecological principals. First, when plants are grown at high density, they compete for resources that are important for their growth. Some of the key factors that they compete for are light, nutrients, water and space. Since plants must use light energy to photosynthesize and manufacture their own food, then light competition results to the plants all having enhanced growth to capture sunlight since those that are left behind and cannot tolerate shading by the others would get eliminated naturally. Thus by planting the trees at a high density, this competition for light is brought about resulting to higher than normal vertical growth.

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UoN students taking part in tree planting using the 'Miyawaki' method at the College of Biological and Physical Sciences

Health

World AIDS Day 2017



As is tradition; the University of Nairobi joined the world in marking World AIDS Day on 1 December 2017. This year; the University collaborated with the National AIDS Control Council to organize a full day event at the Chancellor's Court, Main Campus. The theme this year was "Step Up for HIV Prevention: Youth Na Plan," The event mainly targeted students, staff and was open to members of the public.

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The University of Nairobi continues to adopt a multi-faceted approach focusing on clinical practice, research and policy formulation. At the event various tents were set up for HIV testing services, HIV pre-exposure prophylaxis (PrEP), counseling, blood sugar and hypertension screening, Body Mass Index (BMI) are among the services were offered.

Such projects have led to a decrease in number of recorded HIV cases and a good majority of people are able to access ARVs and support.

On 18 April 2018, the University held an Aflatoxin Testing Training aimed at enhance poisonous-free consumed grains through measuring and managing aflatoxin risk to increase global food safety. Aflatoxin Proficiency Testing training is currently in its third year in Africa.

The grains consumed on a day-to-day basis have to undergo testing to ensure that no poisonous compounds harmful to health occur in food processed for human consumption. Poisonous compound known as Aflatoxins, found in grains such as maize and other cereals have been reported to cause liver cancer, delayed development and stunted growth in children.



Quality control officers of milling plants undergoing training on Aflatoxin testing at CEBIB

The training, a collaboration of University of Nairobi and Texas A&M Agri Life Research, brought together grain millers from Nairobi, Mombasa and Kisumu at the Centre for Biotechnology and Bioinformatics (CEBIB), College of Biological and Physical Sciences (CBPS).

Participants learnt on the importance of proficiency testing program, sources of variability in measuring aflatoxins, working controls and control charts and how to perform aflatoxin analysis using the equipment selected by their firm. The two testing platforms are the Neogen Veratox, Reveal Q+ and Vicam Aflatest.

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Community outreach

The University of Nairobi held the 8th Edition of the Annual Open Day from 1-3 February 2018 at the Great Court grounds, Main Campus.

The annual open day accords the University an opportunity to showcase our programmes and products. We invite prospective students, parents and guardians to come and learn more about what we have on offer.



(Physical Education and Sport students showcasing Zumba Dance)

The University introduced the annual Open Day in 2008, and has over the years opened its doors to both internal and external stakeholders to interact with the faculty and also further interrogate our programmes

University community celebrates International Day against Alcohol, Drug Abuse and Illicit Trafficking



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Keep off drugs! This was the message to students when the University community celebrated the International Day against Drug Abuse and Illicit Trafficking (IDADA) at the Chancellor's Court, Main Campus, on 19 June 2018. This year's theme was 'listen first'.

Parents were challenged to 'Listen First' to their children. By being responsible parents and by building confidence and good moral values in their children. By listening to their children, parents are able to take preventative actions before things get out of hand.

The University of Nairobi Vice-Chancellor, Prof. Peter Mbithi, noted that drug abuse pose challenges to social economic development to the society. He cautioned students against indulging in drugs and instead to focus their energies on their studies, research, innovation and extra curriculum activities like sports

Students who are affected were urged to seek counseling services as the University of Nairobi offers counseling and psycho-social support to both students and staff who are affected.

"The main aim for marking this year's International Day against Drug Abuse and Illicit Trafficking is to bring partners in the fight against alcohol and drug abuse together to a common platform to highlight various approaches different players are using against this scourge

Education

On 27 April 2018 the University held the Annual University Prize Giving Day to recognize graduates for their outstanding academic excellence. Being an excellent academic student will not just earn you a degree at the end of your academic life, but it will also earn you recognition and an award, if not many awards. These awards range from financial awards, to gold medals, internships and certificates. University of Nairobi Prize Giving Day is an annual event where outstanding students from various disciplines receive awards from different organizations.



Graduate receiving an award during the University of Nairobi Annual Prize Giving day held at Taifa Hall on 27 April 2018

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On 16 June 2018, the members conducted a mentorship program at both Samoei girls and Kiptenden primary schools for both the candidates and pre-candidates. The topics covered included; countering early marriages and pregnancies, over relying on the traditional beliefs and customs that are outdated, academics excellence and gender based talks. PMC made several connections to enhance their mentorship programs in the region.



PMC members and candidates and pre-candidates of Samoei girls in Narok County

On Thursday, 21 June 2018, University of Nairobi hosted the launch of the first ever Office of Career Services to be established in universities, colleges and tertiary institutions aimed at assisting students to develop education plans consistent with their life goals, providing students with accurate information about academic progression and degree requirement, thus allowing students to properly plan their progress, assisting students in understanding academic policies and procedures, and helping students access campus resources that will enhance their ability to be academically successful, among others.

Other objectives of the office are to bridge the employment gap between skilled university students and corporate as well as enhance short courses required in different careers and in the job market. Students will also receive guidelines on their academic choices.



Prof. Peter M.F. Mbithi, Vice-Chancellor University of Nairobi gives his remarks during the launch of the first ever Office of Career Services to be established in Universities, Colleges and tertiary institutions by Education Cabinet Secretary, Amb. Amina Mohammed .

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IX. REPORT OF THE UNIVERSITY COUNCIL

The University Council submits its report together with the financial statements for the year ended 30 June 2018, which show the state of the University's affairs.

Core business of the University of Nairobi

The Core business of the University is provided for in the Universities Act, 2012. The functions and objects of the University are:

- a. To provide directly or in collaboration with other institutions of higher learning, facilities for University education, including technological and professional, education and for research;
- b. To participate in the discovery, transmission and preservation of knowledge and to stimulate the intellectual life and cultural development of Kenya;
- c. To conduct examinations for and to grant such academic awards as may be provided for in statutes;
- d. Subject to the Universities Act, to cooperate with the Government in planned development of university education and, in particular, to examine and approve proposals for new faculties, new departments, new degree courses, or new subjects of study submitted to it by any constituent college or other post-secondary institution; and
- e. To determine who may teach and what may be taught and how it may be taught in the University.

Results

The results for the year ended 30 June 2018 are set out on pages 1 to 56.

Council Members

The members of the University Council who served in FY 2016/2017 retired and a new council has been reconstituted in accordance with Universities Act, 2012 (No. 42 of 2012)

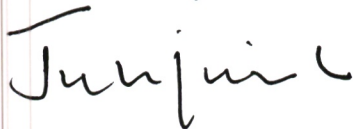
Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The University did not make any surplus during the year 2017/2018 and hence no remittance to the Consolidated Fund.

Auditors

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

By Order of the University Council



PROF. JULIA AUMA OJIAMBO, PhD, CBS, EBS, MBS
Chairperson of Council

25 March 2019

X. STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 47 of the Universities Act, No 42 of 2012 and section 27 of the University of Nairobi Charter require the University of Nairobi Council to prepare financial statements, which give a true and fair view of the state of affairs of the University at the end of the financial year and the operating results of the University for that year. 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. The Council is also responsible for safeguarding the assets of the University.

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 ended on 30 June 2018. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting year;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the entity;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the University'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 Universities Act No. 42 of 2012.

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, 2018, and of the University's financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

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

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Approval of the financial statements

The University's financial statements were approved by the Council on _____ and signed on its behalf by:



PROF. PETER M.F. MBITHI B.V.M., M.Sc. (Nbi), M.V.Sc. (Saskatchewan), PhD (Nbi)
Vice Chancellor, UoN

25 March 2019



PROF. JULIA AUMA OJIAMBO, PhD, CBS, EBS, MBS
Chairperson of Council

25 March 2019

**XI. REPORT OF THE AUDITOR GENERAL ON THE UNIVERSITY OF
NAIROBI**

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of University of Nairobi set out on pages 1 to 59, the statement of financial position as at 30 June 2018, and 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of University of Nairobi as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Universities Act, 2012.

Basis for Qualified Opinion

1. Property Plant and Equipment

As previously reported, the property, plant and equipment balance of Kshs.210,775,200,000 as at 30 June 2018 includes two parcels of land, LR. No. 11645 at Kenya Science Campus and LR. No. 22378 in Upper Kabete, all valued at Kshs.1,412,500,000 whose ownership documents have not been availed for audit verification. Although management has indicated that the title documents for the two parcels of land are being pursued with the relevant Ministry, it is not clear if and when the documents will be obtained.

In the circumstances, the accuracy, validity and ownership status of the property, plant and equipment balance of Kshs.210,775,200,000 as at 30 June 2018 could not be confirmed.

2. Going Concern

The University's financial performance continued to deteriorate during the year under review as it incurred a deficit of Kshs.1,405,315,000 (2016/2017 a surplus of

Report of the Auditor-General on the Financial Statements of University of Nairobi for the Year Ended 30 June 2018

Kshs.582,669,000) thereby reducing revenue reserves from Kshs.908,521,000 to negative Kshs.496,794,000 as at 30 June 2018. The statement of financial position as at 30 June 2018 reflects current liabilities amounting to Kshs.5,724,377,000 while current assets amounting to Kshs.4,288,628,000 resulting to a negative working capital of Kshs.1,435,749,000 compared to a negative of Kshs.3,146,000 in the previous year.

The University was therefore unable to meet its financial obligations as and when they fall due. In particular, the University was unable to remit Pay As You Earn of Kshs.282,690,526, National Social Security Fund of Kshs.3,371,550, National Hospital Insurance Fund of Kshs.10,764,600, Chuna Sacco of Kshs.204,127,907, Higher Education Loans Board of Kshs.828,387 and pension contribution of Kshs.1,521,766,507 totaling to Kshs.2,023,549,477.

Management attributed these results to a decline in capitation from the parent ministry, decline in student enrollment of Module II program, industrial strikes by the academic staff and the prolonged presidential elections which led to closure of the university. This impaired the University's capacity to generate internal revenue. The management has however indicated that the university has put strategies in place to improve its financial performance in order to achieve its mandate. The university therefore, is apparently facing financial problems and its continued operations as a going concern will continue to depend on the support of the Government and lenders.

3. Students Debtors Module II

Included in the balance of trade and other receivables of Kshs.3,492,573,000 is a figure of Kshs.998,744,000 representing Students Debtors. Supporting debt aging schedule availed for audit review revealed that Kshs.871,067,585 of the student debtors were outstanding for more than one year.

Section 8.1 (d) of the University's Financial Regulations states that the University shall withhold any and all services, examination results, conferment of any degree, certificate or award until all outstanding fees are settled and further reserve the right to institute other legal recovery proceedings against students with outstanding fees and also surcharge an interest at a rate to be determined by the Council. However, there was no adequate specific provision for long outstanding student debtors.

In the circumstances, the validity and recoverability of the student debtors' balance of Kshs.871,067,585 as at 30 June 2018 could not be confirmed.

4. Investment in CMC Holdings

Included in the Investments amount of Kshs.117,153,000 is a figure of Kshs.1,700,000 representing investments in CMC Holdings Limited of 125,920 Ordinary shares at Kshs.0.5 each. CMC was delisted from the Nairobi Securities Exchange with effect from 11 February 2015, and hence ceased trading thereof. The management explained that the investment valued at Kshs.1,700,000 was in respect for ordinary shares of Kshs.0.5 face value done in 1988/1989. Management indicated that their

efforts to liquidate the shares and re-invest have not been successful as the Nominated Custody and Registrars Services Limited of the shares requires proof of ownership by production of the share certificates as a pre-condition to transact. Further, management has obtained a police abstract to facilitate the process of obtaining ownership documents through the registrar of companies. As a result, the University has not sold off or disposed their rights considering that CMC's management had been taken over by a private entity.

In the circumstances, the accuracy, ownership rights and validity of the investment in CMC Holding of Kshs.1,700,000 could not be confirmed.

