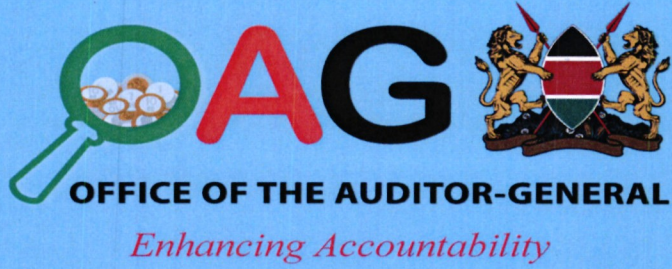


REPUBLIC OF KENYA



PARLIAMENT
OF KENYA
LIBRARY

REPORT

THE NATIONAL ASSEMBLY
PAPERS TABLED

DATE: 06 JUN 2023

OF

TABLED BY: HON. KIMANI KICHUNGWA
LEADER OF MAJORITY

CLERK-AT THE TABLE: INZOFU M.B.

Day: TUES

THE AUDITOR-GENERAL

ON

UNIVERSITIES FUND

**FOR THE YEAR ENDED
30 JUNE, 2022**

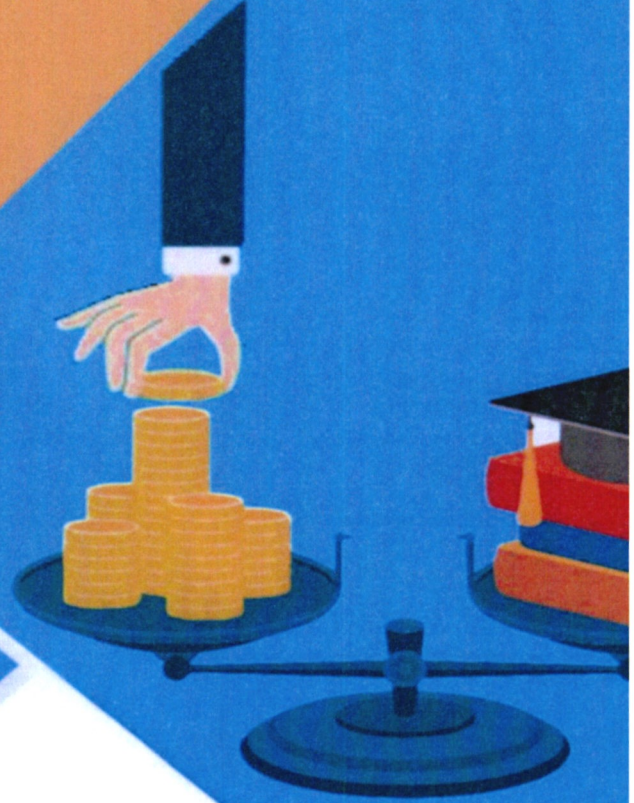


THE UNIVERSITIES FUND

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

15 MAR 2023

RECEIVED



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

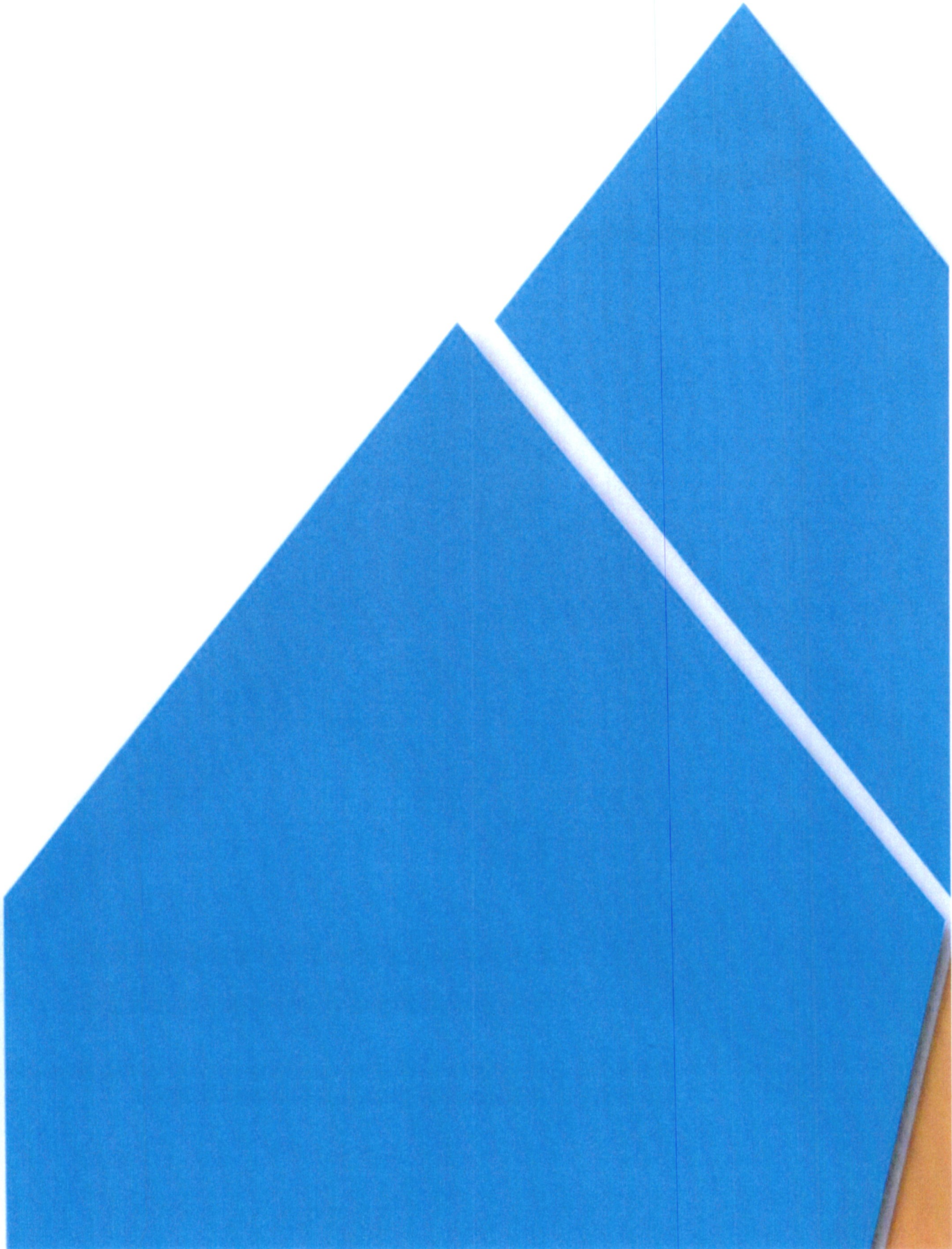


Table of Content

1. Key Fund Information and Management.....	iv
2. The Board of Directors.....	viii
3. Management Team.....	xii
4. Chairman's Statement.....	xiv
5. Report of the Chief Executive Officer.....	xvii
6. Statement of Performance Against Predetermined Objectives for Financial Year 2021/22.....	xx
7. Corporate Governance Statement.....	xxii
8. Management Discussion and Analysis.....	xxvii
9. Environmental and Sustainability Reporting.....	xxxii
10. Report of the Directors.....	xxxiv
11. Statement of Board of Trustees' Responsibilities.....	xxxv
12. Report of the Independent Auditor for the Universities Fund.....	xxxvii
13. Statement of Financial Performance for the Year Ended 30 June 2022.....	1
14. Statement of Financial Position as at 30 June 2022.....	2
15. Statement of Changes in Net Assets for the Year Ended 30 June 2022.....	3
16. Statement of Cash Flows for the Year Ended 30 June 2022.....	4
17. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 June 2022.....	5
18. Notes to the Financial Statements.....	10
19. Appendix 1: Implementation Status of Auditor-General's Recommendations.....	37
20. Appendix II: Transfers from Other Government Entities.....	38
21. Appendix III: Variance Between Cashflow Figures and Financial Performance Figures.....	39

1. Key Fund Information and Management

(a) Background information

The Universities Fund is a statutory body established under Section 53 of the Universities Act, 2012 and is domiciled in Kenya.

(b) Principal activities

The Universities Fund was established for purposes 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 Financial Year 2017/2018 in allocating funds to universities.

Vision

Sustainable financing of Universities in Kenya for global competitiveness

Mission

To create and promote a robust participatory mechanism for financing Universities in Kenya

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. In light of this, 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. Universities 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.	Senior Legal Officer	Mary Kimani
3.	Senior Finance Officer	Titus Macharia
4.	Supply Chain Management Officer	Charles Rodney Muchemi
5.	Senior ICT /Ag. Senior Grants Management Officer	Mercy Gikonyo

(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
NACOSTI Building 1st Floor
Off Waiyaki Way, Upper Kabete
P.O.BOX 28237-00100
Nairobi.

