


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

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<b>DATE:</b> 25 FEB 2025	
<b>DAY:</b> TUESDAY	
<b>TABLED BY:</b>	DEPUTY MAJORITY WHIP Hon. NAOMI WAGO, MP
<b>CLERK-AT THE-TABLE:</b>	DAVID MCHIRO,

**THE AUDITOR-GENERAL**

**ON**

**UNIVERSITIES FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2024**



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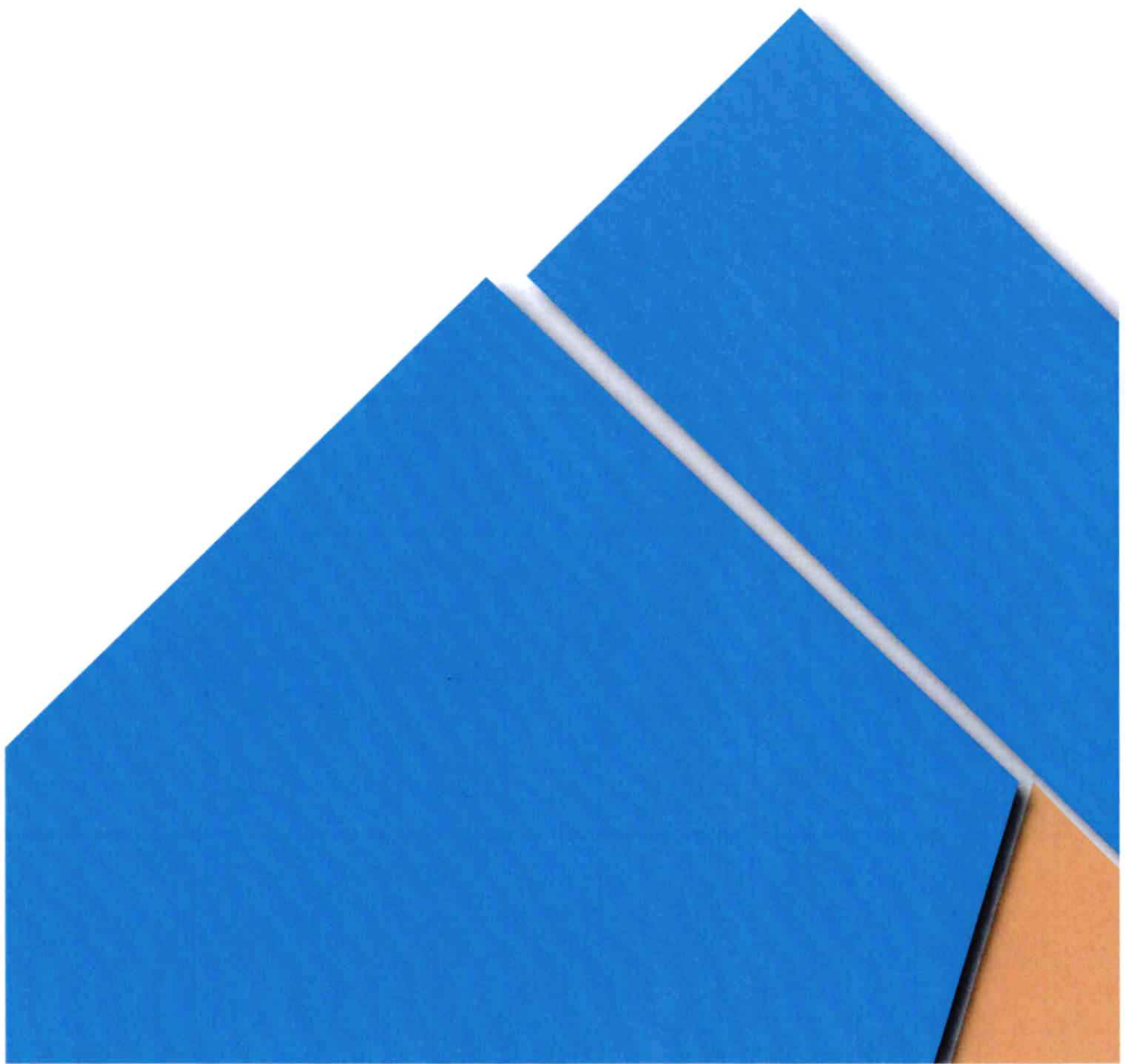
**UNIVERSITIES FUND**



**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30<sup>TH</sup> JUNE 2024**

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



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## 1. ABBREVIATIONS AND ACRONYMS

<b>AIA</b>	Appropriation in Aid
<b>CEO</b>	Chief Executive Officer
<b>CS</b>	Cabinet Secretary
<b>DUC</b>	Differentiated Unit Cost
<b>FY</b>	Financial Year
<b>GoK</b>	Government of Kenya
<b>GSS</b>	Government Sponsored Students
<b>HIA</b>	Head of Internal Audit
<b>ICT</b>	Information & Communication Technology
<b>KRA</b>	Kenya Revenue Authority
<b>MDUC</b>	Maximum Differentiated Unit Cost
<b>MoE</b>	Ministry of Education
<b>OAG</b>	Office of the Auditor General
<b>PPE</b>	Property Plant and Equipment
<b>PFM</b>	Public Finance Management
<b>PS</b>	Principal Secretary
<b>SAGA</b>	Semi- Autonomous Government Agency
<b>SDUE</b>	State Department for University Education
<b>UF</b>	Universities Fund





## 2. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background information

The Universities Fund is a semi-autonomous government agency established under Section 53 of the Universities Act, 2012.

### b) Principal activities

The Universities Fund was established for the purpose of financing universities in Kenya. The Fund is managed by a Board of Trustees which has been in operation since 2016. Section 54 of the Universities Act, 2012 mandates the Trustees to develop transparent and fair criteria for allocation of funds to public universities and issue conditional grants to private universities. In upholding its mandate, the Trustees adopted the Differentiated Unit Cost (DUC) criteria for allocating funds to public Universities in 2016 as provided for in the Universities Act, 2012. The DUC funding model has been operational since 2017/2018 Financial Year (FY) in allocating funds to universities.

#### **Vision**

A valued Fund for Universities.

#### **Mission**

Sustainable financing for universities.

#### **Mandate**

The mandate of the Universities Fund is to provide funds for financing universities in Kenya. To successfully implement this mandate, its Board of Trustees is required by the Universities Act to develop a transparent and fair criterion for apportionment of funds to universities. The Board should also develop resource mobilization strategies and raise funds to ensure sustainable financing of universities. The Board established the Maximum Differentiated Unit Cost as a basis of financing universities in Kenya.

#### **Core Values**

**Integrity**- committed to acting in an honest and accountable manner in all our undertakings.

**Professionalism** - Embrace competence in all our undertakings.

**Efficiency**-Achieving optimum output from our resources.

**Teamwork**-Working together for a common purpose.

**Transparency** - Ensure accurate information on the board activities.

**Accountability** - Responsible for decisions and actions

**Customer focus** - Strive to meet and exceed customer expectation



**c) Key Management**

To fulfil its strategic objectives and mandate, the Fund is structured into six (6) Departments and two (2) Divisions directly answerable to the CEO as follows: -

- i. Funds Management Department;
- ii. Grants Management Department;
- iii. Resource Mobilization and Partnership Department;
- iv. Corporate Services Department;
- v. Corporation Secretary and Legal Services Department;
- vi. Strategy, Planning and Compliance Department;
- vii. Internal Audit Division;
- viii. Supply Chain Management Division.

**d) Fiduciary Management**

The key management personnel who held office during the period under review and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Geoffrey Monari
2.	Ag. Director Resource Mobilization & Partnership	Diana Mutheu
3.	Assistant Director Grants Management	Silas Owiti
4.	Assistant Director ICT	Leah Miano
5.	Ag. Deputy Director Human Resources	Veronicah Kirugi
6.	Principal Finance Officer	Titus Macharia

**e) Fiduciary Oversight Arrangements**

The Fund has various fiduciary oversight arrangements comprising of the Board of Trustees, Management committee and other stakeholders as follows:

- 1) Audit and Risk Committee of the Board;
- 2) Finance Administration and General-Purpose Committee of the Board;
- 3) Planning, Research and Resource Mobilization Committee of the Board;
- 4) Budget Implementation Committee;
- 5) Tender Committee (Appointed from time to time);
- 6) The National Treasury;
- 7) Internal Audit Division; and
- 8) The Office of the Auditor General.

**f) Fund Headquarters**

Universities Fund  
Hazina Trade Centre 5<sup>th</sup> Floor  
Monrovia Street  
P.O.BOX 28237-00100  
Nairobi.

**g) Fund contacts**

Telephone: 0746737935  
Email: info@ufb.go.ke  
Website:  
[www.universitiesfund.go.ke](http://www.universitiesfund.go.ke)  
Facebook: universitiesfund  
Twitter: @UFKenya

**h) Fund Banker**

Kenya Commercial Bank  
A/C No. 1226783481  
Kipande House  
P.O Box 30012-00100  
Nairobi, Kenya

National Bank of Kenya Limited  
A/C No. 01071243231200  
Westlands Branch-Victoria Plaza  
P.O. Box 1613-00606  
Nairobi

Co-operative Bank  
A/C No.01100365279001  
University Way Branch  
P.O Box 48231-00100  
Nairobi

**i) Independent Auditors**

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

**j) Principal Legal Adviser**

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



### 3. BOARD OF TRUSTEES



Prof. Karuti Kanyinga was appointed as the Chairperson of the Universities Fund Board on 8th July 2022. He has vast experience in the university sector and is renowned for his contributions to scholarship and knowledge in governance and development. He is an accomplished development researcher and scholar with extensive national and international experience and exposure. He has published extensively on development and governance is renowned particularly for his extensive research and publications on land rights; civil society and development; ethnicity and development; and electoral politics and development. In addition to this, he has experience in Monitoring and Evaluation of major development programmes; as well as in tracking implementation of development programmes. He has led teams of project managers and researchers in the delivery of large, complex multi-donor funded initiatives. He has served as a resource person in the area of governance, project planning and implementation, among others, for many international organizations including the World Bank, USAID and other bilateral agencies. Further, he made intellectual contributions to the society through participation in community development efforts as well as providing intellectual insights on many national and international issues. He has served as a resource person in the area of development studies for many international organisations in Africa. He holds a PhD in Social Sciences, International Development Studies (IDS), Masters of Arts in Government and Bachelors of Arts from the University of Nairobi.

Dr. Charles Kirimi was appointed as a Trustee of the Universities Fund Board on 28th July 2022. He is the Chairperson of the Planning, Research and Resource Mobilization Committee and a member of Audit and Risk Committee. Dr. Charles Kirimi is the Chairperson to the Kenya Methodist University Council and therefore represents the interests of the university sector in the Universities Fund Board. He is a former Chief Executive Officer of Chai Trading Limited. He has also served in the position of Group General Manager at Kenya Tea Development Agency for a period of four years. He has served in other leadership positions in Mastermind (K) Tobacco Ltd, Caltex Oil (K) Ltd and Pan Africa Insurance Company. Dr. Charles Kirimi is a PhD holder in Business Management (Strategic Leadership) holds a Masters in Business Administration (Marketing) and a Bachelor of Commerce (Business Administration). He also holds a Post Graduate Degree in Business Management and a Post Graduate Diploma in Advance Management Practices.

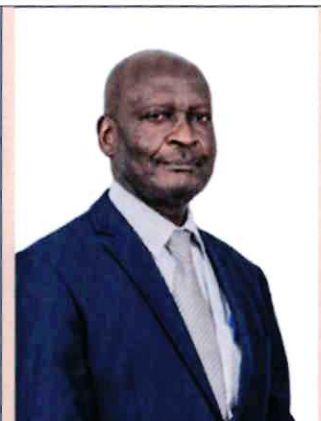


Ms. Zipporah W. Mungai was appointed as a Trustee of the Universities Fund Board on 28th July 2022. She is a member of the Planning, Research and Resource Mobilization Committee and Finance, Administration and General-Purpose Committee. Ms. Zipporah Mungai has vast finance experience having served in leadership positions in the Finance and Insurance Sector. She is the former Chief Executive Officer of Composite Insurance Company. She has also held the position of Country Managing Director of CIC Africa Holdings Uganda for a period of four years. She also served in similar positions in UAP Insurance Uganda, UAP Properties Limited Uganda as well as Jubilee Insurance Company Tanzania. Ms. Zipporah W. Mungai holds a Master of Science in Finance and a Bachelor of Commerce



(Insurance). She holds other accolades such as Chartered Insurer, Associate Risk Manager as well as Associate of the Charter of Arbitrators.

Prof. Mwanda O. Walter joined the Board on 1ST July 2019 as a Member of the Board and reappointed as a member of the board on 28th July,2022. He is a chairperson of the Audit and Risk Committee and a member of Planning, Research and Resource Mobilization Committee and a member of Finance, Administration and General-Purpose Committee. He holds a Degree of Doctor of Medicine University of Nairobi, a Bachelor's of Medicine and surgery (MB ChB), Royal College of Pathologists, Postgraduate course in Epidemiology and Biostatistics in Clinical Epidemiology and Bio Statistics of John Hopkins University, Maryland USA. Postgraduate training in Haematology and Blood transfusion at Kenyatta National Hospital and he is a full professor of haematology and blood transfusion. He previously served as Chairman Department of Human Pathology, Syllabus and Curriculum Development School of Medicine University of Nairobi. Prof. Mwanda O. Walter was awarded an Elder of the Order of the Burning Spear (EBS) and he is also a member of several professional bodies nationally and also internationally. Before his appointment he was the Director University of Nairobi Institute of Tropical and Infectious Disease. Prof. Mwanda O. Walter was reappointed as a board member after his term expired on 30th June,2022.



Dr. Ken Nyaundi was appointed as a Trustee of the Universities Fund Board on 28th July 2022. He is a member of the Planning, Research and Resource Mobilization Committee and the chairman of the Finance, Administration and General-Purpose Committee. He is the current Chairman of the Laikipia University Council and therefore represents the interests of the university sector in the Universities Fund Board. Dr. Ken Nyaundi is an Advocate of the High Court of Kenya with experiencing spanning over three decades. He is a Fellow of the Chartered Institute of Arbitrators, an expert in Alternative Dispute Resolution and sits as a member of the Chief Justice's Mediation Accreditation Committee. He serves as a Managing Partner of Marende and Nyaundi Advocates. Dr. Nyaundi has undertaken extensive consultancies in Private and Public International Law, Governance, Devolution, Wildlife Conservation, Rule of Law and Administrative of Justice. He has also served the public and private sector by holding various leadership positions. Dr. Nyaundi holds a PhD in Public International Law, a Masters of Laws in Public International law and a Bachelors of Law. He also holds a Diploma in Legal Practice.