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

1.1 Revenue Budget Analysis

The University had an approved total revenue budget of Kshs.17,879,821,000 for the financial year 2017/2018 against an actual of Kshs.16,301,559,000 resulting to a shortfall of Kshs.1,578,263,000 as detailed in the table below:

Item	Budget Allocation 2017/2018 ('000Kshs)	Actual 2017/2018 ('000 Kshs)	Variance ('000 Kshs)	Absorption Rate in %
Internally Generated Revenue	7,859,571	4,835,397	(3,024,174)	-39%
Government Grants - Recurrent	4,514,536	4,514,536	0	0%
CBA 2013-2017 Recurrent Capitation	0	1,460,264	1,460,264	100%
CBA 2013-2017 Salary Arrears	0	1,960,053	1,960,053	100%
Capitation	54,000		(54,000)	-100%
Government Grants - Development	1,000,000		(1,000,000)	-100%
Grants - Recurrent	2,669,163	2,128,881	(540,282)	-20%
Koitalel Samoei University College - Capitation	271,700	121,700	(150,000)	-55%

Item	Budget Allocation 2017/2018 ('000Kshs)	Actual 2017/2018 ('000 Kshs)	Variance ('000 Kshs)	Absorption Rate in %
Other Incomes Recurrent	1,10,852	1,280,728	(230,124)	-15%
Total Revenue	17,879,821	16,301,559	(1,578,263)	-9%

It is evident that the University fell short of the revenue budget by Kshs.1,587,263,000 or 9% due to shortfall of actual revenue received from internally generated revenue, research grants and capitation and other income. Internally generated revenue and other income were below target due to the industrial strikes by academic staff and the prolonged disputed presidential elections led to closure of the University. There is need therefore for the University to diversify in its revenue generation sources to boost revenue growth.

1.2 Expenditure Budget

Similarly, the University had a total expenditure budget of Kshs.17,879,821,000 against an actual of Kshs.18,313,979,000 resulting to over absorption of Kshs.434,158,000 or 2% as detailed in the table below:

Item	Budget Allocation 2017/2018 ('000 Kshs)	Actual 2017/2018 ('000 Kshs)	Under Absorption ('000 Kshs)	Absorption Rate in %
Personnel Emoluments	10,157,930	9,872,326	285,604	3%
CBA 2013-2017 Salary arrears paid		1,960,053	(1,960,053)	100%
Direct Service Providers-Module II	1,211,523	822,506	389,017	32%
Other Recurrent Expenses -IGUs	147,923	669,668	(521,745)	-353%
Council Expenses	13,857	18	13,839	100%
Operating/ Administrative Expenses	2,323,983	2,021,069	302,914	13%
External Research Grants	1,831,662	2,176,319	(344,657)	-19%
Repairs and Maintenance	60,000	51,276	8,724	15%
Finance charges	100,000	168,047	(68,047)	-68%
Depreciation	250,000	243,996	6,004	2%
Purchase of Motor Vehicles	25,806	49,661	(23,855)	-92%
Purchase of Plant and Equipment	33,527	83,181	(49,654)	-148%
Capital Development-WIP	908,000	66,077	841,923	93%
Purchase of Computers	160,939	65,180	95,759	60%
STIP Flagship Projects	382,970	18,852	364,118	95%

Item	Budget Allocation 2017/2018 ('000 Kshs)	Actual 2017/2018 ('000 Kshs)	Under Absorption ('000 Kshs)	Absorption Rate in %
Koitalel Samoei University College	271,700	45,750	225,950	83%
Total	17,879,821	18,313,979	(434,158)	-2%

From the above analysis, the over absorption was as a result of the University management overspending on income generating units. This was as a result of expenditure incurred by university colleges awaiting reimbursement from Center of Self Sponsored Programs for the payment of rent for teaching space, teaching, office expenses and maintenance costs. Additionally, the University management overspent on the external research expenses on establishment costs for new projects. This may also imply that the University management may also have under budgeted on the recurrent expenditure and therefore there is need for a more realistic budget in future.

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, except for matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else 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

Stalled Student Accommodation Hostel, Lower Kabete Campus

A stalled project on student accommodation hostel located at Lower Kabete Campus was undertaken by M/s N. K. Brothers in 1990 and the project stalled in 1992 after the GoK budgetary allocation ceased. The initial contract was mutually terminated in 2000. At that point in time, the University owed the contractor Kshs.50,000,000 which has remained unpaid to date. The contractor has since gone to court and claimed for Kshs.50,000,000 plus interest and costs. Management had indicated that the entire project comprised of 500 bed hostels, kitchen and dining and a common room to be constructed on a plot of land measuring 126 acres (L.R. No. 23616). Further, the University management indicated that they had requested for funding amounting to Kshs.450,000,000 to support the completion of stalled Lower Kabete Campus Hostels. During our site visit to the project, we noted that there were visible cracks in the columns and beams, chemical and physical damage on the stalled building. Completion of this stalled project would provide secure accommodation for university student who are currently seeking accommodation in surrounding areas.

In the circumstances, the project's stakeholders may not obtain value for money if the project is not complete and put to intended use.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7(1) (a) of the Public Audit Act, 2015, based on audit procedures performed except for the matter described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 Those Charged with Governance

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 control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to liquidate the University or to cease operations, or have no realistic alternative but to do so.

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.

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

Auditor-General's Responsibilities for the Audit

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

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

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

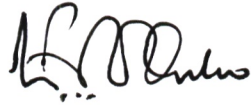
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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 going concern 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 University's ability to continue as a going concern. 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 University to cease to continue as a going concern.
- 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 University 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

10 April 2019

UNIVERSITY OF NAIROBI
Annual Reports and Financial Statements
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**XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR
ENDED 30 JUNE 2018**

	Note	2017/2018 Kshs'000	2016/2017 Kshs'000
Revenue from non-exchange Transactions			
Capitation Grant-Recurrent	5	4,514,536	6,260,416
CBA 2013-2017 Salary Arrears	6	1,960,053	-
CBA 2013-2017 Recurrent Capitation	7	1,460,264	-
Deferred Income	8	153,991	30,538
CBA 2010-2013 Accrued	9	151,302	151,302
		8,240,146	6,442,256
Revenue from exchange Transactions			
Tuition and other fees module 1	10	411,820	565,597
Tuition and other fees module 11	11	4,423,577	5,253,206
Accreditation fees	12	900	900
Other services rendered	13	266	444
Accommodation ,Catering and other income	14	612,240	649,675
Miscellaneous Incomes	15	63,801	47,304
		5,512,604	6,517,126
Total Revenue		13,752,750	12,959,382
Expenses			
Academic Departments	16	9,336,974	6,539,654
Administration and Central Services	17	2,608,198	2,369,243
Academic services	18	301,246	294,007
General educational services	19	899,355	898,504
Maintenance of premises	20	457,832	516,036
Staff and students facilities and welfare	21	331,223	312,399
Student Welfare authority (Catering services)	22	192,967	307,312
Miscellaneous expenditure	23	20,528	24,162
Council Expenses	24	18	22,292
Centre for Self Sponsored Programs(CESSP)	25	1,009,724	1,093,506
Total Expenses		15,158,065	12,377,115
Other gains/losses			
Gain on Foreign Currency Exchange		-	402
(Deficit)/Surplus for the year		(1,405,315)	582,669
Accumulated Surplus brought forward		908,521	325,852
Accumulated Surplus Carried forward		(496,794)	908,521

The notes set out on pages 12 to 50 form an integral part of the Financial Statements


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XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

		2017/2018 Kshs'000	2016/2017 Kshs'000
ASSETS	Note		
Current Assets			
Cash and Cash Equivalents	26	415,951	574,660
Short Term Deposits	27	125,343	122,213
Trade and Other Receivables	28	3,492,573	3,023,740
Inventories	29	254,761	364,877
		4,288,628	4,085,490
Non Current Assets			
Property, Plant and Equipment	30	210,775,200	211,589,389
Investments	31	117,153	98,980
Intangible Assets	32	68	91
		210,892,421	211,688,460
Total Assets		215,181,049	215,773,950
Liabilities			
Current Liabilities			
Trade and Other Payables	33	3,719,075	3,143,335
Bank Overdraft	34	2,005,302	939,009
		5,724,377	4,082,344
Non-Current Liabilities			
Special Accounts and Grants	35	1,508,515	1,555,953
Trust and Endowment funds	36	233,287	222,612
Endowment for General Purposes	37	16,181	16,181
		1,757,983	1,794,746
Total Liabilities		7,482,360	5,877,090
Net assets		207,689,689	209,896,860
General Fund	38	16,101,486	16,277,508
Income Generating Units	39	(557,673)	(290,500)
Capital Reserves	40	192,233,775	192,659,388
Special Capital Development	41	25,378	25,378
Revenue Reserves	42	(496,794)	908,521
Koitalel Samoei Fund	43	392,517	316,565
		207,689,689	209,896,860
Total Assets and Liabilities		215,181,049	215,773,950

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The Financial Statements set out on pages 1 to 12 were signed on behalf of the Council by:



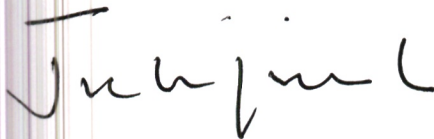
PETER K. BUSIENEI
ICPAK Member Number 2416
Finance Officer

25 March 2019



PROF. PETER M.F. MBITHI
EBS, IOM, BVM, MSc, (Nrbi), MVSc, (Saskatchewan), PhD, (Nrbi),
Vice-Chancellor

25 March 2019



PROF. JULIA AUMA OJIAMBO, PhD, CBS, EBS, MBS
Chairperson of Council

25 March 2019

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

	IGU'S and UNES Funds Kshs'000	General Fund Kshs'000	Koitalel Samoei University Funds Kshs'000	Special Capital Developmen t Fund Kshs'000	Capital Reserve Kshs'000	Revenue Reserve Kshs'000	Total Kshs'000
Balance as at 1 July 2016	(134,606)	16,194,489	200,000	25,378	79,671,088	325,852	96,282,202
Increase on revaluations	-	-	-	-	112,988,300	-	112,988,300
Special Capitation Receipt	-	-	105,000	-	-	-	105,000
Special Donations	-	101,467	-	-	-	-	101,467
Surplus/(Deficit) for the year	-	-	-	-	-	582,669	582,669
Transfer to Income	-	(30,538)	-	-	-	-	(30,538)
Capital Development Receipt	-	52,524	20,000	-	-	-	72,524
Capital Grants from Donors	-	18,341	-	-	-	-	18,341
Depreciation on Donated Assets	-	(28,241)	-	-	-	-	(28,241)
Depreciation on Research Grants Assets	-	(30,535)	-	-	-	-	(30,535)
Increase/(Decrease) in IGU Fund	(155,894)	-	-	-	-	-	(155,894)
Expenditure	-	-	(8,435)	-	-	-	(8,435)
Balance as at 30 June 2017	(290,500)	16,277,508	316,565	25,378	192,659,388	908,522	209,896,860

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	IGU'S and UNES Funds Kshs'000	General Fund Kshs'000	Koitalel Samoei University Funds Kshs'000	Special Capital Development Fund Kshs'000	Capital Reserve Kshs'000	Revenue Reserve Kshs'000	Total Kshs'000
Balance as at 1 July 2017	(290,500)	16,277,508	316,565	25,378	192,659,388	908,522	209,896,860
Capitation Receipt	-	-	121,702	-	-	-	121,702
Surplus/(Deficit) for the year	-	-	-	-	-	(1,405,315)	(1,405,315)
Transfer to Income	-	(153,991)	-	-	-	-	(153,991)
Capital Grants from Donors	-	42,567	-	-	-	-	42,567
Depreciation on Donated Assets	-	(31,437)	-	-	-	-	(31,437)
Depreciation on Research Grants Assets	-	(33,161)	-	-	-	-	(33,161)
Increase/(Decrease) in IGU Fund	(267,174)	-	-	-	-	-	(267,174)
Expenditure	-	-	(45,750)	-	-	-	(45,750)
Depreciation on Buildings	-	-	-	-	(425,613)	-	(425,613)
Balance as at 30 June 2018	(557,674)	16,101,486	392,517	25,378	192,233,775	(496,794)	207,698,689

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XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