(g) Fund Contacts

Telephone: 0746737935
Email: info@ufb.go.ke
Website: www.ufb.go.ke
Facebook: universitiesfund
Twitter: @UFKenya

(h) Fund Bankers

1. Kenya Commercial Bank
A/C No. 1226783481
Kipande House
P.O Box 30012-00100
Nairobi, Kenya
2. National Bank of Kenya Limited-
A/C No. 01071243231200
Westlands Branch-Victoria Plaza
P.O. Box 1613-00606
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 and Department of Justice

Harambee Avenue

P.O. Box 40112-00200

Nairobi, Kenya

2. The Board of Directors



Mr. Halakhe Dida Waqo was appointed as the Board of Trustees Chairperson on 7th August, 2020. He is the immediate former Secretary and CEO of Ethics and Anti-Corruption Commission (EACC), Kenya where he completed his term in January, 2019. He has served as a commissioner, National Cohesion and integration commission -Kenya and also on the Great Lakes Region Genocide Prevention Committee in Kenyan Government. He has also served in the International Development Agencies where He worked as a Global coordinator, world Initiative for sustainable pastoralism, IUCN, Horn of Africa Advisor, world council on Religion for Peace (WCRP), International Emergencies and conflict Advisor, Action Aid International, Programme Head, Oxfam GB Rwanda and Programme Coordinator, Oxfam GB Kenya. Mr. Halakhe D. Waqo served in Various Boards of development Agencies. He is a member of Chartered Institute of Arbitrators (CIArb), UK and Kenya and he has over 28 years working experience in Governance and international development and has been a chair/member of various task forces. Mr. Halakhe Waqo was awarded state honour of the chief of the order of the Burning Spear (CBS) for outstanding achievement by the President of the Republic of Kenya.

Mr. Halakhe Dida Waqo ceased being the Chairperson of the Universities Funding Board on 8th February, 2022 upon resignation to serve the public in a different capacity.

Mrs. Gilda Odera joined the Board on 1st July 2019 as a Member of the Board. He is a chairperson of the Finance, Administration and General-Purpose Committee and a member of Planning, Research and Resource Mobilization Committee. She is a pioneer in the ICT industry in Kenya and was instrumental in shaping the ICT and Business Process Outsourcing (BPO) and Impact Sourcing sector in Kenya through policy advocacy and providing advice to Government in private/public sector task forces. Mrs. Gilda Odera is the 1st National Deputy president of the Federation of Kenya Employers and is a consultant Director in All About Marketing Ltd. She is a PhD candidate in Public Policy specializing in Management and Leadership and holds a Master of Arts in Leading Innovation and Change and a Bachelor of Arts Degree in Sociology. She has Vast board experience and has also attended various courses including Executive Business Education in Corporate Boards, Audit Committees and Compensation Committees at Harvard Business School.

Mrs. Gilda Odera ceased to be a member of the board on 30th June, 2022 upon expiry of the term.





Prof. Henry Moses Thairu joined the Board on 1st July 2019 as a Trustee. He is a Chairperson of the Planning, Research and Resource Mobilization Committee and a member of Finance, Administration and General-Purpose Committee. He is the former Director of Kenyatta University Consultancy Unit as well as the Coordinator of the School of Creative Arts, Film and Media Studies at Kenyatta University. He is also the Chairman of Governing Council of Mater Hospital from March 2018 and of Daystar University Governing Council since August 2018. Prof. Henry Moses Thairu has served as the Chairman, Commission for University Education from January 2014 to October 2016 and as former Vice Chancellor of Inoorero University (IU) (2008-2013). He is the founder Managing Director of JKUAT Enterprises LTD, a company wholly owned by Jomo Kenyatta University of Agriculture and Technology (2005-2006). From 1999-2008 he served as the Chairman of the Board of Management of Kenya Education Network (KENET). He is former Chairman of the Board of Kenya Industrial Property Institute (KIPI, 2007-2010) and former Chairman of National Council of Science and Technology. His Chairmanship extended to the Chair- man Radiation Protection Board (RPB) where he served for six years. He also chaired the Kenya ICT Board Innovation Grants Committee and the Kenya Private Sector Alliance (KEPSA) Higher Education, Science and Technology Sector Board (2010-2014).

Prof. Henry Moses Thairu ceased to be a member of the board on 30th June, 2022 upon expiry of the term.

Prof. Mwanda O. Walter joined the Board on 1ST July 2019 as a Member of the Board. He is a chairperson of the Audit and Risk Committee and a member of Planning, Research and Resource Mobilization 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 ceased to be a member of the board on 30th June, 2022 upon expiry of the term.



Prof. Migot-Adholla joined the Board on 1st July 2019 as a Member of the Board. He is a member of the Planning, Research and Resource Mobilization Committee and Audit and Risk Committee. He holds a PhD in Sociology of Development, Master of Arts in Sociology, both from University of California, was a Special Graduate Student in Agricultural Economics (Michigan State University) and earned a Bachelor of Arts (University of East Africa). He previously served as Vice-Chairman, Board of Directors, Kenya Wildlife Service, and was Lead Specialist on Land Policy and Administration for Africa Region in the World Bank. He has also served as Permanent Secretary, Ministry of Agriculture and Rural Development, Government of Kenya. He has also served as a consultant on agriculture and rural development, land policy reform and environmental issues.



Prof. Migot-Adholla ceased to be a member of the board on 30th June, 2022 upon expiry of the term.



Mr. Richard Munyithya joined the Board 1st July, 2021 as a PS Representative of the National Treasury. He is a member of Audit and Risk Committee of the Board. Mr. Richard Munyithya is Director of Planning and Head of Public Investment Management (PIM) at the National Treasury. Richard has a Msc. Degree in Development Planning and Management from the Kwame Nkrumah University of Science and Technology (KNUST), Kumasi (Ghana) and a Bachelor of Arts Degree in Economics (UoN). He is also an M&E practitioner.

Mr. Richard Munyithya ceased to be a member of the board on 30th April, 2022.



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, 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.

Mr. Geoffrey Monari joined the Fund as the Chief Executive Officer and Secretary to the Board of Trustee 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.



3. 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.

Mr. Titus M. Wangechi 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 and CPA.



Miss Mercy Gikonyo is the Universities Fund Senior ICT officer /Ag. Senior Grants Management Officer. She holds a Bachelor's degree in ICT and Management and has also pursued a Diploma in ICT and Management



Miss Mary Kimani is the Universities Fund Senior Legal Officer. She holds a Bachelor's of Law degree and a post graduate Diploma in Law.

Mr. Charles Rodney Matu is the Universities Fund Supply Chain Management Officer. He holds a Bachelor's degree in Purchasing and Supplies Management from Dedan Kimathi University of Technology. He is also a member of the Kenya Institute of Supply Chain Management (KISM)



4. 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, 2022. 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 first Financial Year of its 2021-2026 strategic Plan. The Strategic Plan is structured around four (4) pillars. These are:

- i. Sustainable financing and stewardship;
- ii. Customer focus;
- iii. Institution building and innovation; and
- iv. Developing and growing our people

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

Human Resource Capacity Building

The Universities Fund was able to recruit twenty-eight (28) staff across various cadres in the Fund in the Financial Year 2021/2022.

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 a draft Universities Funding Framework which constitutes the revised Differentiated Unit Cost, criteria for the allocation of infrastructure funds and consideration for performance-based funding. Further to this, a

Resource Mobilization Policy has been implemented to revitalize resource mobilization initiatives in the university sector. The policy takes concerted effort to map major sources of revenue and aims to identify opportunities to expand activity and raise discretionary levels of income.

Establishment of the Network of Entrepreneurial Universities in Kenya in collaboration with UNESCO

The Universities Fund spearheaded the establishment of a Network of Entrepreneurial Universities in Kenya in collaboration with UNESCO. This is expected to enhance resource mobilization to supplement government funding.

Challenges

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

Non-operationalization of the Universities Fund

The Universities Fund is yet to be operationalized. The Board so far has been apportioning funds to universities and issuing advisories on the financing of universities. The Ministry of Education however has been carrying out the disbursement of the apportioned funds.

Low budgetary Allocation

The Universities Fund's budget is not in tandem with the increase in the number of staff at the Universities Fund. The current budget is not adequate to cater for needs such as: purchase of equipment, staff training, staff welfare i.e. pension scheme, mortgage and other loans.

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 2021/2022 Quarterly financial report and statements was 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 Big 4 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 2022/2023 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

5. Report of the Chief Executive Officer



The Management of the UF has been 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, 2022.

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, 2022. 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 first of the Fund's Strategic Plan (2021-2026) implementation.

Human Resource Capacity Building

The Universities Fund was able to recruit twenty-eight (28) staff across various cadres in the Fund in the Financial Year 2021/2022. This has operationalized key departments at the Universities Fund such as: Resource Mobilization; Grants Management Department; Corporate Communication and Human Resource.