Mrs Diana Mutisya joined the Board on 1st October,2021 as a PS Representative State Department for University Education & Research. She is a Member of Planning, Research and Resource Mobilization Committee, Audit & Risk Committee and a member of Finance Administration and General-Purpose Committee of the Board. Mrs Diana Mutisya is a Financial Analyst and currently working with the State Department for University Education & Research.

Mrs Diana Mutisya holds a Masters degree in business Administration {MBA}(Finance option) at Kenyatta university, a degree in Business Administration (Accounting and Finance option) at Kenya Methodist University (KEMU), a Diploma in Information Technology, Higher Diploma in Human Resources, Strategic Leadership Development Programme from KSG, Public Finance Management Course from KSG, Senior Management Course from KSG.



In addition, Mrs Diana Mutisya has successfully completed an Effective Board & Board Audit Committee and Internal Audit Function training from Institute of Internal Auditor Kenya and induction program for Public Sector Boards from Kenya school of Government (KSG), Board Master class from the Institute of Certified Public Accountants of Kenya (ICPAK).

Mrs Diana Mutisya further holds a Certification from the Kenya School of Government on Corporate Governance and other various relevant short courses obtained both locally and outside the country.

She has a wealth of experience in Government functions and operations for over 40 years. She has a wealth experience of over 40 years in the Public Service.



Mrs. Lynne Ngina Nyongesa was appointed as a PS Representative National Treasury on 20th May 2022. She is a Member of Audit and Risk Committee and a member of Finance Administration and General-Purpose Committee of the Board. Mrs. Lynne Nyongesa is in the ICT profession and currently acts as the Director of ICT & Head of ICT Unit in the National treasury. She is an accomplished leader in the ICT sector with extensive experience in the public sector. This saw her achieve the award of the Order of the Grand Warrior (OGW) in Kenya, Presidential award and recognition of out-standing Innovations in the Civil Service. She has spearheaded the development and implementation of various revolutionary ICT systems in the public sector such as: the first Integrated electronic Government Procurement system (E-GP) in the National Treasury, the first web-based integrated National Education management Information system (NEMIS) in Ministry of Education, the first ICT Online mineral cadaster system to facilitate the process of mineral identification and application of concession licenses, the first ICT implementation Master plan for the Ministry of Lands that led to the agile automation and digitization of the Lands docket, the first Online Recruitment and Selection Portal in Government for the Public Service Commission (PSC) of Kenya that earned the Commission the recognition during the 30th African Association of Public Administration (AAPM) Bronze award, and the Integrated Personnel and Payroll Database (IPPD) System for Government Civil Servants and Teachers Service Commission Secretariat. Mrs. Lynne Ngina Nyongesa holds a Masters degree in Masters in Management & Information Systems from University of Manchester, a degree in Bachelor of Science from the University of Nairobi.

Mr. Reagan Kaberia was appointed Trustee of the Universities Fund Board on 31st May 2023. He serves as a member of the Planning, Research and Resource Mobilization Committee and the Finance, Administration, and General-Purpose Committee.

With over two decades of extensive experience in strategic leadership and program management, Mr. Kaberia is a distinguished leader in his field. He currently holds the position of CEO of ZOE Global South and Kenya Country Manager for Zoe Empowers. In these roles, he has been instrumental in leading and implementing empowerment programs across multiple countries, including Kenya, Malawi, India, Uganda, Tanzania, Zimbabwe, Mozambique, Southern Sudan, Liberia, and Rwanda.

Mr. Kaberia's expertise lies in strategic planning, financial management, and team development. His leadership has significantly enhanced the effectiveness and accountability of the organizations under his guidance. His deep commitment to



policy development, business management, and continuous learning ensures that he remains at the forefront of industry trends and best practices. Mr. Kaberia holds a Master of Business Administration in Strategic Management from Kenya Methodist University, and a Bachelor of Arts in Social Sciences from Kenyatta University.



Mr. Geoffrey Monari joined the Fund as the Chief Executive Officer and Secretary to the Board of Trustees on 1st December, 2020. He holds a Bachelor's Degree in Commerce and a Master's degree in Business Administration from Jomo Kenyatta University of Agriculture and Technology. Mr Monari has over 20 years working experience in various positions at the Higher Education Loans Board. Before his appointment he was the Chief Operations Officer at Higher Education Loans Board. Mr. Monari has been the team leader of the Operations Division which oversees the Documentation, Lending, Institutional Relations and Debt Management departments since March 2016. He is a member of the Institute of Directors of Kenya and a Non-Executive Director at the Institute of Economic Affairs.

## BOARD COMMITTEE

### Board of Trustees Committees

The Board of Trustees has delegated its authority to the standing Board Committees to enable it carry out its mandate effectively.

The Board Committees operate under set terms of reference.

These Committees are as follows:

NAME OF THE COMMITTEE	COMMITTEE MEMBERS
<b>Audit and Risk Committee</b>	<ol style="list-style-type: none"> <li>1. Prof. Walter Mwanda – Chairman</li> <li>2. Dr. Charles Kiriimi Mbui - Member</li> <li>3. Ms. Zipporah Mungai – Member</li> <li>4. Lynne Nyongesa (PS Alternate responsible for National Treasury)</li> </ol>
<b>Finance, Administration and General-Purpose Committee</b>	<ol style="list-style-type: none"> <li>1. Dr. Ken Nyaundi – Chairman</li> <li>2. Ms. Diana Mutisya - Member (PS Alternate responsible for university education)</li> <li>3. Lynne Nyongesa (PS Alternate responsible for National Treasury)</li> <li>4. Mr. Reagan Kaberia - Member</li> </ol>
<b>Planning, Research and Resource Mobilization Committee</b>	<ol style="list-style-type: none"> <li>1. Dr. Charles Kiriimi Mbui - Chairman</li> <li>2. Prof. Walter Mwanda - Member</li> <li>3. Dr. Ken Nyaundi – Member</li> <li>4. Ms. Zipporah Mungai – Member</li> <li>5. Ms. Diana Mutisya – Member (PS Alternate responsible for university education)</li> <li>6. Mr. Reagan Kaberia - Member</li> </ol>



#### 4. KEY MANAGEMENT TEAM



Mr. Geoffrey Monari joined the Fund as the Chief Executive Officer and Secretary to the Board of Trustees on 1st December, 2020. He holds a Bachelor's degree in Commerce and a Master's degree in Business Administration from Jomo Kenyatta University of Agriculture and Technology. Mr Monari has over 20 years working experience in various positions at the Higher Education Loans Board. Before his appointment he was the Chief Operations Officer at Higher Education Loans Board. Mr. Monari has been the team leader of the Operations Division which oversees the Documentation, Lending, Institutional Relations and Debt Management departments since March 2016. He is a member of the Institute of Directors of Kenya and a Non-Executive Director at the Institute of Economic Affairs.

Ms. Diana Mutheu joined the Fund as the Head of Corporate Strategy and Planning and later took the role of the Acting Deputy Director of Resource Mobilisation and Partnership.

She is a seasoned expert in strategic planning, policy development, and resource mobilization. As the Acting Deputy Director of Resource Mobilisation and Head of Planning & Strategy at the Universities Fund, she plays a crucial role in guiding the management on corporate matters, aligning strategic objectives with national plans, and overseeing performance contracting and fundraising.

She holds a Master of Social Science in Policy and Development Studies from the University of Kwa-Zulu Natal (South Africa), a Bachelor of Social Science Honors in Policy and Development Studies from the University of Kwa-Zulu Natal (South Africa), and a Bachelor of Social Science in Political Science and Sociology from the Catholic University of Eastern Africa



Mr. Sillas Otieno Owiti joined the Fund as an Assistant Director for Grants Management Department. Prior to his appointment, Sillas Otieno Owiti carried out the following roles at KCB foundation for a period of 2 years: Ag. Contracts & Partnership Manager and Senior Program Grant Accountant. Sillas worked as a program budget analyst with KCB group for over 2 years. He also worked as an accountant across different international bodies. He worked as a Project Accountant (Dadaab Refugee services Project)-National Council Churches of Kenya (Dadaab) for a period of two years as well as at the National Council Churches of Kenya (Head office Nairobi). He became the Country Accountant at Plan International Kenya for four (4) years and International Programs Accountant at the Fred Hollows Foundation Kenya for 2 years.

Sillas has Masters in Business Administration (Finance Option) from the University of Nairobi, Bachelor of Business Administration (Accounting & Finance Option) from Kenya Methodist University, Diploma in Project Management from Kenya Institute of Management. He is a Certified Public Accountant {Kenya} and ICPAK Member.

Mrs. Leah Miano spearheads and aligns technology with strategic goals at Universities Fund as the Assistant Director, Information Communication & Technology Division. Prior to joining the Universities Fund, she was the Strategy and Technology Consultant and the Head of ICT at International Peace Support Training Centre since 2014. She holds a Bachelor's degree in Software Engineering and a Master's in Business Administration in Strategic Management and Finance. Leah has over 13 years of extensive experience in technology services and operations, project management, strategy alignment and ICT governance and leadership. She is a member of the Computer Society of Kenya.



Ms. Veronicah Kajira Kirugi joined the Fund as a Senior Human Resource Officer in Human Resource and Administration Department and later took roles on acting capacity as an Assistant Director Human Resources and Administration.

Veronicah Kirugi is a Certified Human Resource Professional (CHRP), She Holds a Bachelor's Degree in Business Management (Human Resource Management) from Moi University, A Diploma in Human Resource Management, and currently pursuing MBA in Human Resource Management at KCA University. She has a certificate in Strategic Leadership and Development Programme from Kenya School of Government (KSG). Veronicah is an active member of Institute of Human Resource Management (IHRM).

Mr. Titus M. Wangeci is the Senior Finance Officer of the Universities Fund. He holds a Bachelor's degree in commerce Business Management-Finance. He has also pursued a Higher Diploma in Human Resource Management.



## 5. CHAIRMAN'S STATEMENT



*"This annual report highlights the Fund's performance for the period giving an opportunity to celebrate our success and at the same time identify areas of improvement. I am delighted to report that the Universities Fund made great strides towards ensuring that the Fund delivers its mandate."*

### INTRODUCTION

I am pleased to present to you, on behalf of the Universities Fund, Board of Trustees the Annual Report and Financial Statements of the Universities Fund for the Period ended June 30, 2024. This annual report highlights the Fund's performance for the period giving an opportunity to celebrate our success and at the same time identify areas of improvement. I am delighted to report that the Universities Fund made great strides towards ensuring that the Fund delivers its mandate.

### UNIVERSITIES FUND MANDATE

The Universities Fund is established under the Universities Act of 2012 No. 42 Section 53 and was mandated to finance universities in Kenya. The Universities Fund takes cognizance of the critical role it plays in the university sector. In support of this, the Universities Fund has successfully implemented the second Financial Year of its 2021-2026 strategic Plan. The Strategic Plan is structured around four (4) pillars. These are:

- Sustainable financing and stewardship;
- Customer focus;
- Institution building and innovation; and
- Developing and growing our people

The Universities Fund has implemented various initiatives in line with the Strategic Pillars through the following:

#### Development of infrastructure

The Universities Fund has developed cutting edge ICT infrastructure to streamline its functions more so the universities Funding process. The following systems have been put in place: Data Management Systems, Data Analytical Tool and Data Center.

#### Development of key Policies

The Universities Fund has endeavoured to achieve its mandate and meet the expectations of its stakeholders by putting efforts towards achieving sustainable financing of universities in Kenya. This has necessitated the development of various key policies.

#### Spearheading performance-based funding

The Fund has incorporated performance-based funding in the draft Universities Funding Framework as one of the funding parameters. This initiative is intended to reward universities for

efficiency in teaching, research, community service, post-graduate programme and encourages competition among universities which will stimulate the evolution of centers of excellence. The World Bank has committed to support the Universities Fund 400 Million USD to implement this model. The discussions are still ongoing regarding the funding parameters.

### **Higher Education Financing Reforms**

The President appointed a taskforce to review and recommend transformative reforms for the education sector. The Universities Fund played a critical role in the review of the higher education financing model. Based on the recommendations of the Universities Fund, the Government has reformed higher education funding from institution based to student based. This was informed by the financial challenges that were being faced by the sector which saw the Government shoulder an ever-growing financial burden to finance higher education institutions.

### **Resource Mobilization**

The mandate of the Universities Fund is to provide funds for sustainable financing to universities in Kenya. In the Universities Fund Strategic Plan, resource mobilization has been identified as a key strategic thrust towards sustainable financing of university education. To achieve this, the Fund has developed a Resource Mobilization Strategy whose central goal is to mobilize the required funds to support the development of university education in Kenya. The Fund has also been able to enter into various partnerships for resource mobilization purposes.

### **Business Process Reengineering**

The Universities Fund is implementing a strategic overhaul of its business processes to drive efficiency and effectiveness. This initiative involves optimizing workflows, embracing innovative technologies, and revising operational practices to better align with our strategic vision. The aim is to enhance service delivery and ensure we remain agile in addressing the evolving needs of Kenya's higher education sector.

### **Business Continuity Plan (BCP)**

A comprehensive Business Continuity Plan (BCP) has been instituted to safeguard the Fund's operations against potential disruptions. This plan is designed to manage risks effectively, ensure operational continuity, and uphold our commitment to providing sustainable financing for higher education. Key elements include risk assessments, detailed response strategies, and recovery

### **Development of a New Strategic Plan 2023-2028**

The Universities Fund has developed a new Strategic Plan for the period 2023-2028. This plan was formulated within the context of a complex interplay of global, regional, and national policy, legal, and regulatory frameworks. By aligning with these broader developmental aspirations, the Strategic Plan aims to ensure that the Fund's actions contribute meaningfully to national development priorities.

## **CHALLENGES**

The Universities Fund faced the following challenges in the implementation of its mandate of financing universities.

### **Low staff remuneration**

The Universities Fund salary scale is very low and does not fairly remunerate staff for the services rendered. This is currently being renegotiated with SRC.