		2017/2018 Kshs'000	2016/2017 Kshs'000
Cash flows from operating activities			
Receipts			
	Note		
Recurrent Capitation Grant	5	4,514,536	6,260,416
Capitation for CBA 2013-2017 Salary Arrears	6	1,960,053	-
Recurrent Capitation-CBA 2013-2017	7	1,460,264	-
Deferred Income	8	153,991	181,840
CBA 2010-2013 Accrued	9	151,302	-
Module I Tuition and other fees	10	411,820	565,597
Module 11 fees and Other incomes	11	4,423,577	5,253,205
Accreditation fees	12	900	900
Other services rendered	13	266	444
Accommodation , Catering and other income	14	612,240	650,575
Miscellaneous Income	15	63,801	47,304
		13,752,750	12,960,281
Payments			
Academic Departments	16	9,336,974	6,539,654
Administration and Central Services	17	2,608,198	2,369,243
Academic services	18	301,246	294,007
General educational services	19	899,355	898,504
Maintenance of premises	20	457,832	516,036
Staff and students facilities and welfare	21	331,223	312,399
Students Welfare authority (Catering services)	22	192,967	307,312
Miscellaneous expenditure	23	20,528	24,162
Council Expenses	24	18	22,292
Centre for Self Sponsored Programmes	25	1,009,724	1,093,506
		15,158,065	12,377,115
		(1,405,315)	583,166
Net cash flows from operating activities			
Cash flows from investing activities			
(Increase)/Decrease in receivables	28	(468,833)	(414,879)
(Increase)/Decrease in inventories	29	110,116	(97,223)
Loss/Gain on foreign currency exchange		-	402
Purchase of property, plant, equipment	51	(264,099)	(902,065)
(Increase)/Decrease in investments	31	(18,173)	26,620
		(640,989)	(1,387,145)
Net cash flows used in investing activities			
Cash flows from financing activities			
Increase/(Decrease) in payables	33-34	1,642,033	1,172,986
Increase/(Decrease) in Funds	35-43	248,691	(636,792)
		1,890,724	536,194
Net cash flows used in financing activities			

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Net increase/(decrease) in cash and cash equivalents	(155,579)	(267,785)
Analysis of Balances of Cash and Cash Equivalents		
Cash and cash equivalent at start of the year	696,873	964,658
Increase(Decrease) in cash and cash equivalents	(155,579)	(267,785)
Cash and cash equivalents at end of year	541,294	696,873

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

	Original Budget Kshs '000	Adjustments Kshs '000	Final Budget Kshs '000	Actual Kshs '000	Variance Kshs '000
Revenue					
Internally Generated Revenue	7,741,818	117,753	7,859,571	4,835,397	(3,024,174)
Government Grants - Recurrent	6,545,000	(2,030,464)	4,514,536	4,514,536	-
CBA 2013-2017 Recurrent Capitation	-	-	-	1,460,264	1,460,264
CBA 2013-2017 Salary Arrears Capitation	-	-	-	1,960,053	1,960,053
Government Grants - Development Grants, Dev't Partner - Dev't	1,070,000	(1,016,000)	54,000	-	(54,000)
Grants, Dev't Partner - Recurrent	1,000,000	-	1,000,000	-	(1,000,000)
Grants, Dev't Partner - Recurrent Koitalel Samoei University College- Capitation	2,669,163	-	2,669,163	2,128,881	(540,282)
Other Incomes Recurrent (IGUs, Agency fees, Press, Rentals)	-	271,700	271,700	121,702	(150,000)
	1,988,763	(477,911)	1,510,851	1,280,764	(230,088)
Total Revenue	21,014,744	(3,134,923)	17,879,821	16,301,597	(1,587,224)
Expenses					
Personnel Emoluments	10,177,930	(20,000)	10,157,930	9,872,326	285,604
CBA 2013-2017 Salary arrears paid	-	-	-	1,960,053	(1,960,053)
Direct Service Providers-Module II	1,418,739	(207,216)	1,211,523	822,506	389,017
Other Recurrent Expenses -IGUs	774,109	(626,186)	147,923	669,668	(521,745)
Council Expenses	15,900	(2,043)	13,857	18	13,839
Operating/ Administrative Expenses	3,476,843	(1,152,860)	2,323,984	2,020,992	302,992
External Research Grants	1,848,295	(16,633)	1,831,662	2,176,319	(344,657)
Repairs and Maintenance	150,905	(90,905)	60,000	51,276	8,724
Finance charges	130,000	(30,000)	100,000	168,047	(68,047)
Depreciation	250,000	-	250,000	243,996	6,004
Purchase of Motor Vehicles	50,500	(24,694)	25,806	49,661	(23,855)
Purchase of Plant and Equipment	118,000	(84,473)	33,527	83,181	(49,654)
Capital Development-WIP	2,560,000	(1,652,000)	908,000	66,077	841,923
Purchase of Computers	293,523	(132,584)	160,939	65,180	95,759
STIP Flagship Projects	-	382,970	382,970	18,852	364,118
Koitalel Samoei University College	-	271,700	271,700	45,750	225,950
Total Expenses	21,014,744	(3,134,923)	17,879,821	18,313,902	(434,081)

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1. Explanation of Material Variances on the Statement of Comparison of Budget and Actual Performance

REVENUE

Revenue Collection for the fiscal year July 2017 to June 2018 was below the target by Ksh 1.58 billion due to the following reasons:

i. Internally Generated Revenue

Revenue from regular students and Self Sponsored Students combined were below target by Kshs 3.02 billion. This reduction in fees is due to declining student admission for both regular and self sponsored students following the performance of the 2016 and 2017 KSCE whose results showed that 88,929 students and 70,073 students respectively scored C+ and above against the capacity of over 90,000 regular students in public universities. Moreover, the industrial action by staff in July, November and December 2017, the two weeks closure of the University during the August 2017 General Elections, and closure of the University from October 2017 to November 2017 due to students unrest also affected the University's ability to generate more revenues.

ii. Research Grants

The University had budgeted to receive **Kshs 2.67** billion through Research Grants but **Kshs 2.13** billion was received in the fiscal year July 2017 to June 2018. Generally, the US reduced its funding to Kenya and this reduction affected some of the University's US funded projects in the current financial year.

iii. CBA 2013-2017 Receipts from GOK

The University received Kshs 1.96 billion from GOK for payment of CBA 2013-2017 arrears and 1.46 billion as enhanced capitation, which had not been budgeted for and this helped to reduce the negative variance between total actual revenue and the budget.

iv. Other Incomes

Incomes from College based Income Generating Units (IGUs), Accommodation, Catering UON Press and Research Grants Administrative Charges combined were below the target by Kshs 230.12 million due to disruption of college based programmes arising from several industrial unrest in the year and low Research Grants Administrative overhead charges.

EXPENSES

Actual total expenditure was above the budget for the year by Kshs 434.08 million due to the following:

i. Personnel Emoluments.

The personnel emoluments were below the budget by 285.60 million save for the payments made for the CBA 2013-2017 salary arrears of Ksh 1.96 billion that had not been budgeted for.

Management had implemented the following austerity measures to control the wage bill that is not matched by government funding:

- Reduction of staff on post retirement Contracts
- Freeze on employments and promotions
- Non renewal of contracts for staff except in critical areas.

ii. Direct Service Provider

The DSP expenditure was below the budget by Kshs 389.02 million since it is pegged on the actual fees collections from self sponsored students which were also below target.

iii. Expenditure on Income Generating Units

IGU Expenses were higher than the budget by Kshs 521.75 million due expenditure incurred by Colleges awaiting reimbursement from CESSP for the payment of rent for teaching space, teaching and office expenses, student activities and maintenance costs.

iv. Operating/ Administrative Expenses

The operating and administrative expenses were below budget by Kshs 302.99 million due to austerity measures put in place by Management following the budget cut.

v. Expenditure on External Research Grants

The expenditure on external research grants was above budget by Kshs 344.66 million because of incurrence of establishing costs for new projects signed. The project expenditure depends on the funding by the donor and the work plan as per the signed MOUs and donor budget.

vi. Finance Charges

Finance charges were above target due to the interest on bank overdraft charged to address the timing difference between capitation remittance and payment of salaries. The University pays salaries by end of each month but capitation is remitted later after month end.

vii. Purchase of Motor Vehicles

Purchase of Motor Vehicles was above target due to the inclusion of two motor vehicles, Toyota Fortuner (KCN 156 R) and Nissan Sentra (KCK 736 U) whose total value is Kshs 11.52 million.

viii. Capital Development-Work in Progress

The actual expenditure on capital development –work in progress was below the budget by Kshs 841.92 million due to austerity measures implemented.

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ix. Purchase of Computers

The Computers which are usually procured centrally by the ICT Centre for distribution to Units within the University were not bought due to austerity measures implemented.

x. Expenditure on STIP Flagship Projects

The expenditure on STIP flagship projects was below the budget by Kshs 364.12 million due to austerity measures implemented.

2. Reconciliation of the Statement of Comparison of Budget and Actual Amount and the Statement of Financial Performance

	Note	2017/2018 Kshs'000	2016/2017 Kshs'000
Revenue			
Total Revenue as per Statement of Financial Performance		13,752,749	12,959,382
Less: Deferred Income	8	153,991	30,538
:CBA 2010-2013 Accrued	9	151,302	151,302
		13,447,456	12,777,542
ADD Revenues accounted for under Funds			
External Research Grants Receipts	35	2,128,881	2,062,015
Government Grants -Development		-	52,524
College Based IGA -Incomes	39	603,558	827,456
Grants for Koitalel Samoei University	43	121,702	125,000
		2,854,141	3,066,995
Total Revenue as per Statement of Comparison of Budget and Actual Amount		16,301,597	15,844,537
Expenses			
Total Expenses as per Statement of Financial Performance		15,158,064	12,377,115
ADD Development Expenditure			
External Research Grants Expenses	35	2,176,319	2,216,671
College Based IGA -Expenses	39	669,668	1,003,628
Expenditure for Koitalel Samoei University	43	45,752	8,435
Purchase of Motor Vehicles	51	49,661	16,901
Purchase of Plant and Equipment	51	83,181	88,799
Capital Development-WIP	51	66,077	738,343
Purchase of Computers	51	65,180	58,022
		3,155,838	4,130,799
Total Expenditure as per Statement of Comparison of Budget and Actual Amount		18,313,902	16,507,914

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The University of Nairobi is established by and derives its authority and accountability from the Universities Act 2012. The University is wholly owned by the Government of Kenya and is domiciled in Kenya. The University's principal activity is to provide University Education and training in addition to participation in discovery, transmission and preservation of knowledge.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings which is the functional and reporting currency of the University of Nairobi .

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

The cash flow statement is prepared using the direct method.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. IPSAS 39: Employee Benefits

The University has over the years been operating a defined Contribution Retirement Benefit Scheme for its employees, the assets of which are held, managed and administered by the UoN Pension Scheme, a separate trustee scheme as per the RBA requirements. The University's obligation to the scheme is the contribution of 20% of basic Salary whereas the employees contribute 10% of their basic Salary. The University also contributed to NSSF Kshs. 200 per employee per month for the year under review. The University's contributions to the schemes are charged to the statement of financial performance in the year to which they relate, thus the application of IPSAS 39 does not affect the University's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS cont'd

ADOPTION OF NEW AND REVISED STANDARDS cont'd

ii. IPSAS 40: Public Sector Combinations

The University of Nairobi has not had any acquisitions and so IPSAS 40 does not apply.

iii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Changes in accounting policies and estimates

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

Accounting policies are changed only if the change is required by a standard or interpretation or otherwise provides more reliable and more relevant information. These accounting policies have been applied consistently to all years presented in these financial statements.

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current year unless it is impracticable to do so.

ii. Revenue recognition

a. Revenue from non-exchange transactions

Revenue from non exchange transactions are mainly Government of Kenya grants for both the recurrent and development expenditure. Revenue is recognized when it becomes due and the transfers are free from conditions and it is probable that the economic benefits or service potential related to the asset will flow the University and can be measured reliably.

b. Revenue from exchange transactions

Student Income

Income derived from rendering services includes fees from graduate and undergraduate programs, mandatory students' fees, fees from accommodation and catering services.

Tuition revenue is recognized over the course of the semester for which it is earned, regardless of when it is received.

Mandatory fees such as registration fees, Lab fees, Activity fees, SONU fees and Computer fees relate to services provided by the University over the Course of the semester and similar to tuition, are recognized over the course of semester to which they apply.

NOTES TO THE FINANCIAL STATEMENTS cont'd

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

Accommodation and Catering services Revenue is recognized during the year in which the students reside on campus and make use of campus residences and dining facilities.