Development of the Universities Fund Data Management System

The Universities Fund has commenced the process of establishing a data management system to enable the UF establish a reliable data repository for the university sector. The Universities Fund Data Management Information System (UFDNIS) will be provide data for all the data to enable implementation of the university funding framework currently being reviewed by stakeholders. The system will collate data for all the government funded public and private universities in Kenya and is expected to host the bio-data required to compute funding for approximately 500,000 students funded by the Government. In addition, it will map the students to their respective study programmes, their year of study, university of admission and other attributes including special needs. The system will have an integrated ERP for the Fund's daily operations and facilitate real time apportioning and disbursement of funds for accountability. It is expected that the system will go live before the end of the Financial Year 2022/2023.

Establishment of a Data Centre

The UF has established a data center to house the data management system (UFDNIS). The UFDNIS will be housed in an on-premises data center with the data recovery site being cloud based. The on-premises solution will offer secure data protection in terms of physical control since the hardware and software's are internally housed and accessed. A centralized active directory will ensure deployment of IT framework and security policies, adoption of segregation of duties and responsibilities aimed at enhanced data security and compliance.

Acquisition of a Data Analytical Tool

The UF has acquired a data analytical tool which is 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 actual number of beneficiaries at each university
- Ascertain the level of debt at every university funded
- Determine the utilized and unutilized funds at every university funded
- Track students' admission to universities
- Ascertain the efficiency on usage of finances on the projects funded in each University.
- To Ascertain the project completion rates for the projects funded.

Establishment of the Network of Entrepreneurial Universities in Kenya

The Universities Fund has spearheaded the establishment of a Network of Entrepreneurial Universities in Kenya in collaboration with UNESCO. The entrepreneurial university is at the heart of the technology driven economy through the empowerment of its members and communities with the intellectual, network and financial resources needed to bring innovations and new business models to the market. Universities are key players in promoting innovation and entrepreneurship in their own countries and beyond. While there is no one-size-fits-all model of an entrepreneurial university, such universities share common attributes in terms of characteristics of leadership, incentives, support mechanisms, partnerships, international relations, and monitoring and evaluation of entrepreneurial

activities. The Fund has established a network of 20 universities to spearhead this initiative. This will enhance resource mobilization to supplement government funding.

Spearheading performance-based funding

The Universities 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 and community service and encourages competition among universities which will stimulate the evolution of centers of excellence. In this regard, the Universities Fund has developed a partnership proposal with the World Bank. It is envisioned that the World Bank will financially support a pilot programme to integrate performance-based funding in university funding.

Revamping of the Universities Fund website and social media accounts

The Universities Fund has endeavoured to create a corporate brand which serves both its internal and external customers. One of the ways which the UF brand is being visualized is through the revamping of the UF website and all its social media handles.

FINANCIAL PERFORMANCE

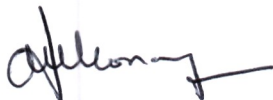
The financial performance for the period under review was mainly impacted by the Government, since the Fund depended fully on financial grants provided by the Government of Kenya for its operations.

The Fund's received a total disbursement of Kshs 244,525,812 compared to Kshs 42,525,812 received in the Financial Year 2020/2021 which shows an increase of Kshs 202,000,000. Following the Board approval, the Fund invested part of its disbursements with KCB Fixed deposit account and National Bank of Kenya which yielded total interest of Kshs 2,146,285. The Fund's total expenditure in the period under review amounted to Kshs 180,787,367 which was 73.93% of the total approved budget for the period.

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

6. Statement of Performance Against Predetermined Objectives for Financial Year 2021/22

The Head of the Secretariat prepares the strategic plan, annual work plans and budget after consulting the relevant Board Committees, for consideration and approval by the Board. The Board submits the Fund's budget to the National Treasury for consideration in the National Budget. The annual work plan is prepared from the strategic plan in order to address the strategic objectives of the Fund.

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 2021/2022 period, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Institutional capacity of the Universities Fund	To provide physical infrastructure and equipment	Physical infrastructure and equipment	Acquire adequate office space. Procure office equipment and machinery.	Recruitment of 28 members of staff. Procurement of Office Furniture and ICT Equipment. Acquiring more office space at NACOSTI Building.
Mobilization of financial resources	To mobilize resources for financing Universities	Increased resources. Resource Mobilization policy	Develop policy for resource mobilization	Operationalization of the Resource Mobilization Department. Resource Mobilization Policy and Strategy Increased budget allocation

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, Board undertook various trainings on Audit and Risk as well as Risk Management in Mombasa. This training improved its capacity to perform its oversight role over the operations of the Secretariat as well as incorporate Risk Management in strategic planning.

Ethics and Conduct and Governance Audit-

The Universities Fund, Board was not able to carry out an Ethics and Conduct and Governance Audit due to insufficient financial resources and human resource personnel. The Board has however engaged the relevant stakeholders seeking for support to operationalize some its key functions. It is expected that this audit will be carried out in the Financial Year 2022/2023.

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 a recorded in the Board Minutes and Conflict of Interest Register as deemed appropriate.

7. 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.

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. Mwanda O. Walter - Chairperson
2. Prof. Shem Migot Adholla – Member
3. Mr. Richard Munyithya- Member

(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. Mrs. Gilda Odera – Chairperson
2. Prof. Moses Henry Thairu – Member
3. Diana Mutisya – Member
4. Mugambi Nyaga – Member

(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. Prof. Moses Henry Thairu – Chairperson
2. Prof. Shem Migot Adholla – Member
3. Mrs Diana Mutisya- Member
4. Prof. Mwanda O. Walter – Member
5. Mrs. Gilda Odera – Member
6. Mugambi Nyaga- Member

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.	Halakhe Waqo	√			
2.	Prof. Henry Moses	√		√	√*
3.	Mrs. Gilda Odera	√		√*	√
4.	Prof. Shem Migot	√	√		√
5.	Prof. Mwanda O Walter	√	√*		√
6.	Mr. Samuel Mugambi- PS Representative, SDUE&R	√		√	√
7.	Mr. Richard Munyithya	√	√		
8.	Mrs. Diana Mutisya	√		√	√

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	Mr. Halakhe Waqo	6	5 of 6
2	Prof. Henry Moses Thairu	6	6 of 6
3	Mrs. Gilda Odera	6	6 of 6
4	Prof. Shem MigotAdholla	6	4 of 6
5	Prof. Mwanda O Walter	6	6 of 6
6	Mr. Samuel Mugambi-PS Representative, SDUE&R	6	1 of 6
7	Mr. Richard Munyithya	6	4 of 6
8	Mrs. Diana Mutisya	6	4 of 6

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. Mwanda O. Walter*	3	3 of 3
Mr. Richard Munyithya	3	1 of 3
Prof. Shem Migot Adhola	3	3 of 3
*Chairperson to the committee		

b) Finance Administration and General-Purpose Committee

Members	Number of meetings during the year	Number of meetings Attended
Mrs. Gilda Odera*	5	5 of 5
Prof. Henry Moses Thairu	5	5 of 5
Prof Mwanda O. Walter	5	3 of 5
Mr. Samuel Mugambi-PS Representative, SDUE&R	5	1 of 5
Mrs. Diana Mutisya-PS Representative, SDUE&R	5	3 of 5
*Chairperson to the committee		

c) Planning, Research and Resource Mobilization Committee

Members	Number of meetings during year	Number of meetings attended
Prof. Henry Moses Thairu*	5	5 of 5
Prof. Shem Migot Adholla	5	4 of 5
Prof. Mwanda O. Walter	5	5 of 5
Mr. Samuel Mugambi-PS Representative, SDUE&R	5	1 of 5
Mrs. Gilda Odera	5	3 of 5
Mrs. Diana Mutisya-PS Representative, SDUE&R	5	3 of 5
*Chairperson to the committee		

8. 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 to fully operationalize its operations, the Fund conducted a recruitment which called in the functions which were not operational. In addition, 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.

Below is the analysis of the Fund's financial performance

i. Statement of Financial Performance

Receipts

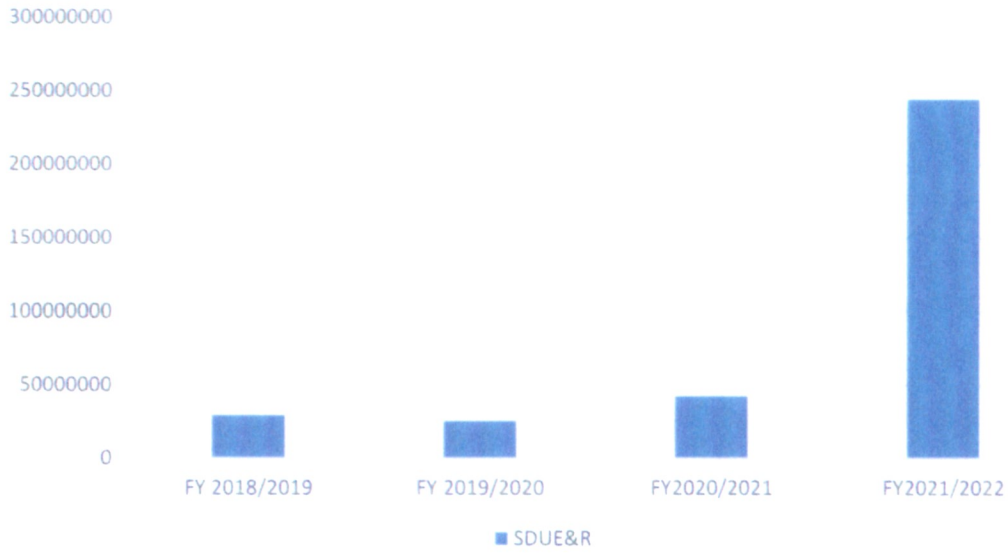
The National Government supports the Fund through the National Treasury by transferring funds for operational use. The funds are channelled to the Fund through its bank account and are budgeted for and approved by the Board of Trustees.