### **Data Management**

The Universities Fund faces the challenge of university data management. The Fund heavily relies on the universities and the Kenya Universities and Colleges Placement Service (KUCCPS) for student data.

### **Resource Mobilization**

The Universities Fund is still building its capacity to carry out intensive resource mobilization to augment funding provided by the Government.

### **Poor Organizational Visibility**

The Universities Fund mandate is yet to be appreciated by the public, stakeholders and potential partners and donors.

### **Inadequate University Funding**

The Government has increased access to universities however it has not provided adequate funding to sustain quality university programmes.

### **COMPLIANCE**

During the period under review, the Board of Trustees ensured that the Universities Fund is in compliance with all statutory financial requirements by ensuring that the Financial Year 2023/2024 Quarterly financial report and statements were approved and forwarded as per the Public Finance Management Act, No. 83 of 2012.

### **COMMITMENT**

The Universities Fund is committed to ensuring equal access to quality and relevant university education as well as enhancing funding to support the programmes under the Bottom-UP Economic Transformation Agenda in Universities. In light of the Fund's strong performance, the Board of Trustees is optimistic about the resilience demonstrated this far to create increasing value and better outcomes for our stakeholders in future. I have no doubt that the Universities Fund team is experienced enough to make the next Financial Year 2024/2025 another year of success.

On behalf of The Universities Fund, I express my sincere gratitude to the Government of Kenya, our parent Ministry of Education, the University education sector in Kenya and other stakeholders for their support and partnership which has been invaluable during the period.

Finally, I wish to thank most sincerely my fellow Board members whose invaluable insights and contribution was key during the Financial Year and also the staff of the Universities Fund whose contribution on a daily basis helps us to execute the strategy set out by the Board. As a Board, we continue to build an organization that is responsive to the needs of its stakeholders and that can achieve the mandate placed on it by the people of Kenya.



**PROF. KARUTI KANYINGA**  
**CHAIRMAN, BOARD OF TRUSTEES**

## 6. REPORT OF THE CHIEF EXECUTIVE OFFICER



*The Management of the UF is committed in laying a strong foundation for the successful implementation of the Universities Fund mandate. This has been evidenced by the annual report and financial statements of the Universities Fund for the year ended 30 June, 2024.*

### **Introduction**

It is my pleasure to present the annual report and financial statements and an overview of the Fund's activities for the year ended 30 June, 2024. On behalf of the management and staff of the Universities Fund (UF), I am honoured to be part of this service-oriented organization determined to ensure the achievement of its mandate.

The growth of the Universities Fund has been on an upward trend, in particular the capacity of the Secretariat to carry out its mandate as directed by the Board of Trustees. The key activities I would like to report are outlined as follows:

### **KEY ACTIVITIES**

The following are the key activities undertaken by the Universities Fund thus far:

#### **Implementation of the Universities Fund 2021-2026 strategic Plan**

The UF developed its 2021-2026 Strategic plan. The strategic plan is an important document that articulates the ambitions, values and goals that will guide the Fund in the next five years.

The Strategic Plan is structured around four (4) pillars.

- Sustainable financing and stewardship.
- Customer focus.
- Institution building and innovation.
- Developing and growing our people.

The Financial Year under review is the second of the Fund's Strategic Plan (2021-2026) implementation.

#### **Human Resource Capacity Building**

Currently, the Fund comprises 25 staff members. This accomplishment holds considerable importance, as it lays the groundwork for sustained advancement in carrying out its mission to financially support Kenyan universities. Notably, this achievement has led to the operationalization of crucial departments within the Universities Fund, including Resource Mobilization, Grants Management, Corporate Communication, and Human Resources.

### **Performance Management**

The Universities Fund has embraced performance management and actions that allow for the maximization of the performance of employees at the Fund. The UF has integrated a performance management system which provides employees with a clear understanding of job expectations; regular feedback about performance; advice and steps for improving performance; rewards for good performance; and sanctions for poor performance.

### **Development of the Universities Fund Data Management System**

The Universities Fund has successfully developed a data management system known as the Universities Fund Data Management Information System (UFDNIS). This system gathers vital information from government-funded universities in Kenya, including details about 500,000 students and their study programs. It also integrates an ERP component for the Fund's daily operations, enabling real-time fund allocation and promoting transparency.

### **Data Analytics tool**

The UF has acquired a data analytical tool which aims to enhance Monitoring and Evaluation as well as Audit processes. The tool acquired is called the Continuous Auditing and Continuous Monitoring program. It will combine process and technology to detect risk and compliance issues associated with the financial and operation environment at the Fund and all its partners/ stakeholders. It is expected that it will enable the UF carry out the following:

- Tracking the number of beneficiaries at each university
- Ascertain the level of debt at every university funded
- Status of registered students in universities.
- Determine the status of projects funded by Government in universities.

### **Data Security tools**

Data is the most valuable asset to the UF as it helps in predicting trends, analysing performance, identifying pitfalls and opportunities, and much more. In this regard, the UF has acquired the following tools as a cyber security measure:

- Implementation of a Next Generation Firewall (NGFW)
- Data Centre Redundancy Components and Network Equipment
- ERP Redundancy in the Cloud

### **ISO certification**

The Fund successfully achieved ISO 9001:2015 certification, marking a significant milestone in our commitment to quality management and operational excellence. Following the certification, we have also completed our first surveillance audit, which further affirmed our adherence to the high standards required by the certification. This achievement not only streamlines operations within the Fund but also enhances our international recognition and visibility, making the Fund more appealing to potential donors and stakeholders.

### **Business Process Reengineering**

The Universities Fund has embarked on a business reengineering initiative aimed at fundamentally redesigning our processes and operations to enhance efficiency and effectiveness. This involves streamlining workflows, adopting new technologies, and revising operational procedures to better align with our strategic objectives. Our goal is to improve service delivery

and boost customer satisfaction, ensuring that the Fund remains responsive to the evolving needs of the higher education sector in Kenya

### **Development of a Business Continuity Plan (BCP)**

The Universities Fund has developed a comprehensive Business Continuity Plan (BCP) to ensure that we can maintain essential functions and quickly recover from any disruptions or emergencies. The BCP outlines strategies and procedures for managing and mitigating risks, maintaining operational resilience, and ensuring the continuity of service delivery to our stakeholders. This plan includes risk assessments, response protocols, and recovery procedures to safeguard the Fund's operations and support our mission of providing sustainable financing for higher education in Kenya.

### **Development of the New Strategic Plan 2023-2028**

The Universities Fund has developed a new Strategic Plan for the period 2023-2028, structured around five key pillars that address the critical areas necessary for achieving our mission:

- Financial Sustainability and Stewardship: Ensuring long-term financial health and innovative funding.
- People Centricity: Prioritizing staff development and well-being.
- Institutional Capacity Development: Strengthening operational efficiency and institutional capabilities.
- Customer Focus: Enhancing service delivery to stakeholders.
- Environmental and Social Responsibility and Governance (ESG): Integrating sustainability and ethical governance into our operations.

This plan equips the Fund to meet its mandate while addressing the evolving needs of higher education financing in Kenya.

### **FINANCIAL PERFORMANCE**

The financial performance for the period under review was mainly impacted by the Government, since the Fund depended fully on financial grants provided by the Government of Kenya for its operations.

The Fund's total Budget approval was KES 20,213,864,468 where KES 328,555,347 was for operations and KES 19,885,309,121 for scholarships as compared to KES 274,525,812 received in the Financial Year 2022/2023 which shows an increase of KES 54,029,535. From the approved budget the Fund however received kshs 11,965,315,330 for scholarships. Following the Board approval, the Fund invested part of its disbursements on call deposits with KCB, Cooperative Bank and National Bank of Kenya which yielded total interest of Kshs 150,703,415 where Kshs 63,233,864 was received and Kshs.87,469,551 accrued. In addition the Fund generated KES 94,980,000 from administration fees and other income of Kshs. 8,655,454.

The Fund's total expenditure in the period under review amounted to KES 11,191,673,023, KES 10,943,383,517 for scholarships which was 55.04% from the scholarship budget and the total operations expenditure of the total approved operational budget was 69.5.4 % for the period. The average expenditure was 89% of the total approved budget.

It is also good to note that Fiscal discipline was observed during this Financial Year with all our expenditure being within the approved budget.

The Fund is dedicated to improvement of quality, efficiency, and service delivery to ensure stakeholders satisfaction.

I would finally like to express my special thanks to the Government for the opportunity to serve Kenyans, the Board of Trustees for selfless contribution, guidance, and invaluable support, the Secretariat for working round the clock to deliver the mandate of the Fund and all the stakeholders for their cooperation.



**GEOFFREY MONARI**  
**CHIEF EXECUTIVE OFFICER**

## 7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FINANCIAL YEAR 2023/2024

The UF developed a Corporate Work Plan for the FY 2023/2024 which was anchored on the UF Strategic Pillars. This was cascaded to departmental workplans and individual staff balance score cards. The key following activities and targets were met during the Financial Year

Strategic Objective 1.1: Grow funding to Universities Fund

Strategic Objective 1.2: Diversify the portfolio of funding available to the Fund

Strategic Objective 1.3: Enhanced stewardship of funding and assets

Strategic Objective 3.1: Leverage information, communication, and technology (ICT) for effectiveness

Strategic Objective 3.2: Strengthen the research, monitoring and evaluation function in the Fund

Strategic Objective 3.3: Codify standards, policies and procedures to streamline processes

Strategic Objective 3.4: Establish offices and facilities for the Fund

Strategic Objective 4.1: Adequately staff the Fund

Strategic Objective 4.2: Enhance team engagement and culture

Strategic Objective 4.3: Embed leadership, learning and development

In reference to Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 which requires the accounting officer to include in the financial statement, a statement of the Fund's performance against predetermined objectives.

The Fund achieved its performance targets set for the Financial Year 2023/2024 period, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Mobilization of financial resources	To mobilize resources for financing Universities	Increased resources. Resource Mobilization policy	Develop a Resource Mobilization Strategy	Formulated and begun implementing its Resource Mobilization (RM) Strategy, which is designed to expand its funding base.

### **Appointment and Removal of Directors and Succession Plan**

The Universities Fund is managed by a Board of Trustees. The Universities Fund, Board of Trustees currently constitutes of seven members. Provisions of Section 54(1)(c) and 54(3) as read together with Section 6(1) of the Universities Act, 2012, provide the manner in which the members of the Universities Funding Board are to be appointed.

### **Training**

The Universities Fund and Board undertook various training sessions on Audit and Risk, as well as Risk Management. These trainings enhanced our capacity to oversee the operations of the Secretariat effectively and integrate Risk Management into strategic planning. Additionally, new board members participated in board induction training, which was crucial for familiarizing them with their roles and responsibilities, and aligning them with the Fund's governance practice.

### **Ethics and Conduct and Governance Audit**

The Universities Fund conducted a Governance Audit and Board Evaluation. The Governance Audit assessed the effectiveness and efficiency of our governance structures, processes, and compliance mechanisms, identifying areas for improvement. The Board Evaluation focused on the performance and effectiveness of the board and its members, providing insights into areas for development and enhancing overall board effectiveness.

### **Board remuneration**

The Trustees remuneration and/or payable allowances are guided by the Salaries and Remuneration Commission circulars and policy guidelines. Details of Board and committee allowances are included in these financial statements.

### **Conflict of interest and Declaration of interest**

The Universities Fund, Board Trustees are obligated to inform the Board or the Chairman, as soon as the member becomes aware of any conflict or potential conflict of interest, which that member may have in relation to any transaction or matter relevant to UF or its business. Unless the Board decides or the law requires otherwise, the member shall not participate in the deliberation and decision on that transaction or matter. This is recorded in the Board Minutes and Conflict of Interest Register as deemed appropriate.

### **Communication policy**

The Universities' Fund has well-documented procedures and policies which include the Communication policy. The Policy guides the Fund's interactions and ensure effective, consistent messaging. This policy outlines procedures for internal and external communication, setting clear standards for engaging with stakeholders, managing information dissemination, and handling public relations.

## 8. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure used to direct and manage the affairs of the Board.

At the Universities Fund, the Board aims to help build an environment of integrity, transparency, teamwork, accountability and customer focus. This is to facilitate the Fund's vision towards financial sustainability of Universities in Kenya and Provide control systems commensurate with the risks involved.

### a) Roles and Functions of the Board

The Board of Trustees is responsible for policy formulation and direction and charting out the road map for goal attainment including plans of actions for the Fund. The Board of Trustees attach great importance to the need to conduct the activities of the Fund with integrity, professionalism and in accordance with generally accepted international corporate practice.

The Trustees are responsible for the management of the affairs of the Fund which are to:

- i. Advise the Cabinet Secretary in matters of university education financing and related policy issues;
- ii. In consultation with the Cabinet Secretary, develop a transparent and fair criterion for allocation of funds to public universities and issue conditional grants to private universities;
- iii. Apportion funds to public universities and issuance of conditional grants to private universities in accordance with the criteria established;
- iv. In consultation with the Chairpersons of Councils of public universities, propose and establish for approval by the Cabinet Secretary and the Auditor-General the maximum Differentiated Unit Cost for the programmes offered;
- v. Establish the Minimum Discipline Differentiated Remuneration (MDDR) for academic staff of universities, which shall be fair and globally competitive, and advise the Government accordingly;
- vi. Mobilize and receive funds for purposes of the Fund from the Government, donors, and from any other source; and
- vii. Exercise any other power for the better performance of its functions under the universities Act, 2012.

The Act also provides that the Board of Trustees may invest any unutilized balances in the Fund in such manner as trustees may lawfully invest public funds.

### a) Board of Trustees Committees

The Board of Trustees has delegated its authority to the standing Board Committees to enable it carry out its mandate effectively.

The Board Committees operate under set terms of reference.

These Committees are as follows:

#### (i) Audit and Risk Committee

Functions of the Committee are;

To participate in the recruitment & selection process of the HIA. To drive the assessment of the performance of the HIA.

To examine internal and external audit reports and recommendations after management response to ensure that action is taken.

To facilitate implementation of all the recommendations from the Parliamentary Audit Committee and the Public Investment Committee.

- a) The Committee is responsible for communicating with the internal and external auditors. In its oversight role, the committee focuses on: The changing financial reporting requirements;
- b) The changing business environment;
- c) Audit findings and recommendations, including comments on controls;
- d) Proposed audit scope and audit coverage and approaches with respect to complex and high risks areas; and
- e) Management response to specific audit recommendations.