Students' Caution Monies are recognized as liability and separated under Current and Non Current portions in the Statement of Financial Position.

Sales and Services of related Enterprises

Sales and Services of related enterprises such as UNES Ltd and UoN Press are limited to revenues directly from operations of the enterprises.

Sales and Services revenue is recognized when earned, that is, at the time goods or services are provided.

Research Grants

Payments received in advance from sponsors of research projects are reported as deferred income on the statement of financial position until such times as the revenue has been earned, which is when the expense is incurred.

Interest income

Interest Income is recognized when earned using the applicable rate.

Dividends

Dividends or a similar distribution from subsidiary company such as UNES Ltd is recognized when the University's right to receive payments is established.

Rental income

Rental income arising from staff houses and other University premises are recognized when earned arising from occupancy and on a pro rata basis.

Disposal Gains and Losses

Any gain or loss on disposal of property, plant and equipment is recognized at the date the control of the asset is passed on to the buyer and it is determined after deducting from the proceeds the net book value of the asset at the time of disposal.

Revaluation gains and Surpluses

Revaluation decreases are debited first against the revaluation surplus related to the same class of assets and any excess against surplus or deficit. When the revalued asset is disposed of, the revaluation surplus is transferred directly to accumulated surpluses or deficits.

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NOTES TO THE FINANCIAL STATEMENTS cont'd

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

iii. Taxes

The University is exempt from taxation under the PFM Act Regulation No.34, Section 219. This regulation requires corporations exempted from Income Tax to remit 90 percent of surplus to the National Treasury.

iv. Property, Plant and Equipment

Property, Plant and Equipment are stated at cost or revalued amount. The valuation is carried out after every five years. Valuation was last done in the year 2016/2017 by registered, licensed and practicing valuers from the Department of Real Estate and Construction Management of the University of Nairobi.

Revaluation is carried out for land and buildings to reflect the service potential or economic benefit obtained through control of the asset. Revaluation is based on the fair value of the asset, with changes reported by class of asset. Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Revaluation decreases are debited first against the revaluation surplus related to the same class of assets and any excess against surplus or deficit. When the revalued asset is disposed of, the revaluation surplus is transferred directly to accumulated surpluses or deficits.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of item of property, plant, and equipment over its estimated useful life. Typically, the estimated useful lives of different classes of property, plant, and equipment are as follows:

Furniture and Equipment - 10% on straight line basis

Motor Vehicles - 20% on straight line basis

Academic gowns - 5% on straight line basis

Buildings - 2% on straight line basis

Computers and software development – 33.3% on straight line basis

v. Leases

The University has entered into several operating leases with owners of premises for provision of teaching spaces. Since these contracts do not transfer substantially all the risks and benefits incidental to ownership of the leased premises to the University, lease payments are recognized as an operating expense in the statement of performance on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS cont'd

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

vi. 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 charged to the statement of performance in the year in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets are amortized at 20% on a straight line basis.

vii. Research Grants

These are donor funds received for research purposes. The funds are accounted for in a separate special fund account.

The Deans Committee Research Grants are funds set aside from University revenue. The uncommitted balance on each research is carried forward until the related research project is completed.

viii. Endowment and Trust Fund

Endowment and Trust Fund are funds set-up through special donations, the principal amount being invested and the income accruing being applied to scholarships, academic research, and academic chairs.

The responsibility for accepting, preserving, and managing the funds entrusted to the University rests with the Council; however, the Council has delegated authority for investment decisions to the Investment Committee of the University. The Committee determines investment objectives and guidelines, including allocation of assets between classes of investments.

The University's investment objective for its endowment assets is to maximize total return within reasonable risk parameters. The achievement of favourable investment returns enables the University to distribute increasing amounts from the endowment over time so that present and future needs can be treated equitably. Diversification is a key component of the University's standard for managing and investing endowment funds, and asset allocation targets are subject to ongoing reviews by the Investment Committee.

Investments are stated at market value in accordance with performance of securities in market and advice from relevant professionals.

There is a suggestion to change the Sasakawa Fellowship fund into a new programme introduced by SYLFF and the discussions are ongoing.

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NOTES TO THE FINANCIAL STATEMENTS cont'd

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

ix. Financial instruments

Financial assets and Liabilities

Initial recognition and measurement

The University recognizes Receivables on the date when they are originated and derecognizes a financial asset when the contractual rights to the cash flows of the asset expire.

The University derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets

Receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these assets are measured at amortized cost.

Impairment of financial assets

At each reporting date the University assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably. Objective evidence that financial assets including equity securities are impaired can include:

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

Short-term deposits

Short-term deposits are made for varying periods depending on the immediate cash requirements of the University. Interest rates are negotiated with the financial institutions to fetch the University the best available returns in the market. Interest earned thereof are recognized in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS cont'd

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

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 University 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.

x. Inventory Valuation

Inventories are measured at the lower cost and net realizable value.

The cost of Library books is written off to expenditure as incurred. Cost of work in progress and finished goods includes raw materials and direct labour costs.

xi. Employee benefits

Retirement Benefits

The University currently operates a defined contribution scheme for its employees.

The University obligation to the scheme is the contribution of 20% of basic Salary whereas the employees contribute 10% of their basic Salary. The University also contributed to NSSF Kshs. 200 per employee per month for the year under review. The University's contributions to the above schemes are charged to the Statement of Financial Performance in the year to which they relate.

xii. Foreign Currency Conversion

Assets and Liabilities in foreign currencies are converted into Kenya shillings at the rates of exchange ruling at the Statement of Financial Position date. Conversion differences are accounted for in the appropriate fund accounts.

xiii. Provisions

Bad Debt Provision

Provision for bad debt has been made at 5% on sundry debtors which include sundry receivables and receivables arising from non exchange transactions such as from GoK and other Public Institutions.

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

Other liabilities and provisions

Other liabilities and provisions are recognized for future expenditure of uncertain amount or timing. When there is a present obligation as a result of a past event and it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities

Contingent liabilities are recorded in the Financial Statements at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallize is not remote.

Current employee obligations

Employee benefits expected to be settled within 12 months are measured at nominal values based on accrued entitlements at current rates of pay.

These are accrued gratuities earned but not yet paid for staff on contractual terms of employment.

Non-Current employee obligations

Employee benefits expected to be settled beyond 12 months are measured at nominal values based on accrued entitlements at current rates of pay.

These are accrued gratuities earned but not yet paid for staff on contractual terms of employment

Employee benefits are calculated at thirty one percent of the basic pay for staff on contract and twenty seven days basic pay per year worked for members of staff on auxiliary grades.

xiv. Nature and purpose of reserves

The University creates and maintains reserves in terms of specific requirements. The following reserves are maintained University:

IGU'S and UNES Funds

The IGU's and UNES Fund are created out of revenue surpluses from the financial performance of the college based income generating activities and UNES limited. This fund represents the financing contribution of IGUs and UNES to the University. The IGU'S and UNES Limited surplus/(deficit) is charged to this fund.

NOTES TO THE FINANCIAL STATEMENTS cont'd

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

General Fund

The general fund caters for capital development receipts as well as capital grant donations in form of assets from government and development partners eg research projects. The depreciation of such donated assets is charged to this fund and expenditure incurred for the capital development receipts from government is transferred from this fund as deferred income to the statement of performance.

Koitalel Samoei University Fund

This fund represents the money the University of Nairobi holds on behalf of the proposed Koitalel Samoei University. The University of Nairobi was appointed to mentor the proposed Koitalel Samoei University. The Government allocates and releases funds for the recurrent and capital development expenditure for proposed Koitalel Samoei University through the University of Nairobi.

Special Capital Development Fund

This fund holds funds set aside for special capital development in the University.

Capital Reserve

The capital reserve was created to cater for the increases of the revaluations of property, plant and equipment carried out after every five years. The revaluation decreases and depreciation of the revalued property, plant and equipment are first charged to this reserve and any excess charged to the statement of financial performance.

Revenue Reserve

The Revenue reserve is created out of revenue surpluses, which arise out of the normal business activities of the University and is used to meet future expenses or deficits.

xv. Cash and Cash Equivalents

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

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NOTES TO THE FINANCIAL STATEMENTS cont'd

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

xvi. Budget information

The original budget for FY 2017-2018 was approved by the University Council on 31 October 2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with the specific approvals of May 10, 2017 from the Ministry Education and the National Treasury. The revisions to appropriations are made to the original budget by the University upon receiving the respective approvals in order to conclude the final budget. Accordingly, the University recorded a reduction in appropriations of Kshs 3,134,923,000 on the 2017-2018 budgets.

The University's budget is prepared on a different basis to the actual statement of performance 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 commitment (cash) basis using type of expenses. The amounts in the financial statements were recast from the accrual basis to the commitment (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, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under XVI(2) of these financial statements.

xvii. Comparative figures

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

xviii. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS cont'd

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont'd

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the University'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 year. 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 years.

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 University 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 University. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

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 47.

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.

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NOTES TO THE FINANCIAL STATEMENTS cont'd

INCOME	2017/2018	2016/2017
5. Recurrent Capitation Grant	Kshs'000	Kshs'000
Jul-2017	376,211	521,702
Aug-2017	376,211	521,702
Sep-2017	376,211	521,702
Oct-2017	376,211	521,702
Nov-2017	376,211	521,701
Dec-2017	376,211	521,701
Jan-2018	376,211	521,701
Feb-2018	376,211	521,701
Mar-2018	376,211	509,201
Apr-2018	376,211	521,701
May-2018	376,211	521,701
Jun-2018	376,211	534,201
	4,514,536	6,260,416
6. CBA 2013-2017 Salary Arrears Receipts		
3 July 2017 –Tranche I	935,925	
19 July 2017 –Tranche II	1,024,128	
	1,960,053	
7. CBA 2013-2017 Recurrent Capitation		
Jul-2017 to Nov-2017 Arrears	400,110	
Dec-2017	80,022	
Jan-2018	80,022	
Feb-2018	80,022	
Mar-2018	80,022	
Apr-2018	80,022	
May-2018	80,022	
Jun-2018	80,022	
Jun-2018	500,000	
	1,460,264	
	3,420,317	
8. Deferred Income		
Capital Development (Receipts from GoK)	52,524	30,538
Special Donations(From High Commission of India)	101,467	-
	153,991	30,538
Special Donations		
Donations received from High Commission of India	-	101,467

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

The deferred income relates to prior year Development capitation receipts and Donations whose expenditure is incurred in the current year.

9. CBA 2010-2013 Accrued

	2017/2018 Kshs'000	2016/2017 Kshs'000
Accrued CBA 2010-2013 portion for FY 2017/2018	151,302	151,302

10. Tuition and other Fees - Module 1

Student Finance-Tuition Fees &Other Charges	81,122	133,662
CAVS- Tuition Fees &Other Charges	56,554	63,734
CHSS Tuition Fees &Other Charges	87,471	151,077
CHS Tuition Fees &Other Charges	30,833	36,996
CAE Tuition Fees &Other Charges	41,168	49,450
CEES Tuition Fees &Other Charges	33,916	47,967
CBPS Tuition Fees &Other Charges	66,027	67,142
KSC Tuition Fees &Other Charges	14,729	14,592
	411,820	565,597

11. Tuition and other Charges -Module11

		Restated
Tuition 2	1,454,490	1,701,384
1st Attempt Fees	2,429,028	2,738,790
Registration Fees	39,217	48,278
Medical Fees	98,136	111,698
ID Card Fees	9,955	12,921
Exam Fees	40,952	45,516
Application Fees	10,568	55,874
Library Fees	47,683	53,248
Computer Fees	109,189	123,850
Project Fees	68,813	230,762
Activity Fees	38,606	44,724
Practicum Fees	854	-
Field Work Fees	4,472	5,711
Lab Fees	16,835	13,932
Workshop Fees	640	150
Practical Fees	900	1,828
Project Supervision Fees	3,791	12,789
Organization Fees	14,173	16,831
Electronic Material Devt	951	2,223
Teaching Practice Fees	303	601
Re-Sit Fees	-	4
Retake Fees	28,510	26,248