During the period ended June 30,2022, the National Treasury through the State Department for University Education and Research transferred Kshs 244,525,812 as compared to 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.

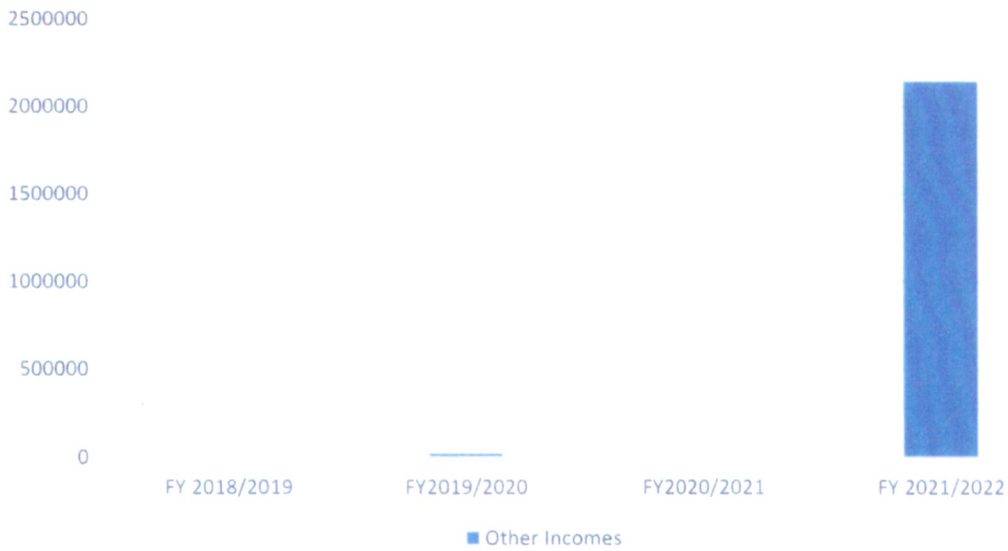
Following the Board approval, the Fund invested part of its disbursements with KCB Fixed deposit account and National Bank of Kenya which yielded total interest of Kshs 2,146,285.

The total amount of revenue for the period ended June 30,2022 amounted to Kshs 246,672,097.

SDUE&R RECEIPTS



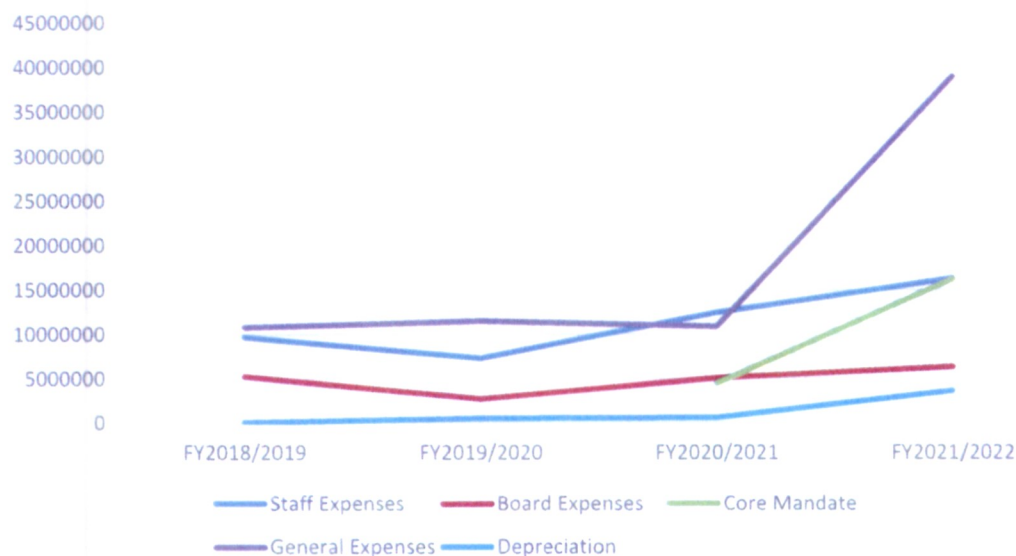
Other Incomes



Expenditures

Recurrent expenditure for the period ended Under review amounted to Ksh 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; as compared 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.

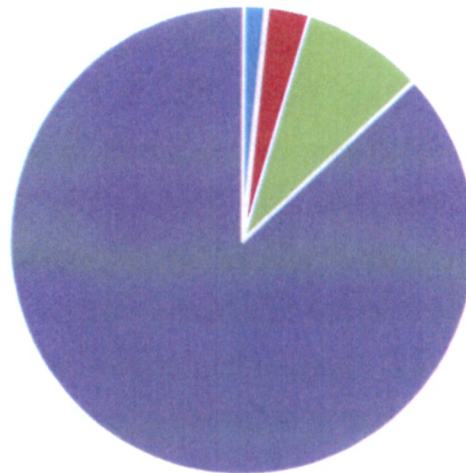
RECURRENT EXPENDITURE



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 and to Kshs 201,029,087 in the period under review. The increase was mainly contributed by the Universities Fund data management information system procured during the Period, the cash and cash equivalent and prepayments which majorly were the insurance Covers.

TOTAL ASSETS



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

iii. Statement of Cash Flows

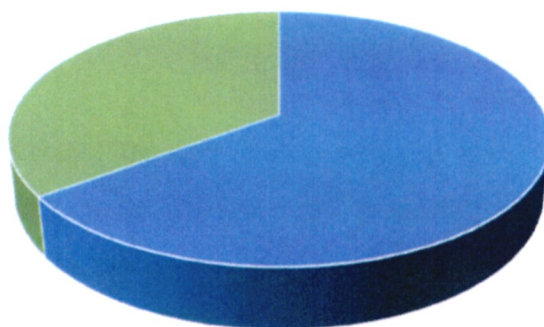
The statement shows reconciliation between opening and closing cash and bank balances. The items are classified into investing, financing and operating activities.

During the period under review the Fund had net cash flow from operating activities of Kshs 168,931,961.

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 91,850,109.

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.

9. Environmental and Sustainability Reporting

i. Sustainability strategy and profile

The Universities Fund is a young institution that is focused on revolutionizing funding of Universities in Kenya through the employment of short, medium, and long-term strategies to solve the financial challenges being faced by universities. In keeping with the Universities mandate as a statutory body, its viability and relevance has been founded in its current Strategic Plan.

As indicated in its Strategic Plan, the Universities Fund has committed to integrating effective and efficient Performance Management System and Practices in the organizational functions. This will be further supported by the attainment of ISO-Certification which will enable the Universities Fund to achieve its objectives, increase relevance and credibility in the issuance of high-quality service.

ii. Environmental performance

The UN Sustainable Development Goals, (SDG) number 15 addresses the need to sustainably manage forests, combat desertification, halt & reverse land degradation and halt biodiversity loss and also presidential directive on conservation of environment.

In this regard, the UF supported efforts towards environmental stability, by collaborating with the Universities in Kenya in fulfilling the Government's Forestry Strategy for a 10% tree cover in the country by 2022. In the Financial Year under review, the Universities Fund participated in Tree Planting exercise on 18th March,2022 by planting trees with medicinal values at Daystar University, Athi River Campus.

iii. Employee welfare

UF has procured Medical Insurance for its staff and their dependants and also the Board of Trustees as a way of enhancing productivity through ensuring that access to medical services is taken care of.

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

UF has maintained good business practices, through treating its own suppliers responsibly and by honouring contracts and respecting payment practices as indicated in the contract agreements with suppliers.

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

UF acknowledges its responsibility to the society in the capacity of a corporate citizen. UF's social responsibility is driven by the need to preserve the environment. It also means a commitment to integrate responsible practices into its daily business operations and also as an indication to our stake holders that the organization cares about the community. During the year under review, the Fund participated in the Streets for Life Campaign and the 6th Global Road Safety Week. As part of the participation in this campaign, the Universities Fund (UF) team facilitated signing of the campaign's 'Streets for Life' open letter/poster and shared the posters to the UF social media handles as requested by the event organizers and as awareness to the public on Speed Management.

10. Report of the Directors

The Board of Trustees submit their report together with the unaudited financial statements for the year ended 30 June, 2022, 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, 2022, are set out from page 1 to 9 of the Financial Statements.

iii) Board of Trustees

The members of the Board of Trustees who served during the year are shown from page viii to xi 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

Signature.....