During the period under review the Members of the Committee were:

1. Prof. Walter Mwanda - Chairman
2. Dr. Charles Kirimi Mbui
3. Ms. Zipporah Mungai- Member
4. Lynne Nyongesa (PS Alternate responsible for National Treasury)

## **(ii) Finance, Administration and General-Purpose Committee**

Functions of the Committee are;

- a) Review and recommend the annual budgets for the Universities Fund to the Board of Trustees for approval;
- b) Review the Universities Fund budgetary performance on quarterly basis;
- c) Review the Universities Fund annual report and financial statements;
- d) Review the Universities Fund Annual Procurement Plans which should be aligned to the annual budget;
- e) Ensure establishment of procurement policies that promote sustainability, ethical standards and best practice in accordance with the laws of Kenya;
- f) Review the Universities Fund capital projects and monitor and evaluate their implementation;
- g) Review the implementation of the Universities Fund strategic plan;
- h) Review the staff establishment structures and their operational activities that will facilitate the running of the Universities Fund;
- i) Report quarterly to the full Board with their recommendations for ratification; and
- j) Any other function allocated to the Committee by the Board.
- k) Develop performance targets for top officials of the Universities Fund; and
- l) Evaluate performance of senior staff of the Fund.

During the period under review the Members of the Committee were:

1. Dr. Ken Nyaundi – Chairman
2. Ms. Diana Mutisya - Member (PS Alternate responsible for university education)
3. Lynne Nyongesa (PS Alternate responsible for National Treasury)
4. Mr. Reagan Kaberia

**(iii) Planning, Research and Resource Mobilization Committee**

Functions of the Committee are;

- a) To work with the Secretariat to formulate and review the development strategies and work plans;
- b) To coordinate the development of strategic plan;
- c) To work with the Secretariat to develop research, resource mobilization and investment policies and guidelines;
- d) To provide leadership on formulation of the Trustees Research and Innovation agenda;
- e) To collect, disseminate and maintain data on university funding in Kenya (knowledge management);
- f) To determine the allocation of funds to universities;
- g) To identify and recommend to the Board potential multi-lateral donors, bilateral donors, foundations, development agencies and industry partners;
- h) To develop and recommend mechanisms which support public private partnerships;
- i) To develop proposals for the Board to work with specific universities in support of their resource mobilization and investment initiatives;
- j) To explore and recommend potential capital /equity investment and any other investment opportunities for purposes of the Universities Fund;
- k) To lead the Board's outreach resource mobilization efforts;
- l) To oversee the endowments grants and gifts from whatever source that is designated for the Fund;
- m) To provide guidance and appropriate investments and ensure the Board's investment objectives, policies and guidelines are consistent and also comply with existing legislations; and
- n) To propose and/or determine the priority areas for the Fund.

During the period under review the Members of the Committee were:

1. Dr. Charles Kirimi Mbui - Chairman
2. Prof. Walter Mwanda - Member
3. Dr. Ken Nyaundi – Member
4. Ms. Zipporah Mungai – Member
5. Ms. Diana Mutisya – Member (PS Alternate responsible for university education)
6. Mr. Reagan Kaberia

### b) Board of Trustees Composition

The following table represents the Board composition and its three committees and chairs of each committee.

Members	Full Board	Audit & Risk	Finance, Administration & General-Purpose	Planning, Research and Resource Mobilization
1. Prof. Karuti Kanyinga	√			
2. Dr. Charles Kirimi Mbui - Chairman	√	√		√*
3. Prof. Walter Mwanda - Member	√	√*		√
4. Dr. Ken Nyaundi – Member	√		√*	√
5. Ms. Zipporah Mungai – Member	√	√		√
6. Lynne Nyongesa (PS Alternate responsible for National Treasury)	√	√	√	
7. Ms. Diana Mutisya – Member (PS Alternate responsible for university education)	√		√	√
8. Mr. Reagan Kaberia	√		√	√

### c) Board of Trustees attendance

Best practice requires that every Board member attends a minimum of 75% of all Board meetings. Below is an extract from the attendance register for the Full Board meetings held in the period under review:

Sno	Names	Number of meetings during the year	Number of meetings Attended
1	Prof. Karuti Kanyinga*	8	8 of 8
2	Dr. Charles Kirimi Mbui - Chairman	8	7 of 8
3	Prof. Walter Mwanda - Member	8	8 of 8
4	Dr. Ken Nyaundi – Member	8	7 of 8
5	Ms. Zipporah Mungai – Member	8	8 of 8
6	Lynne Nyongesa (PS Alternate responsible for National Treasury)	8	7 of 8
7	Ms. Diana Mutisya – Member (PS Alternate responsible for university education)	8	6 of 8
8	Mr. Reagan Kaberia	8	7 of 8

\*Chairperson to the Board: Prof. Karuti Kanyinga

Below is a summary of the members' attendance of each of the committee of the Board:

a) Audit and Risk Committee

Members	Number of meetings during the year	Number of meetings Attended
Prof. Walter Mwanda *	5	5 of 5
Dr. Charles Kirimi Mbui	5	5 of 5
Ms. Zipporah Mungai	5	4 of 5
Lynne Nyongesa (PS Alternate responsible for National Treasury)	5	5 of 5

\*Chairperson to the committee: Prof. Walter Mwanda

b) Finance Administration and General-Purpose Committee

Members	Number of meetings during the year	Number of meetings Attended
Dr. Ken Nyaundi*	5	5 of 5
Ms. Diana Mutisya - (PS Alternate responsible for university education)	5	3 of 5
Lynne Nyongesa (PS Alternate responsible for National Treasury)	5	5 of 5
Mr. Reagan Kaberia	5	3 of 5

\*Chairperson to the committee: Dr. Kennedy Nyaundi

c) Planning, Research and Resource Mobilization Committee

Members	Number of meetings during year	Number of meetings attended
Dr. Charles Kirimi Mbui – Chairman*	4	4 of 4
Prof. Walter Mwanda - Member	4	4 of 4
Dr. Ken Nyaundi – Member	4	4 of 4
Ms. Zipporah Mungai – Member	4	4 of 4
Ms. Diana Mutisya – Member (PS Alternate responsible for university education)	4	3 of 4
Mr. Reagan Kaberia		3 of 4

\*Chairperson to the committee: Dr. Charles Kirimi Mbui

## 9. MANAGEMENT DISCUSSION AND ANALYSIS

### Universities Fund Operational and Financial Performance

The Universities Fund is a Semi-Autonomous Government Agency (SAGA) established by section 53 of the Universities Act No 42 of 2012. The mandate of the Fund is to provide funding resources for financing universities in Kenya. It gets its funds from the Government of Kenya through the Ministry of Education, State Department of University Education and Research, well as any other source as prescribed by the Act.

In the quest for efficiency in the Fund operations, the fund began automating its processes by procuring the data centre and Fund data management information system which is meant to integrate all the Fund's functions.

### Analysis of the Fund's financial performance

#### i. Statement of Financial Performance

#### Receipts

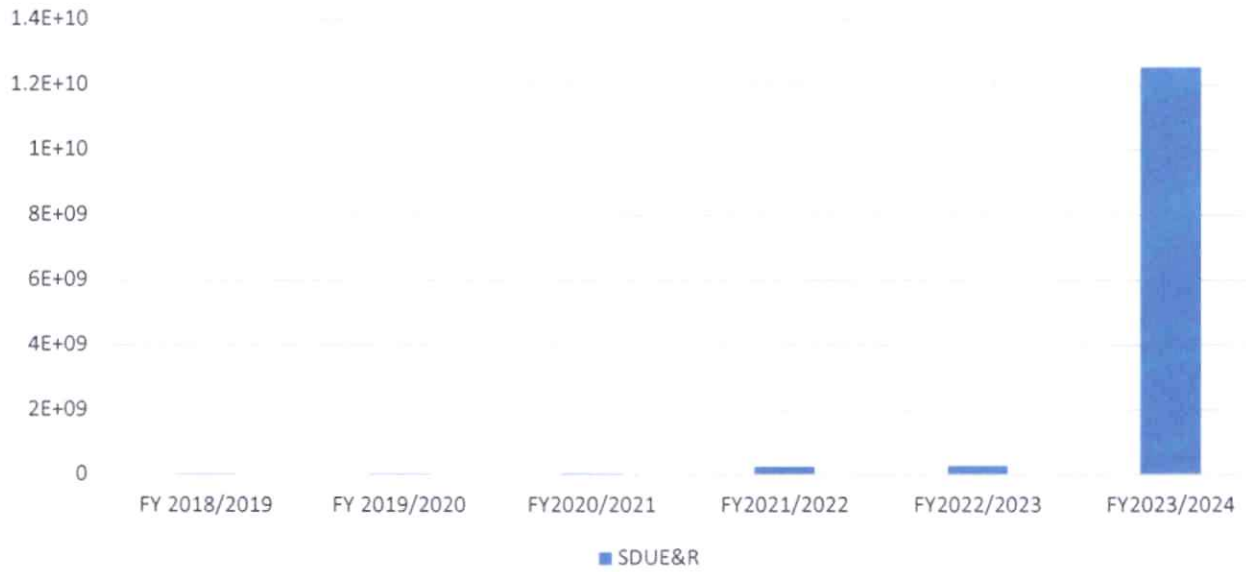
The National Government supports the Fund through the National Treasury by transferring funds for operational use. The funds are channelled to the Fund through its bank account and are budgeted for and approved by the Board of Trustees.

During the period ended June 30, 2024, the National Treasury through the State Department for Higher Education and Research received part of the approved budget totalling to Kshs. 12,290,870,676.00 where Kshs. 325,555,346.00 for operations and Kshs.11,965,315,330 for scholarships as compared to Kshs.274,525,812 FY2022/2023, Kshs.244,525,812 in the FY 2021/2022, Kshs.42,525,812 in the Financial Year 2020/2021, Kshs.25,436,752 in Financial Year 2019/2020 and Kshs.29,338,356 in Financial Year 2018/2019.

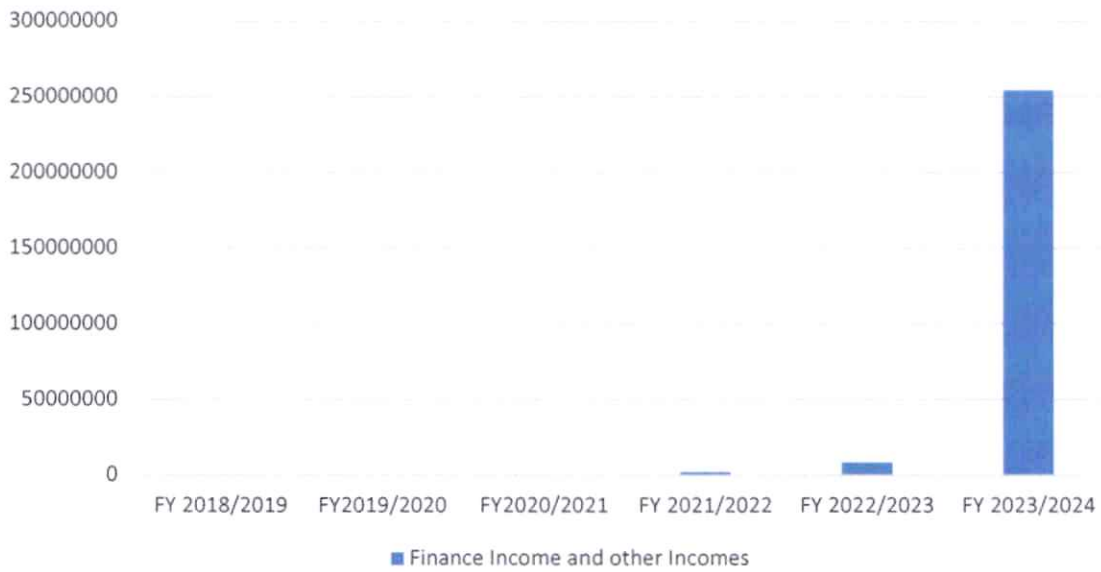
Following the Board approval, the Fund invested part of its disbursements with KCB Fixed deposit account, Cooperative Bank and National Bank of Kenya which yielded total interest of Kshs.150,703,035, received Kshs.63,233,484 while kshs. 87,469,551 was accrued. In addition, the Fund generated Kshs.94,980,000 from Administration fees and Kshs.8,655,834 from other income in the FY under review, the Fund received donations of Kshs.2,900,000 and Kshs.113,400 from insurance recoveries totaling to other revenue of **Kshs.254,338,869** in the FY under review.