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

Tuition and other Charges -Module11 cont'd	2017/2018	2016/2017
	Kshs'000	Kshs'000
Thesis Fees	2,123	2,376
Special Exams Fees	12	6
Program Development Fees	200	470
French Lab Fees	200	236
Hospitality Lab Fees	1,016	1,076
Simulation Exercise Fees	1,960	1,680
Miscellaneous Income	-	1
	4,423,577	5,253,206
12. Accreditation Fees		
Accredited Institutions fees	900	900
13. Other Services Rendered		
Services Units	266	444
14. Accommodation , Catering & Other Income		
House Rents	143,299	232,176
Sale of Tender Documents	14	299
Income from endowment fund	12,092	2,892
Agency fees (Insurance & Hire purchase)	2,386	9,731
Staff Education Support Fund	66	74
Certificate Storage	5	14
Reimbursement (Emoluments)	26,973	83,168
Rental Income - Commercial & Billboards	28,166	12,294
Lease Income	2,189	1,877
Miscellaneous	17,741	13,983
Business Centre	161,849	-
Accommodation and Catering	217,460	293,167
	612,240	649,675
15. Miscellaneous Income		
Income from Grants Overheads Charges	63,801	46,489
ICT Revolving Fund	-	815
	63,801	47,304

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NOTES TO THE FINANCIAL STATEMENTS cont'd

EXPENDITURE	2017/2018	2016/2017
16. Academic Departments	Kshs'000	Kshs'000
Basic pay	6,802,591	4,383,788
Clinical Allowance	539,141	528,179
House allowance	1,856,067	1,372,251
Teaching Practice C.E.E.S. Kikuyu	1	-
Teaching and Office Expenses	105,293	178,936
Travelling and Transport	32,095	73,291
Expenditure from service units	1,786	3,209
	9,336,974	6,539,654
17. Administration and Central Services		
Basic pay	1,078,089	921,244
Management and support services	140,020	148,968
House Allowance	294,153	292,421
Travelling and Transport	14,418	20,957
Publishing and Printing	4,459	6,880
Purchase of Uniforms	9,850	6,327
Purchase of Stationery	42,464	66,216
Postal Expenses	447	455
Telephones	11,161	23,129
Computer Charges	115,797	98,568
Insurances	81,759	71,882
Senate Expenses	2,808	3,429
Committee Members Responsibility Allowance	-	120
Tender Committee Members Expenses	6,073	5,401
Conference and Seminars	12,191	17,385
Membership Subscriptions	2,943	2,713
Bank Charges	168,047	137,789
Audit Fees	4,640	4,640
Fees, Commission & Honoraria	97	-
Official Entertainment	1,330	3,831
Transport Operating Expenses	37,457	39,060
Graduation Expenses	10,695	15,090
University Choir Expenses	1,931	2,327
Funeral Expenses	3,351	3,271
Legal Fees	37,120	33,387
Contracted Security Services	176,900	182,732
Performance Contracting activities	8,739	11,784
ISO Expenses	2,151	3,758
Depreciation	243,996	199,489

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NOTES TO THE FINANCIAL STATEMENTS cont'd

Administration and Central Services cont'd	2017/2018	2016/2017
	Kshs'000	Kshs'000
Alumni	445	185
Provision for Bad Debts	5,715	10,689
Public relations expenses	4,410	9,588
Integrity Programs	1,296	-
UON Advancement	8,173	-
Environmental Management	39,276	-
Other Expenses	35,797	25,530
	2,608,198	2,369,243
Depreciation for the year	734,207	258,265
Less: Grants & Assets depreciation	(64,598)	(58,775)
: Buildings depreciation	(425,613)	0
	243,996	199,489
18. Academic Services		
Library: Basic pay	197,809	143,736
Books and Periodicals	12,271	82,245
Sundry Charges	4,461	11,386
Computer Services:		
Basic pay	86,493	56,490
Consumables	212	150
	301,246	294,007
19. General Educational Expenditure		
Examinations stationery	22,544	29,783
External Examiners	16,744	26,531
Postgraduate Programmes	8,867	8,048
Research and Publications	5,531	23,084
Staff Development	7,651	6,608
House to Office Transport Allowance	783,871	746,030
Passages and Leave Travelling Expenses	54,147	58,420
	899,355	898,504
20. Maintenance of Premises		
Rents and Rates	8,685	12,717
Electricity, Water and Conservancy	414,564	429,706
Maintenance of Buildings	34,583	73,613
	457,832	516,036

UNIVERSITY OF NAIROBI
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NOTES TO THE FINANCIAL STATEMENTS cont'd

21. Staff and Students Facilities & Welfare	2017/2018	2016/2017
	Kshs'000	Kshs'000
University Medical Scheme	272,964	239,348
Recruitment Expenses	22,414	25,805
Travelling outside Kenya	7,643	8,388
Sports and Games (Inter-University)	3,136	3,111
Needy Students	60	2,328
Students Associations	25,006	33,419
	331,223	312,399
22. SWA (Catering & Accommodation Services)		
Purchase of Food stuff	67,643	140,023
Gas and Fuel	13,650	20,839
Maintenance of plants, Machinery Equipment	299	562
Maintenance of Buildings & Stations	7,878	12,986
Other Expenses	103,497	132,902
	192,967	307,312
23. Miscellaneous Expenditure		
Maintenance of Equipment	16,694	20,682
Nairobi A.S.K. Show	3,834	3,480
	20,528	24,162
24. Council Expenses		Restated
Audit Committee Members Expenses	-	944
Council Expenses	18	21,348
	18	22,292
25. Centre For Self Sponsored Programmes(CESSP)		
Direct Service Provider(DSP)	822,506	843,375
Teaching practice	34,113	35,307
Other Expenses	153,105	214,824
	1,009,724	1,093,506
Other Gains/(Losses)		
Gain on foreign currency exchange	-	402

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NOTES TO THE FINANCIAL STATEMENTS cont'd

26. Cash and Cash Equivalents	2017/2018	2016/2017
	Kshs'000	Kshs'000
Central Cash at Bank	209,689	254,336
Cash in Hand	147	1,899
University of Nairobi Press Cash at Bank	7,525	7,084
SWA Cash at Bank	20,793	22,929
Colleges Cash at Bank	140,233	222,183
CESSP Cash at Bank	29,635	18,069
UNES Cash at Bank	7,929	48,159
	415,951	574,660
27. Short Term Deposits		
Recurrent Grants	1,933	9,533
University of Nairobi Press	3,740	3,501
College of Health Sciences	-	5,085
Specific purposes revenue grants	44,310	94
Trust and Endowment funds	360	332
UNES Short term Deposit	75,000	101,500
Students Welfare Authority	-	2,168
	125,343	122,213
28. Trade and other Receivables		
Current Receivables		
Sundry Debtors	172,485	209,479
GOK 2010-2013 CBA	1,081,632	930,330
Other Public Universities	194,758	194,758
GOK Capitation Accrued	500,000	-
Deans Committee Research Grants	25,092	25,234
Bank Guarantees	11,076	10,996
Program and Projects Balance -UNES	224,532	216,313
UNES Receivables	355,929	384,791
UON PRESS Receivables	769	691
Student Debtors	998,744	1,117,849
Students Welfare Authority (SWA)-Receivables	-	27
	3,565,017	3,090,468
Less: Provision for bad & doubtful debts	(72,444)	(66,728)
	3,492,573	3,023,740

Provision for bad and doubtful debt is at 5% on sundry debtors, GoK 2010-2013 CBA and other public universities receivables.

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29. Inventories

	2017/2018	2016/2017
	Kshs'000	Kshs'000
General Stocks	137,561	237,972
Dental Materials	31,893	32,606
UNES Pharmacy & Cafeterias	4,048	4,931
UNES Bookstore	49,948	55,569
UON PRESS Stocks	19,256	20,395
SWA Stocks	12,055	13,403
	254,761	364,877

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NOTES TO THE FINANCIAL STATEMENTS cont'd

30. Property, Plant and Equipment - 2017/2018

	Land	Buildings	Work in Progress	Furniture and Equipment	Computers	Motor Vehicles	Academic Gowns	Totals
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Valuation								
1 July 2017	186,447,265	21,588,243	2,558,667	2,376,141	1,232,698	663,936	60,200	214,927,150
Additions	-	-	66,077	83,181	65,180	49,661	-	264,099
30 June 2018	186,447,265	21,588,243	2,624,745	2,459,336	1,297,879	713,596	60,200	215,191,250
Depreciation								
1 July 2017	--	-	-	1,641,718	1,053,274	628,950	29,833	3,353,776
Acc. Depreciation on disposal	-	-	-	-	-	-	-	-
Charge for the year	-	431,765	-	125,577	147,972	32,034	3,010	734,207
30 June 2018	-	431,765	-	1,767,295	1,201,246	660,984	32,843	4,087,982
Net Book Value	186,447,265	21,156,478	2,624,745	692,027	96,632	52,612	27,357	210,754,660
UNES Balances	-	-	-	10,367	728	8,560	-	19,655
University Press	-	-	-	706	178	-	-	884
Fully Depreciated Assets at Cost	-	-	-	64,724	119,101	62,277	-	246,102
Less Acc Depreciation	-	-	-	64,724	119,101	62,277	-	246,102
30 June 2018	186,447,265	20,855,040	2,584,744	703,114	97,564	60,115	27,357	210,775,200
30 June 2017	186,447,265	21,588,243	2,558,667	747,408	180,893	36,546	30,367	211,589,389

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FY 2016/2017	Land	Buildings	Work in Progress	Furniture and Equipment	Computers	Motor Vehicles	Academic Gowns	Totals
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Cost Valuation								
1 July 2016	76,532,374	14,357,222	5,977,936	2,287,342	1,174,676	647,035	60,200	101,036,785
Additions			738,343	88,799	58,022	16,901	-	902,065
Revaluation	109,914,891	3,073,409						112,988,300
Completed Projects		4,157,612	(4,157,612)					
30 June 2017	186,447,265	21,588,243	2,558,667	2,376,141	1,232,698	663,936	60,200	214,927,150
Depreciation								
1 July 2016		1,142,883		1,516,864	956,547	595,300	26,823	4,238,417
Acc. Depreciation on disposal		(1,142,883)	-	-	-	-	-	(1,142,883)
Charge for the year				124,855	96,728	33,650	3,010	258,242
30 June 2017	-	-	-	1,641,718	1,053,274	628,950	29,833	3,353,776
Net Book Value	186,447,265	21,588,243	2,558,667	734,423	179,424	34,986	30,367	211,573,374
UNES Balances	-			12,201	1,215	1,561	-	14,976
University Press	-			785	254		-	1,039
30 June 2017	186,447,265	21,588,243	2,558,667	747,408	180,893	36,546	30,367	211,589,389
30 June 2016	76,532,374	13,214,339	5,977,936	786,589	220,077	54,872	33,376	96,819,417

Work in Progress constitutes expenditure on on-going projects implemented by the University.

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NOTES TO THE FINANCIAL STATEMENTS cont'd

Assets are categorized and depreciated on straight line basis using the following rates:

Furniture and Equipment	- 10%
Motor Vehicles	- 20%
Academic gowns	- 5%
Buildings	- 2%
Computers and software development	- 33.3%
Intangible Assets	-20%

	2017/2018 Kshs'000	2016/2017 Kshs'000
Fully Depreciated Assets		
Furniture and Equipment	64,724	-
Computers	119,101	-
Motor Vehicles	62,277	-
	246,102	
31. Investments		
Trust And Endowment Funds Investments		
Gandhi Memorial Academy Society		
East Africa Breweries Limited		
33,380 Ordinary shares of Shs.2/- each	7,143	8,645
Car and General (Kenya) Limited		
15,222 Ordinary shares of Shs.5/- each	260	320
C.M.C. Holdings Limited*		
125,920 Ordinary shares of Shs.0.5/- each	1,700	1,700
Unga Limited		
28,782 Ordinary shares of Shs.5/- each	1,130	871
Kenya Power and Lighting Co. Limited		
8944 Ordinary shares of Shs.2.50 - each	61	71
	10,294	11,607
Kamala Gold Memorial Fund		
Kenya Power & Lighting Co. Limited		
7904 Ordinary shares of Shs.2.50 - each	54	63
TOM MBOYA MEMORIAL FUND		
East Africa Breweries Limited		
42,635 Ordinary shares of Shs.2/- each	9,124	11,042
Total of Trust Fund Investments	19,473	22,712
Investment Not Attributable To Any Particular Fund		
Investment in University of Nairobi Enterprises and Services Limited (UNES)	100	100
Guarantee for University Press	3,809	3,809
Endowment Fund		
Stg.£516800 Sasakawa Fellowship Fund *	93,771	72,358

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Total of Endowment Fund Investments	97,680	76,268
Total Trust And Endowment Fund Investments	117,153	98,980

Note

Long term Investments in securities are stated at fair value as provided by University stock brokers. The resultant Gain/loss is recognized in the appropriate fund accounts.