Date.....

11. 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, 2022 and the operating results of the Fund for that Financial Year 2021-2022. These Financial Statements are set out from page 1 to 6. 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 trans- actions 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.

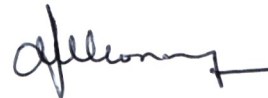
Nothing has come to the attention of the Board of Trustees to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on, 20/9/ 2022 and signed on its behalf by:



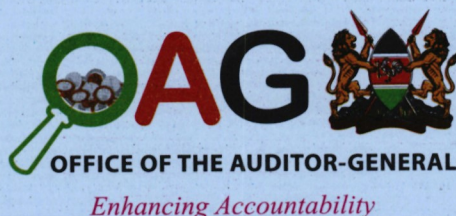
**PROF. KARUTI KANYINGA
CHAIRMAN, BOARD OF TRUSTEES**



**GEOFFREY MONARI
CHIEF EXECUTIVE OFFICE**

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITIES FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Universities Fund set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2022, 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, 2022, 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 the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Universities Fund Management 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.

Key Audit Matters

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

Other Matter

Budgetary Controls and Performance

The Fund incurred expenditure of Kshs.180,787,367 against actual receipts of Kshs.246,672,097 resulting in an under-absorption of Kshs.65,884,730 (or 26.7%) of the actual budget. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

1.0 Non-Compliance with the Universities Act, 2012 on Disbursement of Funds

As reported in 2020/2021, the Universities Fund was established with the objective of providing funds for financing universities. Review of the records indicates the Fund had adopted the Differentiated Unit Cost (DUC) criteria for allocating funds to public Universities since 2016 as provided for in the Universities Act, 2012 and which has been

operational since the financial year 2017/2018. However, it was noted that the Fund has not been allocating funds to universities as required by Section 53(1 and 2) of the Universities Act, 2012 which provides that there shall be a Fund to be known as the Universities Fund whose objective and purpose shall be to provide funds for financing Universities. Instead, the State Department for University Education and Research has been directly financing all Universities contrary to the law. It was noted that the Fund has only been providing advisory to the State Department on how to allocate and disburse the funds to the public universities.

In the circumstances, the Fund is yet to fully embrace its mandate as required by the Universities Act, 2012 and the Fund was in breach of the law

2.0 Gaps in the Composition of the Board of Trustees and Board Committees

Review of the composition and functions of the Board of Trustees revealed the following anomalies: -

- i. The Universities Fund Board has eight (8) members instead of nine (9) contrary to Section 54(1) of the Universities Act, 2012 the Fund shall be managed by a Board of Trustees which shall consist of nine members appointed by the Cabinet Secretary;
- ii. The Board consisted of two (2) female and six (6) male members contrary to Section 54(2)(c) of the Universities Act, 2012 which provides that in appointing the members referred to in subsection (1)(d) the Cabinet Secretary shall have regard to gender equity;
- iii. The Board as constituted lacks expertise in financial management and accounting;
- iv. The members of the Audit Committee had limited financial literacy necessary for the performance of their work. Further, the chair of the Audit Committee doubled up as a member of the Finance Administration and General-Purpose Committee; and the Planning, Research and Resource Mobilization Committee, while one other member of the Audit Committee sat in the Planning, Research and Resource Mobilization Committee. This is likely to impair on their independence and negatively impact on their oversight role as members of the Audit Committee; and,
- v. The Fund Management did not provide the gazette notice appointing the Ministry representative.

In the circumstances, the Fund is in breach of the law and oversight and assurance services may not be delivered efficiently and effectively.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 3000 and 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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 CONTROL, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

1.0 Lack of a Business Continuity and Disaster Recovery Plans

Review of the Fund ICT Unit internal controls revealed that it does not have a disaster recovery and business continuity plan. Further, the Fund does not have an offsite backup to cater for redundancies in the event of emergencies and disasters.

In the circumstances, retrieval of data and information may not be possible in the event of an emergency of disaster. Further, the Fund risks loss of data and information.

2.0 Irregularities in Staff Recruitment

Review of the recruitment process revealed the following anomalies on the recruitment of staff: -

- i. The Fund recruited two (2) staff instead of one as approved by the Board of Trustees and The National Treasury for job grade UF9. No explanation and supporting documentation have been provided to justify the excess recruitment;
- ii. The Fund Management carried out recruitment for 30 posts. Review of the interview results and remarks by the recruiting firm on the recruitment process revealed that the top candidates for various positions were not considered because they expected higher salaries. The following were noted about the recruitment process: -

Position	Observations
Senior Supply Chain Management Officer	The position was recommended to the second-best candidate instead of the top score candidate.
Senior Accountant	The third candidate was recommended for the position instead of the top score candidate.
Senior ICT Officer	The second candidate was recommended for the position instead of the top score candidate.

There was no documentary evidence of the top scorer candidates turning down the offers to warrant them not being offered the deserved positions. In addition, score sheets and procurement documents on how the firm was identified were not provided for verification; and,

- iii. Review of the interview report and remarks made by the recruiting firm on the appointment of the Senior Finance Officer indicate that the consultant shortlisted eight candidates out of which the top candidates were forwarded to the Board for interviews. The report by the Board indicated that two (2) candidates had scored low

marks and the third candidate was disqualified because she was not a member of the Institute of Certified Public Accountants of Kenya. This was however in contradiction with the report by the consulting firm which indicated that the candidate was a member of the Institute. Further, there was no cut-off mark shared with the recruitment firm on the minimum score before being recruited. Further, minutes and individual score sheets were not provided for audit.

In the circumstances, the competitiveness of the recruitment process could not be confirmed.

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

Responsibilities of Management and the Board of Trustees

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's

ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 April, 2023

13. Statement of Financial Performance for the Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from Other Government entities	6	244,525,812	42,525,812
Revenue from Exchange transactions			
Finance Income	7	2,146,285	-
Total revenue		246,672,097	42,525,812
Expenses			
Staff costs	8	16,246,723	12,428,229
Board Expenses	9	6,313,547	5,044,257
Core mandate Expenses	10	16,120,745	4,476,965
General expenses	11	38,904,185	10,898,284
Depreciation and Amortization Expenses	12	3,576,246	547,684
Total expenses		81,161,446	33,395,419
Other gains/losses			
Gain/loss on Valuation of assets			
Surplus/(deficit) for the period		165,510,651	9,130,393

The notes set out on pages 10 to 36 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 9 were signed on behalf of the Board of Directors by:



GEOFFREY MONARI
CHIEF EXECUTIVE OFFICER



TITUS MACHARIA
HEAD OF FINANCE



PROF. KARUTI KANYINGA
CHAIRMAN, BOARD OF TRUSTEES

DATE..... 6/3/2023.....

DATE..... 05/03/23.....

DATE..... 06/03/2023.....



CAROLINE MBAKA
SENIOR ACCOUNTANT

ICPAK NUMBER:28728

DATE..... 06/03/2023.....

14. Statement of Financial Position as at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	79,360,722	2,278,870
Prepayments	14	2,091,310	345,738
Receivables from Non-Exchange Transactions	15	1,816,628	-
Inventories	16	1,422,913	372,465
Total Current Assets		84,691,573	2,997,073
Non-current assets			
Property Plant and Equipment	17	63,793,642	16,711,593
Intangible Assets	18	1,093,872	-
Work in progress	17	51,450,000	-
Total non current assets		116,337,514	16,711,593
Total assets		201,029,087	19,708,666
Liabilities			
Current liabilities			
Trade and Other Payables	20	16,390,603	780,833
Current Provisions	21	400,000	200,000
Total current liabilities		16,790,603	980,833
Non-current liabilities			
Financed by;			
Capital Fund Received in Kind		2,631,247	2,631,247
Acc Surplus		181,607,237	16,096,586
Total liabilities		201,029,087	19,708,666

The financial statements set out on pages 1 to 9 were signed on behalf of the Board of Directors

by:


GEOFFREY MONARI

CHIEF EXECUTIVE OFFICER

DATE.....6/3/2023.....


TITUS MACHARIA

HEAD OF FINANCE

DATE.....06/03/23.....


PROF. KARUTI KANYINGA

CHAIRMAN, BOARD OF TRUSTEES

DATE.....06/03/2023.....


CAROLINE MBAKA
SENIOR ACCOUNTANT
ICPAK NUMBER:28728
DATE.....06/03/2023.....