The total amount of revenue for the period ended June 30, 2024 amounted to Kshs. **12,545,209,545**

### SDUE&R RECEIPTS

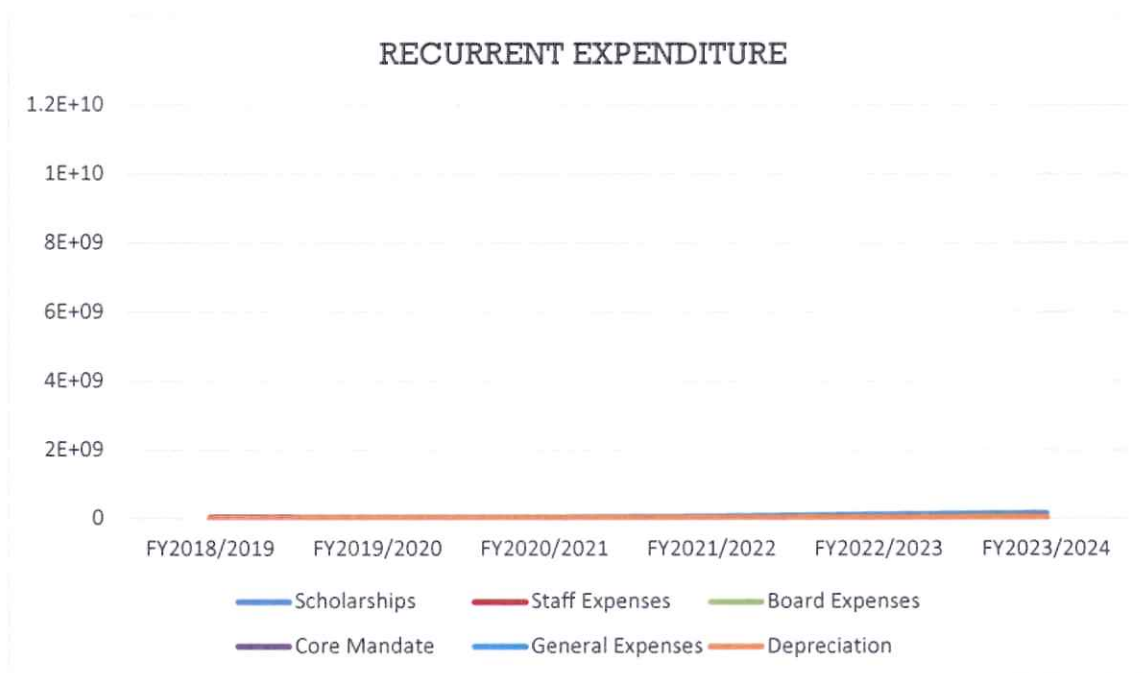


### Finance Income and other Incomes



## Expenditures

Recurrent expenditure for the period under review Kshs.11,191,673,023, Scholarships Kshs.10,943,383,517, Staff cost Kshs.47,536,285, Board expense Kshs.7,121,102, Core mandate Kshs.14,311,707, General expenses Kshs.140,007,290 depreciation and amortization Kshs.39,313,122 as compared to FY 2022/23 expenditure amounted to ended Under review amounted to Kshs.173,052,157 which includes Staff cost of Kshs.42,443,396, Board Expense of Kshs.7,148,538, Core mandate expenses of Kshs.12,999,570 and General expense of Kshs.92,968,188 and provision for depreciation amounting to Kshs.17,492,465 as compared to Kshs.81,161,446 which includes Staff cost of Kshs.16,246,723, Board Expense of Kshs.6,313,547, Core mandate expenses of Kshs.16,120,745, General expense of Kshs.38,904,185 and provision for depreciation amounting to Kshs.3,576,246 in the Financial Year 2021/2022; to Staff cost of Kshs.12,428,229, Board Expense of Kshs.5,044,257, Core Mandate of Kshs.4,476,965, General expense of Kshs.10,898,284 and provision for depreciation amounting to Kshs.547,684 in the Financial Year 2020/2021, Staff cost of Kshs.7,291,689, Board Expense of Kshs.2,752,319, General expense of Kshs.11,563,586 and Provision for depreciation of Kshs.477,324 for the Financial Year 2019/2020 and Staff cost of Kshs.9,676,419, Board Expense of Kshs.5,258,792, and General expense of Kshs.10,811,289 for the Financial Year 2018/2019.

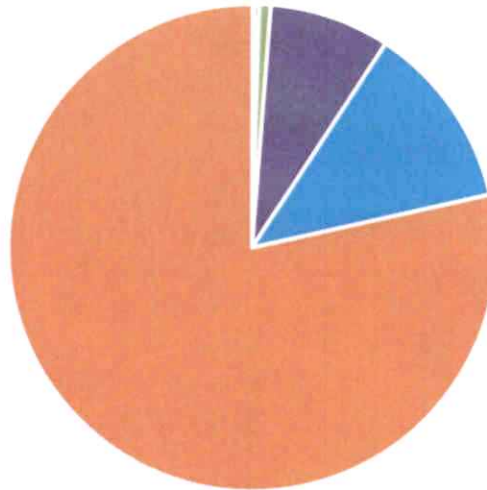


### ii. Statement of Financial Position

An analysis of the statement of financial position shows that the Fund's total assets have increased from Kshs.3,591,856 in the Financial Year 2018/2019 to Kshs.6,966,194 in the Financial Year 2019/2020 to Kshs.19,708,666 in the Financial Year 2020/2021, to Kshs.201,029,087 in the Financial Year 2021/2022 to Kshs.310,235,824 FY 2022/2023 and to Kshs.1,980,967,356 in the period under review.

The increase was mainly contributed by the procurement of Universities Fund data management information system & data centre, the cash and cash equivalent, operations receivables and prepayments which majorly were the insurance Covers and Finance income receivables.

### TOTAL ASSETS



■ FY 2018/2019 ■ FY 2019/2022 ■ FY 2020/2021 ■ FY 2021/2022 ■ FY 2022/2023 ■ FY 2023/2024

### iii. Statement of Cash Flows

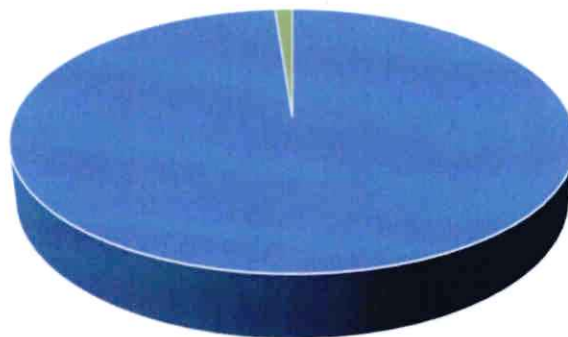
The statement shows reconciliation between opening and closing cash and bank balances. The items are classified into investing, financing and operating activities.

During the period under review the Fund had net cash flow from operating activities of Kshs.1,565,410,008.

During the period under review the Fund had nil net cash flow from financing activities.

During the period under review the Fund had net cash flow from Investing activities amounted to Kshs.35,255,854.88.

### NET CASHFLOW



■ Operating Activities ■ Financing Activities ■ Investing Activities

#### **iv. Statement of comparison of budget and actual performance**

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is presented in the statement of comparison of budget and actual amounts.

#### **Fund's compliance with statutory requirements**

The Fund has complied with its establishing Act, that is, the Universities Act, 2012. It has also complied with other legal requirements such as submission of statutory deductions to Kenya Revenue Authority (KRA) and its internal policies and procedures. There are no instances of non-compliance that would lead to financial loss.

#### **Major risks facing the Fund**

The Fund mainly faces financial risks in its operations as detailed below. The Fund does not hedge any risks but has in place a risk management framework that seeks to minimize any adverse effects that these risks may pose to the Fund.

##### **i. Fiduciary risk**

The Fund has exposure to fiduciary risk, which is the risk that an agent handling funds on behalf of a principal will not live up to his/her full fiduciary responsibility. Fiduciary risk arises mainly from the possibility of the funds entrusted to the fund by the government being mismanaged as well as the various advances given to staff as standing Imprests being inappropriately used. This could result to litigation cases and lack of value for money. To counter this, the Fund has set out various policies as well as an internal audit function to ensure that any mismanagement of funds is detected in due time.

##### **ii. Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Trustees, who have built an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows. It is the Fund's assessment that there was no liquidity risk in the year under review.

##### **iii. Market risk**

The Fund has put in place an internal audit function to assist it in assessing the risk faced by the Fund 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 Fund'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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

#### **The Fund's Financial Probity and serious Governance Issues**

There is no major financial improbity as reported by internal audit/Board of Trustees Audit committee, external auditors or other National Government Agencies proving oversight.

#### **Fund's Compliance with Statutory Requirements**

The Fund has complied with its establishing Act, that is, the Universities Act, 2012. It has also complied with other legal requirements such as submission of statutory deductions to Kenya Revenue Authority (KRA) and its internal policies and procedures. There are no instances of non-compliance that would lead to financial loss

## 10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

### Environmental and Sustainability Reporting

#### i. Sustainability strategy and profile

The UF seeks to take conscious and proactive use of processes that do not lead to the harm of people, planet, or profit whilst leaving a positive impact. The processes used to achieve sustainability shall be reliable, replicable, and measurable; any outcomes must be auditable, especially by outside scrutiny. This policy shall cover all three periods: rectifying past mistakes; reducing or eliminating current problems; building legacies for the future.

#### ii. Environmental performance

The UF has developed a Corporate Sustainability policy to ensure long term business success while contributing towards economic, social development, a healthy environment, and a stable society. By adopting this policy, the UF seeks to formalise the CSP and to provide guidelines for the introduction, development, maintenance and exercising of proactive economic, environmental, social management processes, and procedures in accordance with the UF commitment of sustainable financing of universities in Kenya.

#### iii. Employee welfare

The UF has developed Human Resource Policies which form a framework for making decisions on matters relating to management and administration of an organization's human capital, thus enabling an organization to resolve human resource issues in a fair, objective, consistent and timely manner. The Universities Fund has developed the following Human Resource instruments:

- a) UF Approved Grading and Organisation Structure;
- b) UF Approved Staff Establishment;
- c) UF Approved Career Guidelines; and
- d) UF Approved Human Resources and Procedures Manual

The policies are intended to inform, guide and provide an objective way of handling issues between UF and its employees. It provides details of the pertinent processes and procedures related to attraction, motivation, retention and exit of staff from the Fund. It also creates and maintains an environment where employees and other persons are safe to transact official business. The overall objective of the manual is to streamline our business processes and enhance controls in the management of human resources.

The UF endeavours to provide a healthy, safe and conducive work environment for its employees at all times. It is expected that with the policies in place, many routine decisions and transactions will proceed with minimal impediment.

#### iv. Market place practices-

The Fund is involved in the following in relation to responsible market place practices:

- a. Responsible competition practice.

UF has ensured responsible competition practices with issues like anti-corruption, through the development of an Anti-corruption policy which serves to provide guidance on the ethical business practices as we endeavour to have a corrupt-free organization. A whistle blowing policy has also been put in place to help in reporting of corruption cases in the organization. fair competition and respect for competitors.

- b. Responsible Supply chain and supplier relations

The UF has always prided itself to maintaining high quality customer services. This includes honouring our obligations with suppliers and contractors. The UF highly regards the needs of its

suppliers and therefore makes payments in accordance with contractual agreements. This can be evidenced through reporting zero pending bills and resolution of all complaints relayed to the UF.

c. Responsible marketing and advertisement

UF has maintained ethical marketing practices through its social media handles specifically Twitter, Instagram, and Facebook in order to reach out to its stakeholders all over the country. UF has also been advertising its service including tender adverts through the centralized government advertising system under the Government Advertising Agency.

v. **Corporate Social Responsibility/Community Engagements**

The UF makes a constant promise to operate with great regard to the quality of life of our employees, the local communities where it operates and society at large. We are committed to do business in an ethical manner which yields long-term, sustainable benefits for all our stakeholders. The UF has made strides to contribute to Kenya's forest cover through various tree planting sessions in universities located in semi-arid areas.

During the period under review the Fund planted a total of 7,200 trees in various parts of this country including: Narumoru girls, Machakos, Marurui, and Nandi Hills (Tindaret).



UF staff at Marurui Nairobi

## **11. REPORT OF THE BOARD OF TRUSTEES**

The Board of Trustees submit their report together with the unaudited financial statements for the year ended 30 June, 2024, which show the state of the Fund's affairs.

i) **Principal activities**

The principal activities of the Fund are to provide funds for financing universities in Kenya as prescribed by the Universities Act No. 42 of 2012.

ii) **Results**

The results of the Fund for the year ended 30 June, 2024, are set out from page 1 to 8. of the Financial Statements.

iii) **Board of Trustees**

The members of the Board of Trustees who served during the year are shown from page ix to xii of the Financial Report.

iv) **Auditors**

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

By Order of the Board



**GEOFFREY MONARI**  
**SECRETARY TO THE BOARD**

Date 30/9/24

## 12. STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

As per the requirement of Section 81 of the Public Finance Management Act, 2012, the Board of Trustees of the Fund has ensured preparation and presentation of the financial statements in respect of the Fund, which give a true and fair view of the state of affairs of the Fund at the end of the Financial Year ended on June 30, 2024 and the operating results of the Fund for that Financial Year 2023-2024. These Financial Statements are set out from page 1 to 8. The Board of Trustees ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund as well as safeguarding the assets of the Fund.

In doing this, the Board of Trustees has ensured the following:

- (i) Maintenance of adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintenance of proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- (iii) The designing, implementation and maintenance of 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) The safety of assets of the Fund;
- (v) The selection and application of appropriate accounting policies; and
- (vi) Accounting estimates that are reasonable in the circumstances.

The Board of Trustees accept responsibility for the Fund'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 Public Finance Management (PFM) Act, 2012. The Board of Trustees are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the Financial Year ended June 30, 2022, and of the Fund's financial position as at that date. The Board of Trustees further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The Fund's financial statements were approved by the Board on, 20/9/2024 and signed on its behalf by:



PROF. KARUTI KANYINGA  
CHAIRMAN, BOARD OF TRUSTEES



GEOFFREY MONARI  
CHIEF EXECUTIVE OFFICE

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON UNIVERSITIES FUND FOR THE YEAR ENDED 30 JUNE, 2024

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### PREAMBLE

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Universities Fund set out on pages 1 to 29, which comprise the statement of financial position as at 30 June, 2024,

and the statement of financial performance, statement of changes in net assets, statement of cash flows, 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, the financial statements present fairly, in all material respects, the financial position of Universities Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Universities Fund in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter**

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

The statement of comparison of budget and actual amount reflects final receipts budget and actual on a comparable basis of Kshs.20,216,864,464 and Kshs.12,545,209,546 respectively, resulting to an under collection of Kshs.7,671,654,918 or 38% of the budget. Further, the Fund spent a balance of Kshs.11,171,095,051 against actual receipts of Kshs.12,545,209,546, resulting to an under-utilization of Kshs. 1,374,114,495 or 11% of actual receipts.

The under collection and under-utilization of the funding affected the planned activities and may have impacted negatively on service delivery to the public.

My Opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Challenges of New Funding Model for Higher Education**

The Government adopted the New Funding Model (NFM) for higher education and effective 2023. The model shifts towards a student-centered funding approach and aims

to make education more equitable, accessible, and sustainable. It emphasizes allocating resources based on financial need while addressing challenges such as affordability, inclusivity, and institutional sustainability. The Means Testing Instrument (MTI) used for assessing financial capacity of the students categorizes them into five financial bands, 1 to 5. The Instrument ensures targeted support through scholarships, loans, and household contributions. However, review of documents and interviews with the Fund Management revealed critical challenges the model is facing amongst them:-

- i. Inaccurate data submission by applicants leading to distorted MTI scores;
- ii. Limited public awareness leading to information gap to the intended beneficiaries;
- iii. Delays in funds disbursement in the form of loans and scholarships disrupting students' ability to pay tuition fees, access accommodation, and cover living expenses;
- iv. Inclusivity concerns where vulnerable groups, such as students with disabilities or those from marginalized regions, face difficulties accessing the funds they need;
- v. Emerging concerns on unique challenges, such as those faced by Muslim students who require sharia-compliant financial products, further hinder inclusivity;
- vi. Loan repayment burden due to high unemployment and underemployment rates make it challenging for graduates to repay their loans, increasing default rates and threatening the sustainability of the revolving fund;
- vii. There is no coordination between the other government agencies dealing with the higher education students support, namely the Higher Education Loans Board and the State Department for Technical and Vocational Education and Training; and
- viii. The model is not integrated with the KUCCPS system to ensure seamless tracking of students from placements in the universities to funding.