*The Value for CMC shares is historical after the takeover by Alfa Motors. The university is in the process of realizing the value of the investment.

*There is a suggestion to change the Sasakawa Fellowship fund into a new programme introduced by SYLFF and the discussions are ongoing.

	2017/2018	2016/2017
	Kshs'000	Kshs'000
32. Intangible Assets		
1 July 2017	114	114
Depreciation		
1 July 2017	23	-
Charge for the year	23	23
30 June 2018	46	23
Net Book Value	68	91

The Student Management Information System (SMIS), Human Resource Management Information System (HRMIS), University Management Information System (UMIS) and Hostel Accommodation Management Information System (HAMIS) were developed internally and their expenditure charged to the statement of performance in the year the expenditure was incurred.

The Sage module was acquired many years back in 2006, and its expenditure recognized together with ICT investment whose expenditure was capitalized to Computers. This module is now fully amortized and will be recognized separately as an intangible asset upon revaluation.

	2017/2018	2016/2017
	Kshs'000	Kshs'000
33. Creditors and Other Payables		
Current Payables		
Sundry Creditors	1,167,704	1,823,139
Statutory Deductions - Payroll	1,819,421	801,084
Provision for Gratuity	584,930	392,821
Refundable deposits to Customers	147,020	126,291
	3,719,075	3,143,335
34. Bank Overdraft		
UNES Overdraft	4,387	4,421
BBK-QueenSWAy Branch	1,950,179	928,971
BBK - Central Stores	5,666	4,346
Central - Grants Accounts & Others	33,433	-
Colleges Balances	11,637	1,271
	2,005,302	939,009

The overdrafts refer to bank accounts with overdrawn cash book balances at close of the year.

The actual bank overdraft at BBK-Queensway was Kshs 1,139,468,581 and Kshs 827,026,072 in FY 2017/2018 and FY 2016/2017 respectively.

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35. Special Accounts and Grants

	Balance as at 1 July 2017 Kshs'000	Received During Year Kshs'000	Expenditure During Year Kshs'000	Balance as at 30 June 2018 Kshs'000
Ford Foundation	44,212	214	1,785	42,642
Rockefeller Foundation	16,309	27,300	32,351	11,258
International Development Research Center	65,456	21,757	50,616	36,598
National Commission for Science and Technology	22,005	155,010	52,279	124,736
DAAD	41	-	41	-
World Health Organization	19,063	69,775	25,172	63,666
VLIR	444	-	444	-
International Aids Vaccine Initiatives	35,440	145,384	152,304	28,520
World Trade Organization	5,587	1,493	1,734	5,346
CIAT	(36)	-	504	(540)
Centre for Disease Control (CDC)	366,130	863,570	1,023,559	206,141
Commission for Higher Education	145	-	145	-
African Economic Research Consortium (AERC)	14,728	35,048	38,442	11,334
National Institute of Health	96,920	98,635	157,465	38,090
Other Grants	869,510	710,695	639,479	940,726
	1,555,953	2,128,881	2,176,319	1,508,515

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36. Trust and Endowment Funds

	Balance As at 1 July 2017 KShs	Receipts During the year KShs	Increase/ (Decrease) in market Value of investment KShs	Expendit ure KShs	Balance As at 30 June 2018 KShs
Trust funds					
Joint Admission Board	16,744	4,122	55,632	32,786	43,712
Gandhi Academic Society	25,126	39	(1,354)	2,639	21,172
Kenya Railways	663	-	-	-	663
A.C.I. De Souza Memorial	36	-	-	-	36
R.G. Amin Bursary	393	-	-	-	393
Kamala Gold Memorial	169	-	(9)	24	136
Tom Mboya Memorial	16,865	553	(1,662)	-	15,757
M.M. Bhatt Trust	104	-	-	-	104
UoN Alumni	46,870	9,808	-	17,326	39,352
UON Alumni Centre Project Funds	2,000	-	-	-	2,000
Eng. Carry Oregge - Civil Engineering Prizes	480	-	-	1,318	(838)
Meteorology CBPS - IGAD climate Prediction	320	5	-	-	325
Total Trust Funds	109,771	14,885	52,608	54,093	122,813
Endowment Funds:					
Sasakawa Fellowship	100,032	198	812	1,152	98,266
Others	9,017	-	-	-	9,017
Non attributable Funds	3,693	-	-	601	3,092
Total Endowment Funds	112,741	198	812	1,753	110,374
UNES	100	-	-	-	100
Total Funds	222,612	15,083	51,796	54,504	233,287

There is a suggestion to change the Sasakawa Fellowship fund into a new programme introduced by SYLFF and the discussions are ongoing.

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	2017/2018 Kshs'000	2016/2017 Kshs'000
37. Endowment for General Purposes	16,181	16,181
Designated Funds set aside for applications as determined by the University e.g. Students' prices, Students' Scholarships		
38. General Fund		
Balance as at 1 July 2017	16,277,508	94,749,083
Prior year adjustments		
FY 2012/2013 Revaluations	-	(78,554,594)
Restated Balance as at 1 July 2017	16,277,508	16,194,489
Capital Receipts:		
(i) Research Grants	42,567	18,341
(ii) GOK & Other Sources	-	52,524
(iii) Donations from High Commission of India	-	101,467
Total Fund	16,320,075	16,366,821
Less:		
Depreciation	64,598	58,775
Transfer to deferred income	153,991	30,538
Balance as at 30 June 2018	16,101,486	16,277,508

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39. Income Generating Units (IGUS)

Income and Expenditure Account for the year ended 30 June 2018

Income Generating Activities - College Based	Surplus/ (Deficit) 2016/2017 Kshs'000	Income 2017/ 2018 Kshs	Expenditure 2017/ 2018 Kshs	Surplus/ (Deficit) 2017/2018 Kshs
College of Agriculture and Veterinary Sciences	(13,886)	130,331	136,692	(6,361)
College of Architecture and Engineering	(4,964)	58,811	53,973	4,838
College of Biological and Physical Sciences	(31,445)	55,676	92,177	(36,501)
College of Education and External Studies	(13,582)	53,428	21,919	31,509
College of Health Sciences	(76,557)	71,796	129,190	(57,394)
College of Humanities and Social Sciences	(38,664)	201,870	203,993	(2,122)
Health Services - Students Medical & Others	2,927	31,645	31,724	(79)
Sub- Total	(176,172)	603,558	669,668	(66,110)
Income Generating Units -UNES				
Chiromo Parlour	2,645	40,608	35,788	4,820
UNES Consultancy	96,310	308,035	277,476	30,559
Chiromo Conference and Arziki	2,481	41,061	48,016	(6,955)
Diagnostic Radiology	689	6,942	6,319	623
UNES Bookstore-Nairobi	5,764	60,186	61,025	(839)
UNES Bookstore-Kisumu	(3,906)	4,955	6,092	(1,137)
UNES Bookstore-Mombasa	2,237	6,966	8,068	(1,102)
Other IGUs	(85,943)	40,857	37,845	3,012
UNES Head Office	-	18,276	248,320	(230,044)
Sub- Total	20,277	527,886	728,949	(201,063)
Grand Total	(155,894)	1,131,444	1,398,617	(267,173)
Balance brought forward	(134,606)			(290,500)
Balance carried forward	(290,500)			(557,673)

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NOTES TO THE FINANCIAL STATEMENTS cont'd

40. Capital Reserves	2017/2018	2016/2017
	Kshs'000	Kshs'000
Balance as at 1 July 2017	192,659,388	1,116,494
Add prior year adjustments		
Increase in previous years revaluations		78,554,594
Restated Balance as at 1 July 2017	192,659,388	79,671,088
Add increase on revaluations		112,988,300
Less Depreciation on buildings	425,613	-
Balance as at 30 June 2018	192,233,775	192,659,388
41. Special Capital Development Fund	25,378	25,378
Funds Designated for a Special Capital Development in the University		
42. Revenue Reserve -Movement in the year		
Accumulated Surplus/(Deficit) brought forward	908,521	325,852
Surplus/(Deficit)for the year	(1,405,315)	582,669
Accumulated Surplus Reserves	(496,794)	908,521
43. Koitalel Samoei University Grants Fund		
Balance as at 1 July 2017	316,565	200,000
GOK Capitation Recurrent		
Jul-2017	8,475	105,000
Aug-2017	8,475	
Sep-2017	8,475	
Oct-2017	8,475	
Nov-2017	8,475	
Dec-2017	8,475	
Jan-2018	8,475	
Feb-2018	8,475	
Mar-2018	8,475	
Apr-2018	8,475	
May-2018	8,475	
Jun-2018	8,475	
	101,700	105,000

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KOITALEL SAMOEI UNIVERSITY GRANTS FUND cont'd

Capital Development Capitation		
Arrears	8,333	20,000
Dec-2017	1,667	
Jan-2018	1,667	
Feb-2018	1,667	
Mar-2018	1,667	
Apr-2018	1,667	
May-2018	1,667	
Jun-2018	1,667	
	20,002	20,000
	438,267	325,000
Less Expenditure	45,750	8,435
Balance as at 30 June 2018	392,517	316,565

44. FINANCIAL RISK MANAGEMENT

The University's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The University's overall risk management programme 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's does not hedge any risks and has in place policies through its statute xxx which states among other things:

- All fees and other charges due shall be paid at the commencement of the semester they are due and not beyond the third week of the semester. No student shall be allowed into the lecture, examination room or participate in activities which they have not fully paid for.
- The University shall withhold any and all services, examination results, conferment of any degree, certificate and diploma until all outstanding fees are settled and further reserve the right to institute legal recovery proceedings against students with outstanding fees and also surcharge an interest at a rate to be determined by the council from time to time.

The University has endeavored to enforce the above statute in order to reduce the student debtors. The University secured a written undertaking from the Government of Kenya with respect to the outstanding debt relating to the Pension Component of the CBA.

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

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FINANCIAL RISK MANAGEMENT cont'd

Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the University'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 University's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs'000	Fully performing Kshs'000	Past due Kshs'000	Impaired Kshs'000
At 30 June 2018				
Receivables from exchange transactions	1,788,627	1,780,003	-	8,624
Receivables from non exchange transactions-GoK	1,776,390	500,000	1,276,390	63,820
Inventories	254,761	254,761	-	-
Short Term Deposits	125,343	125,343	-	-
Bank balances	415,951	415,951	-	-
Total	4,361,072	3,076,058	1,276,390	72,444
At 30 June 2017				
Receivables from exchange transactions	1,915,326	1,907,354	944,278	7,974
Receivables from non exchange transactions-GoK	1,175,088	1,116,334	973,786	58,754
Bank balances	696,873	696,873	-	-
Total	3,787,287	3,720,561	1,918,064	66,729

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 company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from students

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

Liquidity risk management

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

At 30 June 2018	2017/2018	Restated 2016/2017
	Kshs'000	Kshs'000
Trade payables	1,167,703	1,823,139
Payroll Deductions	1,819,422	801,084
Provisions	584,930	392,821
Refundable Deposits to Customers	147,020	126,291
Bank Overdraft	2,005,302	939,009
	5,724,377	4,082,343

Market risk

The Council has put in place an internal audit function to assist it in assessing the risk faced by the University 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 University'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 University's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

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NOTES TO THE FINANCIAL STATEMENTS cont'd

FINANCIAL RISK MANAGEMENT cont'd

Capital Risk Management

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

	2017/2018	2016/2017
	Kshs'000	Kshs'000
IGUs Fund	(557,674)	(290,500)
General Fund	16,101,485	16,277,508
Koitalel Samoei University Fund	392,517	316,565
Special Capital Development Fund	25,378	25,378
Capital Reserve	192,233,775	192,659,388 (Restated)
Revenue Reserve	(496,794)	908,521
Special Accounts and Grants	1,508,515	1,555,953 (Restated)
Trust and Endowment Fund	233,287	222,612
Endowment for General Purpose	16,181	16,181
Total Funds	209,456,671	(Restated) 211,691,608
Total borrowings	5,724,377	4,082,290
Less: Cash and bank balances	541,294	696,820
Net debt/(Excess cash and cash equivalent)	5,183,083	3,385,470
Gearing	2.45%	1.60%