15. Statement of Changes in Net Assets for the Year Ended 30 June 2022

	Capital Fund	Accumulated surplus	Total
	Kshs	Kshs	Kshs
As at July 1, 2020		6,966,193	6,966,193
Surplus/(deficit) for the period		9,130,393	9,130,393
Capital Fund received in Kind	2,631,247		2,631,247
Revaluation gain			-
As at June 30, 2021	2,631,247	16,096,586	18,727,833
As at July 1, 2021	2,631,247	16,096,586	18,727,833
Surplus/(deficit) for the period	-	165,510,651	165,510,651
Capital Fund received in Kind	-	-	-
Revaluation gain	-	-	-
As at June 30, 2022	2,631,247	181,607,237	184,238,484

16. Statement of Cash Flows for the Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from Other Government entities	6	244,525,812	42,525,812
Finance Income	7	2,146,285	-
Total Receipts		246,672,097	42,525,812
Payments			
Staff Cost		16,311,951	12,379,696
Board Expense		6,313,547	5,044,257
Core mandate		15,640,745	4,476,965
General expenses		39,473,893	10,669,952
Total Payments		77,740,136.00	32,570,870
Net cash flows from operating activities	19	168,931,961	9,954,942
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-91,850,109	-11,370,615
Net cash flows used in investing activities		-91,850,109	-11,370,615
Cash flows from financing activities			
Repayment of borrowings			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		77,081,852	-1,415,673
Cash and cash equivalents at beginning of the period	13	2,278,870	3,694,543
Cash and cash equivalents at period end	13	79,360,722	2,278,870

The financial statements set out on pages 1 to 9 were signed on behalf of the Board of Directors by:



GEOFFREY MONARI
CHIEF EXECUTIVE OFFICER
DATE.....6/3/2023.....



TITUS MACHARIA
HEAD OF FINANCE
DATE.....06/03/23.....



PROF. KARUTI KANYINGA
CHAIRMAN, BOARD OF TRUSTEES
DATE.....06/03/2023.....



CAROLINE MBAKA
SENIOR ACCOUNTANT
ICPAK NUMBER:28728
DATE.....06/03/2023.....

17. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 June 2022

REVENUE	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfers from SDUE.	244,525,812	-	244,525,812	244,525,812	-	100.00%
Other incomes	0	-	0	2,146,285	-2,146,285	
Total Revenue	244,525,812	-	244,525,812	246,672,097	-2,155,690	100.88%
EXPENDITURE						
Staff Cost	31,409,532	0	31,409,532	16,246,723	15,162,809	51.73%
Board Allowances	10,340,000	1,360,000	11,700,000	6,313,547	5,386,453	53.96%
Resource Mobilization	10,000,000	-1,000,000	9,000,000	2,123,372	6,876,628	23.59%
Monitoring and Evaluation	10,000,000	-800,000	9,200,000	7,773,773	1,466,227	84.50%
Policy Regulatory Framework and Review of DUC	10,000,000	-5,000,000	5,000,000	1,500,000	3,500,000	30.00%
Policy Guidelines Development and Implementation	9,309,000	0	9,309,000	4,723,600	4,585,400	50.74%
Consultancies & contracted services	15,874,940	-7,900,000	7,974,940	5,503,226	2,471,714	69.01%
Insurance	9,600,000	1,000,000	10,600,000	5,227,084	5,372,916	49.31%
Communication Supplies & Services	550,000	100,000	650,000	607,406	42,594	93.45%
Transport cost	4,600,000	1,000,000	5,600,000	5,239,936	360,064	93.57%
Air Tickets	2,000,000	2,000,000	4,000,000	969,360	3,141,610	24.23%
Office General Supplies & Services	1,715,360	-317,500	1,397,860	1,096,018	301,842	78.41%

*The Universities Fund
Annual Reports and Financial Statements
for the year ended 30 June, 2022.*

Printing and Publishing	1,052,000	0	1,052,000	458,019	593,981	43.54%
Hospitality and office refreshments	800,000	-100,000	700,000	680,072	19,928	97.15%
Fuel Oil and Lubricants	1,600,000	0	1,600,000	770,297	829,703	48.14%
Training and Capacity Building	6,600,000	0	6,600,000	5,334,634	1,265,366	80.83%
Membership and subscriptions	1,800,000	-1,000,000	800,000	63,760	736,240	7.97%
Rent and Rates	3,852,360	100,000	3,952,360	3,852,360	100,000	97.47%
Telephone, mobile & internet services	600,000	100,000	700,000	325,243	374,757	46.46%
Sanitary and cleaning accessories	520,000	-420,000	100,000		100,000	0.00%
Advertising and Publicity	3,260,000	2,000,000	5,260,000	3,542,581	1,717,419	67.35%
Seminars, Conference and Workshops Facilities	5,500,000	0	5,500,000	3,076,890	2,423,110	55.94%
Staff Welfare	2,800,000	-1,800,000	1,000,000		1,000,000	0.00%
Postage Courier	50,000	0	50,000	21,690	28,310	43.38%
Newspapers and periodicals	250,120	-170,120	80,000	73,604	6,396	92.01%
Corporate social Responsibility	500,000	0	500,000	98,480	401,520	19.70%
Audit Fees	400,000	0	400,000	400,000	-	100.00%
Recruitment Costs	550,000	-25,000	525,000	480,000	45,000	91.43%
Bank Charges and Commissions	200,000	130,000	330,000	304,707	25,293	92.34%
Legal Fees	100,000	100,000	200,000		200,000	0.00%
Repair and maintenance	1,520,000	-247,380	1,272,620	778,818	493,802	61.20%

The Universities Fund
Annual Reports and Financial Statements
for the year ended 30 June, 2022.

Total operating expense	<u>147,353,312</u>	-10,890,000	<u>136,463,312</u>	77,585,200	<u>59,029,082</u>	56.85%
LESS CAPITAL EXPENDITURE		0			-	
Office Furniture	3,422,500.00	0	3,422,500	3,061,000	361,500	89.44%
Software licenses, Renewals and Connectivity	900,000	3,700,000	4,600,000	4,543,872	300,500	98.78%
Motor Vehicles	22,000,000	-1,710,000	20,290,000	20,290,000	-	100.00%
Data Management System (DMS)	65,000,000	-16,000,000	49,000,000	48,000,000	1,000,000	97.96%
Computers Hardware, Software, Printers & other IT Equipment	4,050,000	25,000,000	29,050,000	27,307,295	1,742,705	94.00%
Storage facilities and equipment	600,000	-100,000	500,000		500,000	0.00%
Works and Renovations	<u>1,200,000</u>	0	<u>1,200,000</u>		<u>1,200,000</u>	0.00%
Depreciation	<u>97,172,500</u>	10,890,000	<u>108,062,500</u>	103,202,167	<u>5,104,705</u>	95.50%
		-	<u>3,576,246</u>			

Material variances between actual and budget explanations

- ✓ Staff Cost variances of over 10% was mainly due to recruitment budgeted for which was done towards the year end hence the under expenditure of the budget allocated.
- ✓ Board Allowances variances of over 10% was mainly due to Local travel and international training Capability building that did not take place.
- ✓ Resource Mobilization variances of over 10% -The budget was under expensed since the Resource mobilization Department was not fully operational but the recruitment was conducted towards the year end.

- ✓ *Monitoring and evaluation variances of over 10% - The budget was under expended since the Grants and Audit Department was not fully operational but the recruitment was conducted towards the year end.*
- ✓ *Policy Regulatory Framework and Review of DUC variances of over 10%- Consultancy services were not acquired during the Financial Year because the Grants Management Department was not fully operational.*
- ✓ *Policy Guidelines Development and Implementation variances of over 10%- Some policy and guidelines development waited for various departments/Divisions to be fully operationalized.*
- ✓ *Consultancies and contracted services variances of over 10%- This was mainly due to changes in the market rates.*
- ✓ *Insurance variances of over 10%- The Budget had factored the proposed recruitment of staff that took place effective Financial Year 2022/2023.*
- ✓ *Air Tickets variances of over 10%- Foreign travel for Capability building never took off during the Financial Year.*
- ✓ *Office General Supplies and Services variances of over 10%- was mainly attributed to by the variations in market prices and the inventory that had not been consumed as at the period under review end and hence it was accounted for as part of the closing inventory under the statement of financial position.*
- ✓ *Printing and Publishing variances of over 10%- was mainly attributed to by the variations in market prices.*
- ✓ *Fuel oil and lubricants variances of over 10% - was mainly attributed to by the prepayments that had not been consumed as at the period under review end and hence it was accounted for as part of the closing prepayments under the statement of financial position.*
- ✓ *Training and Capacity Building variances of over 10%- The budget had incorporated the expenditure to be incurred to facilitate staff (existing and newly recruited) which was under expended since the recruitment was conducted towards the year end.*

- ✓ *Membership and subscriptions variances of over 10%- The budget had incorporated the expenditure to be incurred to facilitate staff (existing and newly recruited) which was under expensed since the recruitment was conducted towards the year end.*
- ✓ *Telephone, mobile and internet services variances of over 10%- attributed to by the variations in market prices.*
- ✓ *Sanitary and cleaning accessories variances of over 10%- The consultant contracted to offer cleaning services provided sanitary and cleaning accessories hence the budgeted amount under expensed.*
- ✓ *Advertising and Publicity variances of over 10%- attributed to by the variations in market prices.*
- ✓ *Seminars, Conference and Workshops Facilities variances of over 10%- The budget had factored the expenditure for the staff (existing and newly recruited) which was under expensed since the recruitment was conducted towards the year end.*
- ✓ *Staff Welfare variances of over 10%- Capability/Team building never took off due to recruitment process during the year end.*
- ✓ *Postage courier variances of over 10% was mainly attributed to by low volume sending of letters as it is on need basis.*
- ✓ *Newspapers and periodicals variances of over 10%- The budget had factored the expenditure for the staff (existing and newly recruited) which was under expensed since the recruitment was conducted towards the year end*
- ✓ *Legal Fees variances of over 10%- No litigations during the Financial Year.*
- ✓ *Corporate social responsibility variance of over 10% was mainly attributed to few staff who participated in the CSR activity organized since the recruitment took place towards the year end.*
- ✓ *Repair and maintenance of over 10% was mainly due to low payments request since maintenance and repair of UF assets happen on need basis.*

**The changes between original and final budget is due to reallocations.*

18. Notes to the Financial Statements

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the Fund's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between the Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(The Fund did hold any financial instruments in the Financial Year ended June 30, 2022)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p><i>(The Fund has no social Benefit scheme in the year under Review)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.