On 20 December, 2024, the High Court declared the NFM unconstitutional for being discriminatory as it violates students right to education. Further, the ruling clarified Government's responsibility in funding public universities and passing the responsibility to parents was a violation of the Constitution as the legitimate expectation of the citizens was violated.

In the circumstances, the effectiveness of the New Funding Model for higher education in supporting students funding requirements could not be confirmed.

## **2. Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues as at 30 June, 2024 or given any explanation for failure to implement the recommendations.

## **Other Information**

The Board is responsible for the Other Information set out on pages vi to xxxvii which comprise of Key Entity Information and Management, Board of Trustees, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives for the FY 2023/2024, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Trustees and Statement of Board of Trustees' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section 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**

#### **1. Delay in the Implementation of Data Analytics Tool**

Note 22 to the financial statements disclose intangible assets which include balance of Kshs.3,450,000 in respect to an integrated data driven, risk-based, continuous auditing and continuous monitoring (CACM) solution system. Review of documents provided for audit revealed that Management engaged a local Company to supply, deliver, install and configure integrated data driven, risk-based CACM solution at a contract sum of Kshs.3,450,000. The contract was to run from April, 2022 for a period of sixty (60) working days with a further extension to 17 July, 2024 with total payments to the contractor being Kshs.2,415,000 as at 30 June, 2024. However, as at the time of audit in November, 2024, the contractor had not fully implemented the project as provision of initial sixteen (16) scripts to the Fund, work on remaining fourteen (14) scripts, release of GRC customizations to utilize orbit runner, and provision of licenses validity for one (1) year from renewal date had not been done. Further, on 17 July, 2024, Management wrote to the contractor demanding rectification of the contractual obligations on implementation of the three aforesaid areas. As at the time of audit, Management had not received any written communication from supplier to rectify the pending work. Further, Management did not invoke Clause 15 of the contract agreement on breach of contract due to the delay by the supplier.

In the circumstances, delays in the implementation of the Project denies the Fund the benefits of using the system and there is risk of escalation of costs while Management was in breach of the law.

## **2. Non-Optimal Utilization of the Enterprise Resource Planning (ERP) System**

Note 22 to the financial statements disclose intangible assets which include balance of Kshs.48,000,000 and Kshs.997,000 in respect of ERP system and Fixed Assets Management Information System. However, the contract agreement between the supplier and Management was not provided for audit. Further, although the System was integrated with the Fund's ERP system, it was established that the ERP system has the capability of accommodating additional modules which include the Fixed Assets Management Module. As such, Management has not demonstrated the need to procure separately the Fixed Assets Management Information System.

In addition, the following gaps were noted in the ERP system;

- i. The fixed assets information is incomplete with the asset tag numbers and locations not included in the system for trail and accountability;
- ii. The ERP system could not retrieve supplier statements for individual suppliers for the year;
- iii. The approval of payments and imprests could not be traced in the payment vouchers or imprest warrants;
- iv. The balances in the stores could not be confirmed since there was no trail on how goods were taken on charge upon purchase;
- v. The Fund's procurement process was still manual as the E-procurement system was not in use; and
- vi. The stores module did not provide an audit trail of how goods were taken on charge after receipt.

In the circumstances, value for money has been realized from the investment of Kshs.48,997,000 on the ERP system and the Fixed Assets Management System.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance

section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **1. Control Weaknesses over Scholarship Management Processes**

Review of the scholarships management process which entails scholarships application, approval, validation and payments of funds to the applicants revealed the following control weaknesses;

- i. Analysis of the student's payments report revealed that an amount of Ksh.664,347 was paid for eight (8) students whose registration numbers were either missing or inconsistent with the other formats and therefore could not be traced to their respective institutions of learning;
- ii. The student's payments report indicated that there were twenty-one (21) students with scholarship totalling Kshs.1,994,835 whose registration numbers were duplicated;
- iii. Twenty-five (25) applicants awarded scholarships amounting to Kshs.595,560 had their study levels indicated as either PhD, diploma or null results;
- iv. Analysis of the student's payments report revealed that fifteen (15) students who received scholarships of Kshs.584,002 had not been placed by Kenya University and Colleges Central Placement Service (KUCCPS) as provided under eligibility requirements; and
- v. Comparison of the students' payments report and the universities' returns revealed that scholarships amounting to Kshs.2,299,516 were paid for forty-one (41) students who had either deferred, not reported or had been expelled during the year.

In the circumstances, the effectiveness of control over scholarship management processes scholarships could not be confirmed.

### **2. Under Staffing of the Fund**

Review of the Fund's staff establishment revealed that the Fund had thirty-two (32) members of staff against the approved fifty-one (51) staff in the establishment, resulting to a deficit of nineteen (19) staff or 37% of the required number. Further, it was noted that the Grant Management Department which forms part of the core function of the Fund had in only two (2) members of staff in post compared to the approved staff establishment of ten (10) while the positions of Finance Officer, Accountant and Human Resource had two (2) members of staff each against the prescribed one (1) position each in the staff establishment.

In the circumstances, the understaffing may hinder effective services delivery to the public.

### **3. Weaknesses in Management of Inventory**

Note 24 to the financial statements discloses inventory balances of Kshs.1,909,149 which tallies with the stock take balance. However, the system reflected negative stock balances of Kshs.13,708,814 an indication of weaknesses in internal controls on posting of stock as it allows for the stocks to be overdrawn.

In the circumstances, the effectiveness of internal controls over inventory management could not be confirmed.

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

### **Responsibilities of the 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require

that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229 (7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**20 December, 2024**

**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024**

	Note	FY2023/2024	FY2022/2023
		KES	KES
<b>Revenue from non-exchange transactions</b>			
Transfers from the SDHE&R-Operations	6	245,555,346	274,525,812
Transfers from the SDHE&R-HEMIS	6	80,000,000	
Transfers from the SDHE&R-scholarships	6	11,965,315,330	
<b>Revenue from Exchange transactions</b>			
Finance Income	7	150,703,035	5,362,277
Other Income	8	8,655,834	3,013,400
Administration fees	9	94,980,000	
<b>Total revenue</b>		<b>12,545,209,545</b>	<b>282,901,489</b>
<b>Expenses</b>			
Scholarships	10	10,943,383,517	
Staff costs	11	47,536,285	42,443,396
Board Expenses	12	7,121,102	7,148,538
Core mandate Expenses	13	14,311,707	12,999,570
General expenses	14	140,007,290	92,968,188
Depreciation & amortization	15	39,313,122	17,492,465
<b>Total expenses</b>		<b>11,191,673,023</b>	<b>173,052,157</b>
<b>Other gains/losses</b>			
Loss on Disposal of Assets			319,755.18
<b>Surplus/(deficit) for the period</b>		<b>1,353,536,522</b>	<b>109,529,577</b>

The notes set out on pages 9 to 31 form an integral part of the quarterly financial statements.  
The Financial statements set out on Pages 1 to 8 were signed on behalf of Board by:



**GEOFFREY MONARI**  
CHIEF EXECUTIVE OFFICER

DATE 4/12/24



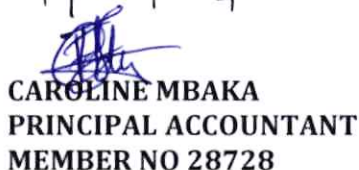
**TITUS MACHARIA**  
HEAD OF FINANCE

DATE 4/12/24



**PROF. KARUTI KANYINGA**  
CHAIRMAN, BOARD OF TRUSTEES

DATE 4/12/24



**CAROLINE MBAKA**  
PRINCIPAL ACCOUNTANT  
MEMBER NO 28728


DATE 4/12/24

9


**15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024**

Assets	Note	FY2023/2024	FY2022/2023
<b>Current assets</b>		KES	KES
Cash and cash equivalents	16	1,644,980,784	98,305,924
Receivables from Exchange transactions (Prepayments)	17	2,506,610	1,242,181
Receivables from Non-Exchange transactions	19	143,739,877	13,300
Inventories	24	1,909,149	2,265,511
<b>Total Current Assets</b>		<b>1,793,136,420</b>	<b>101,826,916</b>
<b>Non-current assets</b>			
Plant Property & Equipment	21	125,828,405	156,083,811
Intangible assets/software	22	62,002,531	875,098
Work In progress	21		51,450,000
<b>Total non-current assets</b>		<b>187,830,936</b>	<b>208,408,909</b>
<b>Total assets</b>		<b>1,980,967,356</b>	<b>310,235,825</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	23	3,393,019	16,067,763
Scholarship Payables	23	319,597,225	
Payroll Liabilities	23	1,984,777	
Provisions	23	8,687,753	400,000
<b>Total current liabilities</b>		<b>333,662,774</b>	<b>16,467,763</b>
<b>Non-current liabilities</b>			
<b>Net Assets</b>			
Reserves			
Capital Fund Received in Kind		2,631,247	2,631,247
Accumulated Surplus		1,644,673,335	291,136,815
<b>Total Net Assets</b>		<b>1,980,967,356</b>	<b>310,235,825</b>

The Financial statements set out on Pages 1 to 8 were signed on behalf of Board by:

  
GEOFFREY MONARI  
CHIEF EXECUTIVE OFFICER


DATE 4/12/24

  
TITUS MACHARIA  
HEAD OF FINANCE

DATE 4/12/24

  
PROF. KARUTI KANYINGA  
CHAIRMAN, BOARD OF TRUSTEES

DATE 4/12/24

  
CAROLINE MBAKA  
PRINCIPAL ACCOUNTANT  
MEMBER NO 28728

DATE 4/12/24

**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024**

Description	Capital Fund	Accumulated Surplus	Total
As at July 1, 2022	2,631,247	181,607,237	184,238,484
Surplus/deficit for the Period	-	109,529,578	109,529,578
Capital Fund Received in Kind	-		
Revaluation Gain	-		
As at June 30, 2023	2,631,247	291,136,815	293,768,062
As at July 1, 2023	2,631,247	291,136,815	293,768,062
Surplus/deficit for the Period	-	1,353,536,522	1,353,536,522
Capital Fund Received in Kind	-		
Revaluation Gain	-		
As at June 30, 2024	2,631,247	1,644,673,337	1,647,304,584



GEOFFREY MONARI  
CHIEF EXECUTIVE OFFICER

DATE 4/12/24



TITUS MACHARIA  
HEAD OF FINANCE

DATE 4/12/24



PROF. KARUTI KANYINGA  
CHAIRMAN, BOARD OF TRUSTEES

DATE 4/12/24



CAROLINE MBAKA  
PRINCIPAL ACCOUNTANT  
MEMBER NO 28728

DATE 4/12/24

**17. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2024**

	Note	Period ended June 30, 2024	Period ended June 30, 2023
<b>Cash flows from operating activities</b>		Kshs	Kshs
<b>Receipts</b>			
Transfers from the SDHE&R-operations		206,037,611	274,525,812
Transfers from the SDHE&R-HEMIS		80,000,000	
Transfers from the SDHE&R-scholarships		11,965,315,330	
Finance Income		63,233,484	5,362,277
Other Income		8,655,834	3,013,400
<b>Total Receipts</b>		<b>12,323,242,259</b>	<b>282,901,489.00</b>
<b>Payments</b>			
Scholarships		10,545,278,883	
Staff Cost		46,823,244	41,106,431
Board Expense		7,235,102	7,034,538
Core mandate		14,578,407	12,442,870
General expenses		143,916,614	90,361,192
<b>Total Payments</b>		<b>10,757,832,250</b>	<b>150,945,030.85</b>
<b>Net cash flows from operating activities</b>	25	<b>1,565,410,008</b>	<b>131,956,458</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-18,735,149	-113,011,256
<b>Net cash flows used in investing activities</b>		<b>-18,735,149</b>	<b>-113,011,256</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,546,674,860</b>	<b>18,945,202</b>
Cash and cash equivalents at beginning of the period		98,305,924	79,360,722
<b>Cash and cash equivalents at period end</b>	15	<b>1,644,980,784</b>	<b>98,305,924</b>



GEOFFREY MONARI  
CHIEF EXECUTIVE OFFICER

DATE 4/12/24



TITUS MACHARIA  
HEAD OF FINANCE

DATE 4/12/24



PROF. KARUTI KANYINGA  
CHAIRMAN, BOARD OF TRUSTEES

DATE 4/12/24



CAROLINE MBAKA  
PRINCIPAL ACCOUNTANT  
MEMBER NO 28728

DATE 4/12/24,

**18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2024**

Description	Original Budget 2023/2024	Adjustment	Final Budget	Actual on comparable basis	Performance Difference	Variance
	kshs.	kshs.	kshs.	kshs.		%
<b>Receipts</b>						
Transfer from SDHE&R - Scholarships	15,953,753,774	3,931,555,343	19,885,309,117	11,965,315,330.00	7,919,993,787.00	
Transfer From SDHE&R - Operations	255,106,411	-6,551,064	248,555,347	245,555,347	3,000,000	
Transfer From SDHE&R - HEMIS		80,000,000	80,000,000	80,000,000	-	
Interest From Investment	3,000,000	-	3,000,000	150,703,035	-147,703,415	
Other Incomes	-	-	0	8,655,834	-7,431,578	
Administration Fees		-		94,980,000	-94,980,000	
<b>Total Income</b>	<b>16,211,860,185</b>	<b>4,005,004,279</b>	<b>20,216,864,464</b>	<b>12,545,209,545.74</b>		
<b>Expenses</b>						
Scholarships To Undergraduate	15,953,753,774	3,931,555,343	19,885,309,117	10,943,383,517	8,941,925,600	55
Staff Expenses	52,345,962	-	52,345,962	47,536,285	4,809,677	91
Board Expenses	13,331,269	-4,400,000	8,931,269	7,121,102	1,810,167	80
<b>Core Mandate Related Expenses</b>						0
Resource Mobilization	6,605,500	-1,000,000	5,605,500	1,228,600	4,376,900	22
Data Validation and Compliance	7,000,000	-1,001,064	5,998,936	5,839,618	159,318	97
Policy Regulatory Framework Activities	2,000,000	-	2,000,000	598,200	351,800	30
Policies Development and Implementation	1,870,000	-	1,870,000	654,000	1,216,000	35
Pc Dynamics	6,800,000	-	6,800,000	5,991,289	808,711	88
<b>General Expense</b>						0
Office Cleaning Services	700,000	-20,000	680,000	672,001	7,999	99
Office Security Services	700,000	20,000	720,000	706,160	13,840	98
Other Consultancies and Contracted Services	20,420,000	3,832,376	24,252,376	32,092,523	-7,840,147	132
System Automation & Data Management System	-	-	80,000,000	0	80,000,000	0
Insurance - Medical	9,600,000	-800,000	8,800,000	8,434,935	365,065	96
Insurance - Group Personal Accident	880,000	-	880,000	738,350	141,650	84
Insurance - Group Life	700,000	-	700,000	697,836	2,164	100
Insurance - Motor Vehicle	1,100,000	-	1,100,000	1,766,403	-666,403	161