NOTES TO THE FINANCIAL STATEMENTS cont'd

45. Related Parties

Nature of Related Party Relationship

The University of Nairobi is a related to:

- i. The National Government
- ii. The Ministry of Education
- iii. The University of Nairobi Enterprises (UNES)
- iv. University of Nairobi Press
- v. Key Management
- vi. The University Council

Related Party Transactions

Transfers from GoK

University of Nairobi Capitation

	2017/2018	2016/2017
	Kshs'000	Kshs'000
Recurrent Capitation	4,514,536	6,260,416
Enhancement Capitation	1,460,264	-
CBA 2013-2017 Capitation –Arrears	1,960,053	-
Development Capitation	-	52,524
	7,934,853	6,312,940

Koitalel Samoei University Mentorship

Recurrent Capitation	101,700	105,000
Enhancement Capitation	20,000	20,000
	121,700	125,000

Amount due from GoK

Support Capitation	500,000	-
2010-2013 CBA –Pension Arrears	1,081,632	930,330
2010-2013 CBA –From other Public Universities	194,758	194,758
	1,776,390	1,175,088

Amount due from UNES

Bookstore taken over by UNES	23,472	23,472
Dividends Receivable	15,349	15,349
Amount held by UNES for UoN	224,532	216,605
	263,353	255,426

Receipts from UNES

Dividends Received	-	6,000
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Due to UNES

Bookstore and Arziki	113,271	101,479
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Payments made on behalf of UoN Press

Salaries and allowances	16,572	17,627
Rent and Utilities	3,470	1,615
Fuel and Petty Cash	415	(Restated) 718
	20,457	19,960

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Related Parties cont'd

Council Expenses	2017/2018	2016/2017
	Kshs'000	Kshs'000
Remuneration of Chairman	-	1,150
Remuneration of Council Members	-	18,698
Air Ticket	18	295
Secretariat Expenses and Training Charges	-	781
Catering and other charges	-	492
Hotel Accommodation charges	-	876
	18	22,292

	2017/2018	2016/2017
	Kshs'000	Kshs'000
46. Provisions		
Provision for Audit fees	4,640	-
Provision for leave days-UNES	3,472	-
Provision for Gratuity-UNES	34,901	-
Provision for leave days-UoN	73,636	-
Provision for Gratuity-UoN	468,282	392,821
	584,930	392,821

47. Refundable Deposits to Customers		
Rent deposits and Module I Caution money	12,236	9,004
CESSP-Module II Caution money	134,784	117,287
	147,020	126,291

These are funds held on behalf of customers , mainly rent deposits and students caution money

48. Legal Status

The University of Nairobi is a body corporate established in Kenya under the Universities Act, 2012 (No. 42 of 2012).

49. Contingent Liabilities

There is a pending law suit against the University in the High Court of Kenya by former employees who were retrenched by the University in March 2001. The claim is for damages amounting to about Kshs 279 million. The University have entered its defense.

The University has accumulated pending bills due to contractors and consultants amounting to Kshs 532,436,805.00 as at 30-06-2006. One contractor N.K. Brothers have sued the University to recover the outstanding amount.

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50. Statutory Deductions Payable	2017/2018	2016/2017
	Kshs'000	Kshs'000
Payroll Deductions	1,819,422	801,084

51. Summary of Service Units Income And Expenditure for the year ended 30 June 2018

	Income	Expenditure	Surplus/ (Deficit)	Surplus/ (Deficit)
	Kshs'000	Kshs'000	2017/2018	2016/2017
			Kshs'000	Kshs'000
Printing and Photocopying	-	1,118	(1,118)	(2,915)
Nairobi University Press	266	667	(402)	149
Surplus/(Deficit) for the year	266	1,786	(1,520)	(2,766)

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NOTES TO THE FINANCIAL STATEMENTS cont'd

52. Summary of Approved Estimates for the year ended 30 June 2018

	Approved Estimates 2017/2018 Kshs'000	Actual 2017/2018 Kshs'000	Actual 2016/2017 Kshs'000
Basic pay	4,454,041	6,446,472	4,384,408
UNES Management & Support Allowances*	1,211,523	962,525	992,342
Gratuity and Pension Contribution	1,454,999	1,202,304	813,157
House Allowance	2,052,309	2,211,163	1,712,406
Other Personal Allowances	496,418	455,261	259,959
House to Office Transport allowance	987,916	783,871	746,030
Passage and Leave Expenses	60,286	54,147	58,420
Clinical Allowance	651,962	539,142	528,179
Transport Operating Expenses	41,486	37,457	39,060
Travelling and Accommodation Expenses	44,736	46,512	94,247
External Travelling and Accommodation	4,854	7,643	8,388
Teaching Practice	26,395	34,113	35,307
Postal and Telegram Expenses	459	447	455
Telephone Expenses	10,740	11,161	23,129
Official Entertainment	600	1,330	3,831
Electricity, Water and Conservancy	585,000	414,564	429,706
Purchase of Supplies for Teaching & Production Materials	136,029	127,837	178,936
Publishing and Printing Expenses	3,003	5,577	6,880
Purchase of Uniforms and Clothing	9,626	9,850	6,327
Library Expenses	76,630	16,732	93,631
Purchase of Stationery	30,280	42,564	29,783
Advertising and Publicity (Recruitment)	25,348	22,414	25,805
Sports and Equipment (Inter-University)	3,130	3,136	3,111
Audit Fees	5,250	4,640	4,640
Payments of Rent and Rates Residential	11,029	8,686	12,717
Computer Charges	110,000	115,797	98,568
Contracted security services	183,688	176,900	182,732
Fees, Commission and Honoraria	1,734	17	-
Staff Development	14,215	7,651	6,608
Audit Committee & Council Expenses	13,857	18	22,292
Graduation Expenses	15,000	10,695	15,090
Conference and Seminars	12,120	12,191	17,385
University Medical Scheme	277,140	272,964	239,347
Postgraduate Programmes	51,898	8,867	8,048
University Research Programme	25,353	5,531	23,084
Maintenance of Plant, Machinery and Equipment	20,000	16,693	20,683
Maintenance of Buildings and Stations	40,000	34,583	73,613

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Students Welfare Authority	324,495	192,967	307,312
University Press	3,436	668	295
Performance contracting	13,000	8,739	11,784
Depreciation	200,000	243,996	199,489
Students amenities/Activities, Associations	51,500	25,006	33,419
Needy Students	6,010	60	2,328
Integrity Programs	3,300	1,296	1,594
UON Advancement	10,216	8,173	9,755
Operational Expenses (CESSP)	90,707	153,105	214,824
Legal Fees	35,000	37,120	33,387
Bank Charges	100,000	168,047	137,789
Insurance	81,968	81,759	71,882
Public relations office	10,394	4,410	9,588
External Examiners	23,208	16,744	26,531
Environmental Management	40,000	39,276	24,467
Membership Subscriptions	2,870	2,943	2,713
ISO Expenses	4,700	2,151	3,758
Tender Committee Members Expenses	6,426	6,073	5,401
Other Expenses	191,107	35,797	25,530
Senate & UMB Expenses	12,280	2,808	3,429
Committee Members Responsibility Allowance	-	-	120
University Choir Expenses	2,290	1,931	2,327
Funeral Expenses	3,935	3,351	3,287
Alumni	450	430	185
Provision for Bad Debts	6,000	5,715	10,689
ICT Consumables	6,400	212	150
Nairobi A.S.K. Show	3,802	3,834	3,480
	14,382,548	15,158,064	12,377,115
Capital Expenditure			
Purchase of Motor Vehicles	25,806	49,661	16,901
Purchase of Plant and Equipment	33,527	83,181	88,799
Capital Development-WIP	908,000	66,077	738,343
Purchase of Computers	160,939	65,180	58,022
	1,128,272	264,099	902,065

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NOTES TO THE FINANCIAL STATEMENTS cont'd

53. Students Welfare Authority (SWA) Expenditure for the year ended 30 June 2018

	Actual Kshs'000	Actual Kshs'000
Transport Operating Expenses	1,102	1,579
Travelling and Accommodation expenses	2,256	4,907
Telephones	1,431	1,504
Official Entertainment	0	10
Publishing and Printing Expenses	715	1,260
Purchase of Uniforms and Clothing	5,938	8,845
Purchase of Stationery & Office expenses	8,086	9,756
Miscellaneous Other Charges	4,655	7,926
Bank Charges	1,981	2,029
Staff Development	853	673
University Medical Scheme	6,860	7,655
Performance Contracting Expenses	644	1,431
Maintenance of plant, Machinery and Equipment	1,134	1,707
Maintenance of Buildings and Station	66,803	91,040
Halls Expenses	8,586	3,505
Gas and Fuel	13,650	20,839
Cleaning Materials	628	2,621
Purchase of Food	67,643	140,023
	192,967	307,312

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NOTES TO THE FINANCIAL STATEMENTS cont'd

54. Centre for Self Sponsored Programmes (CESSP) Expenditure for the year ended 30 June 2018

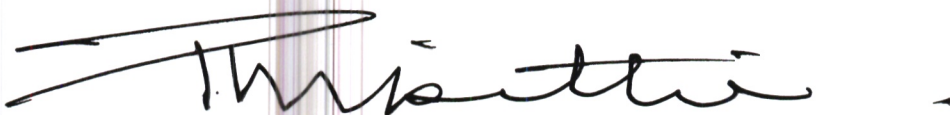
	Actual Kshs'000	Actual Kshs'000
Staff Training and Development	752	767
Staff Medical Expenses	1,144	2,843
Staff Travelling & Accommodation	994	1,166
Seminars & Workshops	657	614
Outsourced Services	2,807	3,754
Subscriptions to Professional Bodies	152	96
Transport Operating Expenses	659	999
Telecommunication	899	1,058
Water	80	108
General Office consumables	6,873	6,520
Bank charges	360	7,083
Maintenance of Motor vehicles	151	192
Repair & Maintenance of equipment	205	239
Maintenance of Buildings & Grounds	1,168	1,842
Promotion and Marketing	44,663	66,658
Insurance charges	-	5,936
Security expenses	1,793	2,221
ICT Services	151	418
ISO 9001:2008	-	48
Performance Contracting	147	345
Anti - Corruption Activities	5	149
Salaries and Wages	76,366	65,168
Electricity	751	1,019
CUE-Expenses	12,329	28,284
Space Utilization	-	5,936
Provision for Gratuity	-	11,363
	153,105	214,824

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XVIII. APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
Property, Plant and Equipment	Two parcels of land, LR.No.11645 & LR.No.22378 without title documents	The Management is in constant engagement with the Ministry of Lands regarding the processing of the title deeds. The said two parcels of land are fully developed and occupied by the University.	Mr. Thuita (Estates Manager)	In progress	June 2019



PROF.PETER.M.F.MBITHI
B.V.M.,M.Sc.(Nrb)M.V.Sc.(Saskatchewan) Ph.D (Nbi)
Vice-Chancellor

26 September 2018

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XIX. APPENDIX II: STATUS OF PROJECTS COMPLETION

Project	Total project Cost Kshs.000	Total expended to date Kshs.000	Completion % to date	Budget Kshs.000	Actual per Quarter Kshs.000	Sources of funds
Proposed construction of University Tower	3,149,857	2,759,630	87.61	450,000	26,276	A.I.A
Construction of Kisumu Campus Complex	489,529	490,448	100.19	75,000	48,794	A.I.A
Partial Completion of Pharmacy Building -CHS	152,903	134,414	87.91	75,000	7,506	A.I.A
Semis Laboratory -CAVS	97,200	97,175	99.97	5,000	-	Donors
Proposed construction of sewerage Plant - LKC	179,000	175,689	98.15	17,000	9,713	A.I.A
Partial completion of Lower kabete halls of residence phase 11(West Wing)	39,000	37,000	94.87	40,000	-	AIA
Proposed Police post at Ganda Research Station	5,580	5,536	99.21	1,500	-	AIA
Renovation of Taifa Hall	35,000	33,851	96.72	30,000	4,467	AIA
Proposed reroofing of halls SWA	3,000	3,112	103.73	10,000	-	AIA
Proposed Confucius Institute Building	-	-	-	400,000	26,762	Donors
Interior Furnishing and Fittings of UON Towers	20,000	-	-	-	-	AIA
Interior design works for Confucius centre 7th & 8th floor - UON Towers	31,427	26,762	85.16	-	-	Devp. Partners
Supply & installation of state of the art lecture chairs(1,000)-Taifa Hall	22,620	22,620	100.00	-	-	AIA
	4,225,116	3,786,237		1,103,500	123,518	