Standard	Effective date and impact:
	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(The Fund did hold any financial instruments in the Financial Year ended June 30,2022)</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p><i>(The Fund did hold any financial instruments in the Financial Year ended June 30,2022)</i></p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</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>

Standard	Effective date and impact:
	<p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The Fund did not have leases in the Financial Year ended June 30, 2022</i></p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>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><i>(The Fund did hold any Non- Current Assets Held for Sale and Discontinued Operations in the Financial Year ended June 30, 2022)</i></p>

i. Early adoption of standards

The Fund did not early – adopt any new or amended standards in year ended 2021.

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 Fund 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 Fund 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.

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 Fund.

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.

ii) Revenue from exchange transactions

Dividends

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

Rental income

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

b) Budget information

The original budget for Financial Year 2021-2022 was approved by the National Assembly. State department for University Education and Research sent a letter communicating the approved budget of Kshs 244,525,812 dated 28th July, 2021.

Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of **Kshs 2,146,285** on the 2021-2022 budget following the board's approval.

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.

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 year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Fund and the same taxation authority.

Sales tax

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

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

ii) When receivables and payables are stated with the amount of sales tax included The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over their useful life. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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.

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

f) 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.

g) Intangible assets

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

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

h) Research and development costs

The 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.

i) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and

receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity.

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

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

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

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and 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.

k) 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.

l) 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.

m) 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.

n) Nature and purpose of reserves

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

o) 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.

p) 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.

q) 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*.

r) 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.

s) 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.

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the Financial Year end with a significant impact on the financial statements for the year ended 30 June, 2022.

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:

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

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 Other Government entities

Description	2021-2022 Kshs	2020-2021 Kshs
Unconditional Grants		
Operational Grant	244,525,812	42,525,812
Other Grants		
Total Government Grants and Subsidies	244,525,812	42,525,812

The grants were for the operations of the Fund

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

Name of The Entity Sending The Grant	Amount recognized to Statement of Financial performance Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund. Kshs	Total transfers 2021-22 Kshs	Prior year 2020-2021 Kshs
State Department for University Education & Research	244,525,812	-	-	244,525,812	42,525,812
Total	244,525,812	-	-	244,525,812	42,525,812

7. Finance Income

Description	2021-2022 Kshs	2020-2021 Kshs
Cash investments and fixed deposits	2,146,285	-
Total finance income	<u>2,146,285</u>	-

Following the Board approval, the Fund invested part of its disbursements with KCB Fixed deposit account and National Bank of Kenya which yielded the income.

8. Staff costs

Staff costs	2021-2022 Kshs	2020-2021 Kshs
Basic Salaries and wages	8,977,335	7,286,597
House Allowances	2,937,000	2,449,742
Commuter Allowances	819,452	508,032
Social Security Contributions	24,000	19,000
Gratuity	1,812,592	
Other Staff costs	<u>1,676,344</u>	<u>2,164,858</u>
TOTAL	<u>16,246,723</u>	<u>12,428,229</u>

9. Board Expenses

Description	2021-2022 Kshs	2020-2021 Kshs
Chairman's Honoraria	560,000	861,935
Sitting Allowances	4,000,000	3,620,000
Mileage/Transport costs	79,147	60,051
DSA and other allowances	1,674,400	218,400
Airtime		<u>283,871</u>
TOTAL	<u>6,313,547</u>	<u>5,044,257</u>

10. Core Mandate Expenses

Core Mandate Expenses	2021-2022 Kshs	2020-2021 Kshs
Resource Mobilization Expenses	2,123,372	453,200
Monitoring and evaluation expenses	7,773,772	
Policy, regulatory framework and review of DUC	1,500,000	587,100
Policy guidelines development & implementation	<u>4,723,600</u>	<u>3,436,665</u>
TOTAL	<u>16,120,745</u>	<u>4,476,965</u>

11. General expenses

General expenses	2021-2022	2020-2021
	Kshs	Kshs
Consultancies and contracted services	5,503,226	364,540
Insurance	5,227,084	2,035,915
Communication Supplies and Services	607,406	314,724
Local travel and Transport cost	5,239,936	561,491
Air Tickets	969,360	-
Office General Supplies and Services	1,096,018	466,609
Printing and Publishing	458,019	861,257
Hospitality and office refreshments	680,072	330,000
Fuel Oil and Lubricants	770,297	499,000
Training and Capacity Building	5,334,634.00	486,400
Membership and subscriptions	63,760	57,189
Rent and Rates	3,852,360	1,926,180
Telephone, mobile and internet services	325,243	237,950
Sanitary and cleaning accessories	-	-
Advertising and Publicity	3,542,581	
Seminars, Conference and Workshops Facilities	3,076,890	1,375,100
Staff Welfare	-	
Postage Courier	21,690	
Newspapers and periodicals	73,604	
Corporate social Responsibility	98,480	
Audit Fees	400,000	400,000
Recruitment Costs	480,000	
Bank Charges and Commissions	304,707	89,870
Legal Fees	-	
Repair and maintenance	778,818	208,559
Administration expense		675,400
Software license		8,100
TOTAL	38,904,185	10,898,284

12. Depreciation and Amortization Expenses

Depreciation	2021-2022	2020-2021
	Kshs	Kshs
Furniture and fittings	756,243	259,284
Motor vehicle	2,199,780	
Computers and accessories	620,223	288,400
TOTAL	3,576,246	547,684

13.a) Cash and Cash Equivalents

Cash and cash equivalents	2021-2022	2020-2021
	Kshs	Kshs
Current Account (KCB Kipande House)	23,616,977	2,212,195
Current Account (National Bank of Kenya)	55,743,745	
Cash in hand		66,675
TOTAL	79,360,722	2,278,870

b) Detailed Analysis of the Cash and Cash Equivalents

	2021-2022	2020-2021
	Kshs	Kshs
Current Accounts		
Kenya Commercial bank	23,616,977	2,212,194
National Bank of Kenya	55,743,745	
Cash in hand		66,675
Grand total	79,360,722	2,278,869

14. Prepayments

Prepayments	2021-2022	2020-2021
	Kshs	Kshs
Fuel and lubricants prepaid	988,703	159,000
Insurance	1,102,606	186,738
TOTAL	2,091,310	345,738

15. Receivables from Non-Exchange Transactions

Receivables from exchange transactions	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Salary Advance	65,228	
Policy & Guidelines development imprest	570,000	
Training and capacity Building	<u>1,181,400</u>	
TOTAL	<u>1,816,628</u>	

16. Inventories

Inventories	2021-2022	2020-2021
	Kshs	Kshs
Communication	67,196	16,915
Office general supplies	363,828	103,130
Printing and publishing	<u>991,889</u>	<u>252,420</u>
TOTAL	<u>1,422,913</u>	<u>372,465</u>

17. Property Plant and Equipment

	Motor Vehicle	Furniture and fittings	Computer and accessories	Work in progress	TOTAL
Depreciation Rate	25%	12.50%	33.30%		
	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, 2021	8,799,120	6,049,941	1,862,532		16,711,593
Additions	20,290,000	3,061,000	27,307,295	51,450,000	102,108,295
Disposals					-
Transfers/adjustments					-
As at June 30, 2022	29,089,120	9,110,941	29,169,827	51,450,000	118,819,888
Depreciation and impairment					-
At July 1, 2021					-
Depreciation	2,199,780	756,243	620,223		3,576,246
Impairment					-
Transfers/ Adjustments					-
As at June 30, 2022	2,199,780	756,243	620,223	-	3,576,246
Net book values					-
As at June 30, 2021	8,799,120	6,049,941	1,862,532		16,711,593
As at June 30, 2022	26,889,340	8,354,698	28,549,604	51,450,000	115,243,642

Work in Progress relates to Kshs 3,450,000.00 for the supply, delivery, installation, configuration of integrated data driven CACM solution and Kshs48,000,000 for Data management system (ERP System)