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Insurance - Assets	1,000,000	-	1,000,000	678,770	321,230	68
Communication Supplies and Services	2,000,000	-	2,000,000	2,576,335	-576,335	129
Local & Foreign Travel Cost	11,299,599	-2,198,000	9,101,599	7,291,274	1,810,325	80
Air Tickets (Local & Foreign)	4,000,000	-2,200,000	1,800,000	1,389,173	410,827	77
Office General Supplies & Services	4,292,050	-	4,292,050	3,472,232	819,818	81
Printing Publishing and Advertising	7,800,000	-2,600,000	5,200,000	4,986,283	213,717	96
Hospitality	1,500,000	-	1,500,000	1,490,424	9,576	99
Fuel Oil and Lubricants	1,000,000	-	1,000,000	1,599,228	-599,228	160
Training And Capacity Building	8,000,000	2,860,625	10,860,625	10,810,396	50,229	100
Subscriptions - Professional Bodies	2,300,000	-2,000,000	300,000	137,700	162,300	46
Rent And Rates/ Service Charge	19,291,432	-	19,291,432	14,342,528	4,948,904	74
Telephone E-Mail/Internet Expense	2,600,000	400,000	3,000,000	2,933,396	66,604	98
Seminars & Conferences	7,932,468	1,666,000	9,598,468	9,013,355	585,113	94
Staff Welfare	2,140,000	-	2,140,000	1,960,800	179,200	92
Postal And Telegram	100,000	-50,000	50,000	15,976	34,030	32
Newspapers Journals & Periodicals	409,032	-	409,032	400,453	8,579	98
Corporate Social Responsibility (CSR)	1,000,000	-	1,000,000	673,437	326,563	67
Audit Fees	400,000	-	400,000	400,000	-	100
Bank Charges-KCB, NBK & COOP	800,000	-	800,000	445,771	354,229	56
Legal Fees	500,000	-100,000	400,000		400,000	0
Renewals And Connectivity	16,000,000	10,000,000	26,000,000	24,817,468	1,182,532	95
Repair & Maint.- Motor Vehicles	800,000	200,000	1,000,000	830,654	169,346	83
Repair & Maint.- Furniture	50,000	350,000	400,000	323,630	76,370	81
Repair & Maint.- Office/Building	50,000	-	50,000	117,728	-67,728	235
Repair & Maint.- ICT Equipment	2,500,000	1,759,000	4,259,000	4,192,078	66,922	98
Office Furniture	2,569,098	1,310,923	3,880,021	3,834,295	45,726	99
Office Equipment	85,000	-30,000	55,000	1,199,000	-1,144,000	2180
Computer Equipment	8,695,000	-70,923	8,624,077	3,849,400	4,774,677	45
Computer Software	24,940,000	-12,480,000	12,460,000	9,852,454	2,607,546	79
<b>Sub - Total (L)</b>	<b>16,211,860,184</b>	<b>-12,480,000</b>	<b>20,216,864,464</b>	<b>11,171,095,051</b>		

The difference between original and final budget is as a result of the approved reallocation

### **Significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14) explanations**

Scholarships To Undergraduate (55%)-The consumption is based on the number of scholarship applicants pulled by API in our system and those who are active students as per the returns. Some students were not funded because the information on the portal is different from what was submitted by the university and hence the under expenditure.

Board Expenses (80%)-Due to the travel ban imposed by the Government as part of austerity measures, the Board was unable to conduct the planned bilateral engagements and comparative studies with other reputable organizations. These activities were a key component of our work plan and had been budgeted for.

Resource Mobilization (22%)-Resource mobilization activities involved stakeholders engagements and travels, but due to the travel ban imposed by the Government as part of austerity measures, the Board and the management was unable to conduct the planned engagements.

Policy Regulatory Framework Activities (30%)-The Fund collaborated with KUCCPS and HELB to do the planned activities affecting our absorption rate

Policies Development and Implementation (35%)-Scholarships policy formulation was postponed to FY 2024/2025

Pc Dynamics (88%)- Some of the Planned PC activities were conducted in the office while others were done online hence the under expenditure.

Other Consultancies and Contracted Services (132%)-The higher percentage is due to litigation expenses that was charged under the vote line since a consultant was involved in handling the litigation. The litigation fees were budgeted for under legal fees

Insurance - Group Personal Accident (84%)-The Fund estimated to recruit more staff which did not happen within the year under review hence under expenditure.

Insurance - Motor Vehicle (161%)-Changes in market rates resulted to the expenditure

Insurance – Assets (68%)- The Fund had estimated acquisition of additional assets after the recruitment which did not go through in the financial year under review.

Communication Supplies and Services (129%)-There were opening communications/airtime scratch cards under inventories hence the over expenditure

Local & Foreign Travel Cost (80%)-Reduced travels due to austerity measures

Air Tickets (Local & Foreign) (77%)-Reduced travels due to austerity measures

Office General Supplies & Services (81%)-Reduced number staff led to other departments not utilizing their budgets as planned.

Fuel Oil and Lubricants (160%)-There were opening fuel Prepayments hence the over expenditure

Subscriptions - Professional Bodies (46%)-There was delay in approvals of the UF structures which affected the implementation for memberships subscriptions

Rent And Rates/ Service Charge (74%)-Rent for the 1st quarter was paid on June 2023 since the Fund was required to pay the Q1 rent before since the relocation happened in May 2023.

Postal And Telegram (32%)-Use of email for communication reduced the expenditure

Corporate Social Responsibility (CSR) (67%)-Some of the activities were charged under PC Dynamics hence the under expenditure.

Bank Charges-KCB, NBK & COOP (56%)-Most payments were done in bulk hence reducing the charges

Legal Fees (0%)-The litigation expenditure incurred was charged under other consultancies services since a consultant was engaged.

Repair & Maint.- Motor Vehicles (83%)-Expenses are incurred on need basis

Repair & Maint.- Furniture (81%)-Expenses are incurred on need basis

Repair & Maint.- Office/Building(235%)-There were opening payables which increased the expenditure

Office Equipment (2180%)-There were opening payable under works and renovations which increased the expenditure

Computer Equipment (45%)-The Fund estimated to recruit more staff and consequently but Computers which did not happen within the year under review hence under expenditure.

Computer Software (79%)-The Fund estimated to recruit more staff which did not happen within the year under review hence under expenditure.

## 19. NOTES TO THE FINANCIAL STATEMENT

### 1. GENERAL INFORMATION

The Universities Fund is established by and derives its authority and accountability from Universities Act, 2012 section 53. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is financing universities in Kenya

### 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 Fund's accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act 2010, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to the year presented.

### 3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There were no new and amended standards issued in the financial year.

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024*

Standard	Effective date and impact:
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><b><i>(The Fund did not lease any assets/liabilities in the Financial Year ended June 30,2024)</i></b></p>

Standard	Effective date and impact:
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><b><i>(The Fund did not hold any non-current asset classified as for sale in the Financial Year ended June 30,2024)</i></b></p>
<p>IPSAS 45-Property Plant and Equipment</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><b><i>(The Fund did not have any heritage asset in the Financial Year ended June 30,2024)</i></b></p>
<p>IPSAS 46 Measurement</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul>

Standard	Effective date and impact:
	<p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>(The Fund did not apply this standard in the Financial Year ended June 30,2024)</i></p>
<p>IPSAS 47- Revenue</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>(The Fund did apply the standard in the measurement of revenue from exchange transactions in the Financial Year ended June 30,2024)</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>(The Fund did not have any transferred expenses in the Financial Year ended June 30,2024)</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>(The Fund did not have retirement benefit plans that were not accounted for in the Financial Year ended June 30,2024)</i></p>

iii. **Early adoption of standards**

The Fund did not early – adopt any new or amended standards in year ended 2024.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

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

**Transfers from other government entities**

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

**ii) Revenue from Exchange transactions**

**Rendering of services**

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

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

**Sale of goods**

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

**Interest income**

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

**Rental income**

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

## **b. Budget information**

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

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

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

## **c. Taxes**

### ***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Fund operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### ***Deferred tax***

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the

deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

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

### **Sales tax**

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

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

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

### **a) Investment property**

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

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

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

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

### **b) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the

plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

#### **Depreciation of Property, plant and equipment**

The Universities Fund adopts reducing balance method in depreciating its assets as guided by its Finance policy and procedures manual. No depreciation is charged on the Financial Year of purchase of the asset. The UF's depreciation rates as per each asset classification are outlined below.

**Table: Depreciation rates for non-current assets.**

<b>Category</b>	<b>Depreciation rate</b>
Buildings	2.5%
Software	20%
Office Equipment	12.5%
Motor Vehicles	25%
ICT equipment	33.3%
Furniture and Fittings	12.5%

#### **c) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Fund. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Fund also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Fund will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

#### **d) Intangible assets**

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

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

#### **e) Research and development costs**

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale

- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

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

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

## **f) Financial instruments**

### **a) Financial assets**

#### **Classification of financial assets**

The Fund classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Fund's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

#### **Subsequent measurement**

Based on the business model and the cash flow characteristics, the Fund classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

#### **Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### **Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair

value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

### **Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

### **Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Fund manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

### **Impairment**

The Fund assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Fund recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments are made by management in determining the expected credit loss (ECL).

## **b) Financial liabilities**

### **Classification**

The Fund classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

#### **i. Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Fund.

#### **ii. Provisions**

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

an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**iii. Contingent liabilities**

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

**iv. Contingent assets**

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

**v. Nature and purpose of reserves**

The Fund creates and maintains reserves in terms of specific requirements.

**vi. Changes in accounting policies and estimates**

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

**d. Employee benefits**

**Retirement benefit plans**

The Fund provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Fund pays fixed contributions into a separate Entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**e. Foreign currency transactions**

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

**vii. Borrowing costs**

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

**viii. Related parties**

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

**ix. Service concession arrangements**

The Fund analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Fund recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Fund also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**x. Cash and cash equivalents**

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

**xi. Comparative figures**

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

**xii. 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, 2023.

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

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

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

### Useful lives and residual value

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 Fund.
- 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 40.

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.

The Fund provided for audit fees upon comparing with other preceding quotations and invoices

## 6 TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Transfers from the Ministry	Actual Audited	
	FY 2023/2024	2022/2023
	Kshs	Kshs
Transfers from SDHE&R - Scholarships	11,965,315,330	
Transfers from SDHE&R - HEMIS	80,000,000	
Transfers from SDHE&R - Operations	245,555,346	274,525,812
<b>TOTAL</b>	<b>12,290,870,676</b>	<b>274,525,812</b>

The Fund received scholarships and Operations capitation/grants. The Fund received kshs.12,251,352,941 While Kshs. 39,517,735 was operations capitation receivables

### 1b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred /under deferred	Total transfers FY 2023/24	Prior year FY 2022/23
	Kshs	Kshs	Kshs	Kshs
Transfers from State Dept for Higher Education & Research	12,290,870,676	0	12,290,870,676	12,290,870,676
<b>TOTAL</b>	<b>12,290,870,676</b>	<b>-</b>	<b>12,290,870,676</b>	<b>12,290,870,676</b>

## 7 FINANCE INCOME

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Cash investments and fixed deposits	<u>150,703,035</u>	<u>5,362,277</u>
<b>TOTAL</b>	<b><u>150,703,035</u></b>	<b><u>5,362,277</u></b>

The Fund invested on call deposits as per the board approval. The fund received Kshs.63,233,484.26 while there was accrued interest of Kshs.87,469,550.74.

## 8 OTHER INCOME

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Insurance recoveries	91,920	113,400.00
Donations	500,000.00	<u>2,900,000</u>
Grant Refund & other recoveries	8,063,914	
<b>TOTAL</b>	<b><u>8,655,834</u></b>	<b><u>3,013,400</u></b>

The Fund received compensation on insured item, Donations received from Cooperative bank and various the private universities refunded grants

## 9 ADMINISTRATION FEES

	FY 2023/2024	2023/2024	FY 2022/2023
	Kshs	Kshs	Kshs
Administration Fees	94,980,000	94,980,000	
<b>TOTAL</b>	<b><u>94,980,000</u></b>	<b><u>94,980,000</u></b>	

The Fund charged scholarships administrative fees as per the board approval

## 10 SCHOLARSHIPS COST

	FY 2023/2024	2023/2024	FY 2022/2023
	Kshs	Kshs	Kshs
Scholarships	10,943,383,517	10,943,383,517	
<b>TOTAL</b>	<b><u>10,943,383,517</u></b>	<b><u>10,943,383,517</u></b>	

The fund disbursed scholarships for various students to various universities. The Fund disbursed scholarships kshs.10,545,278,883, there was receivables from various universities amounting to kshs. 16,472,591 and payables of Kshs.319,597,225.

## 11 STAFF COST

Description	FY 2023/2024	FY 2022/2023
	Kshs	Ksh
Basic Salary	25,227,734	33,387,574.07
House Allowance	9,401,247	4,738,491.95
Commuter Allowance	2,775,282	1,287,667.43
Entertainment Allowance	780,000	390,000.00
Extraneous Allowance	774,000	1,116,000.00
Other Allowance	8,578,023	1,523,652
<b>TOTAL</b>	<b><u>47,536,285</u></b>	<b><u>42,443,396</u></b>

The personnel emoluments and other allowances.