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XX. APPENDIX III: INTER-ENTITY TRANSFERS

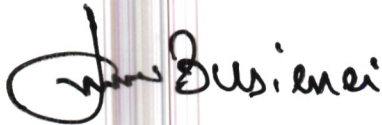
NAME		UNIVERSITY OF NAIROBI		
Break down of Transfers from the State Department of University Education				
FY 17/18				
I	UNIVERSITY OF NAIROBI			
a	Recurrent Grants	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		8/1/2017	376,211,323.00	2017/2018
		9/1/2017	376,211,323.00	2017/2018
		10/3/2017	376,211,323.00	2017/2018
		11/3/2017	376,211,323.00	2017/2018
		12/1/2017	376,211,323.00	2017/2018
		1/2/2018	376,211,323.00	2017/2018
		2/8/2018	376,211,323.00	2017/2018
		3/13/2018	376,211,323.00	2017/2018
		4/6/2018	376,211,323.00	2017/2018
		5/2/2018	376,211,323.00	2017/2018
		6/11/2018	376,211,323.00	2017/2018
		6/28/2018	376,211,327.00	2017/2018
	sub-total		4,514,535,880.00	
b	Enhanced Capitation	12/1/2017	400,110,001.60	2017/2018
		1/2/2018	80,022,000.00	2017/2018
		2/8/2018	80,022,000.00	2017/2018
		3/13/2018	80,022,000.00	2017/2018
		4/19/2018	80,022,000.00	2017/2018
		6/11/2018	80,022,000.00	2017/2018
		6/11/2018	80,022,000.00	2017/2018
		6/28/2018	80,022,000.00	2017/2018
		7/6/2018	500,000,000.00	2017/2018
	sub-total		1,460,264,001.60	
c	CBA 2013-2017 Salary Areas	7/3/2017	935,925,209.95	2017/2018
		7/19/2017	1,024,127,585.75	2017/2018
	sub-total		1,960,052,795.70	
	Total (a+b+c)		7,934,852,677.30	
II	KOITELEL UNIVERSITY MENTORSHIP FUNDS			
d	Recurrent Grants	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		8/1/2017	8,475,000.00	2017/2018
		9/1/2017	8,475,000.00	2017/2018
		10/3/2017	8,475,000.00	2017/2018
		11/3/2017	8,475,000.00	2017/2018

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		12/1/2017	8,475,000.00	2017/2018
		1/2/2018	8,475,000.00	2017/2018
		2/8/2018	8,475,000.00	2017/2018
		3/13/2018	8,475,000.00	2017/2018
		4/6/2018	8,475,000.00	2017/2018
		5/2/2018	8,475,000.00	2017/2018
		6/11/2018	8,475,000.00	2017/2018
		6/29/2018	8,475,000.00	2017/2018
		sub-total	101,700,000.00	
e	Enhanced Capitation	12/1/2017	8,333,333.00	2017/2018
		1/2/2018	1,666,667.00	2017/2018
		2/8/2018	1,666,667.00	2017/2018
		3/13/2018	1,666,667.00	2017/2018
		4/13/2017	1,666,667.00	2017/2018
		5/2/2018	1,666,667.00	2017/2018
		6/11/2018	1,666,667.00	2017/2018
		6/28/2018	1,666,667.00	2017/2018
	sub-total		20,000,002.00	
	Total (d+e)		121,700,002.00	
	Total Recurrent Grants (I+II)		8,056,552,679.30	
f	Development Grants	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		7/5/2017	50,000,000.00	2016/2017
g	Direct Payments	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
	Research	7/6/2017	1,000,000.00	2017/2018
	Research	7/7/2017	2,149,000.00	2017/2018
	Research	7/7/2017	2,662,900.00	2017/2018
	Research	9/13/2017	34,034,022.00	2017/2018
	Research	10/3/2017	37,423,487.00	2017/2018
	Research	12/15/2017	305,500.00	2017/2018
	Research	1/26/2018	64,326,415.00	2017/2018
	Research	7/2/2018	150,000.00	2018/2019
	Research	7/4/2018	1,555,000.00	7/2/2018
	Research	7/9/2018	796,400.00	2018/2019
	Research	7/9/2018	1,618,776.00	2018/2019
	Research	7/9/2018	426,275.00	2018/2019
	Research	7/9/2018	378,000.00	2018/2019
	Research	7/10/2018	932,500.00	2018/2019
	Research	7/10/2018	1,020,886.00	2018/2019
	Research	7/13/2018	2,760,000.00	2018/2019
			151,539,161.00	
	TOTAL TRANSFER (a+b+c+d+e+f+g)		8,258,091,840.30	

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



PETER K. BUSIENEI
Finance Officer
University of Nairobi

25 March 2019

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XXI. APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor transferring Funds	Date received as per bank statement	Nature : recurrent/Dev/ Others	Total Amount - KES	Where recorded
Ministry of Defense	7/5/2017	Research	1,900,000.00	Research Fund
Ministry of Lands & Physical Planning	8/30/2017	Reimbursement	626,485.40	Salary reimbursement
Ministry of Lands & Physical Planning	11/21/2017	Reimbursement	1,207,869.05	Salary reimbursement
Ministry of Lands & Physical Planning	2/5/2018	Reimbursement	798,570.80	Salary reimbursement
			4,532,925.25	

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XXII. APPENDIX V: DETAILED ANALYSIS OF CASH AND CASH EQUIVALENT

Current Accounts	2017/2018	2016/2017
	Kshs'000	Kshs'000
BBK-Queensway Branch	7,526	7,084
BBK UHS-Corporate Branch	1,203	1,144
BBK - Queensway Br.- Deposits A/C. (D)	2,423	3,493
KCB - University Way - Uon Endowment Fund	363	371
KCB - University Way - J.A.B. A/C.	24,499	49,124
KCB- University Way - UHS A/C.227790898	4,648	1,291
KCB - University Way - Dollar A/C.	35,074	35,976
SCB - Koinange Str-Main Dollar A/C.	134	22
SCB - Koinange St-Kavi Dollar A/C.	34,372	2,725
KCB - University Way - Uon Alumni A/C.	1,570	51,320
KCB - University Way - Pacn A/C.No.271-970-412	1,089	564
Standard Chartered Koinange Str - Uon Instapa Project A/C.	4,694	2,582
BBK Queensway - Dollar Account 03-022-7023791	2,085	171
Standard Chatered Bank - Kenya Shilling A/C.01020-063212-00	694	17,714
KCB - Pact Us Dollar A/C.No.1121857884	2,326	5,417
KCB - Pact K.Shs A/C.No.1121857426	26,775	4,263
BBK Capital Projects	2,103	620
KCB-University Way UoN-Criss Project -1137133120	11,414	696
KCB- EDCCTP (HIV Vaccine)	23,811	3,991
UON-SCB Sasakawa Endowment Fund	127	140
UON-BBK Pound Sterling	2,217	195
UON-KCB FASU Games (Kes) Account	932	934
UON-KCB FASU Games (USD) Account	8,437	8,661
UON-SCB Crown Agent A/C (GBP)	102	104
UON-SCB Sasakawa Endowment Fund (GDP)	29	30
UON-BBK Endowment Fund	5,362	349
KCB - Sarit Centre - CAVS	552	453
BBK - Westlands A/C - CBPS.	15,849	3,187
KCB - Anniversary - CAE	13,176	53,294
BBK - Hurlingham A/C C.H.S.	221	9,912
KCB - Kikuyu - CEES	285	4,555
BBK - Westlands - CBPS	3,500	3,585
KCB - Sarit Centre - CAVS	1,208	2,201
BBK - Westlands Igu Cosol. A/C C.B.P.S.	1,890	11,617
KCB - University Way - CAE	519	555
KCB - Kibwezi Branch - CAVS	261	2,069
BBK - Hurlingham-CHS	7,898	6,134
BBK - Hurlingham-CHS	398	19,972

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BBK - Westlandslands - CBPS	3,868	4,675
BBK - Mkt Branch - CAE Coll.A/C.5053941	1,705	1,539
BBK - Barclays Plaza CAVS Coll.A/C.5053984	11,696	10,510
BBK - Barclays Plaza-CEES Collection A/C.	2,282	192
BBK - Confucious Institute-CHSS	3,380	5,629
BBK - Hurlingham - UNITID CHS A/C 1543520	11,429	12,519
BBK - Hurlingham - UNITID CHS2 A/C 1544314	10,930	10,501
KCB - KSC A/C. NO.230-660-280	7,082	4,636
KCB - KSC IGU. A/C. NO. 230-661-715	6,138	15,501
BBK - UON Branch - CAE COLL.A/C.083-1000805	270	759
BBK-Confucious Institute (USD) - CHSS	22,345	24,866
BBK - UON MARPS Project A/C 2022586893	1,914	1,236
EQT- Equity Account(School Of Pharmacy Infrastructure Fund)	5,085	5,085
KCB A/C - ODeL	6,352	8,771
MPESA - Examination Centre Utility A/C	12,001	2,760
MPESA - Alumni Association	1,204	550
Cash in Hand	146	137
UNES Cash in Hand	1,836	1,761
UON SWA BBK Comcare Special Account	41	222
UON SWA BBK Comcare Main Account	1,706	884
UON SWA BBK Chiromo Main Account	298	59
UON SWA BBK Chiromo Special Account	33	206
UON SWA BBK Kenya Science Main Account	99	228
UON SWA BBK Lower Kabete Main Account	102	141
UON SWA BBK Students Centre Main Account	1,121	917
UON SWA BBK Students Centre Special Account	39	-
UON SWA BBK Upper Kabete Main Account	141	771
UON SWA HQS BBK Halls Account	11,529	3,149
UON SWA HQS BBK Halls Special Account	253	12,039
UON SWA HQS BBK Main Account	576	1,158
UON SWA HQS BBK Main Special Account	96	-
UON SWA KCB Kikuyu SMU	478	402
UON SWA KCB KMSH SMU	210	332
UON SWA KCB Lower State House SMU	322	836
UON SWA KCB Mamlaka SMU	291	471
UON SWA KCB Parklands SMU	432	174
UON SWA KCB USHR SMU	4	39
UON SWA KCB Varsity Catering Services	736	534
UON SWA KCB Womens Hall SMU	319	366
Consolidated Fixed Deposit - Central SWA	1,964	-
NBK BANK - Central SWA	2	-
UON BBK CESSP Dollar Account	2,837	2,545

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UON BBK CESSP Application Account	2,241	515
UON BBK CESSP Operations Acc	1,670	1,606
UON BBK CESSP DSP Account	2,565	1,992
UON BBK CESSP Collection Account	15,878	8,093
UON KCB CESSP Application Fee Account	3,803	2,270
KCB US Dollar Application Account	640	1,049
KCB - University Way - Research Grants A/C.	-	57,359
UNES Cash at Bank	6,092	48,159
	415,951	574,660
Short Term Deposits		
Savings & Loans (K) Ltd Dpst. A/C	360	332
Short Term Investments	-	94
Short Term Investments-Nrb. Univ. Press-BBK	3,740	3,501
Alumni - Short Term Investment	44,310	-
BBK Salaries Sweeping Call Account	848	178
BBK Vuir Sweeping Call Account	-	1,050
BBK Stores Sweeping Call Account	1,084	3,992
UoN Endowment Fund Investment Account (Stars For Africa)	-	4,314
C.H.S.- Short Term Investments	-	5,085
UNES Short Term Investments	75,000	101,500
Consolidated Fixed Deposit - Central SWA	-	1,702
NBK Bank - Central SWA	-	466
	125,343	122,213
Current Accounts with overdrawn Cashbook		
UNES Overdrawn Accounts	4,387	4,421
BBK - Queensway Br.- Paying A/C. (G)	1,950,179	928,971
KCB - University Way - Research Grants A/C.	33,433	-
BBK - Queensway - UoN Central Stores A/C.	5,666	4,346
BBK - Westlands A/C C.H.S.S.	11,637	1,271
	2,005,302	939,009