18. Intangible Assets

Description	2021-2022 Kshs	2020-2021 Kshs
Cost		
At beginning of the year	-	-
Additions	1,093,872	-
At end of the year	1,093,872	-
Additions—internal development	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	1,093,872	-

19. Net Cash Flows from Operating Activities/Cash Generated from Operations

	2021-2022	2020-2021
	Kshs	Kshs
Cash Generated from Operations		
Surplus for the period	165,510,651	3,374,338
Depreciation for the period	3,576,246	477,324
Adjusted for:		
Working Capital adjustments		
Increase/Decrease in prepayments	-1,745,572	-135,000
Increase/Decrease in inventory	-1,050,448	6,566
Increase/Decrease in Payables	4,457,712	
Increase/decrease in receivables	-1,816,628	-48,533
Net cash flow from operating activities	168,931,961	3,674,695

20. Trade and Other Payables

Trade payables	2021-2022	2020-2021
	Kshs	Kshs
Review of DUC	1,050,000	
Consultancy and Contracted services	1,552,080	224,940
Insurance	59,094	
Printing and publishing	320,550	
Telephone, internet and mobile services		237,950
Air ticket	110,970	
Office General Supplies	9405	
Advertising and publicity	1,414,504	
Conference seminars and workshop	204,000	
Purchase of furniture and fittings		317,943
DMS	9,600,000	
Software licensing and connectivity	2,070,000	
TOTAL	16,390,603	780,833

21. Current Provisions

Description	Audit provision	Total
	Kshs	Kshs
Balance b/f		
Additional provisions	400,000	400,000
Total provisions year end	400,000	400,000

22. Financial Risk Management

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

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

i) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. Management assesses the

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

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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
As at 30 June 2022				
Receivables from exchange transactions	2,091,310	2,091,310	-	-
Receivables from non-exchange transactions	1,816,628	1,816,628	-	-
Bank balances	79,360,722	79,360,722	-	-
Total	83,268,660	83,268,660	-	-
As at 30 June 2021				
Receivables from exchange transactions	345,738	345,738	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	2,212,195	2,212,195	-	-
Total	2,557,933	2,557,933	-	-

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from debtors. The management sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund's management, 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.

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
As at 30 June 2022				
Trade payables	-	-	<u>16,790,603</u>	<u>16,790,603</u>
Total	-	-	<u>16,790,603</u>	<u>16,790,603</u>
As at 30 June 2021				
Trade payables	-	-	<u>980,833</u>	<u>980,833</u>
Total	-	-	<u>980,833</u>	<u>980,833</u>

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 optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk.

a) 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.

Management of interest rate risk

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

iv) Capital Risk Management

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

	2021/2022	2020/2021
	Kshs	Kshs
Retained earnings	165,510,651	9,130,393
Total funds	165,510,651	9,130,393
Total borrowings	-	-
Cash and bank balances	79,360,722	-2,278,870
Net debt/ (excess cash and cash equivalents)	79,360,722	-2,278,870
Gearing	0%	0%

23. 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.

24. Events after the Reporting Period

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

25. 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.

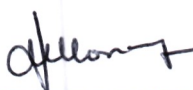
26. Currency

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

19. Appendix 1: 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)
1.0	Irregular payment of allowances	All the payments for the Financial Year under review are consistent with the SRC guidelines on allowances	Resolved	N/A
2.0a)	Non-Compliance to the Universities Act 2012 on disbursement of funds to Universities	The UF appealed to the Cabinet Secretary's Office to intervene and expedite the full operationalization of the Universities Fund to enable the Board directly disburse funds to universities.	Ongoing	
2.0 b)	Board of Trustees composition	The Universities Act, 2012 has two conflicting provisions. Section 54 provides for the appointment of 9 members of the UF Board of Trustees. However, Section 54 (3) requires the appointment of the Board to be carried out in accordance to Section 6 which outlines the composition for the Commission for University Education. This can be cured through an amendment of the Act.	Ongoing	
3.0	Board Expenditures	All payments are sufficiently supported in the Financial Year under review.	Resolved	N/A


GEOFFREY MONARI
CHIEF EXECUTIVE OFFICER
 Date.....6/3/2023.....

20. Appendix II: Transfers from Other Government Entities

ENTITY NAME: STATE DEPARTMENT FOR UNIVERSITY EDUCATION & RESEARCH

Breakdown of Transfers from the State Department for University Education & Research 2021/2022

Recurrent Grants	Bank Statement Date	Amount (Kshs)	Financial Year to which the amounts relate
	09/08/2021	61,131,453	2021/2022
	02/11/2021	61,131,453	2021/2022
	17/02/2022	61,131,453	2021/2022
	28/04/2022	61,131,453	2021/2022
	Total	244,525,812	2021/2022

21. Appendix III: Variance Between Cashflow Figures and Financial Performance Figures

Description	Cashflow amount	Performance Amount	Variance	Explanations
	Kshs	Kshs	Kshs	
Staff Cost	16,311,951	16,246,723	65,228	The variance is due to closing receivables as explained under note 15 of the Financial statements
Board Allowances	6,313,547	6,313,547	-	
CORE MANDATE	-	-	-	
Resource mobilization	2,123,372	2,123,372	-	
M&E	7,773,773	7,773,773	-	
Review of DUC	450,000	1,500,000	- 1,050,000	The variance is due to closing payables as explained under note 20 of the Financial statements
Policy guidelines dvpt	5,293,600	4,723,600	570,000	The variance is due to closing receivables as explained under note 15 of the Financial statements
Consultancies and contracted services	4,176,086	5,503,226	- 1,327,140	The variance is due to closing payables of ksh 1,552,080 and opening payables of ksh 224,940 as explained under note 20 of the Financial statements
Insurance	6,083,858	5,227,084	856,774	The variance is due to closing prepayment of ksh 1,102,606, opening prepayments of ksh 186,738 and closing payables of ksh 59,094 as explained under note 14 & 20 of the Financial statements
Communication	657,687	607,406	50,281	The variance is due to closing inventories of ksh 67,196 and opening inventories of ksh 16,915 as explained under note 16 of the Financial statements
Local travel and transport cost	5,239,936	5,239,936	-	
Air ticket	858,390	969,360	- 110,970	The variance is due to closing payables as explained under note 20 of the Financial statements

*The Universities Fund
Annual Reports and Financial Statements
For the year ended 30 June, 2022.*

Office General supplies	1,347,312	1,096,019	251,293	The variance is due to closing inventories of ksh 363,828, opening inventories of ksh 103,130 and closing payables of ksh 9,405 as explained under note 16& 20 of the Financial statements
Printing and publishing	876,939	458,020	418,919	The variance is due to closing inventories of ksh 991,889, opening inventories of ksh 252,420 and closing payables of ksh 320,550 as explained under note 16& 20 of the Financial statements
Hospitality	680,072	680,072	-	
Fuel and lubricants	1,600,000	770,297	829,703	The variance is due to closing prepayment of ksh 988,703 and opening prepayments of ksh 159,000 as explained under note 14 of the Financial statements
Training and capacity building	6,516,034	5,334,634	1,181,400	The variance is due to closing receivables as explained under note 15 of the Financial statements
Membership and subscriptions	63,760	63,760	-	
Rent and rates	3,852,360	3,852,360	-	
Telephone, internet and mobile services	563,193	325,243	237,950	The variance is due to opening payables as explained under note 20 of the Financial statements
Advertising and publicity	2,128,077	3,542,581	- 1,414,504	The variance is due to closing payables as explained under note 20 of the Financial statements
Conference, seminars and workshops	2,872,890	3,076,890	- 204,000	The variance is due to closing payables as explained under note 20 of the Financial statements
Newspapers and periodicals	73,604	73,604	-	
Postage Courier	21,690	21,690	-	
CSR	98,480	98,480	-	
Sanitary and cleaning accessories	-	-	-	

The Universities Fund
Annual Reports and Financial Statements
For the year ended 30 June, 2022.

Staff welfare	-	-	-	-	-
Recruitment	480,000	-	480,000	-	-
Legal Fees	-	-	-	-	-
Audit Fees	200,000	400,000	-	200,000	The variance is due to closing payables of ksh 400,000 and opening payables of ksh 200,000 as explained under note 20 of the Financial statements
Bank charges	304,707	304,707	-	-	-
Repair and maintenance	778,818	778,818	-	-	-
DMS	38,400,000	48,000,000	-	9,600,000	The variance is due to closing payables as explained under note 20 of the Financial statements
Software, licenses and connectivity	2,473,872	4,543,872	-	2,070,000	The variance is due to closing payables as explained under note 20 of the Financial statements
Purchase of furniture	3,378,942	3,061,000	317,942	-	The variance is due to Opening payables as explained under note 20 of the Financial statements
Purchase of computers, printers	27,307,295	27,307,295	-	-	-
Purchase of motor vehicle	20,290,000	20,290,000	-	-	-
Storage facilities	-	-	-	-	-
Work and renovations	-	-	-	-	-