### 12 BOARD EXPENSE

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Chairman's Honoraria	960,000	917,936
Sitting Allowances	3,779,999	3,412,000
Mileage/Transport costs	768,450	228,458
DSA and other allowances	1,609,003	2,590,144
NITA Board Expense	3,650	
<b>TOTAL</b>	<b>7,121,102</b>	<b>7,148,538</b>

Board expenses/compensations/honoraria

### 13 CORE MANDATE

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Resource Mobilization Expenses	1,228,600	4,004,050
Monitoring and evaluation expenses/Data validation & compliance	5,839,618	765,500
Policy, regulatory framework, and review of DUC	598,200	158,900
PC Dynamics	5,991,289	
Policy guidelines development & implementation	654,000	5,578,600
<b>TOTAL</b>	<b>14,311,707</b>	<b>12,999,570</b>

Expenses relating to Fund core mandate

### 14 GENERAL EXPENSES

	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Consultancies and Contracted services		9,746,229
Office Cleaning Services	672,001	
Office Security Services	706,160	
Other Consultancies & Contracted Services	32,092,523	
Insurance		12,759,588
Insurance- Medical	8,434,935	
Insurance- Group Personal Accident	738,350	
Insurance- Group Life	697,836	
Insurance-Motor Vehicle	1,766,403	
Insurance- Assets	678,770	
Communication Supplies and Services	2,576,335	1,258,124
Travelling and transport costs	7,291,274	5,870,709
Air Tickets	1,389,173	2,136,410
Office General Supplies and Services	3,472,233	1,147,159
Printing Publishing and Advertising	4,986,283	6,761,860
Printing Publicity		
Advertising & publicity		-
Hospitality and office refreshments	1,490,424	1,747,007
Fuel Oil and Lubricants	1,599,228	1,346,523
Training and Capacity Building	10,810,396	15,492,563
Membership and subscriptions	137,700	259,760

Rent and Rates and other service charge	14,226,600	12,792,270
Utility Cost (Service Charge and Parking Fee)	115,928	
Telephone, mobile and internet services	2,933,396	4,165,748
Seminars, Conference and Workshops Facilities	9,013,355	10,350,483
Staff Welfare	1,960,800	395,001
Postage Courier	15,970	18,900
Newspapers and periodicals	400,453	399,472
Corporate social Responsibility	673,437	287,320
Audit Fees	400,000	800,000
Recruitment Costs		-
Bank Charges and Commissions		826,699
Bank Charges - KCB Bank	351,632	
Bank Charges - NBK Bank	2,120	
Bank Charges - Cooperative Bank	92,019	
Legal Fees		-
Relocation charges		2,790,852
Renewals & connectivity	24,817,468	
Repairs and maintenance		1,615,510
Repair & Maintenance of Motor Vehicles	830,654	
Repair & Maintenance of Furniture	323,630	
Repair & Maintenance of Office Building	117,728	
Repair & Maintenance of ICT Equipment	4,192,078	
<b>TOTAL</b>	<b>140,007,290</b>	<b>92,968,187</b>

Various expenses to support the Fund operations

#### 15 DEPRECIATION AND AMORTIZATION

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Furniture and fittings	6,709,127	1,044,337
Motor vehicle	5,041,752	6,722,335
Computer and accessories	27,387,223	9,507,019
Software	175,020	218,774
<b>TOTAL</b>	<b>39,313,122</b>	<b>17,492,465</b>

Depreciation charged on reducing line balances

#### 16 CASH AND CASH EQUIVALENT

Description	FY 2023/2024	FY 2022/2023
<b>KCB</b>	Kshs	Kshs
Current account	(2,784,644)	38,993,497
On - call deposits	110,000,000	-
<b>Sub Total</b>	<b>107,215,356</b>	<b>38,993,497</b>
<b>NBK</b>		
Current account	2,398,096	59,312,427
On - call deposits	68,532,600	
<b>Sub Total</b>	<b>70,930,696</b>	<b>59,312,427</b>
<b>COOP BANK</b>		

Current account	265,834,732	
On - call deposits	1,201,000,000	
<b>Sub Total</b>	<b>1,466,834,732</b>	
<b>TOTAL</b>	<b>1,644,980,784</b>	<b>98,305,924</b>

Cash and cash equivalents for the KCB,COOP & NBK Accounts held by the Fund

#### 17 RECEIVABLES FROM EXCHANGE TRANSACTIONS (PREPAYMENT)

Description	FY 2023/2024		FY 2022/2023	
	Kshs		Kshs	
Fuel and lubricants prepaid	642,953		1,242,181	
Insurance				
Airticket	1,863,657			
<b>TOTAL</b>	<b>2,506,610</b>		<b>1,242,181</b>	

Prepayments done to VIVO Energies for Fuel & Msafiri For Airticket

#### 18 AGEING ANALYSIS FOR RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	FY 2023/2024		FY 2022/2023	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	2,506,610	100%	1,242,181	100%
<b>Total (a+b)</b>	<b>2,506,610</b>	<b>100%</b>	<b>1,242,181</b>	<b>100%</b>

#### 19 RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

Description	FY 2023/2024		FY 2022/2023	
	Kshs		Kshs	
<b>Current Receivables</b>				
Finance income (call deposit interest)	87,469,550.74			
Staff Imprest Debtors	280,000		13,300	
Operations capitation	39,517,735		-	
Scholarship Receivables	16,472,591			
<b>TOTAL</b>	<b>143,739,877</b>		<b>13,300</b>	

Receivables from SDHE&R(Capitations),staff and various universities

#### 20 AGEING ANALYSIS- RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS

Description	FY 2023/2024		FY 2022/2023	
	KES		KES	
	FY 2023/2024	% of the total	FY 2022/2023	% of the total
Ageing Analysis- Receivables from non-exchange transactions				
Less than 1 year	143,739,877	100%	13,300	100%
<b>Total</b>	<b>143,739,877</b>	<b>100%</b>	<b>13,300</b>	<b>100%</b>

## 21 PROPERTY PLANT AND EQUIPMENT

	Motor Vehicle	Office Equipment, Office Furniture and fittings	Computer and accessories	Software	Capital Work in progress	TOTAL
Depreciation Rate	25%	12.50%	33.30%	20%	-	
As at 1st July, 2023	20,167,005	53,672,903	82,243,903	875,098	51,450,000	208,408,909
Additions		5,033,295	3,849,400	9,852,454		18,735,149
Transfers/adjustments				51,450,000	-51,450,000	-
Disposals						-
As at 30th June, 2024	20,167,005	58,706,198	86,093,303	62,177,552	-	227,144,058
Depreciation and impairment						-
At 1 July 2023						-
Depreciation	5,041,752	6,709,127	27,387,223	175,020	-	39,313,122
Impairment						-
Transfers/ Adjustments						-
As at 30th June, 2024	5,041,752	6,709,127	27,387,223	175,020	-	39,313,122
Net book values						-
As at 30th June, 2023	20,167,005	53,672,903	82,243,903	875,098	51,450,000	208,408,909
As at 30th June, 2024	15,125,253	51,997,071	58,706,080	62,002,532	-	187,830,936

PPE owned by the Fund (opening PPE, Addition), their depreciation values and their Net Book values. The Fund capitalized WIP Valued at Kes 51,450,000 into software

## 22 Intangible Assets

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
<b>Cost</b>		
At beginning of the year	875,098	1,093,872
Additions	9,852,454	-
At end of the year	10,727,552	1,093,872
Additions—internal development	51,450,000	-
At end of the year	62,177,552	1,093,872
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	175,020	218,774
At end of the year	175,020	218,774
Impairment loss	-	-
At end of the year	-	-
<b>NBV</b>	<b>62,002,532</b>	<b>875,098</b>

Values of intangible assets/software held by the Fund

### 23 TRADE PAYABLES& PROVISIONS

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Scholarship	319,597,225	
Payroll Payables	1,984,777	1,271,736
Board Allowance		114,000
Trade Payables	3,393,019	
Review of DUC		1,050,000
Office general supplies		5,289
Consultancy and Contracted services		730,480
Telephone, internet and mobile services		1,144,398
Repair and maintenance		279,113
Printing, publishing and advertising		472,168
Audit fees		400,000
Training and capacity building		1,898,570
Conference seminars and workshop		159,650
Data Management System		4,800,000
Software licensing and connectivity		2,070,000
Purchase of computers, printers		342,667
Works &renovations		1,329,692
Provisions	8,687,753	400,000
<b>TOTAL</b>	<b>333,662,774</b>	<b>16,467,763</b>

Payables &provisions

### 24 INVENTORY

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Communication	96,321.19	18,711.00
Office general supplies	1,262,086.00	1,638,555.90
Printing and publishing	385,044.88	608,243.80
Hospitality	165,696.79	
<b>TOTAL</b>	<b>1,909,148.86</b>	<b>2,265,510.70</b>

Communication is the airtime scratch cards in store,printing&publishing include all branded inventory items, Hospitality include all hospitality items and office general supplies

### 25 CASH GENERATED FROM OPERATING ACTIVITIES

Description	Kshs
Surplus for the year before tax	9,188,584,019
<b>Adjusted for:</b>	
Depreciation and Impairment	39,313,122
<b>Working capital adjustments:</b>	
Changes from Exchange Receivables	-7,979,250,818
Changes from payables	318,245,010
Changes in Prepayments	-1,837,686
Change in Inventories	356,361
Changes in Provisions	
<b>Net Cashflows From Operating Activities</b>	<b>1,565,410,008</b>



## Financial Risk Management

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2024</b>				
Receivables from exchange transactions	2,506,610	2,506,610	-	-
Receivables from non-exchange transactions	143,739,877	143,739,877	-	-
Bank balances	1,644,980,784	1,644,980,784	-	-
<b>Total</b>	<b>1,791,227,271</b>	<b>1,791,227,271</b>	<b>-</b>	<b>-</b>
<b>As at 30 June 2023</b>				
Receivables from exchange transactions	1,242,181	1,242,181	-	-
Receivables from non-exchange transactions	13,300	13,300	-	-
Bank balances	98,305,924	98,305,924	-	-
<b>Total</b>	<b>99,561,405</b>	<b>99,561,405</b>	<b>-</b>	<b>-</b>

### i) Liquidity risk management

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

### Market Risk

The Fund has put in place an internal audit function to assist it in assessing the risk faced by the Fund 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 Fund'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.

### Foreign currency risk

The Fund has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid at the conversion rate at the time of payment which is done using the prevailing exchange rate. The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by negotiating for the exchange rate with its banker.

### Interest rate risk

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

rate movements on the Fund's deposits. To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates

## Related Party Disclosures

### Nature of related party relationships

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

### Related parties include:

- i) Government of Kenya
- ii) Ministry of Education.
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of trustees.

## Contingent Assets

Description	FY2023/2024	FY2022/2023
	Kshs	Kshs
<b>Contingent Assets</b>		
Insurance Reimbursements	91,920	113,400
Finance income (call deposit interest)	87,469,551	-
Receivables From State Department for Higher Education & Research-Operations	42,517,735	-
Scholarship Receivables	16,472,591	
<b>Total</b>	<b>146,551,797</b>	<b>113,400</b>

## Events after the Reporting Period

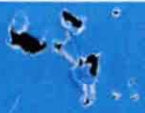
There were no material adjusting and non- adjusting events after the reporting period.

## Ultimate and Holding Entity

The Fund is a Semi- Autonomous Government Agency under the Ministry of Education. Its ultimate parent is the Government of Kenya.

## Currency

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



**20. APPENDICES**  
**APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Weaknesses in accounting for grants transferred to Private universities	The Fund has been following the due process to ensure accuracy in the grant's allocation	Ongoing	2027/2028 when the DUC will be fully rolled out
2	Failure to provide gazette notice for representatives of the Principal Secretary	The Fund has raised the concern with the appointing authority for compliance	Ongoing	July 2025

**GEOFFREY MONARI**  
**CHIEF EXECUTIVE OFFICER**

DATE 4/12/24.



**APPENDIX II: TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
State Department for Higher Education & Research	28.08.2023	Recurrent-Operations	21,258,867.65	21,258,867.65	-	-	-	-	21,258,867.65
State Department for Higher Education & Research	04.10.2023	Recurrent-Operations	21,258,867.65	21,258,867.65	-	-	-	-	21,258,867.65
State Department for Higher Education & Research	05.10.2023	Recurrent-Operations	21,258,866.00	21,258,866.00	-	-	-	-	21,258,866.00
State Department for Higher Education & Research	27.11.2023	Recurrent-Operations	19,075,179.55	19,075,179.55	-	-	-	-	19,075,179.55
State Department for Higher Education & Research	27.11.2023	Recurrent-Operations	19,075,179.55	19,075,179.55	-	-	-	-	19,075,179.55
State Department for Higher Education & Research	28.02.2025	Recurrent-Operations	21,258,867.60	21,258,867.60	-	-	-	-	21,258,867.60
State Department for Higher Education & Research	17.04.2024	Recurrent-Operations	21,258,867.60	21,258,867.60	-	-	-	-	21,258,867.60
State Department for Higher Education & Research	17.04.2024	Recurrent-Operations	21,258,867.60	21,258,867.60	-	-	-	-	21,258,867.60
State Department for Higher Education & Research	17.04.2024	Recurrent-Operations	21,258,867.60	21,258,867.60	-	-	-	-	21,258,867.60
State Department for Higher Education & Research	09.01.2024	Recurrent-Operations	99,075,181.00	99,075,181.00	-	-	-	-	99,075,181.00
State Department for Higher Education & Research			<b>286,037,611.80</b>	<b>286,037,611.80</b>	-	-	-	-	<b>286,037,611.80</b>

*The Universities Fund  
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State Department for Higher Education & Research	27.11.2023	Scholarship	3,988,438,444.00	3,988,438,444.00	-	-	-	-	3,988,438,444.00
State Department for Higher Education & Research	17.01.2024	Scholarship	3,988,438,443.00	3,988,438,443.00	-	-	-	-	3,988,438,443.00
State Department for Higher Education & Research	22.04.2024	Scholarship	3,988,438,443.00	3,988,438,443.00	-	-	-	-	3,988,438,443.00
<b>Sub-Total</b>			<b>11,965,315,330.00</b>	<b>11,965,315,330.00</b>	-	-	-	-	<b>11,965,315,330.00</b>
<b>TOTAL</b>			<b>12,251,352,941.80</b>	<b>12,251,352,941.80</b>	-	-	-	-	<b>12,251,352,941.80</b>